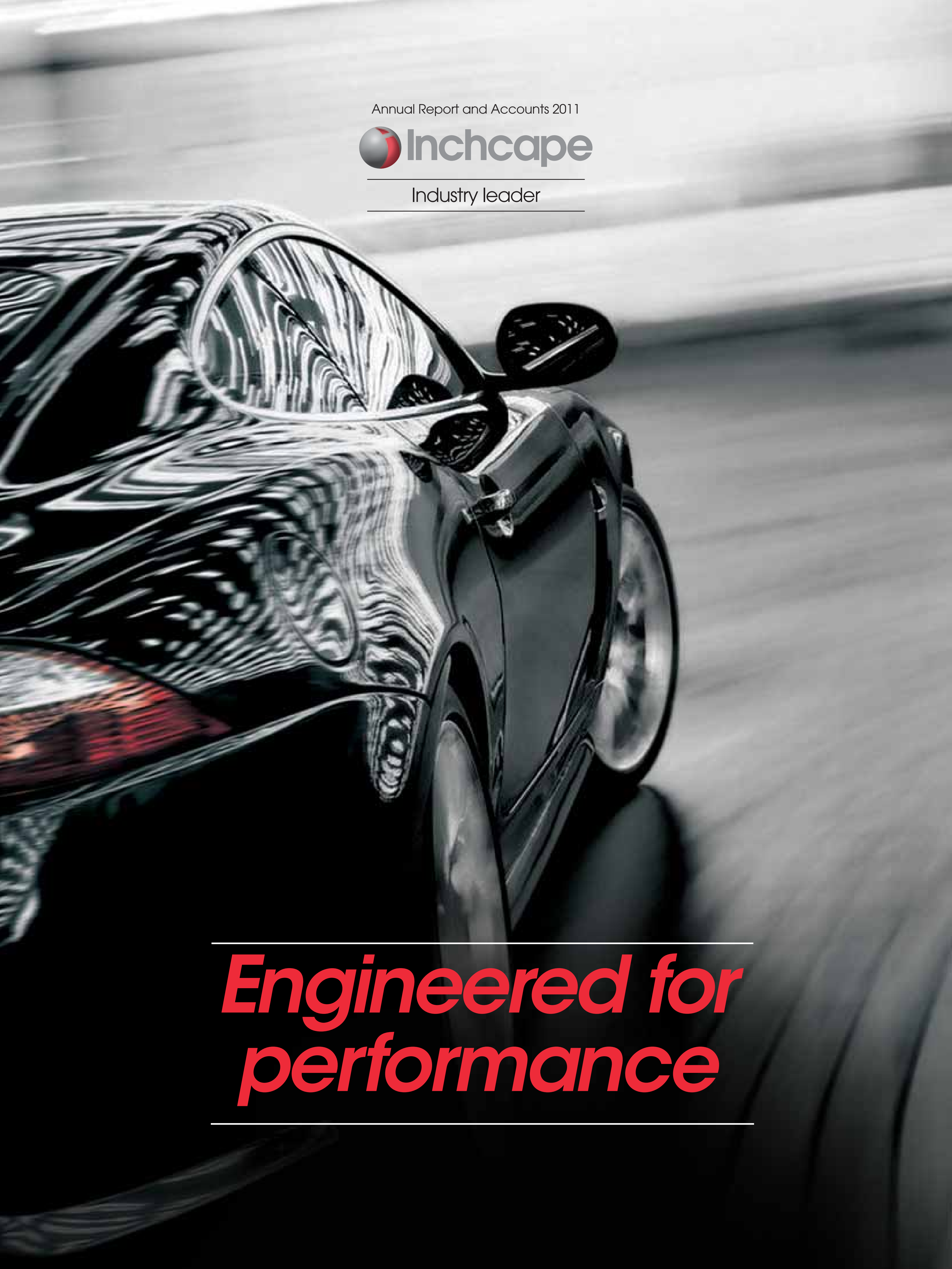
Annual Report and Accounts 2011

Inchcape

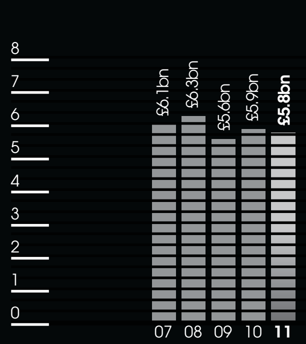
Industry leader



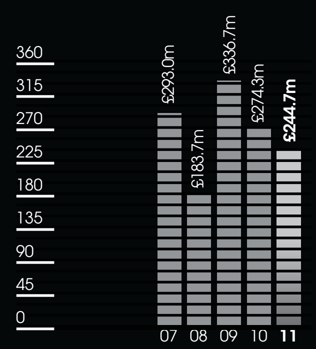
Engineered for performance

Financial highlights
Inchcape delivers robust EPS growth

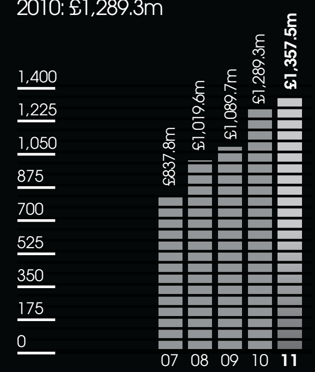
Sales
£5.8bn
2010: £5.9bn



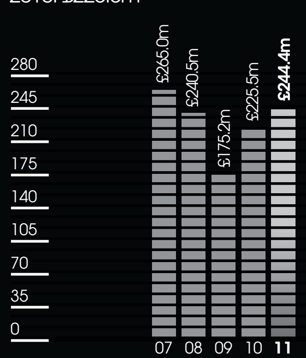
Cash flows from operating activities
£244.7m
2010: £274.3m



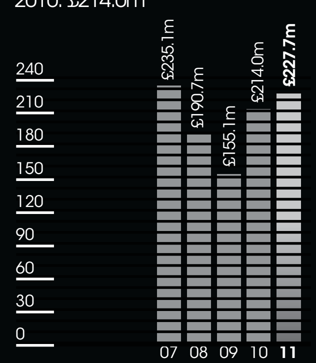
Net assets
£1,357.5m
2010: £1,289.3m



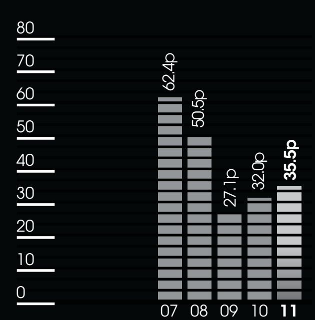
Operating profit (before exceptional items)
£244.4m
2010: £225.5m



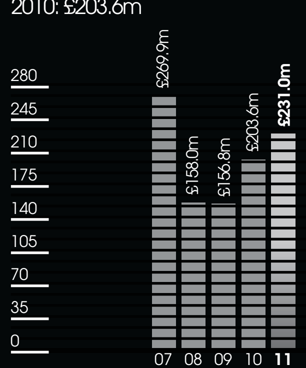
Profit before tax (before exceptional items)
£227.7m
2010: £214.0m



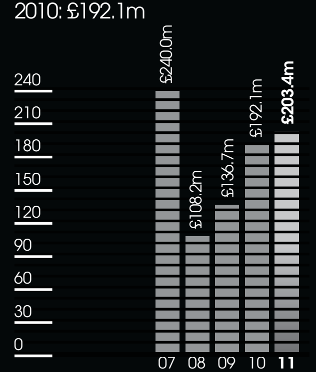
Adjusted earnings per share* (before exceptional items)
35.5p
2010: 32.0p



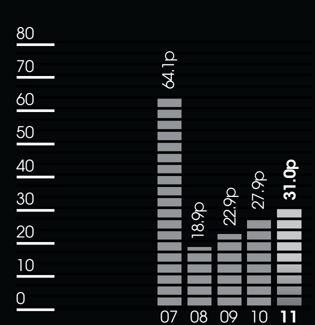
Operating profit
£231.0m
2010: £203.6m



Profit before tax
£203.4m
2010: £192.1m



Earnings per share*
31.0p
2010: 27.9p



* 2007/08/09 numbers restated to reflect the bonus element of the Rights Issue and the Share Consolidation

Global industry leader operating in the luxury and premium automotive market.

Strengthened industry position during the downturn and robust earnings recovery as of 2010.

Business geared to deliver significant operational leverage as we grow the top line.

Uniquely positioned to benefit from premiumisation of fast growing Asia Pacific and the Emerging Markets.

Scale brand partner relationships and strong balance sheet to leverage consolidation opportunities.

Contents

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Shareholder information

Online driver/reporting format

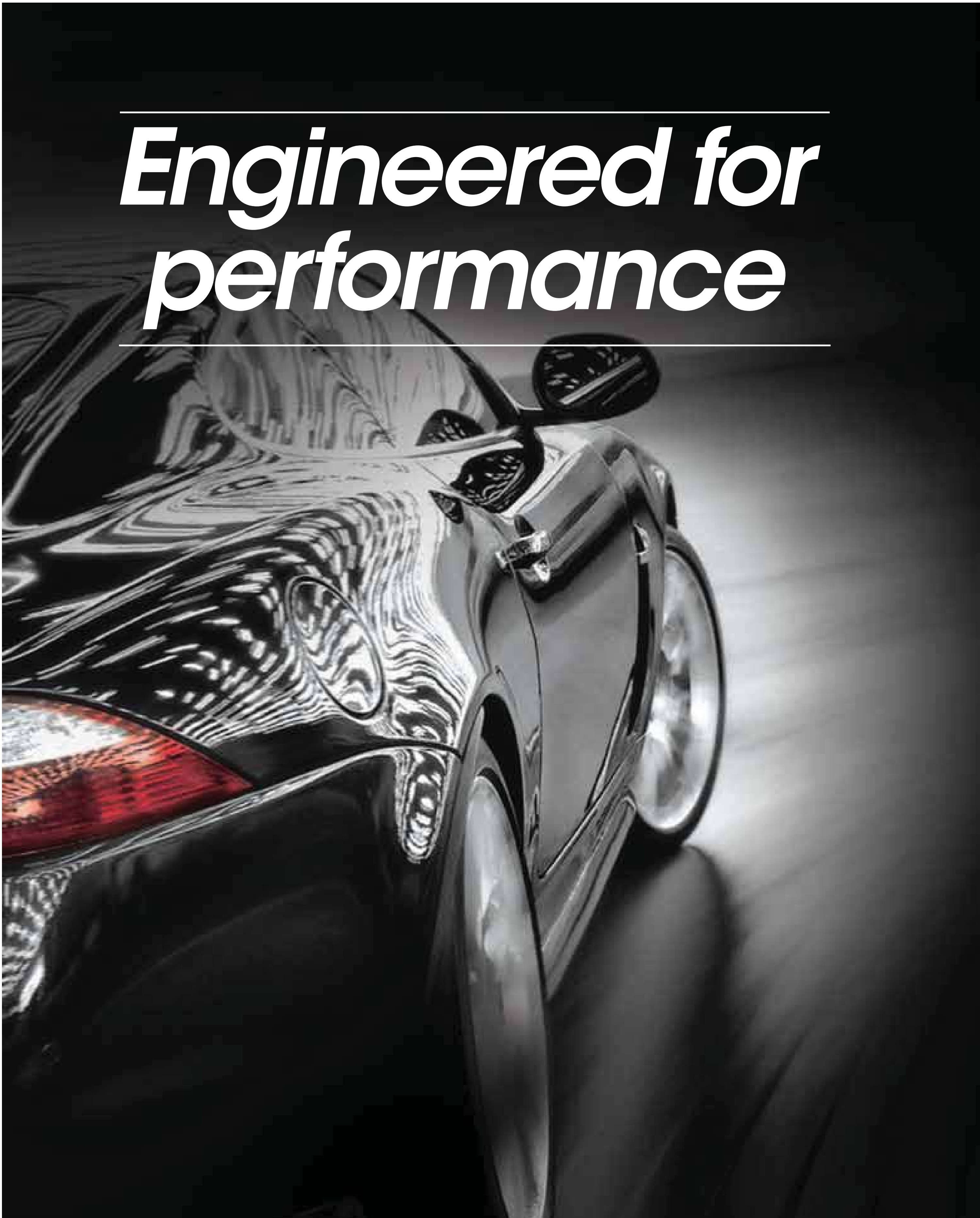
We continue to minimise the environmental impact of our printed report by reducing the print run, length and weight of paper used, while aiming to raise the quality of reporting, level of disclosure and effectiveness of communication.

Our online offering has been improved and our new 'Reporting Centre' allows visitors to view and download the Annual Report, link to further information in the corporate website, and view videos about our business. We have also added a new and interactive 'Year in Review' section that communicates about our current positioning in the market.

We hope you find the online format easy to use and are assured that the same quality of reporting is maintained in print and online.

See online:
www.inchcape.com/reportingcentre
www.inchcape.com/annualreport2011
www.inchcape.com/yearinreview2011

Engineered for performance



Inchcape is engineered for performance and poised to take advantage of the exciting growth opportunities in both emerging and developed markets.

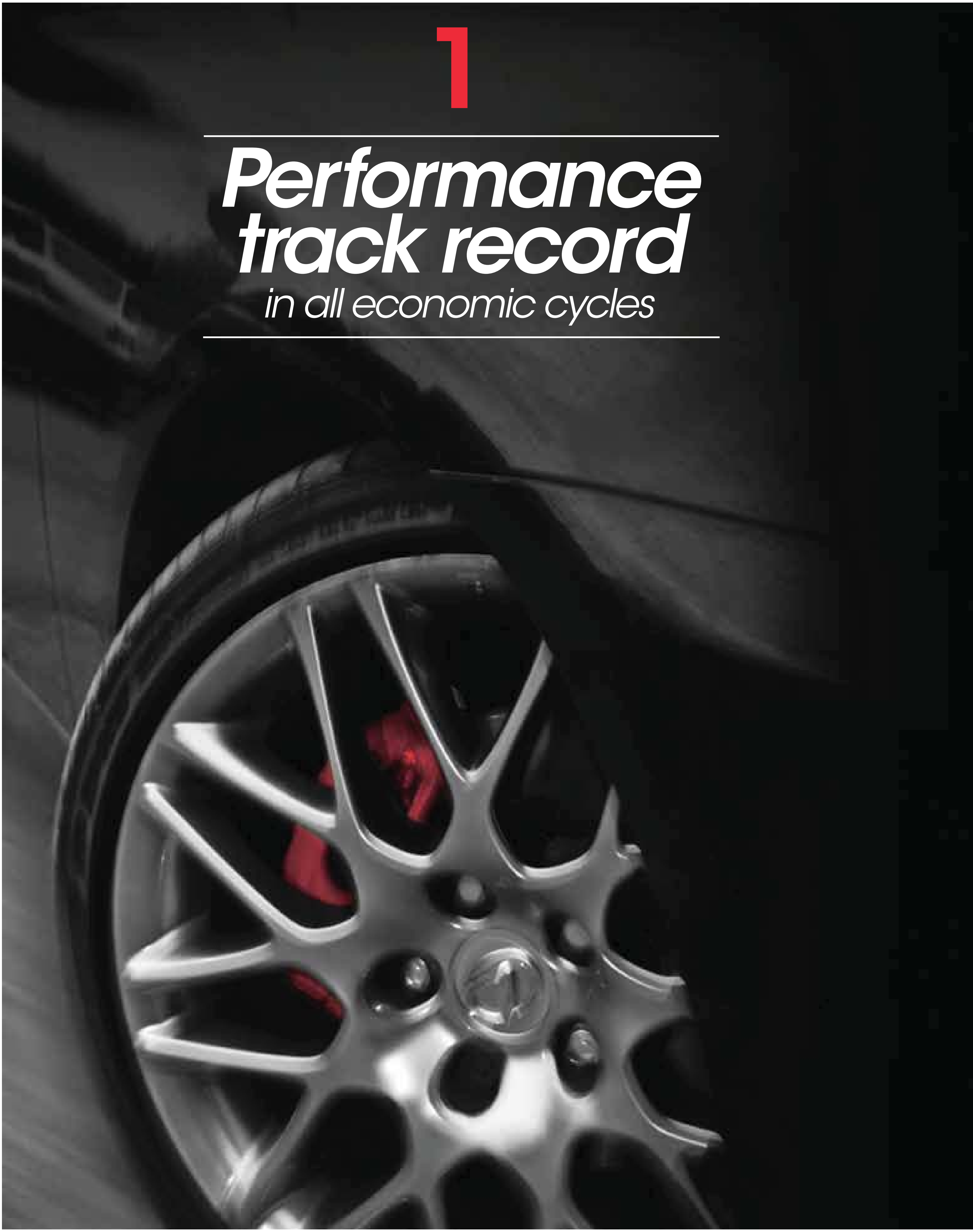
We apply rigorous performance monitoring to a range of operational and customer metrics, allowing us to respond quickly and decisively to global conditions. We are geared to deliver significant operational leverage across the business.

In this year's Annual Report, we emphasise how we deliver performance as we execute our Customer 1st Strategy.

Inchcape is truly engineered for performance and has a competitive advantage in the following areas:

1

Performance track record
in all economic cycles



Inchcape's unique and proven business model has five key components: a broad geographic spread with scale operations; a focused portfolio of world leading luxury and premium automotive brands; a well financed route to market for our brand partners; growth and defensive value drivers; and empowered local management. Together, these have secured our performance track record through all economic cycles.

The Inchcape business model

Proven business model in global premium car markets with strong performance in all cycles.

Broad geographic spread

We operate in 26 markets, with 21 of these in the world's fast growing economies of Asia Pacific and the Emerging Markets. While the mature nations of Western Europe are projected to continue recording steady growth in luxury and premium car sales from 2012 to 2015 and beyond, rapid and sustained growth is forecast from the premiumisation in the Asia Pacific region and other emerging nations. These markets are set to become the greatest drivers for Inchcape's growth in the next decade, as countries like China and Russia further cement their place among the top global automotive markets.

Portfolio of world leading luxury and premium brands

Our unique portfolio of leading luxury and premium automotive brands includes Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, Porsche, Rolls-Royce, Subaru, Toyota and Volkswagen. Luxury and premium brands continue to be the driving force of growth in automotive sales, outperforming other segments in the majority of markets with innovative developments in powertrains and environmental research.

Well financed route to market

Inchcape plays a key role in the automotive value chain, providing a trusted and well-funded route to market for our brand partners. Through our retail route, we provide manufacturers with quality brand representation with scale facilities on a regional basis. Our competitive differentiation is the creation of a superior customer experience delivered through the proprietary processes of our Inchcape Advantage programme.

Our distribution route involves a wider range of critical functions carried out on behalf of our brand partners, including many activities that in other markets would be carried out by the manufacturer themselves. As the distributor, we operate as the manufacturer's exclusive master-franchise partner in a particular territory. We carry out all of the marketing and sales activities, from selecting market-specific models, setting prices, ordering new cars and parts and their subsequent distribution, to appointing and managing the entire dealer network (of which we typically own 10-20% ourselves). We also undertake national marketing activities, including brand advertising, public relations and customer database management and the fulfilment of back-office functions.

In city-state markets such as Hong Kong and Singapore, we operate both as the exclusive distributor and the exclusive retailer for our brand partners. Called vertically integrated retail (VIR), this enables us to capitalise on important margin opportunities.

Growth and defensive value drivers

Our diversified revenue streams are balanced to deliver strong margins during times of economic growth and decline alike. Our 'growth' value drivers are sales of new and used vehicles, alongside the finance and insurance products that are associated with them. Inchcape's 'defensive' value drivers are aftersales, servicing and parts, which in an average year deliver c.50% of our annual gross profit.

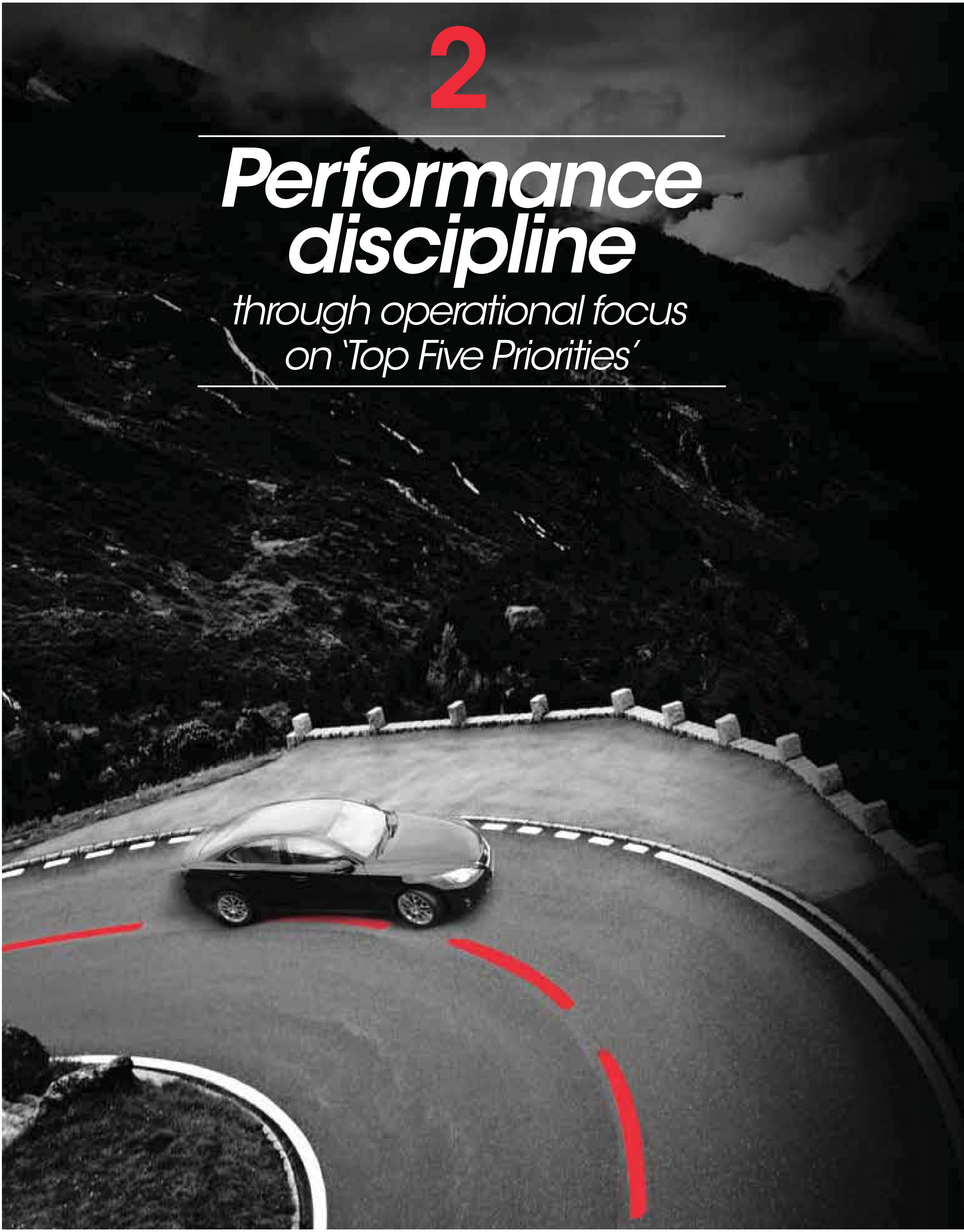
Empowered organisation is responsive to market changes and aligned on global processes

Our decentralised management structure enables local management teams to use their in-depth personal knowledge of individual markets within a globally aligned group structure. Our scale enables investments in world-class Group wide information systems, shared best practice and advanced business processes while our in-depth market knowledge and the ability to respond swiftly and decisively to fast-changing conditions gives us important advantages in our local markets. Therefore our organisational model provides the benefits of both global scale and local agility, enabling us to compete both in local markets and worldwide, through all stages of the economic cycle.

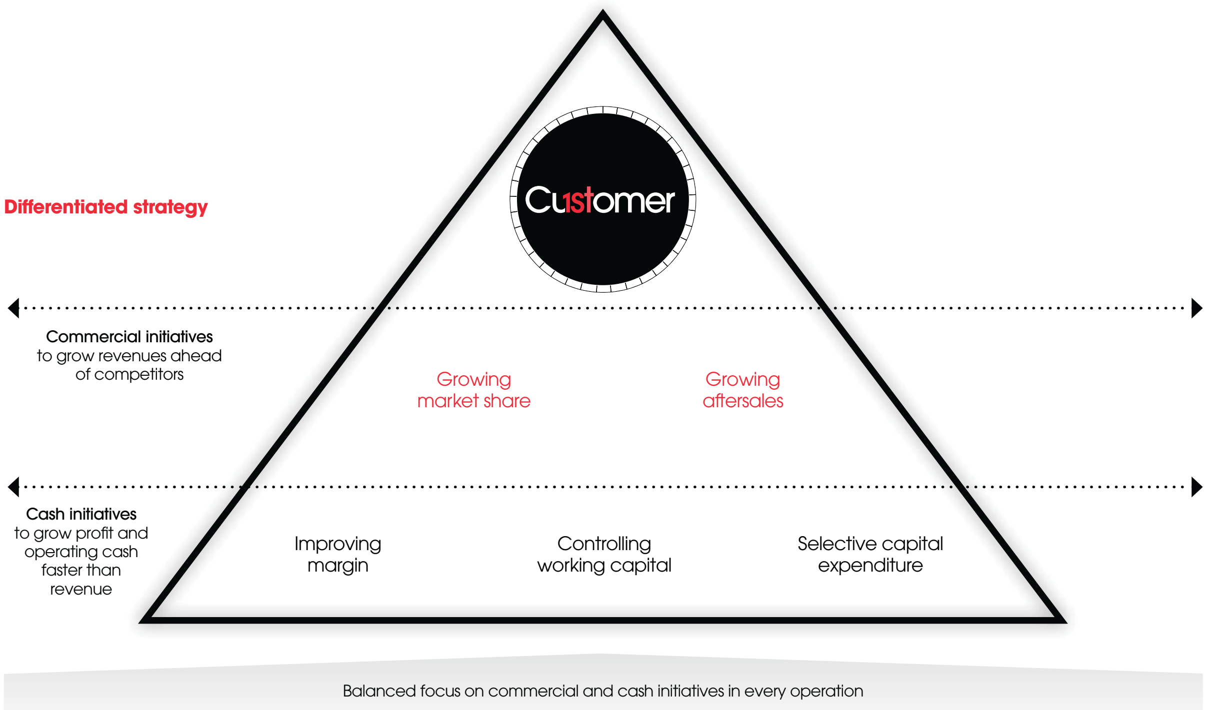
2

Performance discipline

through operational focus on 'Top Five Priorities'



Inchcape's organic growth through the downturn, with peak operating cash flow during 2009, strong earnings recovery in 2010 and robust profit growth in 2011, owes much to the Group's balanced operational focus on its 'Top Five Priorities', which supports its differentiating Customer 1st strategy. This performance discipline will remain in place in 2012 and beyond.



Commercial initiatives

Commercial initiatives designed to increase both our market share and our aftersales operations are growing Group revenue ahead of the competition. Our local marketing teams are recognised for their innovative marketing programmes which are driving customer traffic into our showrooms and aftersales customers into our service centres.

Growing market share

Vehicle sales initiatives dovetail into our Inchcape Advantage programme to make the retail visit a special experience, from the initial welcome and a flexible test drive programme all the way through to a memorable car handover process.

Growing aftersales

In aftersales too, creative programmes, such as our digital vehicle health checks, express service and oil and tyre programmes, ensure a differentiated customer experience based on trust and integrity. Our marketing focus on achieving higher customer retention in the post warranty period is proving successful.

Cash initiatives

Our cash initiatives are designed to grow profit and operating cash faster than revenue and these are driven by focused performance management processes based on daily, weekly and monthly operational and financial metrics.

Improving margin

Gross margin is improved with careful value driver mix management, based on rigorous benchmarking, while overheads are tightly controlled through a constant focus on improving productivity, returns on marketing investments and costs.

Controlling working capital

We remain resolute on our working capital discipline with proven processes in place to effectively manage the supply chain to 1.5 months stock cover across the Group.

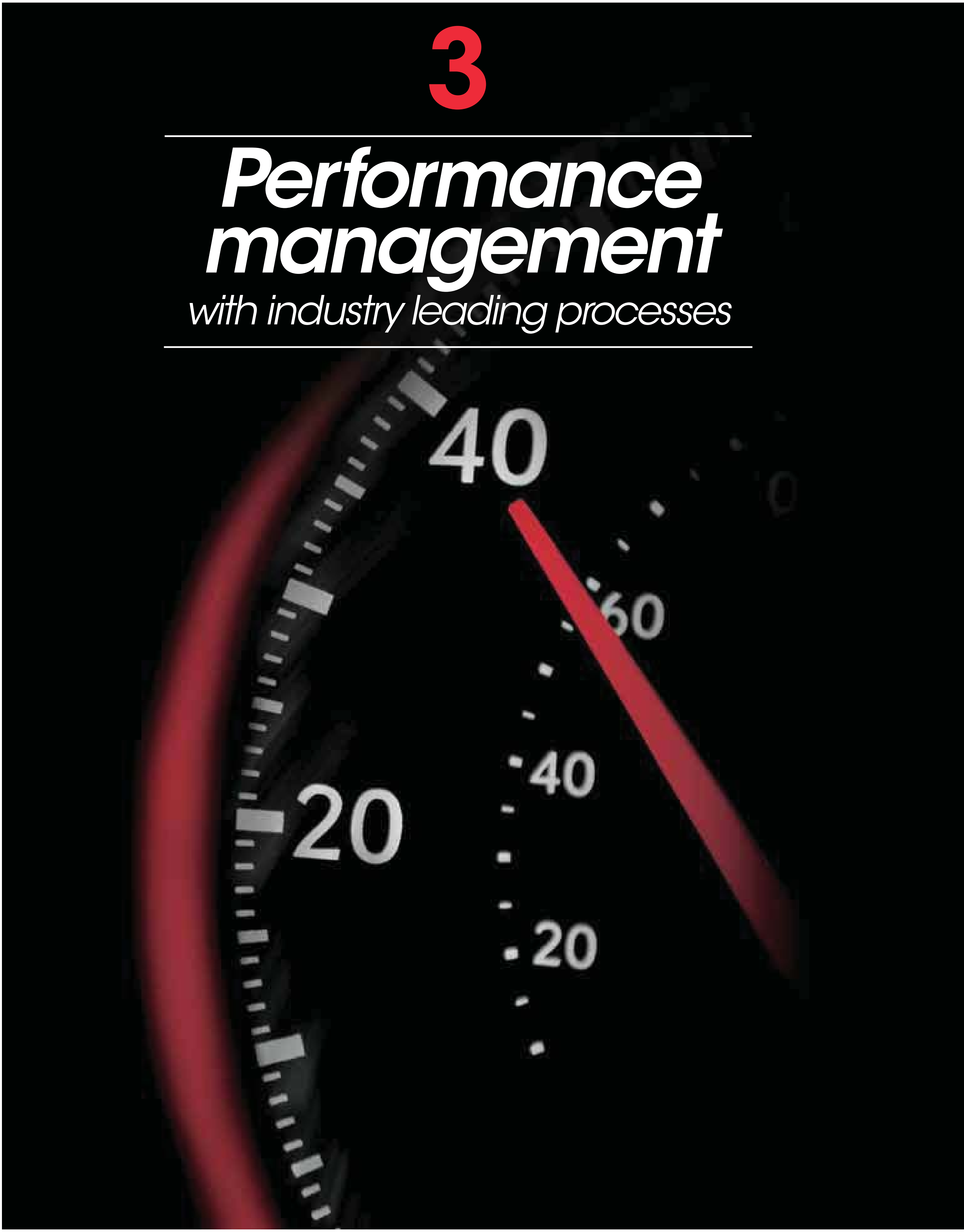
Selective capital expenditure

During 2011, our strong financial position enabled us to maintain our investment programme in strategic sites to take advantage of growth opportunities in the premium and luxury segments in Asia Pacific and the Emerging Markets, as we continued to invest in increasing our retail and aftersales capacity in Russia, Poland, South America and China. In 2012, we will build a new Porsche retail centre in Nanchang, China. We are well placed to take advantage of future opportunities in these high growth, high margin markets.

3

Performance management

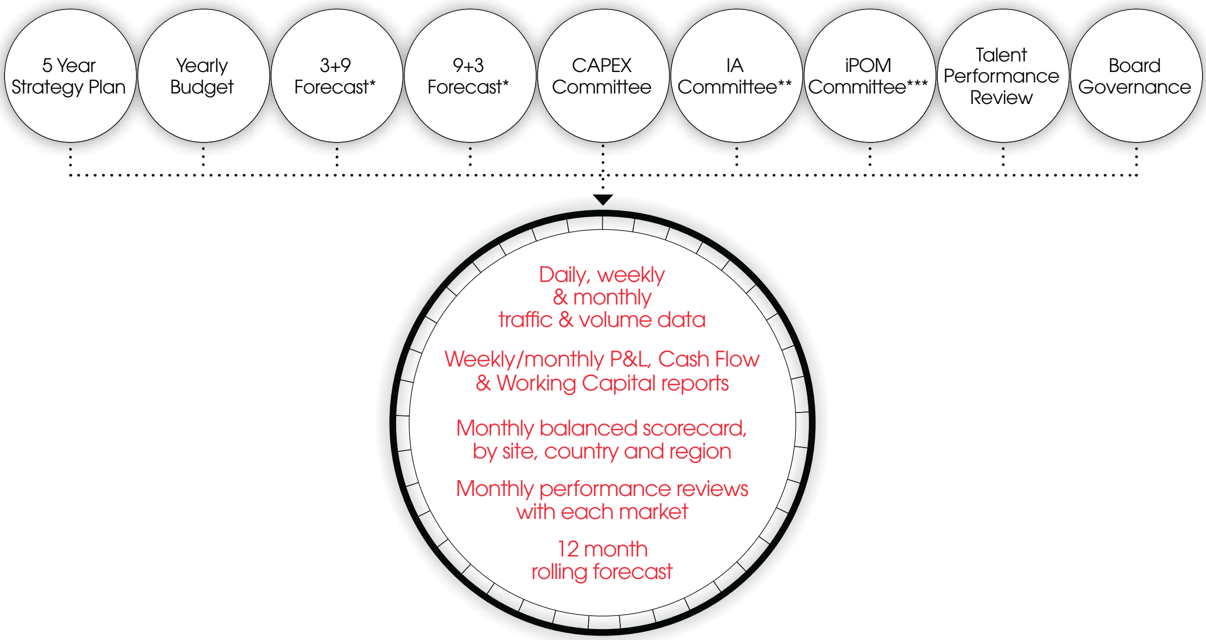
with industry leading processes



The Group has a deeply ingrained performance management discipline both centrally and locally – in breadth and in depth. We consider this to be fundamental to the Group's success. The processes we operate are comprehensive and completed in a timely manner in order to inform the business for greater operational efficiency. It is an approach which combines central governance alongside tools for strong and knowledgeable local management to respond rapidly and effectively to the changing individual needs of their specific markets.

We apply a consistent approach to operational and financial metrics right across the Group as evidenced by our balanced scorecard, by region, as part of our monthly reporting. This highlights the key metrics to management and enables rigorous benchmarking alongside performance tracking.

Inchcape Performance Management Cycle



Global governance

There is certainly breadth to our performance management approach. Our strategic, long and short term financial planning sits alongside committee structures for capital expenditure approval and monitoring, customer management (Inchcape Advantage), risk management (iPOM Inchcape Peace of Mind), talent performance and of course, the governance of a strong Board of Directors.

Local insights

The depth of our approach starts with our unique Inchcape Advantage portal with real-time customer metrics for both sales and aftersales for every single site and flows through to Group-level weekly and monthly financial metrics, monthly business performance reviews held between the Group and Market CEOs and regional 12 month rolling forecasts.

* Full year forecast once a year: Q1 actual + 9 months in 3+9; 9 months actual + Q4 in 9+3

** Inchcape Advantage Committee is responsible for the development of this core strategic programme

*** Inchcape Peace of Mind Committee is responsible for risk management

4

Performance advantage

for customers with ever better cars and superior customer service

Customer service has successfully differentiated us from our competitors through our Inchcape Advantage programme, which enables us to constantly evolve and refine our operational processes based on the findings of 12,000 interviews that we undertake every month with both customers and non-customers. This close customer contact additionally provides insight to drive strong marketing programmes to differentiate our 'value for money' propositions. Inchcape Advantage lies at the heart of our competitive advantage and empowers our core purpose to create the ultimate customer experience for our brand partners.

Our brand partners

Inchcape is unique in the range of long-standing and deep brand partnerships we enjoy with the world's leading premium and luxury motor manufacturers. These companies represent the fastest growing sales sector in mature and emerging markets alike, right across the world. In addition, we operate in 21 of the world's fast growing markets in Asia Pacific and the Emerging Markets. These two factors combine to ideally place us to meet global demands for automotive innovation, a primary driver of growth among the fast expanding middle classes in developing countries across the Asia Pacific region and elsewhere.

Technical innovations are driving growth

Ever increasing demand for innovations that drive down the cost of ownership is fundamental to the continuing popularity of the leading automotive brands with which we work. Our brand partners' investments in research and development have placed them at the forefront of improvements in environmental technologies, safety, reliability and connectivity.

Superior customer service

Excellent service is key to a customer's perception that the value derived from a transaction is greater than the price that they have paid, a factor that our research reveals is of increasing importance in the purchase decision. Our outstanding customer service is proving to be a winning factor in sales conversion and customer retention.

Attractive 'value for money'

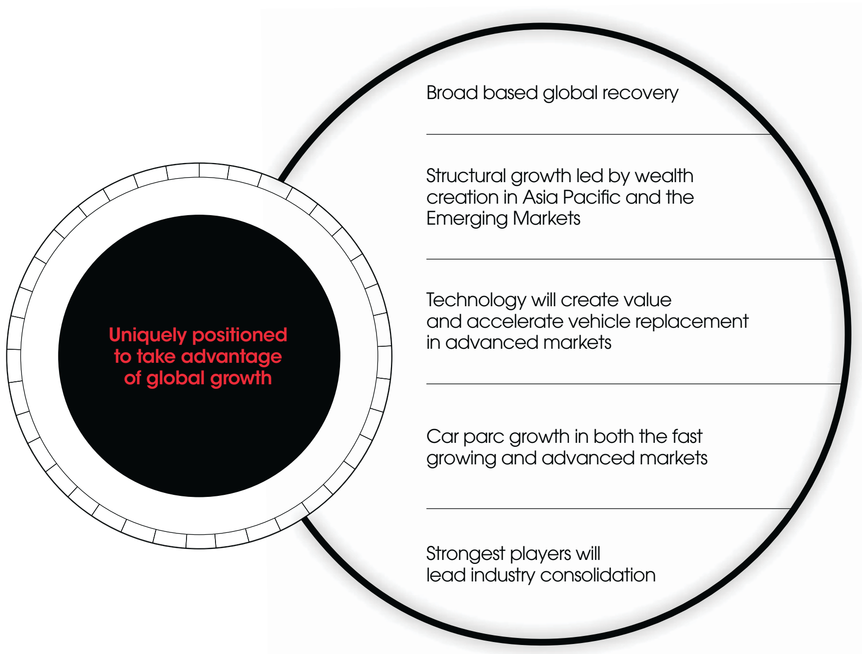
We have proven marketing capability in our distribution businesses. Marketing excellence combined with a deep and sophisticated local knowledge in the markets in which we operate allows us to leverage the strong pricing power of our brands and deliver attractive 'value for money' campaigns.

5

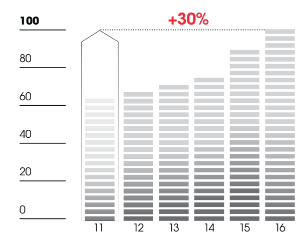
Performance ahead

with exciting growth prospects

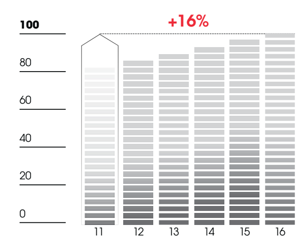
Inchcape's business model and balance sheet strength ideally position us to benefit from five important global trends that will dominate the automotive industry, which is projected for high growth in the years to come, enabling us to return to peak earnings and beyond. These trends are particularly significant for Inchcape as we have the scale and global presence, market leadership position, high quality brand partnerships and the financial strength to fully capitalise on them.



Global TIV (m)
Global car sales are forecast to grow significantly*



Global car parc (m)
Number of cars on the road globally forecast to increase**



* source: IHS Automotive
** source: LMC Automotive

Broad based global recovery
It is evident that the global economic recovery will continue to be uneven. That said, the forecast for the total car market is exciting as the global industry is geared for 30% growth over the next five years (source: IHS Automotive). Given our geographic spread, we are well positioned to benefit from this uneven recovery.

Structural growth led by wealth creation in Asia Pacific and the Emerging Markets
Structural growth in the industry will be led by wealth creation in Asia Pacific and the Emerging Markets. With our strong portfolio of luxury and premium brands, Inchcape is uniquely positioned to take advantage of the premiumisation of these markets as consumers increasingly aspire to better lifestyles.

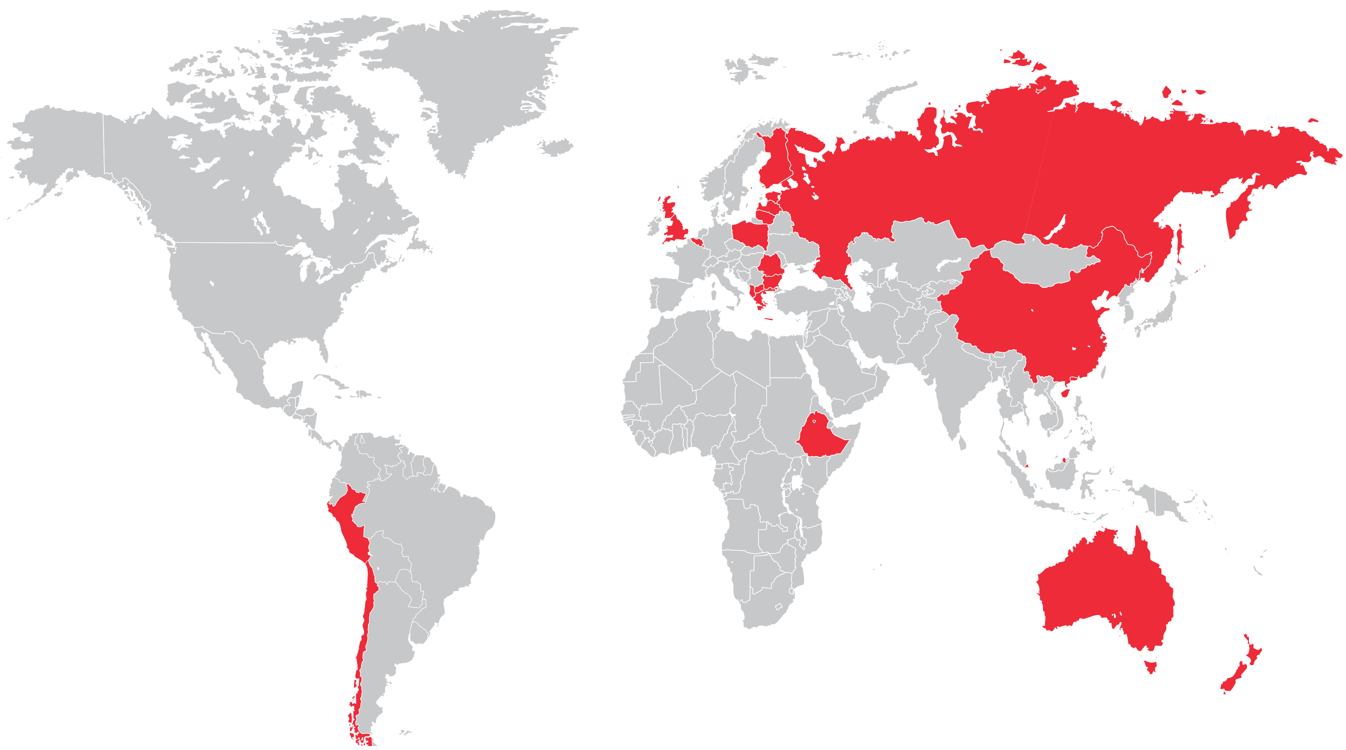
Technology will create value and accelerate replacement in advanced markets
In advanced markets, new technology will create value and drive vehicle replacement. Inchcape's leading luxury and premium brand partners are at the forefront, with their leading-edge development of hybrid and electric vehicles and fuel efficient technology for both diesel and petrol engines.

Car parc growth in both the fast growing and advanced markets
Research shows that the global car parc, comprising new and used cars, is set to grow by 16% over the next five years (source: LMC Automotive). While this is an obvious driver of our continued growth through the sale of new and used vehicles, its significance for us is further strengthened through the opportunities it provides for the sale of finance and insurance products and for aftersales servicing through the whole ownership life-cycle as the car parc increases.

Strongest players will lead industry consolidation
The strongest and well capitalised players in the industry will continue to lead its consolidation. Inchcape is well positioned to gain access to these expansion opportunities, benefiting from our long standing and close relationships with the world's leading manufacturers, a proven track record of effective brand stewardship across five continents and a strong balance sheet. This is evidenced by our newly won distribution contract with Land Rover and Ford in Hong Kong and Macau and exclusive representation of Rolls-Royce in Chile.

Inchcape worldwide

Global footprint uniquely positions Inchcape for future growth



Australasia

Inchcape is the distributor for Subaru in Australia and New Zealand and operates a multi brand retail strategy in Australia.

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Financial highlights

Sales

£1,011.0m

2010: £1,030.3m

Trading profit

£55.3m

2010: £62.5m

Brand partners

Market channels

Europe

Inchcape operates distribution and retail across four western European markets – Belgium, Greece, Finland and Luxembourg.

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Financial highlights

Sales

£806.0m

2010: £870.9m

Trading profit

£24.0m

2010: £27.8m

Brand partners

Market channels

North Asia

Inchcape operates a multi brand VIR model in Hong Kong, Macau, Guam and Saipan.

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Financial highlights

Sales

£433.3m

2010: £430.6m

Trading profit

£42.0m

2010: £34.0m

Brand partners

Market channels

See online:
www.inchcape.com/ar11

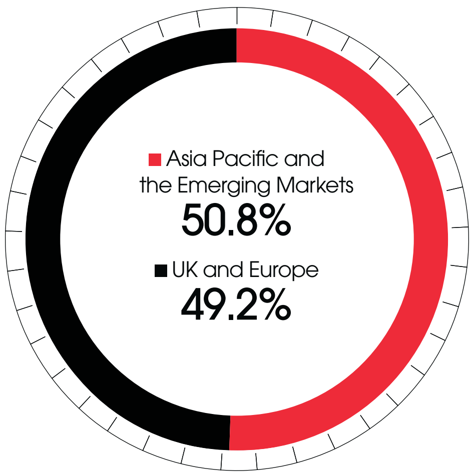
Key

Distribution

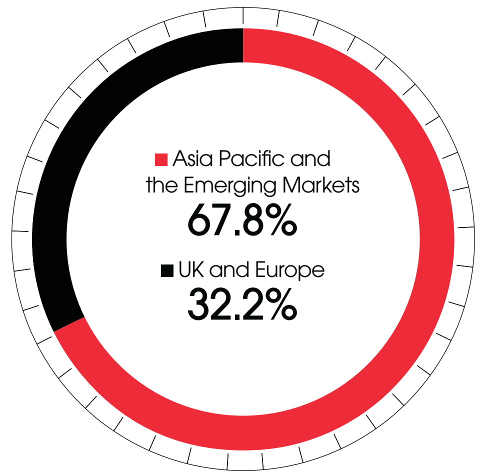
Retail

Vertically integrated retail (VIR)

Contribution to Group by Sales (%)



Contribution to Group Trading Profit (%)



South Asia

Inchcape operates a multi brand VIR model in Singapore and Brunei.

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Financial highlights

Sales

£296.2m

2010: £371.8m

Trading profit

£26.0m

2010: £36.1m

Brand partners

Market channels

United Kingdom

Inchcape operates a scale retail business with premium brand partners in key regions together with a fleet leasing business.

See page 29

Financial highlights

Sales

£2,059.3m

2010: £2,125.8m

Trading profit

£60.4m

2010: £55.9m

Brand partners

Market channels

Russia and Emerging Markets

Inchcape operates a VIR model in the Baltics, Africa and South America, distribution and retail in the Balkans, and retail in Russia, China and Poland.

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Financial highlights

Sales

£1,220.5m

2010: £1,056.0m

Trading profit

£54.1m

2010: £31.8m

Brand partners

Market channels

Chairman's statement
Inchcape has delivered robust earnings growth in 2011

In a year that has been characterised by challenging conditions in many developed markets countered by strong demand and industry growth for premium vehicles in Asia Pacific and the Emerging Markets, I am pleased to report robust results for 2011 coupled with a strong year end net cash position. Inchcape has delivered ahead of expectations in the UK and Europe as well as achieving excellent results in our Asia Pacific and Emerging Markets despite the supply issues faced following the Japanese earthquake in March.

Performance

Group sales decreased by 1.0% to £5.8bn for the full year to 31 December 2011 largely as a result of the temporary supply constraints from the March earthquake and tsunami in Japan which affected our Subaru distribution business in Australasia and our Toyota/Lexus operations in Europe and Asia, combined with the challenging market conditions in Greece and the UK. On a like for like, constant currency basis, sales decreased by 1.7%.

Our swift and decisive actions to strengthen and protect the business in response to the global downturn since the last quarter of 2008 have significantly reduced our cost base. In the fourth quarter of 2011 we announced further productivity initiatives to offset the impact of inflation on our global cost base in 2012. The Group remains focused on tight cost control throughout its operations.

Our 4.5% Group trading margin is a 30bps improvement on last year and only 40bps below our 2006 peak. Given that like for like revenues are significantly below our historical peak this is a great result, highlighting the emphasis on performance management and the potential for the Group to gain from operating leverage.

Profit before tax and exceptional items of £227.7m was 6.4% higher than 2010 and adjusted earnings per share rose by 10.9% to 35.5p. On a statutory basis, profit before tax was £203.4m, 5.9% above 2010. Cash generated from operations during the year was £244.7m which represents a 105.9% conversion of statutory operating profit.

Capital expenditure

Following two years of reduced capital expenditure the Group invested at a greater level in 2011 while continuing to be selective and specific in our spending, in line with our Top Five Priorities. We have expanded our capacity in Chile, Peru, Poland and Russia; where we also opened new sites in Moscow for BMW and Land Rover in 2011. We have made further strategic greenfield investments in China, with our new 3S Jaguar Land Rover site in Shaoxing and are building a new site with Porsche in Nanchang. We are also building a new Porsche site in the UK.

Board

Following seven years with the Group, Michael Wemms retired in May 2011. Michael has been a valuable member of the Board, bringing a depth of knowledge and experience to his role as Chairman of the Remuneration Committee. Michael stepped down from the Remuneration, Audit, Nominations and Corporate Responsibility (CR) Committees at the beginning of the year. I would like to thank Michael for his contribution during his time with the Group.

Vicky Bindra joined the Board on 1 July 2011 and Till Vestring joined the Board on 1 September 2011. I am delighted with the new appointments as these bring valuable international and Asian expertise to the Board.

Dividend

The Board is pleased to recommend a payment of a final dividend for the year ended 31 December 2011 of 7.4p per share (2010: 6.6p). This gives a total dividend for 2011 of 11.0p per share.

Approach to governance and CR

We see governance as an evolving set of principles and the Annual Report gives the Board an opportunity to communicate how we have incorporated these principles to underpin the delivery of the Group's strategy. The Corporate Governance Report on pages 41 to 50 aims to set out how we have structured the Board, how we have reviewed and evaluated ourselves and our processes, and what changes we have made to ensure the Board and its committees remain effective. In 2011 the CR Committee, responsible for the strategic direction of the Group's CR programme, continued to develop a global approach to making responsible economic, environmental and social behaviour fundamental to the way we work.

People

We have experienced another year of challenges and opportunities, and I wish to express my sincere thanks, on behalf of the Board, to all our colleagues across the Group for their outstanding commitment and support in 2011.

Outlook

Inchcape is uniquely positioned in the global car industry and while we remain cautious regarding the short term outlook in some of our markets, we expect to deliver another solid performance in 2012. The global recovery remains uneven with the European sovereign credit issues continuing to unsettle financial markets. We expect the trading environment to remain challenging in the UK and Europe as the various austerity measures are likely to affect consumer confidence and disposable income. However, we are well positioned to take advantage of the structural growth prospects driven by the premiumisation of consumer demand in Asia Pacific and the Emerging Markets.

Ken Hanna,
Chairman

Group Chief Executive’s strategic review

Engineered for performance

André Lacroix
Group Chief Executive

Our results for 2011 clearly demonstrate the resilience of our unique business model as we strengthened our profitability and balance sheet while continuing to grow market share around the world.

Sales	Operating profit before exceptional items	Profit before tax before exceptional items
£5.8bn	£244.4m	£227.7m
-1.0%	+8.4%	+6.4%

A strategy engineered for performance

Inchcape is a global industry leader in automotive distribution and retailing. We have deep relationships with the world’s leading luxury and premium brands and have scale operations in 26 markets. 21 of these are in the fast growing economies of Asia Pacific and the Emerging Markets with burgeoning new middle classes that are driving the robust growth of global industry volumes.

Our vision is to be the world’s most customer-centric automotive retail group driven by our Customer 1st strategy to both strengthen the performance of our existing assets through improved market share and aftersales service retention and, through the strong brand partner relationships that this creates, to gain access to expansion opportunities in high margin/high growth areas of the world. We operationalise this strategy to deliver organic growth through a disciplined focus on our ‘Top Five Priorities’, growing market share, growing aftersales, improving margins, controlling working capital and being selective about capital expenditure, and we drive consistently superior customer service in every site through the proprietary processes of our unique Inchcape Advantage programme.

Over the last three years, we have taken swift and decisive action to protect and strengthen our business against the impact of the economic downturn. These actions have supported the delivery in 2011 of strong profits for the Group, with EPS +11% year on year following 18% EPS growth in 2010. This was achieved despite a small decrease in revenue from the previous year, highlighting the effectiveness of our cost controls and governance at the Group, country and retail centre level.

Our results for 2011 clearly demonstrate the value of our international reach, which has successfully protected us against the uneven recovery of the global automotive market. During the year we witnessed strong growth momentum for luxury and premium vehicles in Asia Pacific and the Emerging Markets, although consumer confidence weakened further in the more mature and developed economies of the UK and Europe.

However in the UK, we benefited from our position in the market, as the luxury and premium segment continued to outperform in an increasingly competitive environment. This meant that we too outperformed the industry, managing to again win market share.

Against a difficult economic backdrop, it is pleasing to report that our disciplined approach to performance enabled us to grow market share in Europe during the year. We benefited from strong growth in Russia and Emerging Markets as we focused on meeting the aspirations of these economies’ fast-growing middle classes. All this was achieved despite significant supply difficulties due to the Japanese earthquake in the spring that affected our operations in Asia Pacific.

In 2011, we also made important strategic investments in our retail and aftersales capacity in a number of key markets including China, Russia, Poland, Peru and Chile, and we were awarded two strategically significant distribution contracts in Hong Kong and Chile. Our close relationship with our manufacturer brand partners and long standing track record of performance has given us access to expansion opportunities in these exciting growth markets.

We first entered China in 2007 with the three objectives of testing the retail unit economics, building a local organisation and establishing best practice operating processes. We achieved this by 2010 through three successful pilot operations, one in Shanghai and two in Shaoxing. 2011 saw further expansion in China, with two Jaguar Land Rover facilities in Shaoxing and the award of the highly prestigious retail franchise for Porsche in Nanchang, which is set to open in 2012. These are key elements of our strategy for China, which sees us target 20 retail sites in the next five years.

Looking to other newer markets for Inchcape, we have 22 retail centres in Moscow and St Petersburg. This reflects predictions that Russia will be Europe's largest – and the world's fourth biggest – car market within the next five years. Building a portfolio of scale businesses with our core brand partners in the fast-growing premium segment is the right expansion strategy for Inchcape in markets that are set to become the largest in the world.

During 2011 we were appointed as distributor for Land Rover and Ford in Hong Kong and Macau and as exclusive representative of Rolls-Royce in Chile, where we have complete responsibility for these brands within the markets. These successful gains clearly show that desirable distribution contracts are available to the right businesses with a proven track record of effective brand stewardship, a disciplined process to integrate acquisitions and a strong balance sheet.

Our strong performance for 2011 gives us a solid platform for growth into the future. We plan to take advantage of growth opportunities that arise in the global industry, leveraging our financial strength and long standing, deep brand partnerships.

Naturally, as we move forward we will continue to exercise strong control over our working capital and inventory management as a key aspect of our Top Five Priorities. But as the global middle class grows in both scale and buying power, we are a company whose structure and strategy make consistent growth over the years to come an achievable reality. This is the key benefit to being engineered for performance.

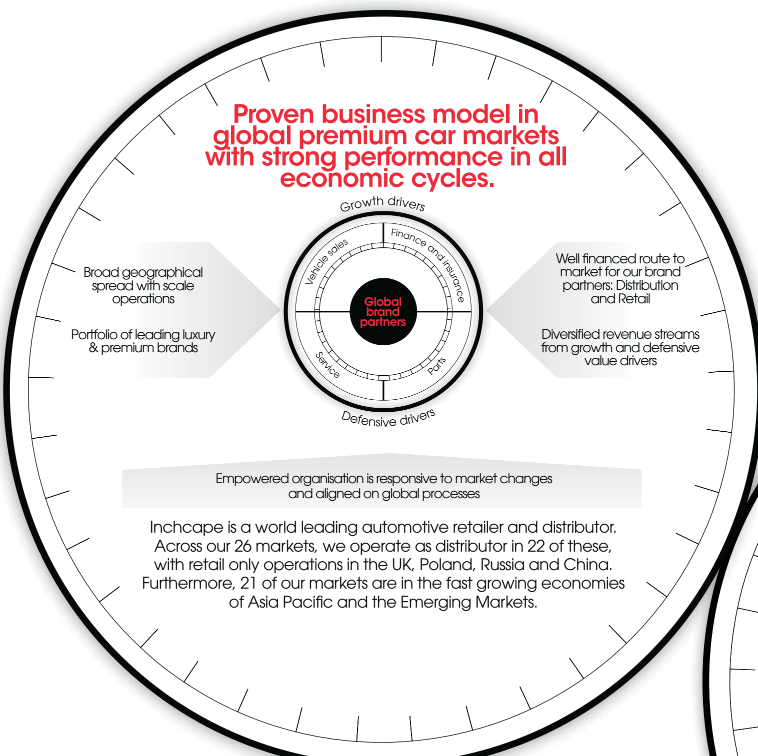
Looking ahead to 2012 and beyond, we will benefit from five unique strengths as we seek to engineer the best possible performance for our brand partners, customers and shareholders. A brief summary of these follows.

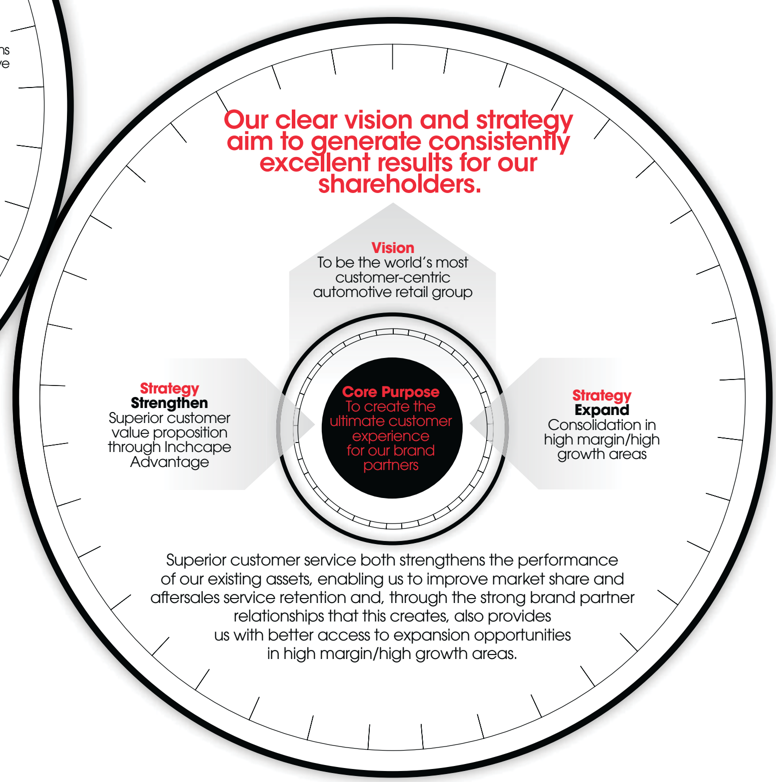
Performance track record in all economic cycles

Our unique business model is based on a number of key strengths and has played a key role in ensuring that the Group has, over the years, delivered a performance track record during growth, downturn and recovery cycles.

First, we have a broad geographic spread with scale operations in 26 markets, of which 21 are among the world's fastest growing Asia Pacific and Emerging Markets. In fact, Inchcape is the world's only

A strategy engineered for performance





automotive distribution and retail Group with scale businesses across five continents.

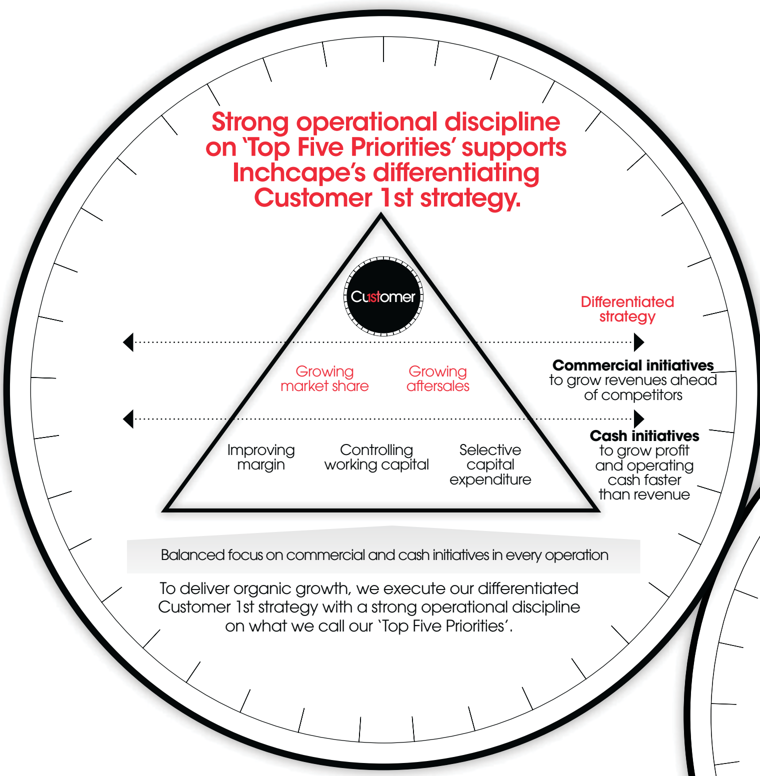
This geographic reach has been key to the six consecutive years of growth and strong returns we achieved prior to the downturn in 2008, peak operating cashflow in 2009, strong earnings recovery in 2010 and robust profit growth in 2011, despite challenging UK and European markets and the impact of the Japanese earthquake.

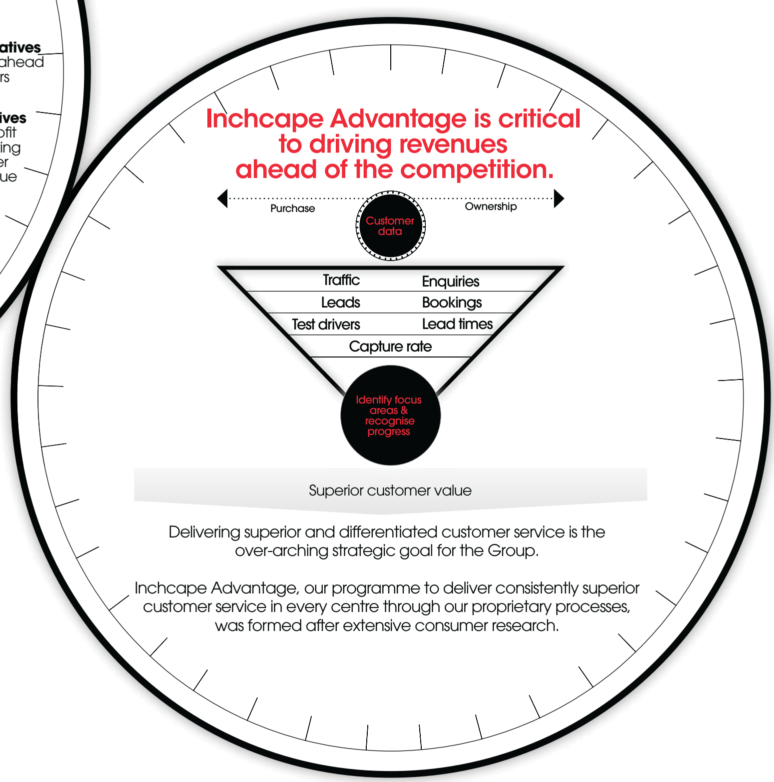
Second is the diversity of our revenue streams, covering both 'defensive' and 'growth' value drivers.

We generate around 50% of our gross profit from the 'defensive' value drivers of aftersales servicing and parts, which balance our 'growth' revenue streams of vehicle sales alongside finance and insurance products. Looking ahead, however, we believe that there is a great opportunity to expand our aftersales business significantly by not only growing new aftersales customer bases in our expanding emerging market operations but also by further building on our competitive strengths to retain an even higher proportion of customers following the expiry of their warranties.

Typically, the industry experiences a high proportion of aftersales customers leaving franchised centres once the vehicle warranty expires. Our approach is to concentrate additional marketing resource on customer retention, highlighting the tangible value of our state of the art onsite equipment, live links to manufacturer diagnosis and resolution systems, and the top level of training our operatives receive directly from our brand partners. In our Singapore business for example, this approach has resulted in more than double the percentage of customers who make us responsible for their vehicle servicing for six years and more.

We also leverage our industry leading service standards, based on our complete transparency with customers, which ensures we undertake no work without their prior agreement and understanding. In this way, we demonstrate that there is no better place to go than an Inchcape service centre throughout the entire life of a vehicle.





A further critical factor behind Inchcape's success is our decentralised organisation, which enables us to gain from the empowerment of highly knowledgeable local management who can respond rapidly and decisively to changing market conditions.

Alongside the global alignment of processes, controls, performance measures, governance and the sharing of best practice across the Group, this enables us to adapt rapidly and to tailor our approach precisely to the needs of each local market.

Performance discipline through operational focus on our Top Five Priorities

At Inchcape, we constantly seek to achieve a balance between commercial and cash initiatives to ensure we remain focused on growth while maintaining a disciplined approach to financial returns.

At the base of our business is the strength we gain through our close partnerships with the world's leading luxury and premium automotive brands. We maximise the opportunities these represent through focusing on what we call our 'Top Five Priorities', the elements of which ensure we grow our revenues ahead of our competitors through increasing market share and aftersales, while successfully growing profit and operating cash faster than revenue through improved margins, control of our working capital and by being selective about capital expenditure investment.

For example, since the global downturn of 2008 we have undertaken a number of separate rationalisations of our business to manage costs and strengthen our margins across the organisation. These have included the closure of underperforming and non-core retail sites, the move of a number of national head offices into cost-effective office suites above showrooms and a more disciplined approach to marketing that involves a greater emphasis on digital advertising with better commercial returns.

Such initiatives have seen us drive a particularly strong profit and cash performance over the last three years that demonstrates the defensive strengths of our business model.

Looking ahead, while we recognise the need to invest in the increase of our revenues and profitability in the years to come, we will not relax our focus on tight cost and cash controls, even in already strong economies or those markets moving out of downturn and into recovery.

One of the main reasons we were able to improve our competitive position during the economic downturn, which has seen many of our competitors either suffer long term damage or fail altogether, was the fact that the market intelligence we gain through the leading indicators of our unique Inchcape Advantage portal enables us to carry only six weeks' worth of stock across the Group. This enables us to manage our working capital efficiently, so giving us exceptional financial strength and flexibility. Drawing on the investments in customer insight that we make, it will continue to be a unique advantage for Inchcape as we maintain our focus throughout 2012 and beyond.

Performance management with industry leading processes

An ethos of rigorous performance management is ingrained in Inchcape's culture through the frequent and timely implementation of key processes; centrally, locally and at every level of the organisation. These include the use of a suite of sales and aftersales based customer metrics, which provide leading indicators to help manage the business, and the sharing of best practice across the Group.

The way in which Inchcape is structured and the day to day management practices we use throughout the organisation are designed to ensure we grow revenue ahead of our competitors and grow operating profit and gross margin faster than revenue.

For example, our commitment to daily, weekly and monthly management reporting and disciplined central governance underpins well informed local decision making, in which expenditure is only ever justified by its positive impact on our profitability. This is further supported by our daily analysis of the metrics we access through our unique 'customer funnel' – dynamic information relating to the purchase and aftersales process that we glean through live customer contacts at every point in the journey. This gives us early insights into future customer behaviour that drive performance for every brand in every national market and retail centre.

These are examples of our broad and deep range of performance management measures collectively building strategic planning and control tools into the heart of our business to deliver an integrated set of forecasting, budgeting, governance, review, analysis and talent development tools that enable global policies to be tailored for local and regional markets.

Performance advantage for customers with ever better cars and superior customer service

Every month, we conduct around 12,000 interviews with our customers and non buyers to provide us with the insight we need to drive revenues ahead of our competitors and to stay closely in touch with changing consumer behaviour and attitudes. These are clearly showing us that consumers have changed since the downturn of 2008 and 2009 in markets across the world, and are now, more than ever, seeking value for money in their purchases.

This does not mean that they are seeking low cost alternatives to the models they used to buy. On the contrary, we are witnessing the 'premiumisation' of Emerging Markets and Asia Pacific countries as newly middle class customers seek better quality, innovation and environmental performance from their vehicles. In advanced economies, luxury and premium vehicles are gaining market share as the brand strength of our manufacturer partners provide superior value for money.

We in turn leverage this pricing power of our brand partners with outstanding customer service to create superior margins, delivering value through the right vehicle specifications, warranty support, cost effective marketing, service support and finance options.

Our manufacturer partners are investing more than ever in green technologies that are in fast growing demand from perceptive buyers. BMW, for example, has achieved a 63% improvement in the MPG performance and a 39% reduction in the CO_2 emissions of its 2011 320d model over its 2005 equivalent, and our other manufacturer partners have achieved similar advances.

Customer service is, and has been for some years, our number one competitive advantage. Not only does it enable the strengthening of existing assets for improved market share and aftersales service retention, it also facilitates expansion opportunities as we leverage our increasingly powerful brand partner relationships.

Inchcape Advantage, our unique Group-wide programme for continuous improvement, which is now in its fifth year, lies at the heart of our strategic commitment to customer-centric operational excellence. Its proprietary processes are what drive the organic growth of our business, both through delivering for our customers and through the resultant superior relationships with our brand partners.

To maintain and expand upon our leading position, we intend to constantly raise the bar in every aspect of customer service. This we have done in 2011, and we will continue to drive further improvements during 2012 and into the future.

Performance ahead with exciting growth prospects

Looking to the future, for many of the reasons I have already outlined, Inchcape is uniquely positioned to take advantage of five important trends that are set to affect the global car market.

The growth prospects are truly exciting in our industry as we expect the global car market to increase by 30% (source: IHS Automotive) in the next five years.

The first key trend is the expected broad based global recovery in the medium term. Some of our markets have quickly rebounded in 2010 and 2011 and are now ahead of their pre-2008 levels. Some of our markets are slightly below their 2007 peak level and are poised for growth as the ageing of the car parc will accelerate the recovery pace in the years to come. Thanks to our geographic spread, we are well positioned to benefit from this uneven recovery.

The second trend is the growing wealth in Asia Pacific and the Emerging Markets. Between 2011 and 2016, these markets will represent 94% of the world's population growth (source: IMF) and 72% of GDP growth (source: EIU). As a result, these regions will also be the key drivers of the predicted 16% growth in the global car parc over the same period (source: LMC Automotive), responsible for 78% of car industry growth and coming to represent 64% of global car sales by 2016 (source: IHS Automotive). Inchcape is already in 21 such growth markets.

The third trend is of accelerated car replacement in advanced markets thanks to the technological advances pioneered by our brand partners, particularly those that reduce the cost of ownership. Inchcape's premium brand partners are at the forefront of these advances, with their leading-edge development of hybrid and electric vehicles and fuel efficient technology for both diesel and petrol engines.

The fourth is the predicted growth of the global car parc in both advanced and emerging markets. The global car parc, comprising new and used cars, is set to grow by 16% over the next five years (source: LMC Automotive) which will drive revenue growth for us in both the highly profitable areas of used cars and in aftersales servicing.

The fifth trend is the fact that in a fragmented global marketplace only the strongest players will lead industry consolidation through expansion and the erosion of weaker rivals. Vehicle manufacturers will want to strengthen both their market coverage and quality of operations and, as we have demonstrated in 2011, Inchcape is well positioned to gain access to expansion opportunities, benefiting from our long standing and deep relationships with the world's leading car manufacturers, a proven track record of effective brand management, customer service excellence and a strong balance sheet.

As a Group we are already focused on positioning ourselves to take advantage of and benefit from these key trends, again moving ahead of our competition to seize opportunities as they arise.

We have a unique and proven business model, a differentiated strategy, a strong operational focus and Inchcape people who have a genuine passion for performance.

Inchcape is a global industry leader and engineered for performance.

André Lacroix,
Group Chief Executive

See online: www inchcape.com/ar11

Key performance indicators (KPIs)
Measuring our performance

These KPIs are how we measure our business performance

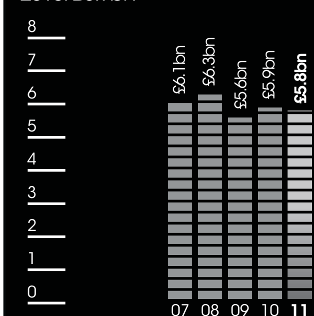
The Board of Directors and the Group Executive Committee monitor the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Performance is assessed against the strategy, budgets and forecasts. We also measure the quality of revenues through the mix of revenue streams, and the flow through of value from sales revenue to trading profit.

Sales

Definition
Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.

Achievements in 2011
Sales marginally declined by 1.0% with strong sales growth in Russia and Emerging Markets offsetting much of the impact of the earthquake in Japan and tougher trading conditions in some markets.

£5.8bn
2010: £5.9bn



Trading profit

Definition
Operating profit excluding the impact of exceptional items and unallocated central costs.

Achievements in 2011
Trading profit increased by 5.5% driven by our continued focus on our Top Five Priorities in all of the Group's regions and tight cost controls.

Trading profit split

Australasia	**21.1%**
Europe	**9.2%**
North Asia	**16.1%**
South Asia	**9.9%**
UK	**23.1%**
Russia and Emerging Markets	**20.6%**

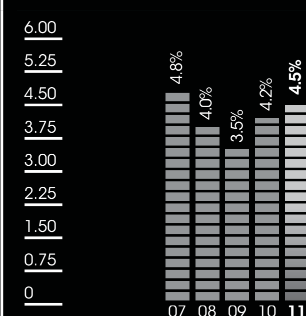
£261.8m

Trading margin

Definition
Calculated by dividing trading profit by sales.

Achievements in 2011
The Group's trading margin grew 30bps to 4.5% despite a challenging year in a number of our markets.

4.5%
2010: 4.2%



Like for like sales and trading profit

Definition
Excludes the impact of acquisitions from the date of acquisition until the 13th month of ownership and businesses that are sold or closed. It further removes the impact of retail centres that are relocated from the date of opening until the 13th month of trading in the new location. These numbers are presented in constant currency.

Achievements in 2011
Like for like sales decreased by 1.7% while like for like trading profit grew by 3.5% as we continued to focus on cost management in all our markets.

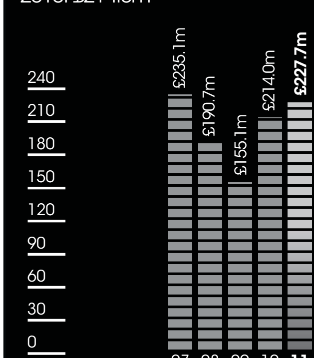
+3.5%
Like for like trading profit

Profit before tax and exceptional items

Definition
Represents the profit made after operating and interest expense but before tax is charged excluding the impact of exceptional items.

Achievements in 2011
Profit before tax and exceptional items increased by 6.4%, to £227.7m only £7.4m away from the 2007 peak.

£227.7m
2010: £214.0m

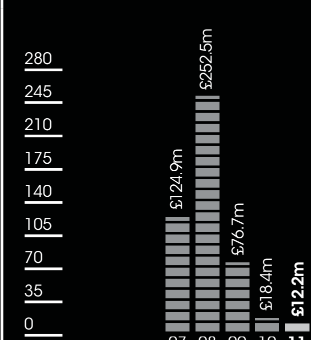


Working capital

Definition
Inventory, receivables, payables, and supplier related credit.

Achievements in 2011
We have maintained our stock cover at our target of 1.5 months through the year and have reduced our working capital by a further 33.7% to £12.2m, a historical low for the Group.

£12.2m
2010: £18.4m

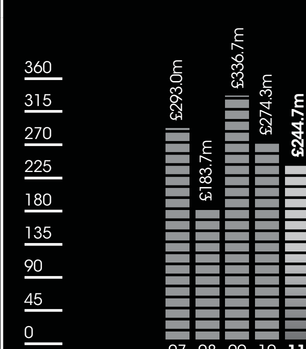


Cash generated from operations

Definition
Trading profit adjusted for depreciation, amortisation and other non cash items plus the change in working capital and provisions.

Achievements in 2011
Our strong control over working capital has again enabled the Group to deliver an operating cash flow of £244.7m.

£244.7m
2010: £274.3m



Operating review
Strong recovery

John McConnell
Group Finance Director

Our disciplined focus on the Top Five Priorities has delivered strong margin growth and strong cash generation.

Sales
£5.8bn
-1.0%

Trading profit
£261.8m
+5.5%

Working capital
£12.2m
-33.7%

Net cash
£243.5m
+18.3%

Performance indicators – Results	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**5,826.3**	5,885.4	(1.0)	(2.8)
Trading profit	**261.8**	248.1	5.5	3.8
Trading margin %	**4.5**	4.2	0.3ppt	0.3ppt
Like for like sales	**5,736.5**	5,729.0	0.1	(1.7)
Like for like trading profit	**260.5**	247.5	5.3	3.5
Like for like sales growth %	**0.1**	6.0	(5.9)ppt	
Like for like trading profit growth %	**5.3**	25.8	(20.5)ppt	
Profit before tax before exceptional items	**227.7**	214.0	6.4	4.4
Working capital	**12.2**	18.4	(33.7)	
Cash generated from operations	**244.7**	274.3	(10.8)	
Net cash	**243.5**	205.8	18.3	

Our results are stated at actual rates of exchange. However to enhance comparability we also present year on year changes in sales and trading profit in constant currency thereby isolating the impact of exchange. Unless otherwise stated changes in sales and trading profit in the operating review are at constant currency.

The global economic environment in 2011 remained uneven with growth in Asia Pacific and the emerging economies whilst the UK and Europe were challenging. Demand for new and used cars grew in Russia, Australia, the Baltics, South America, Hong Kong and Belgium but demand in the UK weakened and Greece experienced a further severe downturn.

The supply disruption resulting from the Japanese earthquake and tsunami in March was addressed quickly and effectively by the Group and our brand partners. The full year impact on revenues was less than initially expected in all markets except Australasia, where the loss of sales amounted to approximately three months and South Asia where the loss of sales amounted to approximately one month.

In these conditions the Group's sales were £5.8bn, representing a decline of 2.8% compared to last year with Australia and Singapore sales affected by the temporary disruption to supply.

Focus on margin growth and cost control has been rigorous throughout the Group. Pre-exceptional operating costs were reduced by 8.1% to £611.7m. This ensured our trading margin improved by 0.3ppts to 4.5% and our trading profit grew by 3.8% to £261.8m.

Working capital has been tightly controlled resulting in a historically low position of £12.2m and a strong cash generation from operations of £244.7m.

Net capital expenditure was £88.5m as the Group continued to invest in capacity expansion, and greenfield sites mostly in Asia Pacific and the Emerging Markets.

Net cash at the end of the year was £243.5m, up by £37.7m compared to the end of 2010.

	2011 Operating profit £m	2011 Exceptional items £m	2011 Trading profit £m	2010 Operating profit £m	2010 Exceptional items £m	2010 Trading profit £m
Australasia	**54.6**	**(0.7)**	**55.3**	58.4	(4.1)	62.5
Europe	**21.3**	**(2.7)**	**24.0**	23.1	(4.7)	27.8
North Asia	**41.9**	**(0.1)**	**42.0**	34.0	–	34.0
South Asia	**26.0**	**–**	**26.0**	35.2	(0.9)	36.1
United Kingdom	**52.5**	**(7.9)**	**60.4**	47.5	(8.4)	55.9
Russia and Emerging Markets	**53.7**	**(0.4)**	**54.1**	28.1	(3.7)	31.8
Central costs	**(19.0)**	**(1.6)**		(22.7)	(0.1)	
Operating profit	**231.0**	**(13.4)**		203.6	(21.9)	

Business analysis

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**2,357.4**	2,455.9	(4.0)	(6.5)
Retail	**3,468.9**	3,429.5	1.1	–
Like for like sales				
Distribution	**2,352.2**	2,455.8	(4.2)	(6.7)
Retail	**3,384.3**	3,273.2	3.4	2.2
Trading profit				
Distribution	**172.0**	170.5	0.9	(0.7)
Retail	**89.8**	77.6	15.7	13.7
Like for like trading profit				
Distribution	**173.4**	170.2	1.8	0.3
Retail	**87.1**	77.3	12.7	10.7

Distribution business

The distribution business has performed well despite challenging market and supply conditions with sales down 6.5% on 2010 to £2.4bn. Strong margin management initiatives and focused controls on costs meant that trading profit declined by 0.7% to £172.0m.

In the European markets, we benefited from market growth in Belgium (up 5% on 2010) and Finland (up 13%). Greece experienced another year of vehicle market contraction, down 32% versus 2010.

In our North Asia businesses, trading profit increased by 29.1% to £42.0m on the back of robust market growth driven by a 12% increase in the Hong Kong new car market. As expected, South Asia experienced a further 25% decline in the market as a result of the continued restrictions on the availability of Certificates of Entitlement (COE).

The Australian market contracted by 3% in 2011 after a 10% increase in 2010 as Japanese brands faced restricted supply. Our market share declined by 0.5ppts to 3.4%. Australasia distribution trading profit was £42.7m, an 18.8% decrease on the previous year. The prior year trading profit included a one-off profit of £7.3m from the disposal of a surplus property. Excluding this effect, underlying trading profit decreased by 4.0%.

Russia and Emerging Markets' distribution businesses experienced strong growth with a trading profit of £30.1m and a trading margin of 9.7%, up 3.1ppts on 2010. However it should be noted that the 2010 result included a £7.5m impairment charge on a property in Romania. Excluding this effect, underlying trading profit increased by 25.4%.

Retail business

Although our retail sales were flat year on year at £3.5bn, with our continued focus on the Top Five Priorities the Group grew trading profit by 13.7% in 2011.

The Group's UK retail business sales declined by 3.1% in a market that declined by 4.4% compared to 2010. The growth in UK retail like for like sales of 1.6% represents a clear out-performance of the broader market. The focus on margin growth opportunities and cost management resulted in trading profit growth of 8.3% and a record annual trading margin of 2.6%, an increase of 0.2ppts.

Our Australian retail business was affected by the Japanese earthquake. Sales were down 4.8% and trading margins were 0.7ppts lower at 3.2% as a result of lower sales and the normalisation of used car margins.

Our European region experienced a sales decline of 14.5% compared to 2010 driven primarily by the severe market downturn in Greece.

Demand in the Russian market continued to strengthen in 2011 and with strong cost controls in the Baltics, Russia and the other emerging markets, sales for the segment grew by 13.8% to £908.6m, delivering a trading profit of £24.0m, up 89.9% year on year.

Regional analysis

The Group reports its regional analysis in line with IFRS 8 'Operating Segments', which we adopted in 2009. This standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

Distribution	Retail
Australasia	Australasia
Europe	Europe
North Asia	United Kingdom
South Asia	Russia and Emerging Markets
United Kingdom	
Russia and Emerging Markets	

Included within the Russia and Emerging Markets segment are Russia, China, South America, Africa, the Balkans, the Baltics, and Poland on the basis that prior to the global downturn these markets had entered the growth phase of their development cycle and we expect these markets to return to that growth phase in the medium term.

Australasia

Resilient financial performance despite challenging supply conditions

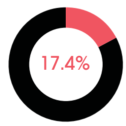
George Ashford
Chief Executive Officer, Inchcape Australasia

Key financial highlights

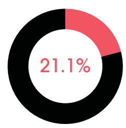
Sales
£1,011.0m -1.9%
(2010: £1,030.3m)*

Trading profit
£55.3m -11.5%
(2010: £62.5m)*

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**1,011.0**	1,030.3	(1.9)	(10.5)
Distribution	**621.4**	657.4	(5.5)	(13.7)
Retail	**389.6**	372.9	4.5	(4.8)
Like for like sales	**996.0**	1,016.8	(2.0)	(10.6)
Distribution	**621.4**	657.4	(5.5)	(13.7)
Retail	**374.6**	359.4	4.2	(5.0)
Trading profit	**55.3**	62.5	(11.5)	(19.4)
Distribution	**42.7**	47.9	(10.9)	(18.8)
Retail	**12.6**	14.6	(13.7)	(21.4)
Like for like trading profit	**55.6**	62.4	(10.9)	(18.8)
Distribution	**42.7**	47.9	(10.9)	(18.8)
Retail	**12.9**	14.5	(11.0)	(19.0)
Trading margin %	**5.5**	6.1	(0.6)ppt	(0.6)ppt
Distribution	**6.9**	7.3	(0.4)ppt	(0.4)ppt
Retail	**3.2**	3.9	(0.7)ppt	(0.7)ppt

* at actual exchange rates

The market

The Australian market had a strong year in 2011, being in excess of one million units for only the fourth time, although volume contracted by 3% versus 2010. The industry was supported by a government incentive scheme in 2011, however in the wake of the March 2011 tsunami and earthquake, key Japanese brands suffered an 8.3% volume decrease due to supply constraints.

Business model & strategy

We are the distributor for Subaru in Australia and New Zealand. We also have multi-franchise retail operations in Sydney, Melbourne and Brisbane. These operations hold franchises for Subaru, Volkswagen, Mitsubishi and Kia. We own 21 retail centres and manage a network of 104 independently owned centres on behalf of Subaru throughout Australasia.

Supporting these operations, our logistics business Autonexus is responsible for managing vehicle and parts inventory distribution and vehicle preparation on behalf of Subaru Australia and our retail business as well as other independent dealers.

Our strategy for our distribution operations is to continue to grow market share through our superior Customer 1st business processes. Our retail operations are focused on delivering an outstanding customer experience for our brand partners and driving revenue from sales of new and used cars, service and vehicle parts.

Our operating performance

Following a very strong first quarter the Japanese tsunami and earthquake severely disrupted the supply of vehicles and parts driving a 10.5% decrease in sales for the year.

Our distribution trading profit of £42.7m was the result of strong focus on overhead and margin control initiatives. While trading profit decreased by 18.8%, 2010 included a one-off gain of £7.3m on the disposal of surplus property. Excluding this gain, underlying trading profit would have been 4.0% lower than 2010.

Our retail business delivered a trading profit of £12.6m despite a 4.8% sales decrease as a result of the closure of two underperforming non-core brand retail centres and Subaru supply constraints. Used car margins normalised from their record highs and we continued making progress in aftersales retention.

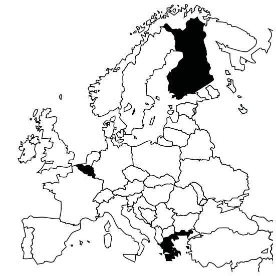
Outlook for 2012

We expect to see solid growth in the market given the normalisation of supply from Japan. We expect to benefit from the launch of the new XV crossover SUV in January 2012 and the new generation Impreza in the second quarter.

We will continue to face restricted supply in the first quarter of the year.

We anticipate some pressure on gross margin due to the appreciation of the Yen. We have put in place currency hedging contracts for the majority of 2012 sales to manage our JPY/AUD exposure on vehicles and parts purchases from Japan.

Our operational focus on our Top Five Priorities of growing market share, growing aftersales, improving margins, controlling working capital and selective capital expenditure should enable us to further increase our competitive position in 2012.



Europe

Resilient financial performance despite challenging conditions in Greece

Bertrand Mallet
Chief Executive Officer, Belgium

Aris Aravanis
Chairman & Managing Director, Toyota Hellas

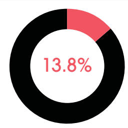
Jean Van der Hasselt
Chief Executive Officer, Russia and the Nordics

Key financial highlights

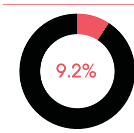
Sales
£806.0m -7.5%
(2010: £870.9m)*

Trading profit
£24.0m -13.7%
(2010: £27.8m)*

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**806.0**	870.9	(7.5)	(9.0)
Distribution	**658.5**	701.3	(6.1)	(7.7)
Retail	**147.5**	169.6	(13.0)	(14.5)
Like for like sales	**806.0**	870.9	(7.5)	(9.0)
Distribution	**658.5**	701.3	(6.1)	(7.7)
Retail	**147.5**	169.6	(13.0)	(14.5)
Trading profit	**24.0**	27.8	(13.7)	(15.2)
Distribution	**24.3**	26.9	(9.7)	(11.3)
Retail	**(0.3)**	0.9	(133.3)	(132.4)
Like for like trading profit	**24.0**	27.8	(13.7)	(15.2)
Distribution	**24.3**	26.9	(9.7)	(11.3)
Retail	**(0.3)**	0.9	(133.3)	(132.0)
Trading margin %	**3.0**	3.2	(0.2)ppt	(0.2)ppt
Distribution	**3.7**	3.8	(0.1)ppt	(0.1)ppt
Retail	**(0.2)**	0.5	(0.7)ppt	(0.7)ppt

* at actual exchange rates

The market

Belgium's market grew 5% compared to 2010 aided by a Government CO_2 incentive, targeted at low emission, small engine vehicles. As it was announced that this incentive scheme would end from January 2012, there was a significant uplift in December 2011 registrations.

As anticipated, the Greek market declined by another 32% in 2011, following a 40% decline in 2010, having been significantly affected by the deep recession, high unemployment and austerity measures.

Finland's economic recovery continued in 2011 delivering market growth of 13% compared to 2010.

Business model & strategy

In Belgium and Luxembourg we distribute Toyota and Lexus and own eight retail centres with a network of 96 further retail centres operated by independent third party retailers and 31 repair outlets. In Luxembourg we also have a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus owning six retail centres and overseeing a further 45 which are independently owned.

In Finland we are distributor for Jaguar, Land Rover and Mazda, owning four retail centres and managing a network of 57 independent retailers. We are delighted to announce we were recently appointed the exclusive retailer for Fisker in Finland with one retail centre.

In distribution, growth is driven by strong marketing programmes increasing traffic into the dealer network with new model launches supported by tight overhead control.

In retail, we focus on customer centric operational excellence and improving footfall conversion.

Our operating performance

Despite the challenging trading environment, our European businesses delivered a resilient trading profit of £24.0m, a decrease of 15.2%.

In Belgium, we delivered a robust performance, growing revenue despite the impact of delayed product availability in the period April-September 2011 following the tsunami in Japan. Volume increased by 12%, enabling us to grow market share. Toyota Belgium is now market leader in the petrol segment.

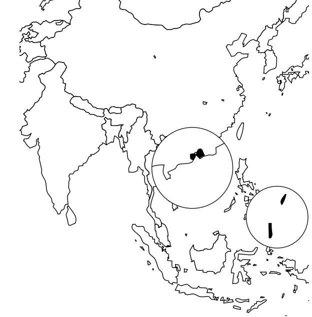
In Greece we remained profitable, although trading profit declined due to difficult trading and economic conditions. Despite this, we delivered a record market share of 13.2%, up 0.3ppts year on year.

Outlook for 2012

The economies in Europe remain challenging with low levels of consumer confidence and rising unemployment.

In Belgium, the cancellation of the Government CO_2 incentive scheme as from January is expected to reduce market volumes in 2012. However we plan to grow Toyota market share with the launch of new models.

In Greece we expect that the ongoing recession, high unemployment and additional austerity measures will result in a further decline in the market. The focus on our Top Five Priorities and the reduction of our cost base will partially mitigate the effect of the industry decline.



North Asia

Market leadership position, Toyota Triple Crown Award winner for 20th year

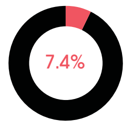
Patrick Lee
Chief Executive Officer,
Inchcape North Asia

Key financial highlights

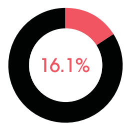
Sales
£433.3m +0.6%
(2010: £430.6m)*

Trading profit
£42.0m +23.5%
(2010: £34.0m)*

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**433.3**	430.6	0.6	4.9
Like for like sales				
Distribution	**428.1**	430.6	(0.6)	3.7
Trading profit				
Distribution	**42.0**	34.0	23.5	29.1
Like for like trading profit				
Distribution	**43.4**	34.0	27.6	33.1
Trading margin %				
Distribution	**9.7**	7.9	1.8 ppt	1.8 ppt

* at actual exchange rates

The market

The market in Hong Kong grew 12% from 2010 despite the supply problem caused by the earthquake in Japan, reflecting continued economic recovery.

Business model & strategy

In Hong Kong and Macau we are the distributor for Toyota, Lexus, Hino Trucks, Daihatsu and Jaguar. At the end of 2011 we began distribution and retail for Land Rover in Hong Kong and Macau and ceased to distribute Mazda. We own and operate all 20 retail centres for these brand partners in this market.

We are pleased to announce we have recently been awarded the exclusive distribution and retail rights for Ford in Hong Kong and in Macau.

In Guam we are the distributor and retailer for Toyota, Lexus, Chevrolet and Scion owning all three retail centres and in Saipan we are distributor and retailer for Toyota with one further retail centre.

Our operating performance

In Hong Kong, we maintained our position as number one in the passenger car segment for the 22nd consecutive year and celebrated winning the 'Toyota Triple Crown' Award (number one in passenger car sales, commercial sales and overall market position) for the 20th consecutive year, the only company to have done so over such an extended period.

Market share was slightly lower than 2010 with the temporary supply issues affecting our second quarter sales. We benefited from the successful launch of Toyota Ractis in the second half of the year and a strong performance of the Lexus brand.

Sales and trading profit for North Asia grew by 4.9% and 29.1% respectively in 2011 despite the supply challenges in the year. Continued strong focus on cost controls and margin initiatives resulted in a trading margin which has improved to 9.7%, up 1.8ppts on 2010.

Outlook for 2012

We anticipate the market will continue to grow in 2012. We will leverage another strong line up of product launches across all brands we represent, including Toyota Mark X, Auris, Prius C, Prius V, Lexus GS and LX and Range Rover Evoque. Further, we will continue to drive sales and aftersales through our industry leading Inchcape Advantage Plus programmes.

South Asia
Robust operating margin of 8.8%

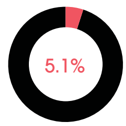
Koh Ching Hong
Managing Director,
Inchcape South Asia

Key financial highlights

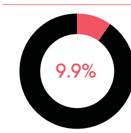
Sales
£296.2m -20.3%
(2010: £371.8m)*

Trading profit
£26.0m -28.0%
(2010: £36.1m)*

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**296.2**	371.8	(20.3)	(23.7)
Like for like sales				
Distribution	**296.2**	371.8	(20.3)	(23.7)
Trading profit				
Distribution	**26.0**	36.1	(28.0)	(31.1)
Like for like trading profit				
Distribution	**26.0**	36.1	(28.0)	(31.1)
Trading margin %				
Distribution	**8.8**	9.7	(0.9)ppt	(0.9)ppt

* at actual exchange rates

The market

As expected, the market in Singapore continued to decline in 2011 and ended the year 25% down on 2010, due to a reduction of the number of Certificates of Entitlement (COE) available following the slowdown of de-registrations.

Business model & strategy

In Singapore we are the distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967. We have held the Suzuki distribution franchise since 1977. We own and operate all six retail centres in the market.

In Brunei we are the distributor for both Toyota and Lexus owning and operating all four retail centres.

Our operating performance

Although sales revenue declined by 23.7% as a result of the fall in volume of new car sales in Singapore and the impact on supply following the earthquake in Japan, South Asia delivered £26.0m trading profit with a 8.8% trading margin thanks to strong management of our sales mix and strong gross margin performance.

We continued to protect our gross margin by defending our pricing power despite competitive pressure on price and the strength of the Japanese Yen.

We continued to outperform the aftersales market through an expansion of customer contact activities to grow enquiries and capture rate. We strengthened the member benefits programme and increased upselling opportunities with the introduction of new service packages and parts offerings.

Outlook for 2012

We expect the market will start to rebound gradually from the end of 2012 with an increase in availability of COEs. We aim to grow our market share through new model launches such as the Toyota Camry, Toyota Prius C, Lexus GS and Suzuki Swift Sport.

We will face supply constraints in the first quarter for models being manufactured in Thailand such as the Toyota Vios, Corolla and Camry as a result of the floods in November 2011.

Our aftersales business will benefit from our innovative approach to retention of warranty and post warranty customers.

Our controls on cost and cash will remain firmly in place during 2012.

United Kingdom
Record operating margin

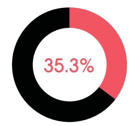
Connor McCormack
Chief Executive Officer,
Inchcape UK

Key financial highlights

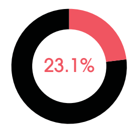
Sales
£2,059.3m -3.1%
(2010: £2,125.8m)

Trading profit
£60.4m +8.1%
(2010: £55.9m)

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**2,059.3**	2,125.8	(3.1)	(3.1)
Distribution	**36.1**	36.9	(2.2)	(2.2)
Retail	**2,023.2**	2,088.9	(3.1)	(3.1)
Like for like sales	**2,027.5**	1,997.4	1.5	1.5
Distribution	**36.1**	36.9	(2.2)	(2.2)
Retail	**1,991.4**	1,960.5	1.6	1.6
Trading profit	**60.4**	55.9	8.1	8.1
Distribution	**6.9**	6.5	6.2	6.2
Retail	**53.5**	49.4	8.3	8.3
Like for like trading profit	**60.8**	55.6	9.4	9.4
Distribution	**6.9**	6.5	6.2	6.2
Retail	**53.9**	49.1	9.8	9.8
Trading margin %	**2.9**	2.6	0.3 ppt	0.3 ppt
Distribution	**19.1**	17.6	1.5 ppt	1.5 ppt
Retail	**2.6**	2.4	0.2 ppt	0.2 ppt

The market

As expected, the UK market declined in 2011 to 1.9m units (down 4%), due to the impact of the Government scrappage scheme which ended in the first half of 2010. On an underlying basis, excluding scrappage, the market increased by 0.9%, with growth in the corporate market more than offsetting declines in the private sector. Market growth slowed in the second half due to the increasingly uncertain economic environment and pressure on consumer spending.

Business model & strategy

We have scale operations in the South East, Midlands, North and North East of England with a streamlined portfolio of 117 retail centres focused on premium brands. We aim to create differentiation by delivering outstanding customer service through our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

We were awarded two further franchises in the luxury and premium segment: a Porsche retail centre in Portsmouth that will open in 2012 and the West London Volkswagen franchise due to open in 2015.

The distribution element of our results is made up of our fleet management and leasing business, Inchcape Fleet Solutions (IFS), which offers services to corporate and government customers. With over 50 years' experience, IFS has a combined fleet size of approximately 50,000 vehicles.

Our operating performance

Our strategy to focus on premium brands continued to provide strong results. Inchcape Retail's like for like total market share increased by 0.3ppts, as we continued to focus on delivering an exceptional customer experience through the Inchcape Advantage programme.

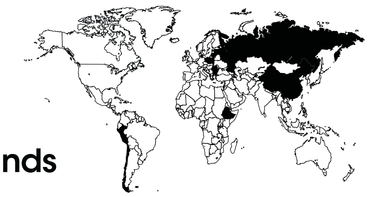
We outperformed the market with like for like sales increasing by 1.6% in our retail business, primarily driven by our market share gains. Aftersales performance also benefited from the roll out of customer contact centres in the Audi, Toyota, Lexus, Mercedes-Benz and Volkswagen businesses. An ongoing focus on tightly controlling operating expenses also contributed to a record trading margin performance of 2.6%, which is 0.2ppts up on 2010.

IFS delivered a strong £6.9m trading profit, up 6.2% on 2010 with a trading margin of 19.1%, 1.5ppts ahead of 2010 as we benefited from increased fleet volumes and rigorous cost controls.

Outlook for 2012

The UK economic outlook remains uncertain in 2012. Continued modest GDP growth, combined with higher unemployment, is expected to result in a decline in retail market volumes. Our brand partners will continue to grow their market share and we expect to take advantage of an attractive new product pipeline, including the BMW 3 series, Audi Q3, Volkswagen UP! and Beetle, Lexus GS and Mercedes-Benz B Class.

We are confident that our customer centric strategy combined with continued focus on operational excellence and efficiency will enable us to deliver a resilient performance.



Russia and Emerging Markets

Strong market growth in premium and luxury brands delivering significant margin improvement

Louis Fallenstein
Managing Director, Emerging Markets

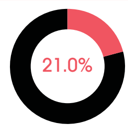
Jean Van der Hasselt
Chief Executive Officer, Russia and the Nordics

Key financial highlights

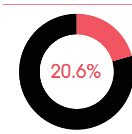
Sales
£1,220.5m +15.6%
(2010: £1,056.0m)*

Trading profit
£54.1m +70.1%
(2010: £31.8m)*

Contribution to Group sales



Contribution to Group profit



	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**1,220.5**	1,056.0	15.6	16.4
Distribution	**311.9**	257.9	20.9	24.5
Retail	**908.6**	798.1	13.8	13.8
Like for like sales	**1,182.7**	1,041.5	13.6	14.4
Distribution	**311.9**	257.9	20.9	24.5
Retail	**870.8**	783.6	11.1	11.2
Trading profit	**54.1**	31.8	70.1	85.9
Distribution	**30.1**	19.1	57.6	82.8
Retail	**24.0**	12.7	89.0	89.9
Like for like trading profit	**50.7**	31.6	60.4	75.3
Distribution	**30.1**	18.8	60.1	86.0
Retail	**20.6**	12.8	60.9	61.7
Trading margin %	**4.4**	3.0	1.4 ppt	1.7 ppt
Distribution	**9.7**	7.4	2.3 ppt	3.1 ppt
Retail	**2.6**	1.6	1.0 ppt	0.9 ppt

* at actual exchange rates

The market

There was continuing growth in most of our emerging markets driven mainly by Russia (up 39%), South America (up 20%), Africa and Poland. Continued uncertain economic outlook and credit restrictions in the Balkans resulted in a further market decline. The Baltic economies recovered strongly in 2011 driven primarily by increased availability of consumer finance and increased consumer confidence. This contributed towards market growth of over 70% compared to 2010. After a strong growth rate of 31% in 2010, China's passenger car market growth slowed to 5% in 2011 with luxury brands outperforming the market (up 45%).

Business model & strategy

In Russia we operate 22 scale retail centres in St Petersburg and Moscow representing 11 brands. We ceased trading with the Renault brand in the latter part of 2011 given our lack of scale.

In the Balkans we are the distributor for Toyota and Lexus operating six retail centres and in Poland we own four retail centres for BMW and MINI.

We operate VIR for Mazda, Jaguar and Land Rover across the Baltic region and we operate VIR for Mitsubishi in Lithuania. Additionally we retail BMW, Ford and MINI in Latvia and Ford and Hyundai in Lithuania. We operate a total of 23 retail centres across the region.

In Ethiopia we operate VIR for Toyota and in South America we are the distributor and retailer for BMW and were appointed the exclusive representative for Rolls-Royce in Chile in 2011.

In China we have five scale retail centres for Toyota, Lexus, Jaguar and Land Rover in Shanghai and Shaoxing. We have also been awarded the Porsche franchise for Nanchang and are currently building a retail centre there which is due to be completed toward the end of 2012.

Our operating performance

Russia and Emerging Markets delivered strong growth in 2011 with revenue up 16.4% on 2010 and trading profit growing by 85.9% to £54.1m; £30.1m in distribution and £24.0m in retail. Due to strong margin management and cost controls, trading margin increased 1.7ppts to 4.4%. Included in the 2010 trading profit was an impairment charge of £7.5m on land in Romania. Adjusting for this item, underlying trading profit growth was 47.8%.

In Russia, the market recovery continued albeit at a faster rate in the regions than in the major cities. We delivered a trading profit of £20.3m with a return on sales of 3.0%. In June 2011 we completed the purchase of Musa Motors for a final payment of £19.6m.

We delivered a strong performance and leading market share in Chile and Peru due to innovative marketing initiatives and leading customer service. Ethiopia also delivered a strong performance based on our continued growth in aftersales.

Poland continued to perform well. Our Balkans operations remained profitable throughout the year and our combined Baltics business delivered a solid trading performance.

Our China business continued to grow with a Jaguar Land Rover flagship store opened in Shaoxing in October 2011.

Outlook for 2012

We expect to see further growth in Russia and across many of the markets in South America, Africa and Poland. In the Balkans the recovery is expected in the second half of the year. Although we anticipate the rate of market growth in the Baltics to be moderate in 2012 we still anticipate a strong year for the market and further improvements in our financial performance. The China luxury passenger car market is forecast to grow by 15% in 2012.

We plan to continue to invest in capacity expansion in our retail facilities in Moscow, Santiago, Lima and Wroclaw. We will further strengthen our presence in the luxury market with Rolls-Royce operations starting in March 2012 in Chile.

Finance Review

The Group has delivered a solid performance in 2011. In addition to the segmental results, the financial implications of our operating activities are detailed below

Central costs

Unallocated central costs for the full year are £17.4m before exceptional items (2010: £22.6m). This includes a one-off gain of £6.1m relating to the settlement of certain liabilities in one of the Group's pension schemes.

Joint ventures and associates

The share of profit after tax from joint ventures was a loss of £3.0m (2010: loss of £1.7m) driven by a net loss in our Greek joint venture as a result of the impact of the austerity measures in the market and the start-up of a joint venture retail operation in Russia.

Operating exceptional items

We have reported operating exceptional costs of £13.4m for 2011 (2010: £21.9m), which relate to a global restructuring exercise conducted in the fourth quarter of 2011. The restructuring will ensure we continue to maintain an organisational structure and cost base which reflects trading conditions across the Group.

Net financing costs

Net financing costs before exceptional items for the full year of £13.7m are £3.9m higher than in 2010 primarily due to a loss of £2.4m on the mark-to-market reporting of the hedges for the US Loan Notes (2010: a gain of £2.0m).

Exceptional finance costs of £10.9m represent an impairment charge on Greek Government Bonds held by our insurance business in Greece to back warranty liabilities.

Tax

The effective tax rate before exceptional items for the year is 26% compared to 29% in 2010. This is due to the impact of reducing tax rates in a number of our markets and the successful conclusion of overseas territories audits.

Non controlling interests

Profits attributable to our non controlling interests were £5.6m, compared to £5.1m in 2010. At the year end the Group's non controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Foreign currency

During 2011, the Group benefited by £1.2m (2010 benefit: £9.9m) from the translation of its overseas profits before tax into Sterling at the 2011 average exchange rate.

Cash flow and net funds

The Group's operations have generated strong cash flow in 2011. Working capital ended the year at an historical low of £12.2m (2010: £18.4m) as we adjusted our inventory in the UK and Europe to reflect challenging trading conditions and as we benefited from the delayed payment for late shipments in some of our operations. At the end of 2011 we had £243.5m in net cash.

Dividend

The Board recommends a final ordinary dividend of 7.4p per share which is subject to the approval of shareholders at the 2012 Annual General Meeting. This gives a total dividend for 2011 of 11.0p per share. A final ordinary dividend for 2010 of 6.6p per ordinary share was paid in 2011.

Pensions

During the year, and in line with the funding programme agreed with the Trustees, the Group made cash contributions to the UK defined benefit scheme amounting to £24.1m (2010: £28.4m). A revision of market and actuarial assumptions for defined benefit schemes has resulted in a closing deficit on Group schemes of £14.9m, compared to a deficit of £22.2m in 2010.

Acquisitions and disposals

In June 2011 the Group completed the purchase of Musa Motors for a final cash consideration of US$32m (£19.6m). The Group also realised £5.5m from the disposal of underperforming sites, which were identified as part of the restructuring exercise conducted in the fourth quarter of 2010.

Capital expenditure

The Group increased its investment in retail capacity expansion with the development of greenfield sites and the enlargement of existing facilities primarily in Asia Pacific and the Emerging Markets. Net capital expenditure was £88.5m in 2011.

John McConnell,
Group Finance Director

Principal risks

The Group applies an effective system of risk management which identifies, monitors and mitigates risks

Further details of the Group's risk management process can be found on pages 44 to 46.

Risk is a part of doing business: the risk management system aims to provide assurance to all stakeholders of the effectiveness of our control framework in managing risk against a background of highly diverse and competitive markets.

The key benefits of the system include maximised resource efficiency through controlled prioritisation of issues, benchmarking between business units, sharing best practice and effective crisis management.

The following provides an overview of the principal business risk areas facing the Group, along with the mitigating actions in place.

Strategy, including customer and consumer

Description of risk	Impact	Mitigation
Failure to deliver on our five key areas of strategic focus: growing market share; growing aftersales; improving margin; controlling working capital and selective capital expenditure	We do not increase our profits, revenues and margins. There may be an impact on our relationships with the brand partners whom we represent	• The Group is investing in its Inchcape Advantage and Customer 1st programmes to ensure that we win new customers and retain existing ones, with particular emphasis upon retaining customer loyalty in respect of older vehicles • The Group is investing in new ways of reaching its customers including through use of the internet and social media • Obtaining favourable credit terms and making improvements in supply chain management • Group wide focus on working capital (particularly aged stock) reduction • Thorough reviews of all proposed capital expenditure to ensure Group investment hurdles are met

Finance and Treasury

Description of risk	Impact	Mitigation
Funding and liquidity risk	Unable to meet obligations within available committed facilities	• The Group maintains sufficient committed facilities to meet forecast debt requirements and ensure adequate headroom is maintained
Currency risk	Transactional foreign exchange exposures	• A significant proportion of Group trading is denominated in local currency • Where possible, foreign exchange exposures are matched internally before hedging externally • Where businesses are billed in a foreign currency, committed transactional exposures are hedged back to the reporting currency
Interest rate risk	Increase in net finance costs	• Continuous monitoring of short and long term interest rates • Group policy permits the fixing of gross borrowings at fixed interest rates if deemed appropriate by management
Counterparty risk	Credit losses	• Approved credit parties and limits with regular review

Brand partners, key relationships and reputation

Description of risk	Impact	Mitigation
Not sustaining current high quality relationships with brand partners	Impact on our ability to retain existing businesses on contract renewal and to take on new opportunities	• Constant focus on performance, effective communication and ensuring that our objectives are closely linked to those of our brand partners
Inability to continue to work with brand partners best placed to deliver competitive technologies	Impact on ability to deliver on strategy through lack of competitive products	• Constant focus on building and retaining high quality relationships with brand partners best placed to invest in technology

Systems and Technology

Description of risk	Impact	Mitigation
Failure to appropriately support the business operations	Fraud Loss of competitive advantage	• Strategy in place to invest in new systems and technology • Investments made to support legacy systems

People, including EH&S

Description of risk	Impact	Mitigation
Failure to attract, develop and retain talent	Unable to deliver business plans Employees who lack motivation and engagement	• Global annual performance management process • Talent review and planning process • Internal annual employee engagement survey and action planning • External benchmarking of remuneration • Succession plans in place for key positions

Economic, political and environmental

Description of risk	Impact	Mitigation
Corporate responsibility risk	Loss of reputation as a good corporate citizen	• Board supported global corporate responsibility programme
Increased demand for greener technologies	Consumers seek alternate vehicles	• Group works closely with brand partners who recognise their environmental responsibility and invest in new technology
European markets recover more slowly due to governmental austerity measures	Lower purchases of new vehicles	• Group has multi-market strategy with a presence in Asia Pacific and the Emerging Markets where the potential for strong growth is forecast • Group has multi-channel business model including used cars and aftersales which reduce dependency on a single revenue stream

Legal and regulatory

Description of risk	Impact	Mitigation
Litigation and regulatory risk	Litigation or breaching the laws or regulations of the countries in which we operate could have a financial and/or reputational impact	• The Group ensures that it obtains timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of detriment or non-compliance • Processes are in place which are aimed at reducing the potential for litigation and for escalating any problems which do arise, with a view to managing the appropriate exposure • The Group has a risk management programme in place aimed at preventing issues from arising where possible and managing any that do crystallise

Tax, pensions and insurance

Description of risk	Impact	Mitigation
Risk arising out of the Group's defined benefit pension funds **These risks will primarily be:** • **Investment risk** • **Interest rate risk** • **Inflation risk** • **Increasing life expectancy**	Increase in cash contributions in the event of adverse change in the schemes' financial position	• The Group employs specialist staff who monitor the financial health and compliance of the schemes on a quarterly basis. The Group has agreed fixed cash contributions with each scheme on a medium term horizon, based on a prudent outlook for the scheme's financial position • An active programme of identifying and reducing risk, particularly investment risk, is in place for all schemes. The schemes benefit from significant hedging against both interest rate movements and inflation, and direct exposure to equity markets has been significantly reduced through this process • All the schemes participate in a specialised life expectancy study with a recognised market leader in this field. This study informs a prudent assumption for life expectancy and allows a monitoring process to ensure that the schemes are prepared for, and funded on the basis that individuals are expected to live for longer in the future

Corporate Responsibility

We believe that it is the enthusiasm and spirit of our people that shape and empower our Corporate Responsibility culture

Introduction from the Group Chief Executive

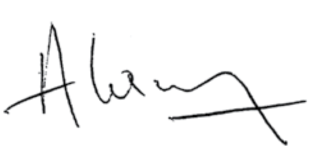
I am happy to present our 2011 Corporate Responsibility Report which sets out our progress and achievements during the year.

We continue to be committed to integrating socially responsible behaviour into every aspect of how we operate. Our Corporate Responsibility (CR) strategy aims to ensure a sustainable business for the benefit of all our stakeholders and the communities in which we operate while managing our impact on the environment. To implement this strategy effectively across all our markets we focus on five core areas; Environment, People, Brand Partners, Customers and Communities.

This year we have made progress in all five CR core areas. We rolled out the automated CO_2 collection programme during 2010 and have continued to focus on the integrity of the data throughout the year to ensure robustness. We have worked hard to improve employee communications and have launched our new Group-wide intranet, The Light. Our carefully selected brand partners continue to be at the forefront of technology, making it possible for our customers to better manage their own impact on the environment.

During 2011, our colleagues were once again involved in numerous programmes and partnerships to support their local communities. Community involvement is central to us as these activities engage our people and positively impact the communities in which we operate, making them stronger and better places in which to live, work and do business.

I truly believe that it is the spirit of our people that drives our CR culture and our ability to combine the local knowledge, enthusiasm and expertise of our employees with clearly defined values, standards and policies enables us to contribute responsibly and sustainably to society.



André Lacroix,
Group Chief Executive

Governance and management

The Board has delegated authority to the CR Committee. Thus the CR Committee provides oversight of the CR policy and assists in its delivery. The day to day management of CR activities are delegated to local CR working groups and CR champions within each of our businesses which offer a network of support for the CR Committee. Our CR activities are focused through our CR Aware campaign. Above all, the CR Committee's role is to ensure that our day to day business operations respond to opportunities and challenges posed by CR issues.

CR is integral to business decision making and the standards expected of the Group and its stakeholders are clearly communicated throughout. The Subsidiary Governance Manual contains the policies which set the standard for the way we do business across the Group. Compliance is checked annually through year end reporting and internal audit reviews.

The Board – responsible for the strategic direction of CR and ensuring that CR is integrated into the Group's strategy.

CR Committee – responsible for setting the CR Policy within the framework established by the Board and ensuring that our business operations respond to the opportunities and risks posed by CR issues.

CR Working Groups – responsible for ensuring that the CR policy is promoted and communicated effectively and for developing CR best practice at local levels.

CR Champions – employees with global and local responsibilities support the CR Working Groups and CR Committee.

Environment

In 2008, the Group commenced collecting data to determine its CO_2 footprint, measured against three Key Performance Indicators (KPIs). During 2011 we continued the roll out of the automated CO_2 collection programme introduced in 2010, within each market.

Energy	This KPI measures our global electricity and gas usage. Since 2008, data has been collected on the basis of megawatt hours for electricity and cubic metres for gas.
Transport	This KPI measures the movement of cars and parts from the point of ownership (which means legal or contractual ownership) to the point we cease to have legal ownership. This includes test drives. We calculate our CO_2 footprint by car or parts kilometres depending on the mode of transport with a CO_2 multiplier.
Flights	This KPI measures the impact of the movement of our people. We have recorded the number of flights (each flight leg counts as one unit) and calculate our flight CO_2 emissions with a multiplier by flight kilometre.

As the Group operates three routes to market – distribution, retail and VIR – there are variances in our CO_2 footprint across these channels. Direct comparisons between the markets' operating channels are unlikely to produce meaningful results at the

Our five core areas

Core areas of focus and their risks

Risk	Impact	Management
Communities	Lack of engagement with the communities in which we operate leading to a poor reputation and lack of understanding of our customer base	Encourage employees to support local charities and initiatives that directly benefit their community
Environment	Energy can be a significant cost to the Group as well as increasing our CO_2 footprint Unnecessary business travel can increase the CO_2 footprint of the Group Unmanaged shipments of cars and parts can adversely impact our CO_2 footprint	By finding ways to cut back on energy usage the Group saves money and also significantly reduces its CO_2 emissions Manage travel by use of alternative communication tools Ensure co-ordinated shipping programmes to meet supply
Customers	Poor customer service leads to decrease in revenue	Inchcape Advantage embedded in all our sales and aftersales operations Net promoter score to measure customer satisfaction and identify areas for improvement
People	Employees lack motivation and engagement; unable to attract and retain talent	By ensuring that employees are fully engaged they will continue to provide the ultimate customer service that will enable us to become the most customer centric automotive retailer in the world
Brand partners	Unable to deliver on strategy through lack of competitive products	Carefully selecting brand partners that invest in technology Support brand partners in seeking positive labour practices including safe working environments and the eradication of child labour

present time and we are looking for opportunities to exploit synergies between the channels by having a consistent approach to CO_2 management and by sharing best practice.

In 2011 we started to develop a sliding scale of targets, as a 'one size fits all' approach does not allow meaningful objectives to be set. It is important that our data is robust and we are still working on control processes to ensure that the data collected is relevant, fit for purpose and capable of independent verification. Our initial analysis shows how many CO_2 tonnes we produce per pound Sterling of revenue against each of our KPIs. We are continuing to build up sufficient data to ensure we can perform meaningful analysis of the significance of any trends that may emerge.

Carbon Reduction Commitment

Within the markets in which we operate the Group is subject to local regulations on CO_2 emissions. In the UK, the combined operations of our Head Office, UK Retail businesses and Inchcape Fleet Solutions, qualify us for participation in the Government's Carbon Reduction Commitment scheme (CRC scheme).

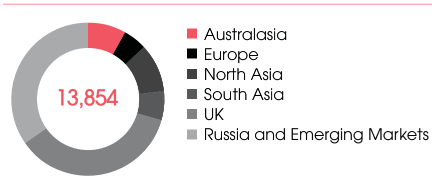
The CRC scheme requires large public and private sector organisations to buy allowances, from 2012 onwards, to cover emissions produced from their usage of electricity and heat. During 2011, the CRC scheme published a Performance League Table which ranked organisations according to the measures they have taken on energy use as preparation for taking part in the CRC scheme. The Table ranks participants on the basis of performance in three metrics. The metrics are not created so as to provide like for like comparisons, rather to look at all qualifying companies irrespective of scale or business model. In the early years of the CRC scheme, the early adopter metric is the most relevant as it is the sole indicator of performance for the purposes of the Table. This metric takes into account early action initiatives made by an organisation to reduce its carbon emissions prior to April 2011. Qualification for the early adopter metric required organisations to be assessed for coverage of the Carbon Trust Standard and automatic meter readings. Other metrics will apply within the next few years and will be taken into account when assessing performance.

Given the upfront investment required for the early adoption metric, which would be of tangible benefit for only a short period of time, and the current lack of data to assess real comparative performance, the Group decided not to invest in early action initiatives but to continue to focus on the longer term projects which are already embedded into the Group's overall CR strategy.

People

We believe that it is our people that make a difference. During 2011 we furthered our people strategy to achieve our ultimate goal of having 'Engaged People in Winning Teams'. For more information about our people strategy, please visit www.inchcape.com/people_and_careers.

Average number of employees 2011



We seek to eliminate discriminatory practices and promote the support of fundamental human rights in all our operations.

Talent management

We proactively manage the development of our leadership population through our Talent Review and Planning Process which is currently in its fifth year. This process looks to evaluate each manager on a regular basis against both the achievement of their objectives ('what' they are tasked to do) as well as the quality of their leadership skill ('how' they achieve their results). By having this consistent global view of how we evaluate our leadership population we are able to identify development opportunities, promotional opportunities and also have in place our succession plans. We have made several key people decisions as a result of the talent and performance management process including international opportunities which have enabled our people to have a more stimulating career path.

Employee communication

During 2011, we continued to keep our employees well informed and therefore engaged, which is important to us. We recently launched The Light, our new Group intranet, to provide all of our colleagues with a direct line of sight to our strategy. The pilot was successfully launched in the UK in July 2011, and will be rolled out to the rest of the Group by March 2012.

The site has been designed to be a central hub of information and news about the Group, an enabler of team collaboration and best practice sharing. It is the first common internal communications platform that all of our colleagues will be able to access no matter where they are in the world.

Employee survey

Our Heartbeat employee engagement programme has been a significant contributor to strong employee morale. For three weeks in May 2011, employees participated in the Heartbeat survey, run in collaboration with Gallup. We continued our previous year's success with over 90% of employees participating. The results of the survey are incorporated into team level scorecards from which, based on responses to the Heartbeat survey, each team develops an action plan to help increase their level of engagement with the business.

Employee safety

Many of our employees work with hazardous substances and heavy machinery. Our approach to safety aims to manage risks effectively by ensuring that our employees are fully trained and our workplaces comply with safety regulations. We report and monitor accidents and lost time incidents to ensure that the safety of our employees and customers remains at the top of our agenda.

Location	**%**	**2011**	%	2010
Australasia	**6**	**7**	5	8
Europe	**7**	**9**	6	9
North Asia	**25**	**32**	19	29
South Asia	**2**	**2**	3	5
UK	**56**	**74**	54	80
Russia & Emerging Markets	**4**	**5**	13	19

Brand partners

Our brand partners are carefully selected for each market in which we operate. They have each developed comprehensive sustainability programmes and the automotive industry in general has made significant progress in reducing vehicle emissions. Our brand partners are at the forefront of technological advances in this area. New technology will create value and accelerate vehicle replacement in advanced markets.

Customers

As part of our Customer 1st strategy, our Inchcape Advantage programme aims to deliver outstanding customer service 'every time, every day, everywhere'.

Our customer processes, training and systems throughout our retail centres allow local managers to set targets based on customer satisfaction measured through Net Promoter Score (NPS) and sales and service funnel management analysis. Our system for tracking daily customer information includes retail centre traffic, sales leads, test drives and vehicle and sales orders.

The mystery shop facilitates customer understanding and is carried out on a monthly basis. Each retail centre submits feedback from 20 buyers and 20 non-buyers. This exercise is also undertaken with aftersales customers.

Our award winning Inchcape Advantage web portal is used to collect and monitor results from daily customer information which allows us to benchmark our businesses across all our markets. The Inchcape Advantage programme is used to monitor both our own performance as a retailer and the performance of our third party retailers where we manage the network as a distributor. It is this focus that helps us deliver outstanding customer service, builds loyalty and results in stronger relationships which leaves the Group better positioned to grow market share.

Customer 1st in 2011

- We carried out 2,255 mystery shop exercises in 217 retail centre showrooms across the Group
- We carried out 2,087 mystery shop exercises in 204 service centres across the Group
- We talked to over 82,000 customers for our vehicle sales NPS programme
- We talked to over 78,000 service customers for our aftersales NPS

NPS has improved again across the Group in both sales and aftersales.

As part of our aftersales service we offer a Vehicle Health Check which includes:

- Tyre pressure check
- CO_2 test and emissions test
- Air condition check
- Engine lubricant test

A Green Test Drive is offered in some retail centres which gives tips on how to drive more efficiently, how to improve environmental impact and how to reduce vehicle running costs. Accessories are also available including low rolling resistance tyres, which can reduce CO_2 emissions by around 2%, and low friction engine lubricants, which can reduce CO_2 emissions by around 0.5%.

Communities

Our people continued to drive our CR strategy locally during 2011. We encourage support of local charities and initiatives as this approach increases our colleagues' engagement in CR activities and helps us further connect with the communities in which we operate. Information on the amazing support given by our colleagues to their local communities can be found on our website www.inchcape.com/responsibility.

In order to communicate our CR activities with employees we proposed The Green Baton initiative as stated in last year's report. The Green Baton site will sit within the CR section of The Light and will feature a series of pages that not only explain the programme, but provide a platform for each region to share its good news and initiatives around CR with the rest of the Group. Regional CR information will then be archived so that colleagues can find ideas and best practices after the region's promotional period has passed.

Our Values

Much more than just words, our Values are shared beliefs within our business that inform our day to day behaviours. Based on 170 years of history, they help us operate with a true pioneering spirit alongside genuine integrity and deep respect for each other:

- Respect for each other
- Winning together
- Treating every £ as our own
- Integrity without compromise
- Pioneering new ideas
- Passionate about customers
- Caring for our environment

For more information on our Values please visit www.inchcape.com/about us/Values.

Progress against goals

Objective	What we did in 2011	What we aim to do in 2012
Raising awareness of local CR activities and employee engagement through The Green Baton	Launched new intranet site, The Light, to support The Green Baton in the UK; began a roll out programme globally	Ensure that The Light is rolled out in all regions and prepare for the launch of The Green Baton
Identifying opportunities to demonstrate and share our best practice within our industry	Measured accident rates and agreed targets for reduction. Commenced global audit of Health & Safety. Worked with the SMMT and brand partners to share best practice	Global audit of Health & Safety completed in 2012 by external third party
Extending Health & Safety best practice to our operations worldwide	Reviewed time lost through accidents and monitored impact on business	Global audit of Health & Safety completed in 2012 by external third party
Continued support of the communities in which we operate	Encouraged local initiatives and provided support for these	Support local initiatives and establish The Green Baton as a global communication tool
CO_2 data collection	Continued to develop the automated collections system and tested greater depth of data to perform detailed qualitative and quantitative trend analysis	Test the data collected to ensure that it is robust; measure CO_2 usage since the beginning of the collection project; discuss reduction targets
Identification of CO_2 reduction and/or off-set opportunities in our core markets	Reviewed opportunities which impact our CO_2 footprint	Establish management targets for each business; review new technologies to assist with the agreed plans

Board of Directors

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1 Ken Hanna
Chairman
Appointment to Board: September 2001

Ken became Chairman in May 2009. He is also a Non-Executive Director of Tesco plc and Aggreko plc. Ken will become Chairman of Aggreko plc in April 2012. Prior to joining Inchcape, Ken was an Executive Director and Chief Financial Officer of Cadbury plc. He was previously a Partner of Compass Partners International and Group Finance Director and Chief Executive of Dalgety plc and had previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker.

Ken is Chairman of the Nominations Committee and a member of the Remuneration Committee.

2 André Lacroix
Group Chief Executive
Appointment to Board: September 2005

André is a Non-Executive Director of Reckitt Benckiser Group plc and the Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney S.C.A. Prior to this he was the President of Burger King International, previously part of Diageo.

André is a member of the Nominations and CR Committees.

3 Will Samuel
Deputy Chairman and Senior Independent Non-Executive Director
Appointment to Board: January 2005

Will is Chairman of Howden Joinery Group plc and the Ecclesiastical Insurance Group. He is also a senior advisor of Lazard & Co, a Non-Executive Director of the Edinburgh Investment Trust plc and a Director of the All Churches Trust. In January 2012, Will was appointed by the Financial Services Authority as its senior advisor on investment banking. He was previously a Director of Schroders plc, Co-Chief Executive Officer of Schroder Salomon Smith Barney (a division of Citigroup Inc.) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H.P. Bulmer plc. Will is a chartered accountant.

Will is a member of the Remuneration, Audit and Nominations Committees.

4 John McConnell
Group Finance Director
Appointment to Board: October 2009

John was appointed as Group Finance Director of Inchcape plc in October 2009, having worked with the Group since 1999. John joined Inchcape Australasia as Chief Financial Officer before moving to the role of Chief Executive Officer of Australasia. Prior to joining Inchcape he worked with Reckitt and Colman (now Reckitt Benckiser) for 13 years in a variety of senior financial roles in the UK, Germany and Australia.

5 Alison Cooper
Non-Executive Director
Appointment to Board: July 2009

Alison is Chief Executive of Imperial Tobacco Group PLC. Alison joined Imperial Tobacco Group in 1999 and has held a number of senior roles including Director of Finance and Planning, Regional Director Western Europe, Corporate Development Director and Chief Operating Officer. Previously she was with PricewaterhouseCoopers LLP.

Alison is a member of the Audit Committee.

6 David Scotland
Non-Executive Director
Appointment to Board: February 2005

David was previously an Executive Director of Allied Domecq plc and a Non-Executive Director of Photo-Me International plc, Brixton plc and Thompson Travel Group plc. He was also a Trustee and Director of Winston's Wish, a child bereavement registered charity.

David is the Chairman of the CR Committee and a member of the Remuneration and Nominations Committees.

7 Simon Borrows
Non-Executive Director
Appointment to Board: October 2010

Simon was appointed as Chief Investment Officer of 3i Group plc in October 2011. He is also a Non-Executive Director of The British Land Company PLC. Previously, Simon was the Chairman of Greenhill & Co International LLP and was a founding partner of Greenhill's European business. Before starting Greenhill he was Managing Director of Baring Brothers International Limited.

Simon is Chairman of the Audit Committee.

8 Nigel Northridge
Non-Executive Director
Appointment to Board: July 2009

Nigel is Chairman of Paddy Power plc and Debenhams plc. He spent 32 years with Gallaher Group plc in sales and marketing roles, becoming the Group Chief Executive in 2000. He was previously a Non-Executive Director of Thomas Cook plc and the Senior Independent Non-Executive Director of Aggreko plc.

Nigel is Chairman of the Remuneration Committee.

9 Vicky Bindra
Non-Executive Director
Appointment to Board: July 2011

Vicky joined the Board on 1 July 2011. He is President of Asia/Pacific, Middle East & Africa (APMEA) for MasterCard Worldwide. Prior to joining MasterCard in June 2009, Vicky has worked with Bain & Company, Citi and GE Capital. He was a member of the Citi Management Committee and held various senior roles within the company including head of SME Business for International, Sales & Marketing for North America Retail. He was a financial services partner for Bain & Company in the New York office.

Vicky is a member of the CR Committee.

10 Till Vestring
Non-Executive Director
Appointment to Board: September 2011

Till joined the Board on 1 September 2011. Till is Managing Partner of Bain & Company South East Asia. Till has a 20 year career at Bain & Company of which the last 18 were spent in Asia with postings in Sydney, Hong Kong, Tokyo and Singapore. He has served as head of Bain's Automotive & Industrial Practice in Asia as well as on Bain's global Partner Nomination & Compensation Committee. He has extensive experience advising multinationals on growth strategy across Asia as well as advising leading Asian companies on strategy, M&A and organisation.

Executive committee

1 André Lacroix
Position: Group Chief Executive
Appointment to Executive Committee: February 2006

Please see page 38 for full biography.

2 John McConnell
Position: Group Finance Director
Appointment to Executive Committee: February 2006

Please see page 38 for full biography.

3 Aris Aravanis
Position: Chairman & Managing Director, Toyota Hellas
Appointment to Executive Committee: July 2009

Skills and experience: During his tenure with Inchcape, Aris has led the establishment and development of Tefin, a finance company that was constituted by Toyota Hellas and EFG Eurobank, to the top of the automotive financing market in Greece. In February 2000, Aris assumed the position of General Manager of Toyota Hellas and then became Deputy Managing Director and member of the Board of Directors. During his service, Toyota has established solid and clear leadership in the Greek market.

Before joining Toyota Hellas and Inchcape, Aris had extensive experience in the finance field working in various sectors including the food industry, electric cabling and banking.

4 George Ashford
Position: Chief Executive Officer, Inchcape Australasia
Appointment to Executive Committee: October 2006

Skills and experience: George was appointed as Chief Executive Officer, Inchcape Australasia in January 2012. George joined Inchcape in March 2006 as Director of Implementation, Inchcape Advantage. In this role George led the implementation of Inchcape Advantage, a Group-wide strategic programme putting the customer at the heart of the Group’s service initiatives. In October 2006, George was appointed Managing Director European Retail where he led the implementation of world class retail operation programmes across the European retail network. He was also responsible for the integration of businesses acquired in the Baltics and the construction and opening of four greenfield operations in eastern Europe. George was Chief Executive Officer, Toyota Belgium from July 2009 to December 2011.

George joined Inchcape from Yum Restaurants International (previously Pepsi Restaurants International), where he spent 10 years holding several senior management positions.

5 Stéphane Chatal
Position: Group Chief Information Officer
Appointment to Executive Committee: November 2011

Skills and experience: Stéphane was appointed as Chief Information Officer in 2008 and is responsible for the Group’s IS strategy, its implementation and the IS function.

Before joining the Group, Stéphane spent over four years with Reckitt Benckiser in senior IT roles, most recently as Global Solutions Director.

Prior to Reckitt Benckiser, Stéphane worked for Procter & Gamble for 12 years, where he was responsible for the global implementation of multi-country, single instance SAP systems and centralised shared service centres.

6 Claire Chapman
Position: General Counsel and Group Company Secretary
Appointment to the Executive Committee: March 2007

Skills and experience: Claire joined Inchcape in March 2007 and is responsible for the Group’s legal and compliance programmes, mergers and acquisitions, major contracts, corporate projects and restructurings; effective corporate governance and Board management.

Claire was formerly a solicitor at Freshfields Bruckhaus Derringer from 1991 to 1995 before joining the legal team at the Reuters Group PLC from 1995 to 2007. Claire held various roles whilst at Reuters, working for their UK, European and US businesses. She was General Counsel for the UK from 2000 to 2003 and General Counsel for Europe, Middle East and Africa from 2004 to 2007, advising on a range of matters from major commercial and IT contracts, global projects, integration and key corporate projects. Additionally she advised on company secretariat matters from 2004 to 2007.

Claire is a qualified solicitor for England and Wales and Attorney at Law, New York and has a Masters in International Law.

7 Tony George
Position: Group HR Director
Appointment to the Executive Committee: February 2007

Skills and experience: Tony joined the Group in February 2007. He has over 23 years of experience in Human Resources and General Management in International FMCG, chemicals, telecommunications and customer service oriented retail companies. In his previous role he was HR Director, Corporate Functions for Vodafone plc and prior to that, SVP International Partner Resources for Starbucks Coffee Company based in the US. He has also worked with ICI in India and Diageo plc where, at the time of the formation of the Company, he was the first Global Management Development Director UDV in the UK and latterly was the SVP International HR for the Burger King business. During his career Tony has lived and worked in India, the UK, USA and Australia.

8 Jean Van der Hasselt
Position: Chief Executive Officer, Russia and the Nordics
Appointment to Executive Committee: June 2009

Skills and experience: Jean joined Inchcape in 2003 as Chief Executive Officer of Toyota Belgium, having been in the automotive industry since 1985. During this tenure the network has been successfully restructured, leading to fewer and better retailers whilst improving market share and maximising the profitability for Toyota Belgium. The successful run out campaign of Toyota’s best selling model in 2006 led to an overall best market share performance. In 2010, Jean was appointed CEO Russia and the Nordics and has responsibility for our Russian and Nordic operations that include Finland, Estonia, Latvia and Lithuania.

Prior to Inchcape, Jean held several Director positions within the Volvo organisation and was Managing Director for the Volvo Cars operations in Belgium, actively contributing to the set up of the PAG structure, leading to effective synergies within Ford’s luxury brand cluster.

9 Koh Ching Hong

Position: Managing Director, Inchcape South Asia
Appointment to Executive Committee: August 2009

Skills and experience: Ching Hong joined Borneo Motors as its Managing Director in January 2008. He was appointed as Managing Director, Inchcape South Asia in August 2009 and is responsible for Borneo Motors and Champion Motors in Singapore and NBT in Brunei. Prior to joining the Group, Ching Hong was Managing Director of Fuji Xerox Singapore and an Executive member of Fuji Xerox Asia Pacific Senior Management from 1996 to 2008. In these roles he led the transformation and restructuring of its business model and business approach, thereby increasing market share, doubling revenue and leading the organisation into the prestigious Singapore Quality Class, achieving a high customer satisfaction index.

10 Arthur Kipferler

Position: Group Strategy and Business Development Director
Appointment to Executive Committee: February 2011

Skills and experience: Arthur joined the Group on 1 February 2011. Arthur worked for the Toyota Motor Corporation from 2002 until 2011 with assignments in the European headquarters in Brussels and in national sales in central Europe and the USA. He successfully led numerous strategic projects, among them a new European customer satisfaction programme, the streamlining of the European distributor network, the launch of Lexus in the Czech and Slovak Republics and major cost reduction efforts. From 1999 to 2002 Arthur was with The Boston Consulting Group, advising on strategic, corporate development and operational projects mostly in the automotive industry. After becoming a Partner and Director of the company, Arthur led the Global Automotive Practice Group.

11 Ken Lee

Position: Group Communications Director
Appointment to Executive Committee: November 2006

Skills and experience: Ken joined Inchcape in September 2003 as Marketing Director for the UK businesses, where he led the development of online car retailing and a pioneering customer experience programme. In early 2006 he was appointed Customer Strategy Director to lead the Group-wide identification of customer insights to drive the Company's pioneering Inchcape Advantage programme. In late 2006 he was appointed to the Executive Committee as Group Communications Director with global responsibility for internal and external communications.

Prior to joining Inchcape, Ken held the position of Group Marketing Director at the RAC from 1999 to 2003 having been part of the team that acquired and then led the business post demutualisation. During his tenure the company moved from a car breakdown organisation to a customer focused motoring services group. Before joining the RAC, Ken worked for Lex Service plc, where as Marketing Director he successfully established the Hyundai brand in the UK.

12 Patrick S Lee

Position: Chief Executive Officer, Inchcape North Asia
Appointment to Executive Committee: November 2006

Skills and experience: Patrick is in charge of our VIR operations in Hong Kong, Macau and Guam. Representing Toyota in all three markets, Toyota has maintained the No.1 position for several years. He is also responsible for Inchcape's operations in China. Before joining Inchcape, Patrick was the Group General Manager, Sales and Marketing of Kerry Beverages Ltd from 1998 to 2006. Kerry Beverages owned and operated 11 Coca-Cola bottling plants in China. Patrick's experience in auto retailing came from a Toronto Honda dealership where he worked for three years and was awarded the highest honour 'Sales Master' by Honda Canada for two consecutive years. Patrick started his career in brand marketing with Procter & Gamble and has worked in various locations including Canada, Switzerland, Thailand and Hong Kong. Patrick holds a BBA and an MBA from the Chinese University of Hong Kong.

13 Louis Fallenstein

Position: Managing Director, Emerging Markets
Appointment to Executive Committee: January 2012

Skills and experience: Louis was appointed as the Managing Director, Emerging Markets in January 2012 . He is responsible for the Emerging Markets region, encompassing all of our retail and distribution activities in Poland, the Balkans, South America and Africa. He oversees both current operations and our future expansion plans in these markets.

Prior to this Louis was Franchise Director BMW in our UK business. Louis has been with the Group since the acquisition of European Motor Holdings plc in 2006. Prior to that, he spent the majority of his career in senior roles within the UK automotive industry. Louis has been a major force in the integration of the Lind Automotive Group and European Motor Holdings with existing UK retail businesses and has been a key member of the UK leadership team over the last six years.

14 Bertrand Mallet

Position: Chief Executive Officer, Toyota Belgium
Appointment to Executive Committee: July 2008

Skills and experience: Bertrand was appointed as Chief Executive Officer, Toyota Belgium in January 2012. Prior to this appointment he was the Managing Director of the Emerging Markets and previously the Group Strategy Director.

Before joining the Group in 2008, Bertrand spent over six years with Euro Disney in both Strategy and Sales roles, most recently as Managing Director for the French market. During his tenure, a new sales and marketing approach was defined and implemented. Prior to Euro Disney, he spent five years as a senior consultant with Bain & Company, both in France and in the US. His main areas of focus were around retail and distribution. Bertrand began his career in Sales and Marketing with Automobiles Peugeot in Sweden.

15 Connor McCormack

Position: Chief Executive Officer, Inchcape UK
Appointment to Executive Committee: November 2009

Skills and experience: Connor has been with the Group since July 2005, having initially joined Inchcape as Finance Director, UK Retail. Connor has led the business through the acquisitions and integrations of the Lind Automotive Group and European Motor Holdings, as well as playing an instrumental part in the right sizing of the UK business in the second half of 2008, as the global economy entered the downturn. Connor was appointed Chief Executive Officer of the UK business in November 2009.

Prior to Inchcape, Connor held senior positions with B&Q plc, Kingfisher plc, the L'Oreal Group and the Gillette Company.

Corporate governance report

Governance is at the heart of everything we do

Introduction from the Chairman

One of the key topics the Board discussed during the year was that of Board composition. The Nominations Committee spent time defining the current skills set represented by the Directors and identified several areas where additional knowledge and experience would enhance the Board.

In identifying the appropriate skills now required on the Board, the Nominations Committee began developing a set of criteria for potential candidates including knowledge and experience and key skills in order to commence the recruitment process, taking into account our strategy of expansion in Asia Pacific and the Emerging Markets.

As a result of this process I am pleased to report that we recruited two excellent Non-Executive Directors during the year, Vicky Bindra and Till Vestring, both of whom are based in Singapore and who bring a wealth of Asian and operational business experience to our discussions. An in-depth induction programme was provided to each of them, details of which can be found on page 43.

In addition to the new appointees, Michael Wemms retired from the Board in May 2011 after seven years of valued service. The Board members and I would like to thank Michael for his advice and assistance, both as a member of the Board but also during his time as our Remuneration Committee Chairman.

Diversity of our Board members has also been a particular focus during the year and with the publication of the report "Women on Boards" by Lord Davies, gender has been a specific discussion point. The report provides recommendations to address the lack of balance in the number of women on boards, including a recommendation for listed companies to set out their targets for the proportion of women who serve on their board. Additionally, the Financial Reporting Council has recently consulted on whether to make further changes in light of the Davies Report. Within the UK Corporate Governance Code there is a requirement for organisations to actively consider the make up and diversity of their boards. Our Board already benefits from having a broad range of skills, backgrounds and experience, which has been further enhanced by our two new appointments. We will continue to take diversity considerations into account when making appointments to the Board, including those raised by Lord Davies.

The Davies Report sparked a further discussion for the Board this year on how to develop our senior management to ensure that we can provide opportunities for long-term executive development which, in turn, will provide a diverse range of potential candidates for future roles on the boards of UK companies. As a result the Nominations Committee has proposed that succession planning for executive management will again be an agenda item for the full Board during 2012.

Another key activity during 2011 was our Board evaluation process. The evaluation was carried out by an external independent consultant. The Board was encouraged to give open and thoughtful feedback on its performance and that of the Committees. The exercise was a very positive experience, assisting the Board in seeking to continually improve its performance and effectiveness. An outline of the Board evaluation can be found on page 44.

The Board carried out a review of the Non-Executive Directors' fees during the year. Traditionally the Non-Executive Directors' fees are reviewed annually, however there had been no increase in fees since 2007. The fee structure was updated to reflect current market practice and details of the new fee structure is shown on page 54 of the Directors' report on remuneration.

Statement of Code compliance

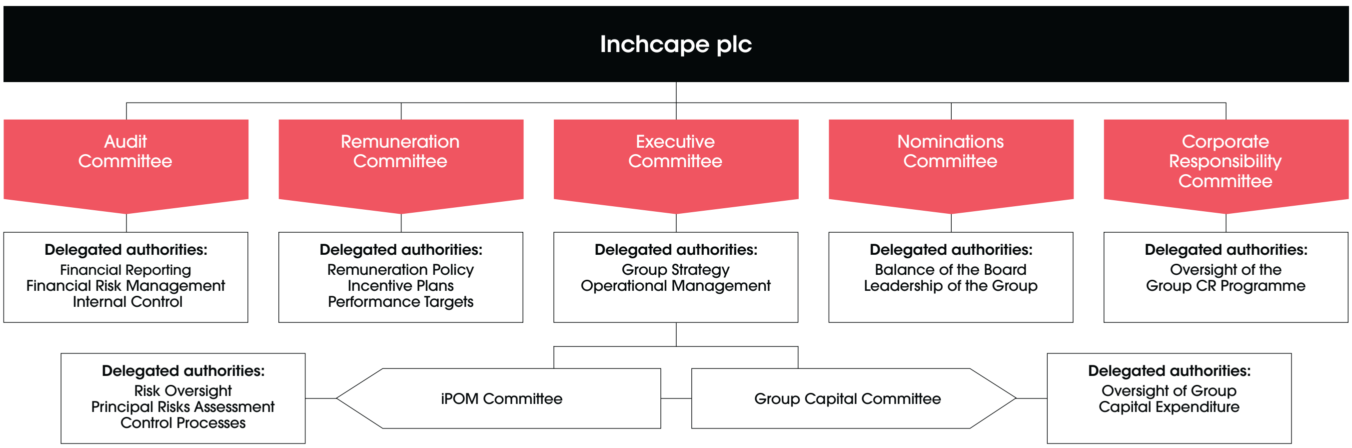
The Board has been fully compliant with the UK Corporate Governance Code (the Code) during 2011. For Code provision B7.1, annual re-election of all directors at the AGM, as the Code applied to accounting periods on or after 29 June 2010 we decided not to re-elect all the directors at the 2011 AGM but all directors will be up for re-election at the 2012 AGM.

The information required under DTR 7.2.6 is given on pages 58 to 59 and forms part of the Corporate Governance Report.

In the following report we show how the Board and the Executive Committee have run the Company over the last year, how we made decisions, how we managed risks, how we monitored controls and how we engaged with our stakeholders. I hope that this information will help put into context our strategy and the financial results we have achieved.

Ken Hanna,
Chairman

Inchcape committee structure



Leadership

The Board

Name of Director	Board Meetings Scheduled	Board Meetings Attended
Chairman		
Ken Hanna	7	7
Deputy Chairman & Senior Independent Non-Executive Director		
Will Samuel	7	7
Group Chief Executive		
André Lacroix	7	7
Group Finance Director		
John McConnell	7	7
Non-Executive Directors		
Vicky Bindra (appointed 1 July 2011)**	3	2
Simon Borrows	7	7
Alison Cooper	7	7
David Scotland*	7	6
Nigel Northridge	7	7
Till Vestring (appointed 1 September 2011)	2	2
Michael Wemms (retired 11 May 2011)	2	2

* David Scotland was unable to attend the meeting on 8 April 2011.

** Vicky Bindra was unable to attend the meeting on 27 July due to commitments prior to his appointment to the Board.

Biographies of the Directors can be found on page 38.

Statement of how the Board operates

The Board is collectively responsible for the long term success of the Group, setting the strategic agenda and establishing its risk appetite. This is achieved by:

- ensuring that the Board comprises competent individuals with a breadth of knowledge and experience that brings independent views to the decisions being made;
- ensuring that the Board has appropriate, timely information and access to professional development and advice;
- ensuring that the Executive Committee have the necessary skills and experience in order to further the strategic goals of the Company;
- monitoring the performance of the Group and the members of the Board;
- ensuring that the systems of controls remain sound and relevant;
- ensuring there is a comprehensive risk management and mitigation programme and process in place.

To help the Board discharge its duties a formal schedule of Matters Reserved for the Board sets out the decisions it is responsible for and can be found on our website www.inchcape.com.

If a Director has any concerns about the running of the Company, his or her concerns would be recorded in the Board minutes. No concerns were raised in 2011.

The Board delegates some decisions to its Committees and further information on the decisions that they make can be found in their reports on pages 47 to 50. Day to day management is the responsibility of the Executive Directors and the Executive Committee.

Division of responsibilities

The Role of the Chairman

- Leads the Board, sets the agenda including agreeing strategy and risk appetite
- Is responsible for ensuring that information is accurate and relevant to enable decision making
- As Chairman of the Nominations Committee, is responsible for succession planning
- Leads the Board evaluation process

The Role of the Group Chief Executive

- Leads the Executive Committee
- Is responsible for the day to day operational management of the Business
- Manages the Group's risk and internal control framework
- Reports to the Board on significant developments and performance of the Group
- Regularly engages in dialogue with shareholders to ensure that they are up to date with the Group's activities

Non-Executive Directors

The Non-Executive Directors as members of the Board and its Committees have the responsibility for the following:

- Assisting in the development of the Group's strategy;
- Scrutinising the performance of management by measuring performance against targets at each Board meeting through strategic and market reviews and a monthly performance report;
- Monitoring the reporting of performance at Board and Audit Committee meetings;
- Ensuring the integrity of financial controls and that systems of risk management are robust and defensible at Board and Audit Committee meetings;
- Determining the levels of remuneration at the Remuneration Committee meetings;
- Appointment (and removal) of Directors and succession planning for the Executive Committee at the Nominations Committee and Board meetings.

All Committee Chairmen report to the Board on the Committee's activities at each Board meeting.

Will Samuel is the Deputy Chairman and Senior Independent Director and in this role he acts as a sounding board for the Chairman and, should the need arise, is available to shareholders whose concerns have not been resolved by the Chairman or the Executive Directors or should such contact not be appropriate.

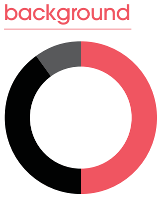
A series of meetings were held in March 2011, where Ken Hanna met with the Non-Executive Directors without the Executive Directors present. In addition, Will Samuel also met with the Non-Executive Directors without Ken Hanna or the Executive Directors present.

Effectiveness

To ensure that the Board remained effective throughout the year the Board reviewed its effectiveness within the context of the principles and provisions of section B of the Code and examined each area throughout the year. The Board also reviewed the Financial Reporting Council's guidance of board effectiveness and the Association of British Insurers' report on board effectiveness, both of which were published during 2011.

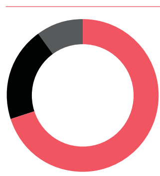
Composition

Industry background



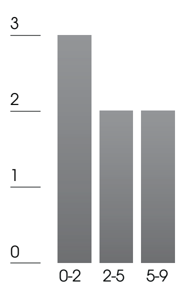
- Financial 50%
- Retail 40%
- Consultancy 10%

Balance of Non-Executive Directors



- Non-Executive Directors 70%
- Executive Directors 20%
- Chairman 10%

Length of service



All of the Non-Executive Directors are considered independent in accordance with the Code.

Appointments to the Board

The Nominations Committee has responsibility for referring potential appointments to the Board for approval and is assisted by external search consultants. Further information on its activities can be found in the Nominations Committee report on page 47.

Will Samuel and David Scotland both completed six years' service in 2011. Their length of service was taken into account when considering succession planning and it was felt that their detailed knowledge of the Group's operations was crucial during this time of Board changes.

Commitment

The time commitment required by Non-Executive Directors is set out in their Letter of Appointment and is reviewed annually by the Nominations Committee to ensure that it remains appropriate. The Company recognises that its Board members may be invited to become directors of other companies and that this additional experience is likely to benefit the deliberations of the Board. Details of other directorships held by the Executive and Non-Executive Directors are given in their biographies on page 38. The Executive Directors are generally permitted to take one Non-Executive Directorship as long as it does not lead to conflicts of interest or undue time commitment. André Lacroix holds two such positions: Non-Executive Director for Reckitt Benckiser Group plc for which he received a fee of £85,000 and as Non-Executive Chairman of Good Restaurants AG for which he does not receive a fee.

Development

New Directors receive a tailored induction programme designed to give them a comprehensive understanding of the values, operations and strategy of the Group. Our two new Non-Executive Directors were inducted during 2011. Their programmes were split into two parts, an operational induction programme and a head office induction programme.

Induction programme for Vicky Bindra and Till Vestring

Part 1

- A tour of the head office in Singapore
- Market overview of Inchcape South Asia
- Site visit to the Toyota and Lexus showroom, service and body and parts facilities in Singapore
- Site visit to the New Vehicle Delivery Centre and Suzuki showroom and service centre (Vicky only)

Part 2

- UK business overview with UK Chief Executive and UK Finance Director
- Site visit – UK Retail Head Office – Mercedes-Benz
- Site visit – Toyota Oxford
- Chairman – the Board, its committees, history of the Group, vision and values
- Group Chief Executive – strategy, overview of operational businesses, analyst and investor engagement
- General Counsel & Group Company Secretary – Directors' duties and regulatory rules, governance and Board administration
- Group HR Director – key management, succession planning, remuneration policy
- Group Finance Director – financial review, current KPIs
- Group Financial Controller – operational financial review, reporting systems and processes
- Group Chief Information Officer – overview of the Group's IT strategy and structure
- Group Strategy and Business Development Director – strategy and Inchcape Advantage
- Director of Taxation – overview of the Group's tax structure
- Group Treasury Director – structure of the Group's banking relationships, committed and uncommitted facilities
- Group Communications Director – brand, marketing, internal and external communications

In order to ensure that the Non-Executive Directors continue to have up to date knowledge of the Group's operations, we hold a two day Board meeting at a UK or overseas retail centre which includes a site visit, regional update and meetings with key management and operational staff.

The Chairman also reviewed any training and development needs with Directors during his or her one on one performance review.

During 2011, the Non-Executive Directors attended a one day investor relations event during which the Chief Executive gave an in-depth update on vision and strategy to shareholders. Presentations were also given by the market Chief Executive and senior management of our businesses in Australia, Hong Kong, China, Singapore and Emerging Markets.

Information and support

The information received by the Board is vital to ensure that members are able to contribute fully to discussions. The Chairman and the Group Company Secretary ensure that the information received by Directors encourages open debate and enables the Board to make well informed decisions. All Directors receive Committee papers regardless of whether they are members of that Committee to ensure that each member has access to all available information. The Board also receives regular financial and governance updates to enable the Directors to keep informed of progress to date and best practice developments between Board meetings.

Independent professional advice and support are available to all Directors should they request it.

Board evaluation

In 2011 the Board was evaluated by an external independent third party. The evaluation consisted of a tailored questionnaire focusing on overall effectiveness, strategy, Board knowledge, training and development, succession, risk management, the Committees and administration. The evaluation employed a range of techniques including 'scoring' and commentary from participants.

The three main areas where action points were identified were:

2011 Objectives	2011 Achievements
Strategic planning	The implementation of the two day Strategy Away Day gave the Board the opportunity to focus entirely on the strategic plan and review progress to date.
Succession planning	The Board carried out an in-depth review of succession planning for the Executive Committee at the Strategy Away Day.
Structure and remit of the Audit Committee	The Audit Committee membership was reduced to three Non-Executive Directors all with relevant financial experience to enable the Committee to focus in more depth on the key issues.

Focus for 2012

Continue to focus on strategy and processes for measuring performance to date against objectives.	Enhance the process for succession planning at Board and Executive Committee level.	Review composition of the Board and its Committees.

The Board discussed the findings of the Board evaluation including the results for each of the Committees and determined the main action points and the focus for the 2012 evaluation. The Chairman also met each Non-Executive Director individually to discuss his or her performance throughout the year and personal commentary from the Board evaluations were provided to the Chairman to assist with the personal performance evaluations of the Non-Executive Directors.

The Deputy Chairman and Senior Independent Non-Executive Director met with the Non-Executive Directors to evaluate the performance of the Chairman.

Accountability

Financial & business reporting

The Board is responsible for establishing and maintaining adequate internal controls over regular financial reporting for the Group, including the consolidation process.

There is a comprehensive system of internal controls in place, including an Annual Operating Plan (AOP) which is reviewed and approved by the Board. Monthly actual results are reviewed by management against the AOP, and where appropriate, revised forecasts are presented to the Board. All data to be consolidated into the Group's financial statements is reviewed thoroughly by management to ensure that it complies with relevant accounting policies, and that financial reporting gives a true and fair reflection of the financial position of the Group.

Internal controls over this financial reporting framework are designed to provide reasonable assurance regarding the reliability of regular internal financial reporting as well as the preparation of financial statements in accordance with IFRS. Management and Internal Audit conduct regular assessments of the effectiveness of internal controls over financial reporting based on the framework contained in the Turnbull Guidance. There have been no significant changes in internal controls over financial reporting during 2011 that have, or are likely to have, materially affected the Group's internal controls over financial reporting.

Based on these statements, the Board concludes that as at 31 December 2011, the Group's internal system of control over financial reporting was effective.

Risk management

The Group has in place comprehensive processes to manage risks across its businesses which are regularly audited and the results reported to the Audit Committee and the Board for their review. Inchcape Peace of Mind (iPOM) is the Group wide risk management programme. It provides a simple system which aims to:

iPOM provides rewards for the 'right way of doing business': it is aligned to our Values and ensures that we drive the right behaviours across our business to embed compliance in all that we do.

Seven steps
All risk activities are benchmarked against seven key steps:

Step	Purpose
1 Written compliance standards and procedures	What are the rules?
2 Oversight responsibilities assigned to appropriate personnel	Who is in charge?
3 Appropriate delegation of authority	
4 Training and education	What employee education is in place regarding the rules and standards?
5 Routine monitoring, reporting and auditing	How do we know the rules are being followed?
6 Enforcement and discipline	What happens if the rules and standards are not being followed?
7 Response and prevention	

Principal Risks Accountability
As part of the risk governance process, the mapping of risk accountability across key operational and functional areas was reviewed in 2011. Whilst the Board has overall risk management oversight, it has formally delegated this responsibility to various Committees under formal terms of reference. Through these formal terms of reference, risk items are tabled on a rolling basis over each 12 month period, either to meet external requirements (e.g. company reporting obligations) or internal governance requirements.

Group iPOM Committee
Key day to day risk oversight is managed through the Group iPOM Committee.

The Committee is chaired by the Group Chief Executive and its members are the Group Finance Director, the General Counsel & Group Company Secretary, the Group HR Director and the Head of Internal Audit.

The Group iPOM Committee's processes have been updated to reflect the changing risk environment and, in particular, can address both systemic and dynamic risks. This Group meets six times a year to ensure that:

(a) the right management focus is on key risks and actions to mitigate identified and emerging risks;

(b) a compliance programme is in place which meets external benchmarks and is appropriate in terms of the legal requirements, content, sector, cost and resources; and

(c) appropriate defences are in place to mitigate exposure and effect a response to any risk that may crystallise.

The Group iPOM Committee is also responsible for developing and managing the Group's overall Principal Risk Register, which is based on risks identified at market/region and Group level.

Market iPOM Committees
Reporting into the Group iPOM Committee are the market iPOM Committees. These are a sub-committee of each market's Executive Committee to ensure that risk management oversight remains at the highest level within each market or region. Each market iPOM Committee operates through standard terms of reference which ensures that there is a consistent approach to identifying and managing systemic and dynamic risks. Additionally, the meeting dates are coordinated so that appropriate reviews are performed consistent with the Group iPOM Committee schedule and the Board and Board Committee meetings.

Each market iPOM Committee will review its own risk register using FlexEye reports at its own market iPOM Committee meeting. The FlexEye risk management system allows each business to identify and assess risks to their business; propose actions to implement preventative or detective controls to mitigate against these risks; estimate the level of impact these actions will have and monitor progress against these actions, as well as seeing what other Group businesses are proposing as risks and assessing whether these are also applicable in some way to their own business.

Internal Audit will continue to monitor risks capture and actions through Internal Audit reviews.

2011 key areas of focus
During 2011, we additionally focused on several areas to ensure that our processes reflected not only best practice, but also key regulatory areas and developments that are pertinent to our business. Highlights of these key areas are below:

Focus area	Activity
iPOM	We continued to ensure that iPOM was fully communicated throughout the Group and embedded into our processes through a series of targeted communications and presentations.
UK Bribery Act	Starting in 2010 and continuing throughout 2011, we carried out a risk analysis of our exposure under UK, local and international conventions relating to anti-bribery and corruption. We have updated our policies and performed face to face training with our senior management population in addition to developing an online training package suitable for use with the remainder of the organisation.
Environmental Health and Safety (EH&S)	We commissioned an independent third party to perform a benchmarking review of our standards globally in respect of EH&S. We will use the findings of this review to improve, as needed, our performance in this area during 2012.
Data privacy	We carried out an internal review of our practices and compliance in respect of data privacy requirements in our markets globally to ensure that we continue to treat not only our employees but our customer data in the right way and to ensure that we continue to have a strong foundation for our Customer 1st initiative.

In order to harmonise and simplify the Group's approach to risk under iPOM, two key areas have been reviewed during 2011:

Principal risk categories

To ensure consistency across our risk reporting we have updated our principal risk categories. We now track risks under one of eight categories:

- Strategy including customer and consumer;
- Finance and Treasury;
- Brand partners, key relationships and reputation;
- Systems and technology;
- People, including EH&S;
- Economic, political and environmental;
- Legal and regulatory;
- Tax, pensions and insurance.

These were implemented in the 2010 Annual Report and are used consistently throughout the Group.

Business Risk Assessment (BRA)

The BRA process has been our key risk capture and tracking methodology in recent years. The BRA was used to identify key strategic risks which may impact the Group's risk profile. Owners were assigned to each risk and action plans prepared. The BRA was cascaded through the organisation with local owners and action plans also being assigned which either reflected the Group risk or a sub-set of that risk as it pertained to that local market. Additionally, the BRA has been reviewed as part of the AOP process and monitored through the internal audit reviews.

Improvement actions

As part of the on-going efforts to enhance the risk management process within the Group, FlexEye has been introduced to better manage risks. This new approach is improving the visibility of risk reporting and of action planning to mitigate risks, both at market, regional and Group levels. By using technology, we are also making the process of risk capture more efficient.

We propose to continue to review the Group's principal risks at the Board Strategy review each October, with the Board having primary responsibility for this. Risk identification, action plans and mitigation also remain part of the Strategic Plan and AOP process and monthly budget review process.

However, the Group iPOM Committee formally reviews the Group and market risks at each Group iPOM Committee (six times a year) using reports generated through FlexEye. This will:

- allow better cross market/region trend analysis;
- allow better cross risk analysis;
- allow increased visibility of actions and mitigation plans progress;
- remove duplication of reporting through the adoption of a single automated system;
- ensure both dynamic and systemic risks are identified and managed.

2012 key areas of focus

Again for 2012 we have identified areas of focus. These include:

Focus area	Activity
iPOM	We will continue to ensure that iPOM is fully communicated throughout the Group and embedded into our processes. An iPOM website, with access to key information and policies and procedures, will be launched, along with continued emphasis on targeted communications and presentations.
Risk management reporting	We will focus on ensuring that FlexEye is fully operational within the Group as the primary risk reporting and action planning/mitigating tool.

Audit Committee and auditors

The Board has delegated responsibility for risk management and internal controls to the Audit Committee. Details of the Committee's activities during the year can be found in the Audit Committee Report on pages 48 to 49. A statement of the Directors' responsibility for reporting the financial statements is set out on page 58.

Remuneration

The Board has delegated responsibility for setting the level and components of remuneration and for developing remuneration policy to the Remuneration Committee. Details of the Committee's activities during the year can be found in the Remuneration Committee Report on page 50 and the Directors' report on remuneration can be found on pages 51 to 54.

Relations with Shareholders

The Group Chief Executive and Group Finance Director met with institutional investors throughout the year. We also held an investor day in which institutional investors were invited to receive an update on performance to date. The investor seminar in May focused on Asia Pacific and Emerging Markets in line with the Group's strategy. Shareholders received an in-depth overview and strategy update from the Group Chief Executive and regional presentations with Q&A sessions from the senior management teams in Hong Kong, China, Singapore, Australia, the Balkans, Africa, South America, Russia and the Baltics.

The Board recognises the importance of maintaining good communications with all shareholders to ensure understanding of the Group's performance and strategy. The Annual General Meeting (AGM) gives institutional and private shareholders an opportunity to meet the Board and ask any questions they may have regarding the Group. Each year we send shareholders a prepaid reply form which gives any shareholders unable to attend the AGM an opportunity to give their views. At the 2011 AGM we were pleased to invite shareholders to the launch of the Inchcape book 'Pioneering Spirit'. The book celebrates the energy, foresight and business acumen that has built the Group into a global force.

The Group is committed to reducing its impact on the environment in line with its CR policy and encourages shareholders to receive communications electronically in order to reduce printing and paper usage. Shareholders can register for email alerts on our website at www.inchcape.com/investors. It is important for investors to receive communications in the form most appropriate to their needs and they can change the way in which they receive shareholder communications at any time.

Nominations Committee report

Ken Hanna
Chairman

Key responsibilities

- Evaluate balance of skills, knowledge and experience on the Board
- Agree skills profile for candidates to fill vacant Board positions
- Nominate suitable candidates to the Board for approval
- Succession planning

The Terms of Reference for the Nominations Committee can be found on the website www.inchcape.com/aboutus/governance

Members	Committee Meetings Scheduled	Committee Meetings Attended
Ken Hanna – Chairman	2	2
Will Samuel	2	2
André Lacroix	2	2
David Scotland	2	2
Michael Wemms (retired 11 May 2011)	1	1

Only members of the Committee have the right to attend Committee meetings, however other individuals such as the Group HR Director and external consultants attend by invitation.

Committee activities during the year

March

The Committee reviewed the composition of the Board. The Committee spent time defining the current skills set represented on the Board and in particular discussed the position in respect of diversity, including gender, and the findings of the Davies Report.

The Committee identified several areas where additional knowledge and experience would enhance the Board and the desired skill set for potential candidates was agreed in order to commence the recruitment process.

The Committee also agreed that the external search consultants would prepare a summary of recommendations for circulation to the Committee.

Governance

- The Committee discussed the retirement and re-election of Directors and agreed to adopt the principles of the Combined Code for 2011 and adopted the principles of the UK Corporate Governance Code for 2012. The Committee agreed that all Directors would stand for election or re-election at the 2012 AGM.
- The Committee reviewed the length of service of the Directors and discussed succession planning.
- The Committee discussed the time commitment required by the Non-Executive Directors in order for them to discharge their duties effectively and it was agreed the current requirements remained appropriate.
- The Committee reviewed the policy on multiple board appointments and confirmed that it had been complied with throughout the year.
- The Committee evaluated its processes and agreed to update its terms of reference, approved standing agenda items and agreed that the full Board should review Executive Committee succession planning at the Strategy Away Day in October. It also agreed that two scheduled meetings would continue to be held each year.

May

Additional meeting. The Committee approved the recommendation to the Board of the appointment of Vicky Bindra.

July

Additional meeting. The Committee approved the recommendation to the Board of the appointment of Till Vestring.

The Committee also discussed changes to the Audit Committee membership and the need to ensure that a range of skills were represented on each Committee as well as taking into account balancing the time commitments of the Non-Executive Directors. The Committee agreed that Nigel Northridge and David Scotland would step down from the Audit Committee particularly taking into account their recent appointments as Remuneration Chairman and CR Committee Chairman respectively.

November

The Committee reviewed the membership of the CR Committee and agreed that Vicky Bindra would be an excellent addition to the Committee. The Committee recommended his appointment to the Board for approval.

Governance

- The Committee reviewed its terms of reference and confirmed that it had been fully compliant throughout the year.
- The Committee reviewed the job description of the Senior Independent Director and agreed that Will Samuel should continue in this role.
- The Committee reviewed its membership and confirmed that it complied with the Code and approved the recommendation for Ken Hanna to continue as Chairman of the Committee.

CR Committee Report

David Scotland
Chairman

Key responsibilities

- Develop Group's CR strategy and monitor external developments
- Review Group's CR Policy
- Monitor Group's CR risk exposure
- Review annual CR report

The Terms of Reference for the CR Committee can be found on the website www.inchcape.com/aboutus/governance

Members	Committee Meetings Scheduled	Attended
David Scotland – Chairman	3	3
Vicky Bindra (appointed 30 November 2011)	1	1
Claire Chapman	3	3
André Lacroix	3	3
Tony George*	3	2
Michael Wemms (retired 11 May 2011)	2	2

* Tony George was unable to attend the meeting on 29 November 2011.

The CR Report can be found on pages 34 to 37.

Committee activities during the year

January

The Committee discussed the themes to be included in the CR section of the Annual Report and Accounts. The draft report was reviewed and approved by the Committee. The Committee recommended that the CR Report be approved by the Board.

The Committee also reviewed its approach to reporting and discussed ways in which the Group could improve its reporting procedures in the future.

The Committee looked at ways in which new technologies could assist with decreasing CO_2 emissions in dealerships within the Group.

The Committee discussed the process for engaging employees in CR and how to incorporate its vision and values into the Group's processes.

Governance

- The Committee agreed that the core CR areas should be added as an agenda item. One core area would be explored in detail each year to ensure that it remains relevant and industry experts would be invited to advise the Committee on best practice.

May

The Committee agreed the process for reviewing the CR Report annually to ensure that its message was being clearly communicated to shareholders and employees.

The first of the core areas, People, was explored in detail by the Committee. The presentation included data from industry experts and best practice examples on employee engagement.

The Committee discussed strategic messaging and agreed that the Group's intranet site should be developed in order to communicate the Group's CR messages globally.

The Committee received an update on the Group's CO_2 data collection process and discussed the KPIs to ensure that they remained relevant to the Group.

November

After a review of the membership of the Committee, Vicky Bindra joined the Committee.

The Committee developed the key themes for the 2011 CR Report and discussed the reporting processes.

The Committee agreed that internal communication and engagement in CR would be a key priority for 2012.

The CR risk strategy was discussed by the Committee.

The Committee received an update on the new technologies which could be introduced to assist with the Group's CO_2 emissions and the Group's own best practice approach.

Governance

- The Committee reviewed its terms of reference and confirmed that it had been compliant throughout the year.
- The Committee agreed that a rolling agenda would be drafted for review in 2012.

Audit Committee Report

Simon Borrows
Chairman

Key responsibilities

- Monitor integrity of financial statements
- Review and approve the Annual Report & Accounts
- Review Group accounting policies
- Review internal controls and risk management – iPOM
- Internal and external audit function

The Terms of Reference for the Audit Committee can be found on the website www.inchcape.com/aboutus/governance

Members	Committee Meetings Scheduled	Attended
Simon Borrows – Chairman	4	4
Alison Cooper	4	4
Nigel Northridge*	2	2
Will Samuel	4	4
David Scotland*	2	2
Michael Wemms (retired 11 May 2011)	1	1

* Nigel Northridge and David Scotland stepped down from the Committee in July 2011

Only members of the Committee have the right to attend Committee meetings, however other individuals such as the Chairman, Group Chief Executive, Group Finance Director, Group Head of Internal Audit and external auditors attend by invitation.

Committee activities during the year

March

The Committee reviewed the processes adopted for the year end results and in particular reviewed the going concern statement and the 2010 Annual Report and Accounts. The Committee recommended that the 2010 Accounts be approved by the Board.

The Committee received the Auditors' Report from PricewaterhouseCoopers LLP. The Committee reviewed and approved the auditors' independence, the auditors' engagement letter, the management representation letter and the re-appointment of the auditors for 2011(subject to shareholder approval at the AGM). The auditors confirmed that they complied with the UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Standards Practices Board, and their objectivity was not compromised.

The Committee reviewed its policy on the provision of non audit services by PricewaterhouseCoopers LLP. The purpose of the policy is to ensure that the auditors remain objective and independent. The Committee confirmed that the policy guideline of a 1:1 fee ratio continued to be applicable and reviewed the engagement of auditors for any non audit work and the restrictions on permitted areas of non audit work. The Committee tested the performance of the auditors against the policy. A statement of the fees paid for audit and non audit services is provided in note 3d on page 84.

The Internal Audit Charter setting out the responsibility, authority and processes of the Internal Audit function was reviewed and approved by the Committee.

The Committee reviewed the Internal Audit and Risk Management Status Report and measured performance to date against the internal audit plan. The Committee confirmed it was satisfied with the level of internal controls across the Group however it agreed that it would continue to focus on controls to ensure that they remain effective. The Report included an update on the whistleblowing policy and procedures.

The Committee was provided with an update on tax and litigation.

Governance

- The Committee reviewed the processes in place within the Group to meet the accountability and audit requirements of the Code and confirmed that these remain robust and defensible.
- The Committee reviewed its Terms of Reference and approved the changes recommended to the Committee.

May

PricewaterhouseCoopers LLP presented its report on Internal Controls to the Committee.

The Committee discussed the Internal Audit and Risk Management Status report and in particular reviewed the Key Control questionnaire findings from the yearly review. The Report included an update on the whistleblowing policy and procedures.

The Committee was provided with an update on litigation.

The Committee discussed the performance and reviewed the effectiveness of the external auditor without the auditor being present.

July

The Committee reviewed the processes adopted for the interim results and in particular reviewed the going concern statement.

The Committee received the Auditor Report and Internal Control recommendations.

The Committee reviewed the Internal Audit and Risk Management Status Report and measured performance to date against the internal audit plan. The Report included an update on the whistleblowing policy and procedures.

The Committee reviewed the non audit services provided by PricewaterhouseCoopers LLP during the year and confirmed that they remained within the scope of the policy for non audit services.

The Committee was provided with an update on tax and litigation.

October

The Committee endorsed PricewaterhouseCoopers LLP's 2012 Audit Plan recommending it for approval by the Board.

The Committee endorsed PricewaterhouseCoopers LLP's fee proposal recommending it for approval by the Board.

The Committee reviewed the Internal Audit and Risk Management Status Report and agreed that Internal Audit would review the risk management plans as part of the audit process in addition to the risk and market reviews. The Report included an update on the whistleblowing policy and procedures.

The Committee was provided with an update on tax and litigation.

Governance

- The Committee reviewed, with PricewaterhouseCoopers LLP, emerging regulatory issues.

November

The Committee discussed the iPOM framework, the structure for managing and monitoring risks through the Group and Market iPOM Committees, linking the risk and control framework and the mapping of responsibility and oversight across various Committees, both at Board and Executive level.

The Committee approved the 2012 Internal Audit Plan. The discussion included a review of internal processes to ensure that they remained robust.

The remit and effectiveness of the Internal Audit Charter was reviewed by the Committee.

The Committee was provided with an update on tax and litigation.

Governance

- The Committee reviewed its Terms of Reference and confirmed that it had been compliant throughout the year.
- The Committee confirmed that Will Samuel satisfied the recent and relevant financial experience criteria under the provisions of the Code.

Internal and external auditor private sessions took place throughout the year as requested.

Remuneration Committee Report

Nigel Northridge
Chairman

Key responsibilities

- Remuneration Policy
- Annual bonus targets
- Performance targets for share incentive plans
- Executive Committee remuneration

The Terms of Reference for the Remuneration Committee can be found on the website www.inchcape.com/aboutus/governance

	Committee Meetings	
Members	Scheduled	Attended
Nigel Northridge – Chairman	3	3
Ken Hanna	3	3
Will Samuel	3	3
David Scotland	3	3
Michael Wemms (retired 11 May 2011)	2	2

Only members of the Committee have the right to attend Committee meetings, however other individuals such as the Group Chief Executive, Group HR Director and external consultants advise the Committee and attend by invitation.

Committee activities during the year

January

The Committee received an update on progress to date for the performance targets for the 2010 annual bonus scheme and the share incentive plans.

The Committee reviewed the proposed performance measures and targets for the 2011 annual bonus scheme.

The Committee received an update on the Shareholder Consultation which began in 2010. The Committee noted the comments from its institutional shareholders and agreed that the new Remuneration Policy was of suitable quality to attract, motivate and retain employees, was in line with the Group's strategic focus and was aligned with stakeholders' interests.

March

The Chairman updated the Committee on the conclusion of Shareholder Consultation in respect of the Remuneration Policy.

The Committee assessed the measurement and the achievement of the performance targets set for the 2010 bonus scheme and approved the recommendation for the 2010 bonus payments.

The Committee approved the remuneration packages of the Executive Committee for 2011. No executive was present when the Committee discussed his remuneration.

The Committee reviewed the 2010 Directors' Report on Remuneration to be included in the Annual Report and Accounts and recommended it for approval by the Board.

The performance targets for the 2008 executive share option grant and 2008 co-investment plan were reviewed by the Committee.

The rules of the performance share plan were reviewed by the Committee along with the draft Notice of Meeting to be issued to shareholders for voting on the approval of the new plan at the AGM. The Committee approved the rules and the wording of the Notice.

The Committee approved the grant of awards under the performance share plan and co-investment plan subject to shareholder approval being received at the AGM.

The Committee approved the operation of the SAYE scheme during 2011.

The Committee reviewed the status of headroom limits in line with Association of British Insurers Guidelines and agreed that headroom limits would continue to be reviewed twice a year.

Governance

- The Committee reviewed the Terms of Reference of the sub-committee established to deal with the administration of its share plans and agreed that, subject to shareholder approval, the new plans should be added.

November

The Committee reviewed the SAYE grant made in 2011 and the performance to date of the targets for the 2009 Executive Share Option Plan.

The Committee reviewed the status of headroom limits in line with Association of British Insurers Guidelines and confirmed that the Company was compliant during the year.

The Committee reviewed the progress to date for the performance targets of the 2011 bonus scheme.

Kepler Associates (Kepler) gave an update to the Committee on recent developments in Corporate Governance, remuneration trends and current best practice. The Committee agreed that the Remuneration Policy remained in line with governance requirements.

It was agreed that the Pension Policy would be reviewed by the Board in 2012.

Governance

- The Committee reviewed its Terms of Reference and confirmed that it had been fully compliant throughout the year.
- The Committee reviewed the Terms of Reference of the sub-committee established to deal with the administration of its share plans and agreed to the proposed amendments.
- The Committee reviewed its membership and confirmed that it complied with the Code.

Directors' report on remuneration

Compliance

The Report complies with Regulation 11 and Schedule 8 of the Large and Medium–Sized Companies and Groups (Accounts and Reports) Regulations 2008 and other relevant requirements of the FSA Listing Rules. The Remuneration Committee (Committee) believes that the Company has complied with the provisions regarding remuneration matters contained within the Code.

Details of the Non-Executive Directors who served on the Committee, and their attendance at meetings during the year, can be found on page 50.

Remuneration consultants

Kepler, appointed in 2010, acted as the independent remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and complies with the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com).

Kepler provides no other services to the Company.

Remuneration policy

2011 saw the introduction of the new remuneration policy which was set out in our 2010 Annual Report. The policy design is based on the following objectives:

- align with and support the Group's business strategy;
- enable the Company to attract, retain and motivate executive management;
- encourage the right behaviours, drive performance and reward results by delivering upper quartile pay for upper quartile performance; and
- align executive management and shareholders' interests.

In addition, the Committee considers performance on environmental, social and governance issues when setting the remuneration policy and believes that the policy does not raise risks in these areas by motivating irresponsible behaviour.

The elements of the remuneration policy for Executive Directors are set out below.

Element	Objective	Structure	Award level in 2011
Base salary	To pay competitive salary to attract, retain and motivate talent.	Comparison to organisations of a similar size, complexity and type, taking into account pay and conditions elsewhere in the Group.	The Group Chief Executive and Group Finance Director received a salary increase of 3% after two years of zero salary increases.
Annual bonus	Incentivise growth and a return to peak earnings; Motivate outstanding performance; specifically, reward sustainable growth in profits, i.e. growth that comes from the top line as well as from improving margins; Reward profitable growth whilst maintaining exceptional levels of customer service.	Matrix structure rewarding growth in revenue and operating profit, heavily weighted towards delivery of profit growth; Any bonus above 100% of salary in shares which are automatically invested in the co-investment plan; Net Promoter Score (NPS) that falls below target levels of performance reduces bonus earned.	60% of salary payable for target performance; 150% of salary maximum payable for achieving stretch performance against all measures.
Co-investment plan	Encourage executive share ownership; Ensure balance between growth and returns.	Offers Executive Directors a voluntary investment opportunity in return for a performance based match; Vesting based on three year EPS and ROCE performance.	Maximum match of 2:1, threshold of 0.5:1; Executive Directors may invest up to an overall maximum of 50% of salary after tax.
Performance share plan	Ensure that remuneration is robust to market downturns and volatility; Deliver median pay for median performance; upper quartile pay for upper quartile performance; and upper decile pay for upper decile performance; Strengthen alignment with shareholders.	Normal awards linked to stretching performance targets and enhanced awards linked to exceptional performance; Vesting based on three year EPS and ROCE performance.	Group Chief Executive: 150% of salary in normal awards and 50% of salary in enhanced awards; Group Finance Director: 125% of salary in normal awards and 25% of salary in enhanced awards.

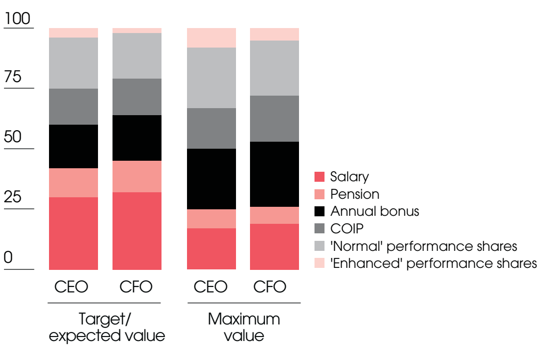
The UK Corporate Governance Code

The Committee considered the UK Corporate Governance Code requirement regarding the remuneration incentives being compatible with the Group's risk policies and systems. The Committee is satisfied that the approach to setting the structure of remuneration packages for senior executives underpins the effective and proper management of risk by rewarding executives fairly for sustainable profit growth and long term returns to shareholders and delivering a significant portion of senior executive remuneration in shares.

Pay mix chart

The chart below shows the relative importance of each element of the package for Executive Directors.

Proportion of package delivered through fixed and performance related reward



Base salary

The Committee reviews base salary for the Executive Directors and Executive Committee against organisations of similar size, complexity and type, and also taking into account pay and conditions elsewhere in the Group. Salaries are reviewed annually and typically take effect from 1 April of each year. The salaries for 2011 and 2012 are set out in the table below. In 2012, the average salary increases across the UK were between 1.5% and 2%.

Name	1 April 2010	1 April 2011	1 April 2012
André Lacroix	£756,000 (0% increase)	£778,680 (3% increase)	£794,254 (2% increase)
John McConnell	£390,000 (0% increase)	£401,700 (3% increase)	£409,734 (2% increase)

Annual bonus

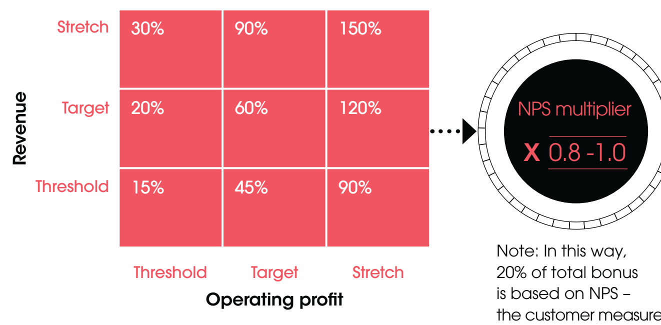
In 2011, the Committee introduced a financial performance matrix for annual bonus assessment. This matrix was designed to reward stretching targets of revenue and operating profit, whilst maintaining exceptional levels of customer service. In addition, the Committee agreed that any bonus earned above 100% of salary would automatically be invested in Company shares through the co-investment plan.

During the year, the Group delivered revenue around threshold and operating profit between target and maximum. The Group met the NPS targets.

The Committee reviewed performance against the targets and rules of the scheme and taking into account all relevant factors

Illustration of bonus structure for Executive Directors

Financial performance matrix (% of salary)



has determined that both the Group Chief Executive and the Group Finance Director receive a bonus of 78% of salary for 2011.

The Committee continues to believe that revenue, operating profit and NPS are core strategic priorities for the Group, and therefore remain appropriate performance measures for the 2012 bonus scheme. The target and maximum bonus opportunities for Executive Directors will remain at 60% and 150% of salary respectively, with any bonus in excess of 100% of salary invested in Company shares through the co-investment plan.

Performance share plan

The performance share plan (PSP) was approved by shareholders at the 2011 AGM. The award levels for the Executive Directors for 2011 are shown in the table on page 57.

As disclosed last year, the award levels for 2012 will be expressed as a number of shares. The Committee feels that fixing the award sizes as a number of shares provides strong alignment with shareholders, as the face value of awards will fall if the share price falls and vice versa. In order to provide flexibility to follow this policy, while recognising our shareholders' desire for a cap on potential awards, the PSP rules contain an individual limit of 300% of salary. However, the Committee will review award sizes prior to each grant to ensure that they are appropriate in light of market data and individual and Group performance.

Key features of the plan are:

- annual awards of 'normal' performance shares, vesting 75% on three year EPS growth, and 25% on three year average ROCE.

Targets are as follows:

3 year EPS growth p.a.	Vesting Percentage
Less than 7%	0%
7%	25%
15%	100%
Between 7% and 15%	Straight line basis

3 year average ROCE	Vesting Percentage
Less than 18%	0%
18%	25%
21%	100%
Between 18% and 21%	Straight line basis

- annual awards of 'enhanced' performance shares, vesting on stretching EPS targets, over and above those attached to 'normal' performance shares.

Targets are as follows:

3 year EPS growth p.a.	Vesting Percentage
Less than 15%	0%
20%	100%
Between 15% and 20%	Straight line basis

- Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest.
- For good leavers, or on a change of control, awards would be pro-rated for time and performance subject to Committee discretion.
- The Committee can reduce or prevent vesting in the event of a material restatement of the Group Financial statements or gross misconduct.

The Committee continues to believe that EPS is the best measure of long term performance for the Group and should therefore remain the primary long term incentive measure. It provides strong line of sight for executives, who are familiar with the existing basis of EPS performance measurement and is consistent with the Group's long term strategy focusing on sustainable growth. ROCE, combined with EPS, provides a balance between growth and returns.

Targets have been set taking into account a range of reference points including the Group's strategic plan and broker forecasts for both the Group and other sector peers. The Committee believes that these targets are very stretching, and that the maximum overall award of 300% of salary is appropriate given that it will only be available for truly outstanding performance.

Co-investment plan

The renewal of the co-investment plan was approved by shareholders in 2011. The award levels for Executive Directors in 2011 are shown in the summary table on page 57.

For 2012, the maximum investment opportunity will remain at 50% of post-tax salary for the Group Chief Executive and the Group Finance Director and the maximum matching opportunity will remain at 2:1 based on performance over three years.

Key features of the plan are:

- Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. If this amount is less than the 50% salary limit, Executive Directors may make a further investment to reach the maximum.
- Invested shares can be withdrawn at any time but the entitlement to a match would be lost if the invested shares are withdrawn before the end of the relevant three year vesting period.

For simplicity and alignment, the performance targets and measures for the co-investment plan awards are the same as the normal performance share plan award vesting on 75% on three year EPS growth and 25% on three year average ROCE.

3 year EPS growth p.a.	Matching shares: Invested shares
Less than 7%	0:1
7%	0.5:1
15%	2:1
Between 7% and 15%	Straight line basis

3 year average ROCE	Matching shares: Invested shares
Less than 18%	0:1
18%	0.5:1
21%	2:1
Between 18% and 21%	Straight line basis

Executive share options

The final grant of share options under this scheme was made in 2010. The grant level for these options was half the normal levels to reflect the fall in the Group's share price as well as the strategy to reduce operating costs. These options vest on three year EPS growth as follows:

EPS growth p.a.	Vesting Percentage
Less than RPI+3%	0%
RPI+3%	25%
RPI+8%	100%
Between RPI+3% and RPI+8%	Straight line basis

There will be no retesting.

The executive share options granted in 2009 had a performance measure of cash flow from operating activities (CFOA). The cumulative CFOA for 2009, 2010 and 2011 was £990.3m. This figure is 61.5% above the cumulative three year target. Therefore, the 2009 options will vest in full.

André Lacroix has 755,999 options and John McConnell has 222,772 options granted under the executive share option plan in 2009. The exercise price is £2.00. Details of all options granted to Executive Directors are shown in the table on page 56.

SAYE

Executive Directors are eligible to participate in the Company's save as you earn scheme (SAYE) on the same terms as other employees. Participants make monthly savings, up to a maximum of £250 per month, over a three year period. At the end of the savings period the funds are used to purchase shares under option. The acquisition of shares under this scheme is not subject to the satisfaction of a performance target.

Dilution limits

Options granted under the executive share option scheme, the SAYE scheme and awards granted under the performance share plan are met by the issue of new shares or treasury shares. All other plans are satisfied on exercise by market purchase shares. Dilution limits are monitored throughout the year by the Remuneration Committee and the Company complies with the limits set by the Association of British Insurers.

Issued share capital as at 31 December 2011	463m
All schemes – 10% over 10 year rolling period	46m
Remaining headroom	20m
Executive schemes – 5% over a 10 year rolling period	23m
Remaining headroom	4m

Executive share ownership

To emphasise the importance the Committee places on executive share ownership, Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. Each Executive Director has five years from 2007, or date of appointment if later, to reach this shareholding target.

As at 31 December 2011, the Executive Directors held the following shares:

Name	Number of shares held	Percentage of salary
André Lacroix	507,214	191%
John McConnell	181,038	132%

The share price as at 31 December 2011 was 293.4p.

Retirement benefits

Our policy is to provide market competitive pension benefits where it is cost effective and tax efficient to do so.

The Group offers defined benefit pensions for Executive Directors and senior executives at the normal retirement age of 65.

The maximum pension benefit is two thirds of a scheme specific ceiling of £129,600 in the 2011/12 tax year, subject to completion of between 20 and 40 years' service. Members who join after March 2005 contribute 7% of pensionable salary.

Executive Directors, whose base salary is higher than £129,600, are paid a monthly cash supplement to enable them to make additional pension arrangements. John McConnell received such supplements in 2011. André Lacroix received a cash supplement of 40% of his base salary in lieu of a formal pension provision. He is not a member of the pension scheme except in respect of the life assurance benefit for death in service. Details of the amounts paid are shown on page 55.

A lump sum life assurance benefit of four times full base salary is provided on death in service. For pension scheme members, a spouse's pension of one half of the prospective member's pension may also be payable. Children's pensions may also be payable in accordance with the rules of the scheme.

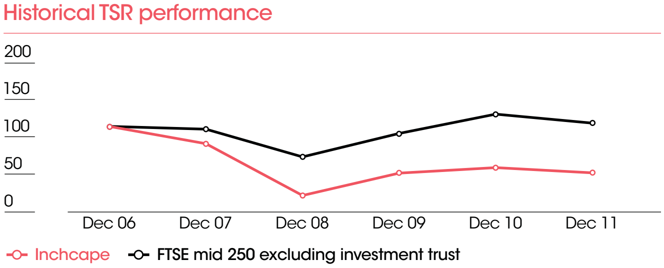
Taxable and other benefits

These include items such as company cars, medical care and life assurance premiums. These benefits are in line with the remuneration policy framework outlined in this report. These benefits are non-pensionable.

Total shareholder return (TSR)

The following graph illustrates the Group's TSR over a five year period, relative to the performance of the total return index of the FTSE mid-250 group of companies (excluding investment trusts). TSR is essentially share price growth plus re-invested dividends. The FTSE mid-250 has been chosen as the most suitable comparator group as it is the general market index in which the Company appears.

Historical TSR performance



Source: Datastream

Growth in the value of a hypothetical £100 holding over five years FTSE 250 (excluding investment companies) comparisons based on 30 trading day average values.

Service contracts

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months. In the event of termination, the Company will seek fair mitigation of contractual rights.

Within legal constraints, the Committee tailors its approach, in the event of early termination, to the circumstances of each individual case.

Name	Date of contract	Notice period	Unexpired term
André Lacroix	1 September 2005	12 months from Director or Company	To retirement age
John McConnell	1 October 2009	12 months from Director or Company	To retirement age

The Non-Executive Directors receive a letter of appointment and are normally appointed for an initial three year period, subject to their re-appointment by shareholders at the AGM.

No Non-Executive Director is engaged on a service contract with the Company.

Name	Date of appointment	Expiry of current term
Vicky Bindra	1 July 2011	30 June 2014
Simon Borrows	1 October 2010	30 September 2013
Alison Cooper	1 July 2009	30 June 2012
Nigel Northridge	1 July 2009	30 June 2012
David Scotland	25 February 2005	24 February 2014
Will Samuel	26 January 2005	25 January 2014
Till Vestring	1 September 2011	31 August 2014

Non-Executive Directors' fees

As stated in the Chairman's letter, the Board approved a new fee structure for the Non-Executive Directors.

Previously, fees for Non-Executive Directors were based on three components, an annual fee of £36,000, a Committee membership fee of £4,000 per Committee and a Committee Chairmanship fee of £10,000. The Deputy Chairman is paid a single fee per annum.

The new policy simplifies the structure by having one Non-Executive Director fee of £50,000 and an additional fee for a Chairmanship of £10,000. The Deputy Chairman continues to be paid a single fee. The new structure better reflects the time commitment and responsibilities of the roles.

The change to the fee structure is set out below.

Name	Previous Fee £	New Fee £
Will Samuel	70,000	76,000
Simon Borrows	56,000	60,000
Alison Cooper	40,000	50,000
Nigel Northridge	50,000	60,000
David Scotland	58,000	60,000
Vicky Binda	–	50,000
Till Vestring	–	50,000

By order of the Board

Nigel Northridge

Nigel Northridge,
Chairman of the Remuneration Committee
12 March 2012

Notes to the Directors' report on remuneration (audited)

1. Individual emoluments for the year

	Base salary/fees		Bonus		Taxable and other benefits (e)		Company contributions paid in year in respect of pension arrangements		Termination payment		Total remuneration	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Chairman												
Ken Hanna	**275.0**	275.0	**–**	–	**22.1**	11.8	**–**	–	**–**	–	**297.1**	286.8
Peter Johnson (left 14 May 2009) (a)	**–**	–	**–**	–	**0.6**	1.4	**–**	–	**–**	–	**0.6**	1.4
Executive Directors												
André Lacroix (b)	**773.0**	756.0	**607.4**	907.2	**18.4**	18.4	**309.2**	302.4	**–**	–	**1,708.0**	1,984.0
John McConnell (c)	**398.8**	390.0	**313.3**	468.0	**49.4**	51.0	**81.2**	79.9	**–**	–	**842.7**	988.9
Non-Executive Directors (d)												
Vicky Bindra (appointed 1 July 2011)	**25.0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25.0**	–
Simon Borrows	**55.3**	11.0	**–**	–	**–**	–	**–**	–	**–**	–	**55.3**	11.0
Alison Cooper	**46.7**	40.0	**–**	–	**–**	–	**–**	–	**–**	–	**46.7**	40.0
Nigel Northridge	**56.7**	44.0	**–**	–	**–**	–	**–**	–	**–**	–	**56.7**	44.0
Graham Pimlott (left 31 October 2010)	**–**	38.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	38.3
Will Samuel	**74.0**	70.0	**–**	–	**–**	–	**–**	–	**–**	–	**74.0**	70.0
David Scotland	**59.3**	56.2	**–**	–	**–**	–	**–**	–	**–**	–	**59.3**	56.2
Till Vestring (appointed 1 September 2011)	**16.7**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16.7**	–
Michael Wemms (left 11 May 2011)	**19.0**	57.3	**–**	–	**–**	–	**–**	–	**–**	–	**19.0**	57.3
Total	**1,799.5**	1,737.8	**920.7**	1,375.2	**90.5**	82.6	**390.4**	382.3	**–**	–	**3,201.1**	3,577.9

Notes on Directors' emoluments

(a) The Company agreed to extend post retirement medical expenses for Peter Johnson and his wife until 13 May 2011.

(b) The payment of £309,204 (2010 – £302,400) was paid directly to André Lacroix to allow him to make his own pension arrangements outside of the Company's pension plan. This payment was subject to tax.

(c) The payment of £81,202 (2010 – £79,920) was paid to John McConnell to allow him to make his own pension arrangements outside the Company's pension plan. This payment was subject to tax.

(d) The Non-Executive Directors fees were reviewed in May 2011. Details of the new fees are shown on page 54.

(e) Taxable and other benefits comprise such items as company car, medical care, life assurance premiums, petrol allowance and relocation expenses. All Executive Directors are entitled to such benefits.

No Directors waived emoluments in respect of the year ended 31 December 2011 (2010 – none).

2. Directors' pension entitlements

	Increase in accrued pension during the year £'000	Increase in accrued pension during the year (net of inflation) £'000	Accumulated total of accrued pension at 31.12.10 £'000	Accumulated total of accrued pension at 31.12.11 £'000	Transfer value (less Director's contributions) of the increase in accrued benefit net of inflation £'000	Transfer value of accrued benefits at 31.12.11 £'000	Transfer value of accrued benefits at 01.01.11 £'000	Difference in transfer value less any contributions made in the year £'000
John McConnell	4.4	4.2	5.2	9.6	81.3	194.7	71.5	114.2

The transfer value has been calculated in accordance with the Retirement Benefits Transfer Values (GN 11), 6 April 2002.

The transfer values of the accrued benefits represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Directors' pension benefits. The transfer values do not represent sums payable or due to the individual Directors and therefore cannot be added meaningfully to annual remuneration.

John McConnell made a contribution to his pension of 7% of capped salary via salary sacrifice during the year.

3. Directors' share options

	Held at 31.12.11	Lapsed during year	Exercised during the year	Granted during the year	Held at 01.01.11	Exercise price (c)	Exercise period
André Lacroix	205,468 (a)	–	–	–	205,468 (a)	£6.034	Sept 2008 – Sept 2015
	–	209,567 (a)	–	–	209,567 (a)	£7.214	Apr 2011 –Apr 2018
	755,999 (a)	–	–	–	755,999 (a)	£2.00	May 2012 – May 2019
	243,870 (a)	–	–	–	243,870 (a)	£3.10	Apr 2013 – Apr 2020
	4,390 (b)	–	–	–	4,390 (b)	£2.05	Nov 2013 – Apr 2014
John McConnell	17,746 (a)	–	–	–	17,746 (a)	£2.140	Mar 2006 – Mar 2013
	28,428 (a)	–	–	–	28,428 (a)	£4.416	May 2007 – May 2014
	21,644 (a)	–	–	–	21,644 (a)	£5.776	Mar 2008 – Mar 2015
	–	48,952 (a)	–	–	48,952 (a)	£7.214	Apr 2011 – Apr 2018
	222,772 (a)	–	–	–	222,772 (a)	£2.00	May 2012 – May 2019
	46,875 (a)				46,875 (a)	£3.20	Nov 2012 – Nov 2019
	125,806 (a)	–	–	–	125,806 (a)	£3.10	Apr 2013 – Apr 2020
	3,703 (b)	–	–	3,703 (b)	–	£2.43	Nov 2014 – Apr 2015

Notes on share options

(a) Under the Inchcape 1999 Share Option Plan.

- The options granted in 2008 did not meet the performance targets set at the time of grant and lapsed in full.
- Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company.
- Such options are normally exercisable between three and ten years of grant.
- Details of performance targets are given on page 53.

(b) Under the Inchcape SAYE Share Option Scheme.

- There were no option exercises by Executive Directors during 2011.
- The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months' service.
- Participants make monthly savings for a three year period. At the end of the savings period options become exercisable within a six month period.

(c) Exercise prices are determined in accordance with the rules of the relevant share option scheme.

- All options were granted for nil consideration.
- The table shows Executive Directors' options over ordinary shares of 10.0p at 1 January 2011 and 31 December 2011.
- The mid market price for shares at the close of business on 31 December 2011 was 293.4p. The price range during 2011 was 268.6p to 425.4p.

4. Performance share plan

	Share awards as at 31.12.11	Share awards lapsed during the year	Share awards exercised during the year	Share awards granted during the year	Share awards as at 01.01.11	Date of grant	Exercise Period
André Lacroix	304,171 (a)	–	–	304,171 (a)	–	23 May 11	May 2014 – May 2015
	101,390 (b)	–	–	101,390 (b)	–	23 May 11	May 2014 – May 2015
John McConnell	130,761 (a)	–	–	130,761 (a)	–	23 May 11	May 2014 – May 2015
	26,152 (b)	–	–	26,152 (b)	–	23 May 11	May 2014 – May 2015

Notes on the performance share plan

- Awards under the performance share plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company.

(a) Normal awards vest 75% on three year EPS growth and 25% on three year average ROCE.

(b) Enhanced awards vest 100% on stretch EPS performance over three years above those attached to normal awards.

- Details of the performance targets are given on page 52 and 53.
- All awards were granted as nil cost awards.
- The table shows Executive Directors' awards over ordinary shares of 10.0p at 1 January 2011 and 31 December 2011.
- The share price on the date of grant was 379.9p.

5. Co-investment plan

	Awarded ordinary shares 31.12.11	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded ordinary shares 01.01.11	Date of grant	Exercise Period
André Lacroix	–	190,524	–	–	190,524	1 Jan 08	Jan 2011 – Jun 2011
	195,322	–	–	195,322	–	2 Jun 11	Jun 2014 – Dec 2014
John McConnell	–	29,669	–	–	29,669	1 Jan 08	Jan 2011 – Jun 2011
	103,238	–	–	103,238	–	2 Jun 11	Jun 2014 – Dec 2014

Notes on co-investment plan

- The Awards granted on 1 January 2008 did not meet the performance target set at grant and lapsed in full.
- Executive Directors will be entitled to matching shares if they remain employed by the Company for three years and retain the shares they have purchased under the Plan throughout that period and the performance targets are met.
- Awards vest 75% on three year EPS growth and 25% on three year average ROCE.
- The share price on the date of grant was 389.7p.
- Details of the performance targets are given on page 53.

By order of the Board

Nigel Northridge,
Chairman of the Remuneration Committee
12 March 2012

Other statutory information

Business review
The information that fulfils the requirements of the business review can be found in the Operating Review on pages 23 to 30, which are incorporated into this Report by reference. Information on the environment, employees, community and social issues is given in the Corporate Responsibility Report on pages 34 to 37.

Directors
The names of the Directors, plus brief biographical details are given on page 38. Each Director held office throughout the year except Vicky Bindra who was appointed on 1 July 2011, Till Vestring who was appointed on 1 September 2011 and Michael Wemms who retired from the Board on 11 May 2011.

In accordance with the UK Corporate Governance Code all of the Directors will stand for election or re-election at the AGM on 10 May 2012.

Principal activities
A description of the principal activities of the Group and likely future developments and important events occurring since the end of the year are given in the Operating Review on pages 23 to 30.

Results and dividends
The Group's audited Financial statements for the year ended 31 December 2011 are shown on pages 62 to 130. The Board recommends a final ordinary dividend of 7.4p per ordinary share. If approved at the 2012 AGM, the final ordinary dividend will be paid on 12 June 2012 to shareholders registered in the books of the Company at the close of business on 18 May 2012. Together with the interim dividend of 3.6p per ordinary share paid on 5 September 2011, this makes a total ordinary dividend for the year of 11.0p per ordinary share (2010 – 6.6p).

Auditors and disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' indemnity
A qualifying third party indemnity (QTPI), as permitted by the Company's Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgement is given against the Director.

Going concern
A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Operating and Financial Reviews on pages 23 to 31 and in the notes to the accounts on pages 74 to 130.

The Group has significant financial resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements, have assessed the future funding requirements of the Group and compared this to the level of committed facilities and cash resources.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the directors' report on remuneration and the Financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial statements for each financial year. Under that law the Directors have prepared the Group Financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company Financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the Financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company Financial statements respectively;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial statements and the directors' report on remuneration comply with the Companies Act 2006 and, as regards the Group Financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that, to the best of their knowledge:

- the Group Financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating Review contained on pages 23 to 30 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Charitable and political donations
The Company made a charitable donation to Chase Shooting Star Children's Hospice of £19,290 during 2011. In 2010, the Company donated £11,769 to Havens Hospice.

No political donations were made during 2011.

Principal financial risk factors
These risks are shown on pages 32 to 33.

Events after the balance sheet date
There have been no events after the balance sheet date.

Creditor payment policy

The Company has no trade creditors (2010 – nil). The Group is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. Whilst the Group does not follow any single external code or standard, in line with Group policy, payments to suppliers are made in accordance with agreed terms and conditions.

Employees

The Company is committed to a policy of treating all its colleagues and job applicants equally and to increasing the involvement of colleagues through engagement activities. Full details can be found in the Corporate Responsibility Report on pages 34 to 37.

We are committed to the employment of people with disabilities and will interview those candidates who meet the minimum selection criteria. We provide training and career development for our employees, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued development in their role, including consulting them about their requirements, making appropriate adjustments and providing suitable alternative positions.

Directors' interests

The table shows the beneficial interests, other than share options, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2011.

	31 Dec 2011	1 Jan 2011
Ken Hanna	**70,000**	70,000
André Lacroix	**507,214**	459,158
John McConnell	**181,038**	155,368
Simon Borrows	**1,000,000**	500,000
Alison Cooper	**2,500**	2,500
Nigel Northridge	**25,000**	10,000
Will Samuel	**12,000**	12,000
David Scotland	**11,298**	11,298
Till Vestring	**30,000**	–

There have been no changes to the number of shares held by Directors between 31 December 2011 and 12 March 2012.

Employee benefit trust

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (Trust) and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2011, the Trust's shareholding totalled 1,370,916 ordinary shares. Between 1 January 2012 and 12 March 2012 the Trust transferred 33,964 ordinary shares to satisfy the exercise of awards under employee share plans.

Share capital

As at 31 December 2011, the Company's issued share capital of £46,347,321.60 comprised 463,473,216 ordinary shares of 10.0p.

Holders of ordinary shares are entitled to receive the Company's Report and Accounts; to attend and speak at General Meetings and to appoint proxies and exercise voting rights. The shares do not carry any special rights with regard to control of the Company. The rights are set out in the Articles of Association of the Company. There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired through the Company share schemes rank pari passu with the shares in issue and have no special rights.

Authority to purchase shares

At the Company's AGM on Thursday 12 May 2011, the Company was authorised to make market purchases of up to 46,057,393 ordinary shares (representing approximately 10.0% of its issued share capital). No such purchases were made during 2011.

Articles of Association

The appointment and replacement of Directors are governed by the Company's Articles of Association. Any changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

The Directors have authority to issue and allot ordinary shares pursuant to article 10 of the Articles of Association and shareholder authority is requested at each AGM. The Directors have authority to make market purchases of ordinary shares and this authority is also renewed annually at the AGM.

Conflicts of interest

The Articles of Association permit the Board to authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. When authorising a conflict of interest the Board must do so without the conflicting Director counting as part of the quorum. In the event that the Board consider it appropriate, the conflicted Director may be permitted to participate in the debate, but will neither be permitted to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is their responsibility to inform the Board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

Change of control

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, certain of the Group's third party funding arrangements would terminate upon a change of control of the Company. The Group's relationships with its brand partners are managed at Group level, however the relevant contracts are entered into at a local level with day to day management being led by each operating business. Certain of the contracts may terminate on a change of control of the local contracting company.

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees to vest on a takeover.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 2006 and IAS 24 'Related Parties' was outstanding at 31 December 2011, or was entered into during the year for any Director and/or connected person (2010 – none).

Annual General Meeting

The AGM will be held at 11.00 a.m. on Thursday 10 May 2012 at Investec Bank plc, 2 Gresham Street, London EC2V 7QP. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the AGM.

By order of the Board

P. Claire Chapman.

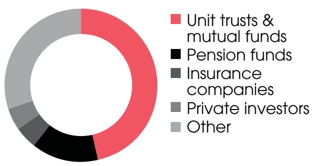
Claire Chapman,
General Counsel & Group Company Secretary

Investor relations

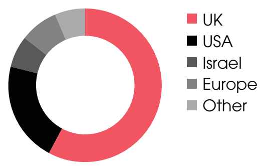
Shareholder profile

As at 31 December 2011 the Company had 7,282 holdings on its register of ordinary shareholders (2010: 7,830). 68% of the total share register was held on behalf of investment institutions such as pension funds, mutual funds, insurance funds and funds managed for private individuals (2010: 71%). The majority of funds are managed from the UK, with the USA representing 21%.

Register analysis by holder



Register analysis by geography



Significant shareholdings

As at 12 March 2012, the Company had been notified of the following significant interests:

Holding	percentage notified
Prudential plc	12.03%
Mr George Horesh	7.99%
Legal & General	5.02%
Black Rock Inc	5.02%
AXA Investment	4.81%

Source: TR-1 notifications. These are updated on the Company's website

Communication with shareholders

Executive Directors, Non-Executive Directors and senior management meet with existing and prospective institutional investors on a regular basis. The meetings cover a wide range of issues including strategy, performance and governance. During the year, close to 170 existing or prospective shareholders or their representatives attended meetings, roadshows or conferences held by the Company.

Shareholders are also kept informed through regular press releases. These are made available to the London Stock Exchange and our website. Presentations were held for analysts for our annual and half year results. Recorded conference calls are also held on the release of Interim Management Statements for analysts. These presentations and calls are recorded and published on our website so that all investors may access them.

Investor Relations calendar

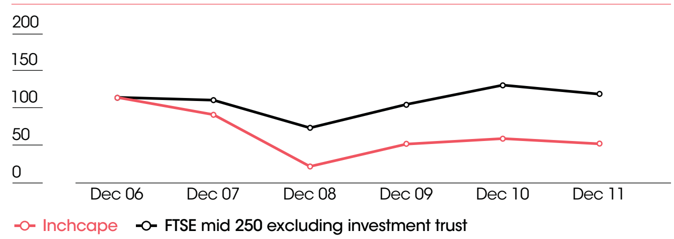
We believe our Investor Relations programme is an important part of investor interaction providing perspective and feedback on strategy, results and governance matters.

In the past year the proactive programme has included site visits, roadshows and regular financial calendar linked conference calls and presentations.

Total shareholder return (TSR)

The following graph illustrates the Group's TSR over a five year period, relative to the performance of the total return index of the FTSE mid-250 group of companies (excluding investment trusts). TSR is essentially share price growth plus re-invested dividends. The FTSE mid-250 has been chosen as the most suitable comparator group as it is the general market index in which the Company appears.

Historical TSR performance



Source: Datastream

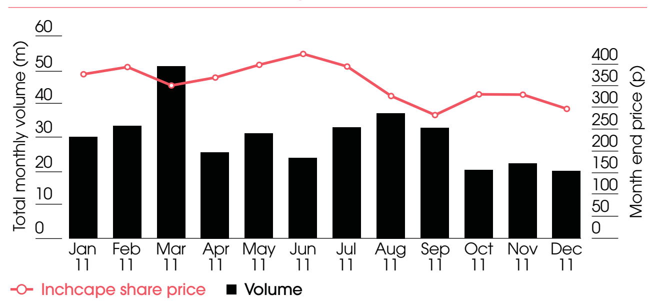
Growth in the value of a hypothetical £100 holding over five years FTSE 250 (excluding investment companies) comparisons based on 30 trading day average values.

Dealing in Inchcape shares

The Company's ordinary shares are listed on the London Stock Exchange. Prices are reported daily in the Financial Times and on our website. For further information please call Computershare Investor Services on +44 (0) 870 707 1076.

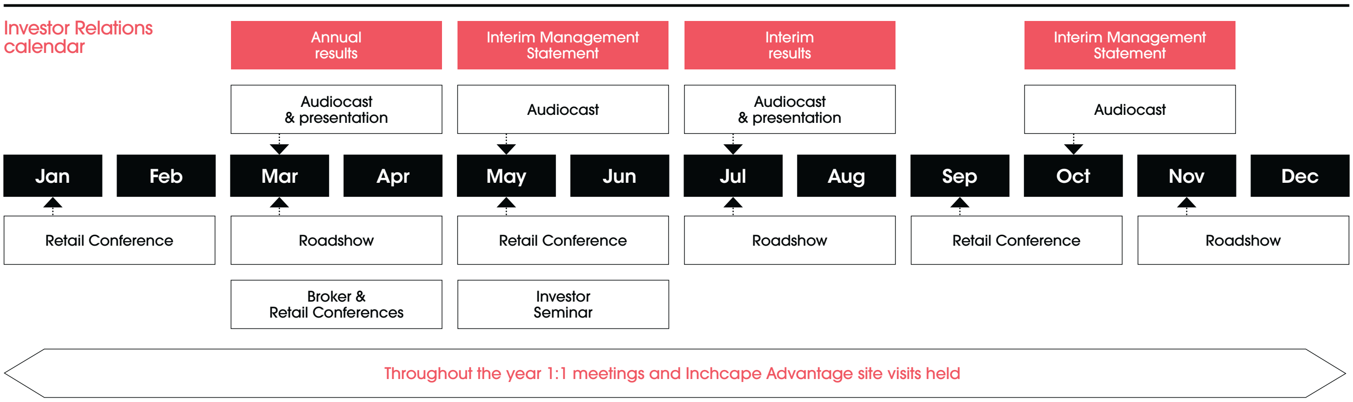
The share price by volume graph shows the movement in the share price, closing at 293.4p as at 31 December 2011. The Company's shares trade within the FTSE 250 index and at the year end it was ranked no. 152 by market capitalisation in the FTSE 350 (2010: 143). The Company's market capitalisation at 31 December 2011 was £1,351.9m (2010: £1,642.1m). The average daily number of shares traded on the London Stock Exchange was 1.47m (2010: 1.97m). This represents an average of 0.32% of the Company's shares traded each day (2010: 0.43%).

Share price by volume during 2011



Source: Datastream

Investor Relations calendar



Financial statements

Consolidated income statement

For the year ended 31 December 2011

	Notes	Before exceptional items 2011 £m	Exceptional items (note 2) 2011 £m	Total 2011 £m	Before exceptional items 2010 £m	Exceptional items (note 2) 2010 £m	Total 2010 £m
Revenue	1, 3	**5,826.3**	**–**	**5,826.3**	5,885.4	–	5,885.4
Cost of sales		**(4,970.2)**	**–**	**(4,970.2)**	(5,004.5)	–	(5,004.5)
Gross profit		**856.1**	**–**	**856.1**	880.9	–	880.9
Net operating expenses	3	**(611.7)**	**(13.4)**	**(625.1)**	(655.4)	(21.9)	(677.3)
Operating profit		**244.4**	**(13.4)**	**231.0**	225.5	(21.9)	203.6
Share of loss after tax of joint ventures and associates	13	**(3.0)**	**–**	**(3.0)**	(1.7)	–	(1.7)
Profit before finance and tax		**241.4**	**(13.4)**	**228.0**	223.8	(21.9)	201.9
Finance income	6	**57.3**	**–**	**57.3**	58.6	–	58.6
Finance costs	7	**(71.0)**	**(10.9)**	**(81.9)**	(68.4)	–	(68.4)
Profit before tax		**227.7**	**(24.3)**	**203.4**	214.0	(21.9)	192.1
Tax	8	**(59.2)**	**3.6**	**(55.6)**	(62.2)	3.1	(59.1)
Profit for the year		**168.5**	**(20.7)**	**147.8**	151.8	(18.8)	133.0
Profit attributable to:							
– Owners of the parent				**142.2**			127.9
– Non controlling interests				**5.6**			5.1
				147.8			133.0
Basic earnings per share (pence)	9			**31.0p**			27.9p
Diluted earnings per share (pence)	9			**30.5p**			27.6p

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit for the year		**147.8**	133.0
Other comprehensive income:			
Cash flow hedges		**5.7**	0.3
Fair value losses on available for sale financial assets	14	**(6.5)**	(3.6)
Impairment losses on available for sale financial assets transferred to consolidated income statement	7	**10.9**	–
Effect of foreign exchange rate changes		**(26.5)**	37.2
Net actuarial gains on defined benefit pension schemes	5	**18.0**	64.9
Irrecoverable element of pension surplus	5	**(36.7)**	(36.3)
Current tax recognised directly in shareholders' equity		**7.0**	14.7
Deferred tax recognised directly in shareholders' equity	16	**(8.4)**	(15.2)
Other comprehensive income for the year, net of tax		**(36.5)**	62.0
Total comprehensive income for the year		**111.3**	195.0
Total comprehensive income attributable to:			
– Owners of the parent		**105.7**	188.7
– Non controlling interests		**5.6**	6.3
Total comprehensive income for the year		**111.3**	195.0

Consolidated statement of financial position

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Intangible assets	11	**542.6**	551.2
Property, plant and equipment	12	**647.6**	632.3
Investments in joint ventures and associates	13	**29.5**	33.1
Available for sale financial assets	14	**5.6**	12.4
Trade and other receivables	15	**34.4**	28.8
Deferred tax assets	16	**43.0**	31.4
Retirement benefit asset	5	**47.3**	22.0
		1,350.0	1,311.2
Current assets			
Inventories	17	**905.5**	844.1
Trade and other receivables	15	**251.5**	232.7
Available for sale financial assets	14	**0.5**	1.7
Derivative financial instruments	23	**139.7**	122.1
Current tax assets		**2.2**	5.1
Cash and cash equivalents	18	**558.9**	561.6
		1,858.3	1,767.3
Assets held for sale and disposal group	19	**5.7**	23.4
		1,864.0	1,790.7
Total assets		**3,214.0**	3,101.9
Current liabilities			
Trade and other payables	20	**(1,140.6)**	(1,080.9)
Derivative financial instruments	23	**(7.4)**	(9.0)
Current tax liabilities		**(45.1)**	(46.6)
Provisions	21	**(36.8)**	(36.1)
Borrowings	22	**(101.9)**	(144.2)
		(1,331.8)	(1,316.8)
Non-current liabilities			
Trade and other payables	20	**(29.6)**	(34.6)
Provisions	21	**(54.1)**	(58.8)
Deferred tax liabilities	16	**(40.2)**	(18.1)
Borrowings	22	**(338.6)**	(320.5)
Retirement benefit liability	5	**(62.2)**	(44.2)
		(524.7)	(476.2)
Liabilities directly associated with the disposal group	19	**–**	(19.6)
Total liabilities		**(1,856.5)**	(1,812.6)
Net assets		**1,357.5**	1,289.3
Shareholders' equity			
Share capital	24	**46.4**	46.4
Share premium		**126.9**	126.3
Capital redemption reserve		**133.3**	133.3
Other reserves	25	**126.8**	145.2
Retained earnings	26	**895.7**	811.9
Equity attributable to owners of the parent		**1,329.1**	1,263.1
Non controlling interests		**28.4**	26.2
Total shareholders' equity		**1,357.5**	1,289.3

The consolidated Financial statements on pages 62 to 120 were approved by the Board of Directors on 12 March 2012 and were signed on its behalf by:

André Lacroix, Group Chief Executive

John McConnell, Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2010		163.3	126.1	16.4	112.4	649.5	1,067.7	22.0	1,089.7
Total comprehensive income for the year		–	–	–	32.8	155.9	188.7	6.3	195.0
Share-based payments, net of tax	4,16	–	–	–	–	7.2	7.2	–	7.2
Net purchase of own shares by ESOP Trust		–	–	–	–	(0.6)	(0.6)	–	(0.6)
Share Consolidation	24b	(116.9)	–	116.9	–	(0.1)	(0.1)	–	(0.1)
Issue of ordinary share capital		–	0.2	–	–	–	0.2	–	0.2
Dividends:									
– Non controlling interests		–	–	–	–	–	–	(2.5)	(2.5)
Acquisition of businesses		–	–	–	–	–	–	0.4	0.4
At 1 January 2011		**46.4**	**126.3**	**133.3**	**145.2**	**811.9**	**1,263.1**	**26.2**	**1,289.3**
Total comprehensive income for the year	26	**–**	**–**	**–**	**(18.4)**	**124.1**	**105.7**	**5.6**	**111.3**
Share-based payments, net of tax	4,16	**–**	**–**	**–**	**–**	**6.7**	**6.7**	**–**	**6.7**
Net purchase of own shares by ESOP Trust		**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Issue of ordinary share capital		**–**	**0.6**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Dividends:									
– Owners of the parent	10	**–**	**–**	**–**	**–**	**(46.8)**	**(46.8)**	**–**	**(46.8)**
– Non controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(3.4)**	**(3.4)**
At 31 December 2011		**46.4**	**126.9**	**133.3**	**126.8**	**895.7**	**1,329.1**	**28.4**	**1,357.5**

Share-based payments have been stated net of a tax charge of £0.6m (2010 – credit of £0.7m).

Cumulative goodwill of £108.1m (2010 – £108.1m) has been written off against the Retained earnings reserve. In addition, the Retained earnings reserve includes non-distributable reserves of £5.5m (2010 – £5.5m).

Consolidated statement of cash flows

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Cash generated from operations	27a	**244.7**	274.3
Tax paid		**(45.2)**	(49.2)
Interest received		**10.9**	10.6
Interest paid		**(20.4)**	(20.8)
Net cash generated from operating activities		**190.0**	214.9
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	28a	**(20.2)**	(12.9)
Net cash inflow from sale of businesses	28b	**5.5**	1.6
Purchase of property, plant and equipment		**(80.7)**	(36.9)
Purchase of intangible assets		**(14.3)**	(7.4)
Proceeds from disposal of property, plant and equipment		**6.5**	24.8
Net disposal of available for sale financial assets		**2.4**	0.3
Dividends received from joint ventures and associates		**–**	1.5
Net cash used in investing activities		**(100.8)**	(29.0)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**0.6**	0.2
Net purchase of own shares by ESOP Trust		**(0.2)**	(0.6)
Net cash inflow / (outflow) from borrowings		**1.5**	(39.4)
Payment of capital element of finance leases		**(0.8)**	(1.3)
Loans received / (granted) to joint ventures		**0.3**	(3.8)
Settlement of derivatives		**4.7**	17.8
Equity dividends paid		**(46.8)**	–
Dividends paid to non controlling interests		**(3.4)**	(2.5)
Net cash used in financing activities		**(44.1)**	(29.6)
Net increase in cash and cash equivalents	27b	**45.1**	156.3
Cash and cash equivalents at the beginning of the year		**419.6**	257.2
Effect of foreign exchange rate changes		**(3.4)**	6.1
Cash and cash equivalents at the end of the year		**461.3**	419.6
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents	18	**385.6**	376.5
– Short-term deposits	18	**173.3**	185.1
– Bank overdrafts	22	**(97.6)**	(142.0)
		461.3	419.6

Accounting policies

The consolidated Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Accounting convention

The consolidated Financial statements have been prepared under the historical cost convention, except for certain balances, including financial instruments, that have been measured at fair value as disclosed in the accounting policies below.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Changes in accounting policy and disclosures

The accounting policies have been applied consistently throughout the reporting period, other than where new policies have been adopted as presented below.

The following new standards are effective for accounting periods beginning 1 January 2011 but have not had a material impact on the results or financial position of the Group:

- IAS 24 (revised), 'Related party disclosures'
- Amendment to IAS 32, 'Classification of rights issue'
- Amendment to IFRIC 14, 'Prepayments of minimum funding requirement'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group and will be applied for the Group's financial years commencing on or after 1 January 2012:

- IAS 1, 'Amendments to IAS 1, Presentation of financial statements: Other comprehensive income'
- IAS 12, 'Amendments to IAS 12, Income Taxes: Deferred taxes'
- IAS 19, 'Amendments to IAS 19, Employee benefits'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IFRS 7, 'Amendments to IFRS 7, Financial Instruments: Disclosure'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 13, 'Fair value measurement'.

Accounting policies continued

Basis of consolidation
The consolidated Financial statements comprise the Financial statements of the parent Company (Inchcape plc) and all of its subsidiary undertakings (defined as those where the Group has control), together with the Group's share of the results of its joint ventures (defined as those where the Group has joint control) and associates (defined as those where the Group has significant influence but not control). The results of subsidiaries, joint ventures and associates are consolidated as of the same reporting date as the parent Company, using consistent accounting policies.

The results of subsidiaries are consolidated using the acquisition method of accounting from the date on which control of the net assets and operations of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries disposed of cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

The Group treats transactions with non controlling interests as transactions with equity owners of the Group. For purchases from non controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non controlling interests are also recorded in equity.

Where the Group acquires a controlling interest in a subsidiary with a contractual obligation to purchase the remaining non controlling interest, the acquired company is accounted for as a 100% subsidiary, with the liability for the purchase of the remaining non controlling interest recorded as deferred consideration. Subsequent changes to estimates of the deferred consideration are recorded as additions / reductions to the amount of goodwill arising on acquisition.

Investments in joint ventures and associates are accounted for using the equity method, whereby the Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in shareholders' equity is recognised in shareholders' equity. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has contractual obligations or made payments on behalf of the joint venture or associate.

Intercompany balances and transactions and any unrealised profits arising from intercompany transactions are eliminated in preparing the consolidated Financial statements.

Foreign currency translation
Transactions included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial statements are presented in Sterling, which is the functional currency of the parent company, Inchcape plc, and the presentational currency of the Group.

In the individual entities, transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement, except those arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments which on consolidation are taken directly to other comprehensive income.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the end of the reporting period. The income statements of foreign operations are translated into Sterling at the average rates of exchange for the period. Exchange differences arising from 1 January 2004 are recognised as a separate component of shareholders' equity. On disposal of a foreign operation, any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

Revenue, other income and cost of sales
Revenue from the sale of goods and services is measured at the fair value of consideration receivable, net of rebates and any discounts, and includes lease rentals and finance and insurance commission. It excludes sales related taxes and intra-group transactions. Where the Group acts as an agent on behalf of a principal, the commission earned is recorded within revenue.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically dispatched or when the service has been undertaken. Revenue from commission is recognised when receipt of payment can be assured.

Where a vehicle is sold to a leasing company and a Group company retains a residual value commitment to buy back the vehicle for a specified value at a specified date, the sale is not recognised on the basis that the value of the asset will be realised over the lease period and from the disposal of the vehicle at the end of the lease period. These vehicles are retained within 'property, plant and equipment' on the consolidated statement of financial position at cost, and are depreciated to their residual value over the life of the lease. Total revenue on a leased vehicle comprises the difference between consideration received and residual value. This sits as deferred revenue on the consolidated statement of financial position and is released to the consolidated income statement on a straight line basis over the life of the lease. The residual value commitment, which reflects the price at which the vehicle will be bought back, is held within 'trade and other payables', according to the date of the commitment.

Dividend income is recognised when the right to receive payment is established.

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. It is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cost of sales includes the expense relating to the estimated cost of self-insured warranties offered to customers. These warranties form part of the package of goods and services provided to the customer when purchasing a vehicle and are not a separable product.

Share-based payments

The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the consolidated income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest. The impact of any revision is recognised in the consolidated income statement with a corresponding adjustment to equity.

For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Group 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee or the Company cancels an award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

Finance costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset from the first date on which the expenditure is incurred for the asset and until such time as the asset is ready for its intended use. A Group capitalisation rate is used to determine the magnitude of borrowing costs capitalised on each qualifying asset. This rate is the weighted average of Group borrowing costs, excluding those borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Income tax

The charge for current income tax is based on the results for the period as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination, or to an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled using rates enacted at the end of the reporting period. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items credited or charged directly to shareholders' equity, in which case the deferred tax is also dealt with in shareholders' equity.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle balances net.

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance. Examples of events which may give rise to the classification of items as exceptional include gains or losses on the disposal of businesses, restructuring of businesses, litigation, asset impairments and exceptional tax related matters.

Goodwill

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable net assets of the business acquired at the date of acquisition. Goodwill is initially recognised at cost and is held in the currency of the acquired entity and revalued at the closing exchange rate at the end of each reporting period.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested at least annually for impairment.

Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold except for goodwill arising on business combinations on or before 31 December 1997 which has been deducted from shareholders' equity and remains indefinitely in shareholders' equity.

Accounting policies continued

Other intangible assets
Intangible assets, when acquired separately from a business (including computer software), are carried at cost less accumulated amortisation and impairment losses. Costs comprise purchase price from third parties as well as internally generated development costs where relevant. Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is three to seven years. Amortisation is recognised in the consolidated income statement within 'net operating expenses'.

Intangible assets acquired as part of a business combination (including back orders and customer contracts) are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. These intangible assets are amortised over their estimated useful life, which is generally less than a year.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is provided, except for freehold land which is not depreciated, on a straight line basis over the estimated useful life of the asset. For the following categories, the annual rates used are:

Freehold buildings and long leasehold buildings	2.0%
Short leasehold buildings	shorter of lease term or useful life
Plant, machinery and equipment	5.0% – 33.3%
Interest in leased vehicles	over the lease term

The residual values and useful lives of all assets are reviewed at least at the end of each reporting period.

Impairment
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

In addition, goodwill is not subject to amortisation but is tested at least annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'net operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'net operating expenses' in the consolidated income statement.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Used vehicles are carried at the lower of cost or fair value less costs to sell, generally based on external market data available for used vehicles.

Vehicles held on consignment which are deemed in substance to be assets of the Group are included within 'inventories' with the corresponding liability included within 'trade and other payables'.

Inventory can be held on deferred payment terms. All costs associated with this deferral are expensed in the period in which they are incurred.

Pensions and other post-retirement benefits
The Group operates a number of retirement benefit schemes.

The major schemes are defined benefit pension funds with assets held separately from the Group. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in 'cost of sales' or 'net operating expenses' in the consolidated income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. The expected return on assets of funded defined benefit pension plans and the imputed interest on pension plan liabilities comprise the post-retirement benefit element of finance costs and finance income in the consolidated income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

Where scheme assets exceed the defined benefit obligation, a net asset is only recognised to the extent that an economic benefit is available to the Group, in accordance with the terms of the scheme and, where relevant, statutory requirements.

The Group's contributions to defined contribution plans are charged to the consolidated income statement in the period to which the contributions relate.

The Group also has a liability in respect of past employees under post-retirement healthcare schemes which have been closed to new entrants. These schemes are accounted for on a similar basis to that for defined benefit pension plans in accordance with the advice of independent qualified actuaries.

Provisions

Provisions are recognised when the Group has a present obligation in respect of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered to be material, using an appropriate risk free rate on government bonds.

Disposal group and assets held for sale

Where the Group is actively marketing a business and disposal is expected within one year of the end of the reporting period, the assets and liabilities of the associated businesses are separately disclosed on the consolidated statement of financial position as a disposal group. Assets are classified as assets held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Both disposal groups and assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Segmental reporting

Segment information is reported in accordance with IFRS 8, 'Operating segments', which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group has identified operating segments, corresponding to the six main regions in which it operates. These segments are then categorised into the Group's two distinctive market channels, distribution and retail.

Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables; held at fair value; amortised cost; and available for sale. The classification is determined at initial recognition and depends on the purpose for which the financial instruments are required.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where the maturity date is more than 12 months after the end of the reporting period. They are initially recorded at fair value and subsequently recorded at amortised cost.

Held at fair value includes derivative financial assets and liabilities, which are further explained below. They are classified according to maturity date, within current and non-current assets and liabilities respectively.

Amortised cost includes non-derivative financial assets and liabilities which are held at original cost, less amortisation or provision raised.

Available for sale financial assets are the residual category and include non-derivative financial assets, such as bonds and equity investments. They are classified as non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period and are held at fair value.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand, short-term bank deposits and money market funds.

In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Leases

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Group does not retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rental payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Offsetting

Netting in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Accounting policies continued

Derivative financial instruments
An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in note 23 to the consolidated Financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings and future fixed amount currency liabilities (on its cross currency interest rate swaps). The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings and changes in the fair value of those borrowings are recognised in the consolidated income statement within 'finance costs'. The gain or loss relating to the ineffective portion is also recognised in the consolidated income statement within 'finance costs'.

Cash flow hedge
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the consolidated income statement. When the hedged forecast transaction results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the consolidated income statement in the same period in which the hedged forecast transaction affects the consolidated income statement.

Net investment hedge
The Group uses borrowings denominated in foreign currency to hedge net investments in foreign operations. These are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement in 'net operating expenses'. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time any cumulative gains or losses on the hedging instrument which have been recognised in other comprehensive income are kept in other comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses that have been recognised in other comprehensive income are transferred to the consolidated income statement for the period.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement.

Investments
The Group's investments are classified as available for sale or held to maturity (where management has a positive intention and ability to hold the asset to maturity).

Gains and losses on available for sale financial assets are recognised in other comprehensive income, until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated income statement as part of 'finance costs'.

Held to maturity financial assets are carried at amortised cost.

Share capital
Ordinary shares are classified as equity. Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Dividends
Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the consolidated Financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated Financial statements.

Revenue recognition on vehicles subject to residual value commitments

Where the Group sells vehicles sourced from within the Group to a finance provider for the purpose of leasing the vehicles to a third party, and retains a residual value commitment, the sale is not recognised on the basis that the value of these assets will be realised over the lease period and from the disposal of the vehicles at the end of the lease period.

Consignment stock

Vehicles held on consignment have been included in 'finished goods' within 'inventories' on the basis that the Group has determined that it holds the significant risks and rewards attached to these vehicles.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Product warranty provision

The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims.

Pensions and other post-retirement benefits

The net retirement benefit asset or liability is calculated based on a number of actuarial assumptions as detailed in note 5. A number of these assumptions involve a considerable degree of estimation, including the rate of inflation, discount rate and expected mortality rates.

Tax

The Group is subject to income taxes in a number of jurisdictions. Some degree of estimation is required in determining the worldwide provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

Goodwill

Goodwill is tested at least annually for impairment in accordance with the accounting policy set out above. The recoverable amount of cash generating units is determined based on value in use calculations. These calculations require the use of estimates including projected future cash flows (see note 11).

Property, plant and equipment and intangible assets

Property, plant and equipment and intangibles are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows.

Residual value commitments

The Group has residual value commitments on certain leased vehicles. These commitments are an estimate of future market value at a specified point in time. The actual market value of vehicles bought back may vary from the committed purchase value.

Notes to the accounts

1 Segmental analysis

The Group has determined that the chief operating decision maker is the Executive Committee.

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

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

Transfer prices between segments are set on an arm's length basis.

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

	Distribution						
2011	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	**801.6**	**766.7**	**433.4**	**296.2**	**36.1**	**336.0**	**2,670.0**
Inter-segment revenue	**(180.2)**	**(108.2)**	**(0.1)**	**–**	**–**	**(24.1)**	**(312.6)**
Revenue from third parties	**621.4**	**658.5**	**433.3**	**296.2**	**36.1**	**311.9**	**2,357.4**
Results							
Segment result	**42.7**	**24.3**	**42.0**	**26.0**	**6.9**	**30.1**	**172.0**
Operating exceptional items	**(0.3)**	**(2.7)**	**(0.1)**	**–**	**–**	**(0.3)**	**(3.4)**
Operating profit after exceptional items	**42.4**	**21.6**	**41.9**	**26.0**	**6.9**	**29.8**	**168.6**
Share of (loss) / profit after tax of joint ventures and associates	**–**	**(1.3)**	**–**	**–**	**0.1**	**–**	**(1.2)**
Profit before finance and tax	**42.4**	**20.3**	**41.9**	**26.0**	**7.0**	**29.8**	**167.4**
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

1 Segmental analysis continued

2011	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	389.6	147.5	2,023.2	908.6	3,468.9	6,138.9	–	6,138.9
Inter-segment revenue	–	–	–	–	–	(312.6)	–	(312.6)
Revenue from third parties	389.6	147.5	2,023.2	908.6	3,468.9	5,826.3	–	5,826.3
Results								
Segment result	12.6	(0.3)	53.5	24.0	89.8	261.8	(17.4)	244.4
Operating exceptional items	(0.4)	–	(7.9)	(0.1)	(8.4)	(11.8)	(1.6)	(13.4)
Operating profit after exceptional items	12.2	(0.3)	45.6	23.9	81.4	250.0	(19.0)	231.0
Share of (loss) / profit after tax of joint ventures and associates	–	–	(0.4)	(1.4)	(1.8)	(3.0)	–	(3.0)
Profit before finance and tax	12.2	(0.3)	45.2	22.5	79.6	247.0	(19.0)	228.0
Finance income								57.3
Finance costs								(81.9)
Profit before tax								203.4
Tax								(55.6)
Profit for the year								147.8

Central costs include a post-retirement settlement gain of £6.1m.

Net finance costs of £24.6m are not allocated to individual segments and include an exceptional charge of £10.9m relating to the impairment losses on Greek Government Bonds (see note 2).

Notes to the accounts continued

1 Segmental analysis continued

2011	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
							Distribution
Segment assets and liabilities							
Segment assets	**110.4**	**142.5**	**94.6**	**50.1**	**27.1**	**103.7**	**528.4**
Other current assets							
Non-current assets							
Segment liabilities	**(237.8)**	**(182.8)**	**(67.0)**	**(37.6)**	**(48.4)**	**(78.3)**	**(651.9)**
Other liabilities							
Net assets							

Segment assets include net inventory, trade receivables and derivative assets. Segment liabilities include payables, provisions and derivative liabilities.

2011	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
							Distribution
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**1.4**	**0.7**	**3.1**	**2.6**	**0.3**	**6.4**	**14.5**
– Interest in leased vehicles	**7.3**	**3.5**	**2.8**	**–**	**23.7**	**0.9**	**38.2**
– Intangible assets	**1.1**	**0.4**	**0.2**	**0.9**	**0.1**	**–**	**2.7**
Depreciation:							
– Property, plant and equipment	**3.0**	**1.2**	**1.5**	**2.2**	**0.1**	**2.2**	**10.2**
– Interest in leased vehicles	**1.6**	**3.2**	**1.6**	**–**	**8.6**	**1.1**	**16.1**
Amortisation of intangible assets	**0.3**	**0.1**	**–**	**–**	**0.2**	**0.1**	**0.7**
Impairment of intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net provisions charged / (released) to the consolidated income statement	**7.2**	**17.9**	**1.6**	**4.2**	**(1.1)**	**1.1**	**30.9**

Net provisions include inventory, trade receivables impairment and other liability provisions.

1 Segmental analysis continued

2011	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total £m
	Retail					
Segment assets and liabilities						
Segment assets	**61.3**	**23.9**	**394.8**	**184.7**	**664.7**	**1,193.1**
Other current assets						**705.1**
Non-current assets						**1,315.8**
Segment liabilities	**(62.7)**	**(9.5)**	**(405.7)**	**(101.2)**	**(579.1)**	**(1,231.0)**
Other liabilities						**(625.5)**
Net assets						**1,357.5**

Segment assets include net inventory, trade receivables and derivative assets. Segment liabilities include payables, provisions and derivative liabilities.

2011	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**1.2**	**0.4**	**22.0**	**42.6**	**66.2**	**80.7**	**0.5**	**81.2**
– Interest in leased vehicles	**–**	**0.4**	**–**	**0.3**	**0.7**	**38.9**	**–**	**38.9**
– Intangible assets	**–**	**–**	**3.3**	**1.8**	**5.1**	**7.8**	**5.3**	**13.1**
Depreciation:								
– Property, plant and equipment	**0.6**	**1.0**	**9.4**	**7.3**	**18.3**	**28.5**	**0.5**	**29.0**
– Interest in leased vehicles	**–**	**0.1**	**–**	**0.1**	**0.2**	**16.3**	**–**	**16.3**
Amortisation of intangible assets	**–**	**–**	**2.3**	**1.3**	**3.6**	**4.3**	**0.2**	**4.5**
Impairment of intangible assets	**–**	**–**	**7.1**	**–**	**7.1**	**7.1**	**–**	**7.1**
Net provisions charged / (released) to the consolidated income statement	**3.9**	**1.0**	**21.6**	**0.8**	**27.3**	**58.2**	**–**	**58.2**

Net provisions include inventory, trade receivables impairment and other liability provisions.

Notes to the accounts continued

1 Segmental analysis continued

2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Revenue							
Total revenue	846.5	809.0	430.6	371.8	36.9	286.9	2,781.7
Inter-segment revenue	(189.1)	(107.7)	–	–	–	(29.0)	(325.8)
Revenue from third parties	657.4	701.3	430.6	371.8	36.9	257.9	2,455.9
Results							
Segment result	47.9	26.9	34.0	36.1	6.5	19.1	170.5
Exceptional items	(0.3)	(3.8)	–	(0.9)	–	(2.9)	(7.9)
Operating profit after exceptional items	47.6	23.1	34.0	35.2	6.5	16.2	162.6
Share of (loss) / profit after tax of joint ventures and associates	–	(1.3)	–	–	–	–	(1.3)
Profit before finance and tax	47.6	21.8	34.0	35.2	6.5	16.2	161.3
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

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

1 Segmental analysis continued

2010	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	372.9	169.6	2,088.9	798.1	3,429.5	6,211.2	–	6,211.2
Inter-segment revenue	–	–	–	–	–	(325.8)	–	(325.8)
Revenue from third parties	372.9	169.6	2,088.9	798.1	3,429.5	5,885.4	–	5,885.4
Results								
Segment result	14.6	0.9	49.4	12.7	77.6	248.1	(22.6)	225.5
Exceptional items	(3.8)	(0.9)	(8.4)	(0.8)	(13.9)	(21.8)	(0.1)	(21.9)
Operating profit after exceptional items	10.8	–	41.0	11.9	63.7	226.3	(22.7)	203.6
Share of (loss) / profit after tax of joint ventures and associates	–	–	0.2	(0.6)	(0.4)	(1.7)	–	(1.7)
Profit before finance and tax	10.8	–	41.2	11.3	63.3	224.6	(22.7)	201.9
Finance income								58.6
Finance costs								(68.4)
Profit before tax								192.1
Tax								(59.1)
Profit for the year								133.0

Net finance costs of £9.8m are not allocated to individual segments.

Notes to the accounts continued

1 Segmental analysis continued

2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	126.1	163.8	78.2	56.7	22.6	80.9	528.3
Other current assets							
Non-current assets							
Segment liabilities	(248.9)	(180.5)	(60.2)	(36.8)	(48.7)	(72.0)	(647.1)
Other liabilities							
Net assets							

Segment assets include net inventory, trade receivables and derivative assets. Segment liabilities include payables, provisions and derivative liabilities.

2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	1.4	0.5	0.8	3.3	0.1	2.5	8.6
– Interest in leased vehicles	10.5	6.6	2.8	–	14.9	1.0	35.8
– Intangible assets	0.2	0.4	–	–	0.2	–	0.8
Depreciation:							
– Property, plant and equipment	2.9	1.2	1.4	2.0	0.1	2.6	10.2
– Interest in leased vehicles	0.9	4.6	1.8	–	10.8	2.3	20.4
Amortisation of intangible assets	0.2	0.5	–	–	0.3	0.1	1.1
Impairment of goodwill	–	–	–	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–	–	7.5	7.5
Net provisions charged / (released) to the consolidated income statement	8.5	18.5	4.8	3.6	(1.1)	1.6	35.9

Net provisions include inventory, trade receivables impairment and other liability provisions.

1 Segmental analysis continued

2010	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total £m
	Retail					
Segment assets and liabilities						
Segment assets	46.3	20.2	381.2	150.1	597.8	1,126.1
Other current assets						693.4
Non-current assets						1,282.4
Segment liabilities	(48.0)	(10.7)	(378.1)	(99.5)	(536.3)	(1,183.4)
Other liabilities						(629.2)
Net assets						1,289.3

Segment assets include net inventory, trade receivables and derivative assets. Segment liabilities include payables, provisions and derivative liabilities.

2010	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Other segment items								
Capital expenditure:								
– Property, plant and equipment	1.2	0.6	10.7	13.6	26.1	34.7	0.4	35.1
– Interest in leased vehicles	–	0.3	–	1.2	1.5	37.3	–	37.3
– Intangible assets	–	–	3.1	1.5	4.6	5.4	3.0	8.4
Depreciation:								
– Property, plant and equipment	0.6	1.2	9.4	6.0	17.2	27.4	0.4	27.8
– Interest in leased vehicles	–	0.2	–	0.2	0.4	20.8	–	20.8
Amortisation of intangible assets	–	–	3.3	0.4	3.7	4.8	0.2	5.0
Impairment of goodwill	3.0	–	2.3	0.2	5.5	5.5	–	5.5
Impairment of property, plant and equipment	–	–	5.0	0.2	5.2	12.7	–	12.7
Net provisions charged / (released) to the consolidated income statement	4.3	1.7	20.4	–	26.4	62.3	(3.5)	58.8

Net provisions include inventory, trade receivables impairment and other liability provisions.

Notes to the accounts continued

2 Exceptional items

	2011 £m	2010 £m
Restructuring costs	**(13.4)**	(12.4)
Goodwill impairment (note 11)	**–**	(5.5)
Impairment of property, plant and equipment	**–**	(4.0)
Operating exceptional items	**(13.4)**	(21.9)
Impairment of available for sale financial assets (note 7)	**(10.9)**	–
Finance exceptional items	**(10.9)**	–
Total exceptional items before tax	**(24.3)**	(21.9)
Exceptional tax credit	**3.6**	3.1
Total exceptional items	**(20.7)**	(18.8)

The restructuring costs of £13.4m represent the cost of a global restructuring exercise conducted in the fourth quarter of 2011. The restructuring was carried out to ensure that we continue to maintain an organisational structure and cost base that reflect trading conditions across the Group, as well as improving the cost effectiveness of our global IT strategy. Included within the restructuring costs is a £7.1m impairment of computer software costs in the UK.

The £10.9m charge on the impairment of available for sale financial assets relates to the impairment losses on Greek Government Bonds to reflect current market conditions.

The exceptional tax credit of £3.6m represents relief on restructuring costs and impairment of software costs. No relief is available for the impairment of available for sale financial assets.

In 2010, the charge for restructuring costs of £12.4m represented the cost of headcount reduction across the Group and the closure of less profitable sites in the UK, Belgium, South America and Australia. Impairment charges for goodwill (£5.5m) and property, plant and equipment (£4.0m) related to the closure of the same sites.

The 2010 exceptional tax credit of £3.1m represented relief on restructuring costs. In 2010, no relief was available for the impairment of goodwill and property, plant and equipment.

3 Revenue and expenses
a. Revenue
An analysis of the Group's revenue for the year is as follows:

	2011 £m	2010 £m
Sale of goods	**5,317.1**	5,274.6
Provision of services	**509.2**	610.8
	5,826.3	5,885.4

b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2011 £m	Exceptional items 2011 £m	Net operating expenses 2011 £m	Net operating expenses before exceptional items 2010 £m	Exceptional items 2010 £m	Net operating expenses 2010 £m
Distribution costs	**329.7**	**0.4**	**330.1**	358.8	3.0	361.8
Administrative expenses	**291.0**	**13.0**	**304.0**	291.0	14.9	305.9
Other operating (income) / expense	**(9.0)**	**-**	**(9.0)**	5.6	4.0	9.6
	611.7	**13.4**	**625.1**	655.4	21.9	677.3

Other operating (income) / expense includes a £6.1m gain in relation to post-retirement settlements (2010 – £12.7m property impairment charge).

c. Profit before tax is stated after the following charges / (credits):

	2011 £m	2010 £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	**29.0**	27.8
– Interest in leased vehicles	**16.3**	20.8
Amortisation of intangible assets	**4.5**	5.0
Impairment of intangible assets	**7.1**	–
Impairment of goodwill	**-**	5.5
Impairment of property, plant and equipment	**-**	12.7
Bad debt provision	**1.2**	2.0
Profit on sale of property, plant and equipment	**(0.1)**	(7.5)
Operating lease rentals	**48.3**	45.7

Notes to the accounts continued

3 Revenue and expenses continued
d. Auditors' remuneration
During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2011 £m	2010 £m
Audit services:		
– Fees payable for the audit of the parent Company and the consolidated Financial statements	**0.4**	0.4
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**1.6**	1.6
– Other services supplied pursuant to such legislation	**0.1**	0.1
– Services relating to taxation	**1.1**	1.3
– All other services	**0.2**	0.2
	3.0	3.2
Total fees payable to PricewaterhouseCoopers LLP	**3.4**	3.6
Audit fees – firms other than PricewaterhouseCoopers LLP	**0.2**	0.1

e. Staff costs

	2011 £m	2010 £m
Wages and salaries	**370.5**	384.3
Social security costs	**43.2**	40.4
Other pension costs	**12.2**	12.1
Share-based payment charge	**7.3**	6.9
	433.2	443.7

Information on Directors' emoluments and interests which forms part of these audited consolidated Financial statements, is given in the Directors' report on remuneration which can be found on pages 50 – 57 of this document. Information on compensation of key management personnel is set out in note 31c.

f. Average number of employees

	Distribution		Retail		Total	
	2011 Number	2010 Number	2011 Number	2010 Number	2011 Number	2010 Number
Australasia	**455**	493	**679**	660	**1,134**	1,153
Europe	**321**	351	**391**	414	**712**	765
North Asia	**1,398**	1,377	**–**	–	**1,398**	1,377
South Asia	**842**	929	**–**	–	**842**	929
United Kingdom	**166**	167	**4,819**	4,939	**4,985**	5,106
Russia and Emerging Markets	**1,346**	1,315	**3,290**	3,275	**4,636**	4,590
Total operational	**4,528**	4,632	**9,179**	9,288	**13,707**	13,920
Central					**147**	148
					13,854	14,068

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4 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Directors' report on remuneration.

The charge arising from share-based payment transactions during the year is £7.3m (2010 – £6.9m), of which £7.3m (2010 – £6.5m) is equity-settled and £nil (2010 – £0.4m) is cash-settled.

The Other Share Plans disclosures below include other share-based incentive plans for senior executives and employees.

The following table sets out the movements in the number of share options and awards during the year:

2011	**Weighted average exercise price***	**Performance Share Plan**	**Executive Share Option Plan**	**Save As You Earn Plan**	**Other Share Plans**
Outstanding at 1 January	**£3.01**	**–**	**11,711,713**	**3,721,983**	**1,101,278**
Granted	**£2.43**	**2,670,797**	**–**	**758,105**	**936,460**
Exercised	**£2.06**	**(930)**	**(229,198)**	**(52,690)**	**(153,347)**
Lapsed	**£5.29**	**(116,214)**	**(2,055,990)**	**(690,910)**	**(574,814)**
Outstanding at 31 December	**£2.52**	**2,553,653**	**9,426,525**	**3,736,488**	**1,309,577**
Exercisable at 31 December	**£4.94**	**–**	**1,084,758**	**97,598**	**–**

2010	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£0.35	–	129,459,199	35,716,267	12,588,698
Granted	£0.31	–	26,185,622	–	–
Exercised	£0.20	–	(179,960)	–	(2,110,760)
Lapsed	£0.59	–	(19,653,492)	(2,921,677)	(1,160,715)
Outstanding at 13 May	£0.31	–	135,811,369	32,794,590	9,317,223
Outstanding following Share Consolidation	£3.03	–	13,580,518	3,277,730	931,722
Granted	£2.06	–	20,532	1,293,370	210,897
Exercised	£1.93	–	(101,500)	(1,304)	–
Lapsed	£2.75	–	(1,787,837)	(847,813)	(41,341)
Outstanding at 31 December	£3.01	–	11,711,713	3,721,983	1,101,278
Exercisable at 31 December	£5.04	–	1,204,957	63,945	–

* The weighted average exercise price excludes awards made under the Performance Share Plan and Other Share Plans as there is no exercise price attached to these share awards.

Included in the table above are 18,171 (2010 – 60,021) share options outstanding at 31 December granted before 7 November 2002 which have been excluded from the share-based payments charge in accordance with the IFRS 2 transitional provisions.

The weighted average remaining contractual life for the share options outstanding at 31 December 2011 is 5.0 years (2010 – 6.3 years).

The range of exercise prices for options outstanding at the end of the year was £1.93 to £7.43 (2010 – £1.08 to £7.43). See note 24 for further details.

4 Share-based payments continued

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes option pricing model (2010 – binomial model), taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model for shares granted during the years ended 31 December 2011 and 31 December 2010:

	Performance Share Plan		Executive Share Option Plan		Save As You Earn Plan		Other Share Plans	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Weighted average share price at grant date	**£3.84**	n/a	**n/a**	£3.12	**£2.96**	£2.56	**£3.74**	£3.08
Weighted average exercise price	**n/a**	n/a	**n/a**	£3.12	**£2.43**	£2.05	**n/a**	n/a
Vesting period	**3.0 years**	n/a	**n/a**	3.0 years	**3.0 years**	3.0 years	**3.0 years**	3.0 years
Expected volatility	**n/a**	n/a	**n/a**	50.0%	**48.5%**	50.0%	**n/a**	n/a
Expected life of option	**3.0 years**	n/a	**n/a**	3.5 years	**3.2 years**	3.2 years	**3.0 years**	3.0 years
Weighted average risk free rate	**n/a**	n/a	**n/a**	1.8%	**1.0%**	0.9%	**n/a**	n/a
Expected dividend yield	**n/a**	n/a	**n/a**	2.0%	**3.5%**	3.0%	**n/a**	n/a
Weighted average fair value per option	**£3.84**	n/a	**n/a**	£1.05	**£0.99**	£1.21	**£3.74**	£3.08

The expected life and volatility of the options are based upon historical data.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself and the charge will be treated as a cash-settled transaction.

5 Pensions and other post-retirements benefits

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its subsidiaries.

The principal schemes are held in the UK and are final salary defined benefit pension schemes. Most of the schemes have assets held in trust in separately administered funds although there are some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

The majority of the overseas defined benefit schemes are final salary schemes which provide a lump sum on retirement, some of which have assets held in trust in separately administered funds and others which are unfunded. The overseas defined contribution schemes are principally linked to local statutory arrangements.

a. UK schemes

The UK has four main defined benefit schemes, namely the Inchcape Group (UK) Pension Scheme, the Inchcape Motors Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. These schemes are considered below:

Open schemes

Inchcape Group (UK) Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The majority of the scheme's liabilities are for pensioners and deferred pensioners, and the investment strategy is to hold a broadly balanced portfolio of equities and gilts.

Inchcape Motors Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 5 April 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. Whilst a majority of the scheme's members are pensioners and deferred pensioners, a sizeable portion of the membership is still accruing benefits and the investment strategy reflects this with the majority of the assets invested in equities and bonds.

Inchcape Overseas Pension Scheme

This scheme is managed from Guernsey and is therefore reported in the United Kingdom segment in this note. The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. A significant majority of the scheme's members are pensioners and deferred pensioners and therefore the majority of the assets are invested in bonds.

Closed scheme

TKM Group Pension Scheme

The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2010 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme has a prudent investment strategy and the majority of the assets are invested in bonds, cash or gilts. Approximately half the members are pensioners and half are deferred pensioners and as such no further pension accrual arises.

b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee. These schemes are typically subject to triennial valuations.

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £5.0m (2010 – £4.8m). There are no outstanding contributions to the defined contribution schemes at the year end (2010 – £nil).

d. Defined benefit plans

As the Group's principal defined benefit schemes are in the UK, these have been reported separately to the overseas schemes. For the purposes of reporting, actuarial updates have been obtained for the Group's material schemes and these updates are reflected in the amounts reported below.

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2011 %	2010 %	**2011 %**	2010 %
Rate of increase in salaries	**4.5**	4.9	**4.9**	4.5
Rate of increase in pensions	**3.0**	3.4	**–**	–
Discount rate	**4.7**	5.4	**2.7**	3.2
Rate of inflation:				
– Retail price index	**3.0**	3.4	**0.4**	0.2
– Consumer price index	**2.3**	n/a	**n/a**	n/a
Expected return on plan assets	**5.2**	6.1	**7.0**	6.1

5 Pensions and other post-retirements benefits continued

The rate of increase in healthcare cost is 5.2% (2010 – 6.0%) per annum.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 22.9 years (2010 – 22.6 years) for current pensioners and 25.3 years (2010 – 25.0 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The expected return on plan assets is based on the weighted average expected return on each type of asset (principally equities, bonds and diversified growth funds). The overall expected return on plan assets is determined based on the expected real rates of return on equities, expected yields on bonds and expected returns on the diversified growth funds applicable to the period over which the obligation is to be settled.

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Present value of funded obligations	**(837.3)**	(824.8)	**(44.0)**	(37.1)	**(881.3)**	(861.9)
Fair value of plan assets	**906.5**	841.6	**35.9**	38.1	**942.4**	879.7
Surplus / (deficit) in funded obligations	**69.2**	16.8	**(8.1)**	1.0	**61.1**	17.8
Irrecoverable element of pension surplus	**(72.9)**	(36.2)	**(0.4)**	(0.4)	**(73.3)**	(36.6)
Net (deficit) / surplus in funded obligations	**(3.7)**	(19.4)	**(8.5)**	0.6	**(12.2)**	(18.8)
Present value of unfunded obligations	**(1.2)**	(1.3)	**(1.5)**	(2.1)	**(2.7)**	(3.4)
	(4.9)	(20.7)	**(10.0)**	(1.5)	**(14.9)**	(22.2)

The net pension asset / (liability) is analysed as follows:

Schemes in surplus	**47.0**	21.2	**0.3**	0.8	**47.3**	22.0
Schemes in deficit	**(51.9)**	(41.9)	**(10.3)**	(2.3)	**(62.2)**	(44.2)
	(4.9)	(20.7)	**(10.0)**	(1.5)	**(14.9)**	(22.2)

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Current service cost	**(5.1)**	(5.2)	**(2.1)**	(2.1)	**(7.2)**	(7.3)
Interest expense on plan liabilities	**(42.5)**	(45.2)	**(1.2)**	(1.0)	**(43.7)**	(46.2)
Expected return on plan assets	**42.8**	44.5	**2.3**	2.4	**45.1**	46.9
Plan settlements	**6.1**	–	**–**	–	**6.1**	–
	1.3	(5.9)	**(1.0)**	(0.7)	**0.3**	(6.6)

The actual gain on plan assets amounts to £94.1m (2010 – £119.7m).

The totals in the previous table are analysed as follows:

	Cost of sales		Distribution costs		Administrative expenses		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Current service cost	**(0.4)**	(0.5)	**(1.1)**	(1.5)	**(5.7)**	(5.3)	**(7.2)**	(7.3)
Interest expense on plan liabilities							**(43.7)**	(46.2)
Expected return on plan assets							**45.1**	46.9
Plan settlements							**6.1**	–
							0.3	(6.6)

5 Pensions and other post-retirements benefits continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom 2011 £m	United Kingdom 2010 £m	Overseas 2011 £m	Overseas 2010 £m	Total 2011 £m	Total 2010 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains and losses	**(0.4)**	5.2	**(0.6)**	(0.9)	**(1.0)**	4.3
– Changes in assumptions	**(25.5)**	(12.0)	**(4.5)**	(0.2)	**(30.0)**	(12.2)
Actuarial gains / (losses) on assets:						
– Experience gains and losses	**53.0**	73.4	**(4.0)**	(0.6)	**49.0**	72.8
Irrecoverable element of pension surplus	**(36.7)**	(36.2)	**–**	(0.1)	**(36.7)**	(36.3)
	(9.6)	30.4	**(9.1)**	(1.8)	**(18.7)**	28.6

Analysis of the movement in the net asset / (liability):

	United Kingdom 2011 £m	United Kingdom 2010 £m	Overseas 2011 £m	Overseas 2010 £m	Total 2011 £m	Total 2010 £m
At 1 January	**(20.7)**	(73.6)	**(1.5)**	(1.2)	**(22.2)**	(74.8)
Amount recognised in the consolidated income statement	**1.3**	(5.9)	**(1.0)**	(0.7)	**0.3**	(6.6)
Contributions by employer	**24.1**	28.4	**1.9**	1.8	**26.0**	30.2
Actuarial gains / (losses) recognised in the year	**27.1**	66.6	**(9.1)**	(1.7)	**18.0**	64.9
Irrecoverable surplus recognised in the year	**(36.7)**	(36.2)	**–**	(0.1)	**(36.7)**	(36.3)
Effect of foreign exchange rates	**–**	–	**(0.3)**	0.4	**(0.3)**	0.4
At 31 December	**(4.9)**	(20.7)	**(10.0)**	(1.5)	**(14.9)**	(22.2)

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom 2011 £m	United Kingdom 2010 £m	Overseas 2011 £m	Overseas 2010 £m	Total 2011 £m	Total 2010 £m
At 1 January	**(826.1)**	(809.7)	**(39.2)**	(35.6)	**(865.3)**	(845.3)
Current service cost	**(5.1)**	(5.2)	**(2.1)**	(2.1)	**(7.2)**	(7.3)
Interest expense on plan liabilities	**(42.5)**	(45.2)	**(1.2)**	(1.0)	**(43.7)**	(46.2)
Actuarial gains / (losses):						
– Experience gains and losses	**(0.4)**	5.2	**(0.6)**	(0.9)	**(1.0)**	4.3
– Changes in assumptions	**(25.5)**	(12.0)	**(4.5)**	(0.2)	**(30.0)**	(12.2)
Contributions by employees	**(0.3)**	(0.6)	**(0.1)**	(0.1)	**(0.4)**	(0.7)
Benefits paid	**39.6**	41.4	**2.6**	2.0	**42.2**	43.4
Plan settlements	**21.8**	–	**–**	–	**21.8**	–
Effect of foreign exchange rate changes	**–**	–	**(0.4)**	(1.3)	**(0.4)**	(1.3)
At 31 December	**(838.5)**	(826.1)	**(45.5)**	(39.2)	**(884.0)**	(865.3)

5 Pensions and other post-retirements benefits continued

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
At 1 January	**841.6**	736.1	**38.1**	34.7	**879.7**	770.8
Expected return on plan assets	**42.8**	44.5	**2.3**	2.4	**45.1**	46.9
Actuarial gains / (losses):						
– Experience gains and losses	**53.0**	73.4	**(4.0)**	(0.6)	**49.0**	72.8
Contributions by employer	**24.1**	28.4	**1.9**	1.8	**26.0**	30.2
Contributions by employees	**0.3**	0.6	**0.1**	0.1	**0.4**	0.7
Benefits paid	**(39.6)**	(41.4)	**(2.6)**	(2.0)	**(42.2)**	(43.4)
Plan settlements	**(15.7)**	–	**–**	–	**(15.7)**	–
Effect of foreign exchange rate changes	**–**	–	**0.1**	1.7	**0.1**	1.7
At 31 December	**906.5**	841.6	**35.9**	38.1	**942.4**	879.7
Irrecoverable element of pension surplus	**(72.9)**	(36.2)	**(0.4)**	(0.4)	**(73.3)**	(36.6)
Revised value at 31 December	**833.6**	805.4	**35.5**	37.7	**869.1**	843.1

At the end of the reporting period, the percentage of the plan assets by category had been invested as follows:

	United Kingdom		Overseas		Total	
	2011	2010	**2011**	2010	**2011**	2010
Equities	**8.4%**	10.7%	**65.5%**	67.7%	**10.6%**	13.1%
Corporate bonds	**32.3%**	27.4%	**25.5%**	23.0%	**32.0%**	27.2%
Government bonds	**26.3%**	29.3%	**–**	–	**25.3%**	28.0%
Diversified growth funds	**24.5%**	23.9%	**–**	–	**23.5%**	22.9%
Other	**8.5%**	8.7%	**9.0%**	9.3%	**8.6%**	8.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The history of the plans for the current and previous years is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	**(884.0)**	(865.3)	(845.3)	(677.4)	(770.5)
Fair value of plan assets	**942.4**	879.7	770.8	727.3	799.3
Surplus / (deficit)	**58.4**	14.4	(74.5)	49.9	28.8
Irrecoverable element of pension surplus	**(73.3)**	(36.6)	(0.3)	(43.9)	(0.3)
Revised (deficit) / surplus	**(14.9)**	(22.2)	(74.8)	6.0	28.5
Experience adjustments on plan liabilities	**(1.0)**	4.3	5.2	16.7	0.1
Experience adjustments on plan assets	**49.0**	72.8	4.3	(117.0)	1.3

The cumulative actuarial gains and losses arising since 1 January 2004 recognised in shareholders' equity amounted to a £139.0m loss at 31 December 2011 (2010 – £120.3m loss).

The Group has agreed to pay approximately £28.2m to its defined benefit plans in 2012.

6 Finance income

	2011 £m	2010 £m
Bank and other interest receivable	**5.6**	4.5
Expected return on post-retirement plan assets	**45.1**	46.9
Other finance income	**6.6**	7.2
Total finance income	**57.3**	58.6

7 Finance costs

	2011 £m	2010 £m
Interest payable on bank borrowings	**2.0**	2.8
Interest payable on Private Placement	**3.9**	3.7
Interest payable on other borrowings	**0.3**	0.6
Fair value adjustment on Private Placement	**18.5**	22.2
Fair value gain on cross currency interest rate swaps	**(16.1)**	(24.2)
Stock holding interest	**13.6**	13.2
Interest expense on post-retirement plan liabilities	**43.7**	46.2
Other finance costs	**5.8**	5.0
Capitalised borrowing costs	**(0.7)**	(1.1)
Total finance costs before exceptional items	**71.0**	68.4
Exceptional items:		
– Impairment of available for sale financial assets (note 2)	**10.9**	–
Total finance costs	**81.9**	68.4

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2010 – 2.0%).

Notes to the accounts continued

8 Tax

	2011 £m	2010 £m
Current tax:		
– UK corporation tax	**7.0**	19.2
	7.0	19.2
Overseas tax	**49.0**	46.6
	56.0	65.8
Adjustments to prior year liabilities:		
– UK	**(0.3)**	–
– Overseas	**(0.9)**	(0.2)
Current tax	**54.8**	65.6
Deferred tax (note 16)	**4.4**	(3.4)
Tax before exceptional tax	**59.2**	62.2
Exceptional tax – current tax	**(1.0)**	(2.5)
Exceptional tax – deferred tax	**(2.6)**	(0.6)
Exceptional tax (note 2)	**(3.6)**	(3.1)
Total tax charge	**55.6**	59.1

The effective tax rate for the year, before exceptional items, of 26% (2010 – 29%) is higher than the standard blended rate of tax of 23.8% (2010 – 23.6%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2011 £m	2010 £m
Profit before tax	**203.4**	192.1
Profit before tax multiplied by the standard rate of tax of 23.8% (2010 – 23.6%)	**48.4**	45.4
Effects of:		
– Amortisation and impairment	**2.9**	5.0
– Non-tax deductible items	**4.5**	3.1
– Unrecognised tax losses	**(0.8)**	(3.7)
– Overseas tax levies and austerity taxes	**2.1**	5.6
– Prior year items	**(2.0)**	0.9
– Withholding tax on overseas dividends	**–**	1.1
– Disallowed interest due to UK debt cap	**–**	1.1
– Other items	**0.5**	0.6
Total tax charge	**55.6**	59.1

9 Earnings per share

	2011 £m	2010 £m
Profit for the year	**147.8**	133.0
Non controlling interests	**(5.6)**	(5.1)
Basic earnings	**142.2**	127.9
Exceptional items	**20.7**	18.8
Adjusted earnings	**162.9**	146.7
Basic earnings per share	**31.0p**	27.9p
Diluted earnings per share	**30.5p**	27.6p
Basic Adjusted earnings per share	**35.5p**	32.0p
Diluted Adjusted earnings per share	**34.9p**	31.7p

	2011 number	2010 number
Weighted average number of fully paid ordinary shares in issue during the year	**463,324,543**	463,111,916
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,372,654)**	(1,365,559)
– Repurchased as part of the share buy back programme	**(2,687,560)**	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**459,264,329**	459,058,797
Dilutive effect of potential ordinary shares	**7,193,499**	3,800,689
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**466,457,828**	462,859,486

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

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

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

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

Notes to the accounts continued

10 Dividends
The following dividends were paid by the Group:

	2011 £m	2010 £m
Interim dividend for the six months ended 30 June 2011 of 3.6p per share (2010 – nil per share)	**16.5**	–
Final dividend for the year ended 31 December 2010 of 6.6p per share (2009 – nil per share)	**30.3**	–
	46.8	–

A final proposed dividend for the year ending 31 December 2011 of 7.4p per share amounting to £34.1m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2011.

11 Intangible assets

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2010	571.2	64.1	7.0	642.3
Additions	–	8.4	–	8.4
Disposals	–	(4.4)	–	(4.4)
Effect of foreign exchange rate changes	5.5	0.2	0.1	5.8
At 1 January 2011	**576.7**	**68.3**	**7.1**	**652.1**
Businesses sold	**(2.3)**	**–**	**–**	**(2.3)**
Additions	**0.2**	**13.1**	**–**	**13.3**
Retirement of fully amortised assets not in use	**–**	**(3.9)**	**(7.1)**	**(11.0)**
Effect of foreign exchange rate changes	**(10.6)**	**(0.9)**	**–**	**(11.5)**
At 31 December 2011	**564.0**	**76.6**	**–**	**640.6**
Accumulated amortisation and impairment				
At 1 January 2010	(61.2)	(28.5)	(7.0)	(96.7)
Amortisation charge for the year	–	(5.0)	–	(5.0)
Impairment charge for the year	(5.5)	–	–	(5.5)
Disposals	–	4.4	–	4.4
Effect of foreign exchange rate changes	2.1	(0.1)	(0.1)	1.9
At 1 January 2011	**(64.6)**	**(29.2)**	**(7.1)**	**(100.9)**
Businesses sold	**2.3**	**–**	**–**	**2.3**
Amortisation charge for the year	**–**	**(4.5)**	**–**	**(4.5)**
Impairment charge for the year	**–**	**(7.1)**	**–**	**(7.1)**
Retirement of fully amortised assets not in use	**–**	**3.9**	**7.1**	**11.0**
Effect of foreign exchange rate changes	**0.6**	**0.6**	**–**	**1.2**
At 31 December 2011	**(61.7)**	**(36.3)**	**–**	**(98.0)**
Net book value at 31 December 2011	**502.3**	**40.3**	**–**	**542.6**
Net book value at 31 December 2010	512.1	39.1	–	551.2

As at 31 December 2011, capitalised borrowing costs of £1.5m (2010 – £1.5m) were included within 'computer software', £nil of which was capitalised in 2011 (2010 – £0.4m).

11 Intangible assets continued
a. Goodwill
Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. These are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. This may be at country, regional or brand level.

The carrying amount of goodwill has been allocated to the following operating segments:

	2011 £m	2010 £m
United Kingdom	**262.3**	262.3
Russia and Emerging Markets	**210.0**	219.8
South Asia	**20.2**	20.3
Australasia	**9.8**	9.7
	502.3	512.1

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGUs during the year ended 31 December 2011.

The recoverable amounts of all CGUs were determined based on value in use calculations. These calculations use cash flow projections based on five year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to revenue growth / decline, operating margins and the level of working capital required to support trading, which have been based on past experience, recent trading and expectations of future changes in the relevant markets. They also reflect expectations about continuing relationships with key brand partners.

Cash flows after the five year period are extrapolated at an estimated average long-term growth rate for each market. These growth rates reflect the long-term growth prospects of the markets in which the CGUs operate. The growth rates used vary between 1% and 5% and are consistent with appropriate external sources for the relevant markets.

Cash flows are discounted back to present value using a risk adjusted discount rate. The discount rate assumptions are based on an estimate of the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant CGU. The pre-tax discount rates used vary between 10% and 12%, and reflect long-term country risk.

The assumptions used with regards to pre-tax discount rates and long-term growth rates in those segments with material goodwill balances were as follows:

	Discount rate	Long-term growth rate
United Kingdom	**10%**	**2%**
Russia and Emerging Markets	**11% to 12%**	**5%**
South Asia	**10%**	**1%**
Australasia	**12%**	**1%**

Impairment
An impairment charge of £5.5m was recognised in the year ended 31 December 2010 in relation to sites in the UK and Australia that were sold or closed.

Sensitivities
The Group's value in use calculations are sensitive to a change in the key assumptions used, most notably the discount rates and the long-term growth rates. With the exception of the Musa Motors group in Russia and the Group's business in Lithuania, a reasonably possible change in a key assumption will not cause a material impairment of goodwill in any of the other CGUs.

11 Intangible assets continued

The Group's goodwill in the Russia and Emerging Markets segment at 31 December 2011 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Musa Motors group (Russia)	**123.5**	**–**	**123.5**
Inchcape Olimp (Russia)	**62.3**	**–**	**62.3**
Latvia	**44.2**	**(44.2)**	**–**
Lithuania	**21.8**	**–**	**21.8**
Other	**2.6**	**(0.2)**	**2.4**
At 31 December 2011	**254.4**	**(44.4)**	**210.0**

The value in use calculations for the Musa Motors group currently exceed the carrying value by approximately 20%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would reduce the headroom available to approximately 10% of the carrying value. The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 5%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would eliminate the headroom available.

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2010	577.1	176.0	753.1	141.3	894.4
Businesses sold	–	(0.2)	(0.2)	–	(0.2)
Additions	19.0	16.1	35.1	37.3	72.4
Disposals	(10.2)	(8.1)	(18.3)	–	(18.3)
Transferred to inventory	–	–	–	(56.9)	(56.9)
Reclassified within disposal group / assets held for sale (note 19)	(4.0)	(2.5)	(6.5)	–	(6.5)
Effect of foreign exchange rate changes	9.6	6.8	16.4	(0.8)	15.6
At 1 January 2011	**591.5**	**188.1**	**779.6**	**120.9**	**900.5**
Additions	**51.2**	**30.0**	**81.2**	**38.9**	**120.1**
Disposals	**(3.1)**	**(9.9)**	**(13.0)**	**(0.1)**	**(13.1)**
Transferred to inventory	**–**	**(2.4)**	**(2.4)**	**(64.2)**	**(66.6)**
Retirement of fully depreciated assets not in use	**(0.6)**	**(18.3)**	**(18.9)**	**–**	**(18.9)**
Reclassified to assets held for sale (note 19)	**(3.6)**	**–**	**(3.6)**	**–**	**(3.6)**
Effect of foreign exchange rate changes	**(7.7)**	**(2.3)**	**(10.0)**	**(0.6)**	**(10.6)**
At 31 December 2011	**627.7**	**185.2**	**812.9**	**94.9**	**907.8**
Accumulated depreciation and impairment					
At 1 January 2010	(77.9)	(112.5)	(190.4)	(47.4)	(237.8)
Businesses sold	–	0.1	0.1	–	0.1
Depreciation charge for the year	(10.8)	(17.0)	(27.8)	(20.8)	(48.6)
Impairment losses recognised during the year	(12.7)	–	(12.7)	–	(12.7)
Disposals	1.8	5.8	7.6	–	7.6
Transferred to inventory	–	–	–	25.4	25.4
Reclassified within disposal group / assets held for sale (note 19)	1.2	1.9	3.1	–	3.1
Effect of foreign exchange rate changes	(1.8)	(4.1)	(5.9)	0.6	(5.3)
At 1 January 2011	**(100.2)**	**(125.8)**	**(226.0)**	**(42.2)**	**(268.2)**
Depreciation charge for the year	**(10.4)**	**(18.6)**	**(29.0)**	**(16.3)**	**(45.3)**
Disposals	**1.5**	**5.1**	**6.6**	**0.1**	**6.7**
Transferred to inventory	**–**	**0.8**	**0.8**	**23.6**	**24.4**
Retirement of fully depreciated assets not in use	**0.6**	**18.3**	**18.9**	**–**	**18.9**
Reclassified to assets held for sale (note 19)	**0.7**	**–**	**0.7**	**–**	**0.7**
Effect of foreign exchange rate changes	**0.9**	**1.4**	**2.3**	**0.3**	**2.6**
At 31 December 2011	**(106.9)**	**(118.8)**	**(225.7)**	**(34.5)**	**(260.2)**
Net book value at 31 December 2011	**520.8**	**66.4**	**587.2**	**60.4**	**647.6**
Net book value at 31 December 2010	491.3	62.3	553.6	78.7	632.3

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

Notes to the accounts continued

12 Property, plant and equipment continued

Assets held under finance leases have the following net book values:

	2011 £m	2010 £m
Leasehold buildings	**2.3**	2.1
Plant, machinery and equipment	**1.2**	1.7
	3.5	3.8

The book value of land and buildings is analysed between:

	2011 £m	2010 £m
Freehold	**384.3**	376.4
Leasehold with over fifty years unexpired	**35.5**	25.3
Short leasehold	**101.0**	89.6
	520.8	491.3

As at 31 December 2011, £4.0m (2010 – £3.6m) of capitalised borrowing costs were included within 'land and buildings', £0.7m of which was capitalised in 2011 (2010 – £0.7m).

13 Investments in joint ventures and associates

	2011 £m	2010 £m
At 1 January	**33.1**	22.3
Additions	**0.1**	10.7
Share of loss after tax of joint ventures and associates	**(3.0)**	(1.7)
Dividends received	**–**	(1.5)
Loan (repayment) / advances	**(0.3)**	3.8
Effect of foreign exchange rate changes	**(0.4)**	(0.5)
At 31 December	**29.5**	33.1

Group's share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Non-current assets	**26.7**	21.2	**0.1**	0.1	**26.8**	21.3
Current assets	**12.4**	24.8	**34.4**	39.7	**46.8**	64.5
Group's share of gross assets	**39.1**	46.0	**34.5**	39.8	**73.6**	85.8
Current liabilities	**(11.0)**	(16.8)	**(24.3)**	(23.9)	**(35.3)**	(40.7)
Non-current liabilities	**(6.9)**	(4.2)	**(1.9)**	(7.8)	**(8.8)**	(12.0)
Group's share of gross liabilities	**(17.9)**	(21.0)	**(26.2)**	(31.7)	**(44.1)**	(52.7)
Group's share of net assets	**21.2**	25.0	**8.3**	8.1	**29.5**	33.1
Group's share of results of joint ventures and associates						
Revenue	**3.6**	6.6	**2.4**	2.9	**6.0**	9.5
Expenses	**(6.6)**	(7.9)	**(2.0)**	(2.5)	**(8.6)**	(10.4)
(Loss) / profit before tax	**(3.0)**	(1.3)	**0.4**	0.4	**(2.6)**	(0.9)
Tax	**(0.3)**	(0.3)	**(0.1)**	(0.5)	**(0.4)**	(0.8)
Share of (loss) / profit after tax of joint ventures and associates	**(3.3)**	(1.6)	**0.3**	(0.1)	**(3.0)**	(1.7)

As at 31 December 2011, no guarantees were provided in respect of joint ventures and associates borrowings (2010 – £nil).

Principal joint ventures and associates are disclosed in note 31 of this report.

14 Available for sale financial assets

	2011 £m	2010 £m
At 1 January	**14.1**	18.5
Disposals	**(1.5)**	(0.3)
Fair value movement transferred to shareholders' equity	**(6.5)**	(3.6)
Effect of foreign exchange rate changes	**–**	(0.5)
At 31 December	**6.1**	14.1

Analysed as:

	2011 £m	2010 £m
Non-current	**5.6**	12.4
Current	**0.5**	1.7
	6.1	14.1

Assets held are analysed as follows:

	2011 £m	2010 £m
Equity securities	**0.2**	0.2
Bonds	**3.7**	11.3
Other	**2.2**	2.6
	6.1	14.1

During the year the Group recycled impairment losses relating to Greek Government Bonds of £10.9m (2010 – £nil) from equity into the consolidated income statement. The impairment loss represents the difference between the fair value of the bonds at 31 December 2011 and historical cost. The charge has been recognised as exceptional finance costs (see note 7).

At 31 December 2011, the bonds attracted a weighted average fixed interest rate of 5.1% (2010 – 5.2%). The bonds are traded on active markets with coupons generally paid on an annual basis.

Other includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

Available for sale financial assets, which are valued based on active markets' prices, are reported under Level 1 in note 23 on financial instruments.

Available for sale financial assets subject to fixed interest rates are aged by maturity date as follows:

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
2011	**0.4**	**0.5**	**0.3**	**0.8**	**–**	**1.7**	**3.7**
2010	1.4	0.8	1.4	1.3	2.6	3.8	11.3

In certain jurisdictions management holds bonds to offset future vehicle warranty obligations. To meet this requirement, management purchases and sells bonds regularly and does not usually hold the bonds to maturity. Accordingly, the maturity profile of the bonds is not necessarily an indication of when management intends to realise the associated future cash flows.

The maximum exposure to credit risk at the reporting date is the fair value of the bonds classified as available for sale.

15 Trade and other receivables

	Current 2011 £m	Current 2010 £m	Non-current 2011 £m	Non-current 2010 £m
Trade receivables	**152.7**	140.6	**0.2**	0.6
Less: provision for impairment of trade receivables	**(7.7)**	(7.8)	**–**	–
Net trade receivables	**145.0**	132.8	**0.2**	0.6
Amounts receivable from related parties	**0.4**	0.4	**–**	–
Prepayments and accrued income	**70.2**	63.4	**14.3**	13.9
Other receivables	**35.9**	36.1	**19.9**	14.3
	251.5	232.7	**34.4**	28.8

Movements in the provision for impairment of receivables were as follows:

	2011 £m	2010 £m
At 1 January	**(7.8)**	(8.0)
Charge for the year	**(1.2)**	(2.0)
Amounts written off	**0.6**	1.0
Unused amounts reversed	**0.5**	1.1
Effect of foreign exchange rate changes	**0.2**	0.1
At 31 December	**(7.7)**	(7.8)

At 31 December, the analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired 0 < 30 days £m	Past due but not impaired 30 – 90 days £m	Past due but not impaired > 90 days £m	Impaired £m
2011	**152.9**	**111.0**	**19.3**	**8.2**	**6.7**	**7.7**
2010	141.2	104.9	16.3	5.8	6.4	7.8

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables have been discounted where the time value of money is considered to be material.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions.

16 Deferred tax

Net deferred tax asset / (liability)	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Total £m
At 1 January 2011	**3.5**	**1.9**	**3.1**	**7.3**	**6.5**	**(9.0)**	**13.3**
(Charged) / credited to the consolidated income statement	**(0.6)**	**(0.7)**	**0.2**	**1.2**	**2.1**	**(4.0)**	**(1.8)**
Charged to shareholders' equity	**(6.4)**	**(2.0)**	**(0.6)**	**–**	**–**	**–**	**(9.0)**
Effect of foreign exchange rate changes	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
At 31 December 2011	**(3.5)**	**(0.8)**	**2.7**	**8.5**	**8.6**	**(12.7)**	**2.8**

Analysed as:

	2011 £m	2010 £m
Deferred tax assets	**43.0**	31.4
Deferred tax liabilities	**(40.2)**	(18.1)
	2.8	13.3

The Group has unrecognised deferred tax assets of £34m (2010 – £32m) relating to tax relief on trading losses. The asset represents £144m (2010 – £136m) of losses at the standard blended rate of 23.8%. The asset is not recognised, as £144m (2010 – £132m) relates to losses which exist within legal entities that are not forecast to generate taxable income with reasonable certainty in the foreseeable future.

The deferred tax asset of £8.5m (2010 – £7.3m) relates to trading losses in Russia (£4.6m), Belgium (£2.9m) and other territories (£1.0m) where future profits are anticipated with reasonable certainty.

The Group has unrecognised deferred tax assets of £33m (2010 – £36m) relating to capital losses. The asset represents £131m (2010 – £134m) of losses at the UK standard rate of 25.0%. The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries and joint ventures. The vast majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment but the annual profits for these territories are self assessed for UK current tax each year and hence no deferred tax accrues. If all overseas earnings were repatriated with immediate effect, no tax charge (2010 – £nil) would be payable.

The £12.7m (2010 – £9.0m) deferred tax liability for 'provisions and other timing differences' consists of a £32.0m (2010 – £31.0m) liability in respect of the net book value of property, plant and equipment that do not qualify for tax allowances and property revaluations, and a £19.3m (2010 – £22.0m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are £14.0m for Australia, £3.0m in the UK and £2.3m in other territories (2010 – £16.0m for Australia, £3.0m for Greece and £3.0m in the UK).

Notes to the accounts continued

17 Inventories

	2011 £m	2010* £m
Raw materials and work in progress	**13.2**	14.2
Finished goods and merchandise	**892.3**	829.9
	905.5	844.1

* The basis of allocation has been revised and prior year figures have been amended accordingly (2010 balances previously reported: raw materials and work in progress - £3.6m; finished goods and merchandise - £840.5m).

Vehicles held on consignment which are in substance assets of the Group amount to £124.5m (2010 – £109.4m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £33.0m (2010 – £37.0m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £4,271.0m (2010 – £4,282.9m). The write down of inventory to net realisable value recognised as an expense during the year was £34.6m (2010 – £33.5m). All of these items have been included within 'cost of sales' in the consolidated income statement.

18 Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and cash equivalents	**385.6**	376.5
Short-term deposits	**173.3**	185.1
	558.9	561.6

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2011, the weighted average floating rate was 1.5% (2010 – 0.8%).

£20.3m (2010 – £19.0m) of cash and cash equivalents are held in countries where prior approval is required to transfer funds abroad. If the Group complies with the required procedures, such liquid funds are at its disposition within a reasonable period of time.

At 31 December 2011, short-term deposits have a weighted average period to maturity of 45 days (2010 – 44 days).

19 Assets held for sale and disposal group

	2011 £m	2010 £m
Assets directly associated with the disposal group	**2.8**	23.4
Assets held for sale	**2.9**	–
Assets held for sale and disposal group	**5.7**	23.4
Liabilities directly associated with the disposal group	**–**	(19.6)

The assets and liabilities in the disposal group comprise the following:

	2011 £m	2010 £m
Property, plant and equipment	**2.8**	3.4
Inventories	**–**	16.6
Trade and other receivables	**–**	3.4
Assets directly associated with the disposal group	**2.8**	23.4
Trade and other payables	**–**	(19.6)
Liabilities directly associated with the disposal group	**–**	(19.6)

Assets held for sale relate to surplus properties being actively marketed with a view to sale.

In October 2010, the Group announced its intention to dispose of certain non-core franchises. These businesses were actively marketed with a view to sale and the corresponding assets and liabilities have been disclosed as a disposal group in the consolidated statement of financial position in 2010. During the year, the majority of these assets and liabilities were disposed of.

20 Trade and other payables

	Current		Non-current	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade payables: payments received on account	**55.8**	79.7	**0.2**	0.1
vehicle funding agreements	**144.9**	109.7	**–**	–
other trade payables	**722.4**	638.2	**14.8**	17.7
Other taxation and social security payable	**25.8**	16.7	**–**	–
Accruals and deferred income	**175.4**	202.1	**14.6**	16.8
Amounts payable to related parties	**0.2**	0.2	**–**	–
Other payables	**16.1**	34.3	**–**	–
	1,140.6	1,080.9	**29.6**	34.6

The Group entered into vehicle funding agreements whereby the Group is able to refinance interest bearing amounts due to suppliers on similar terms. Amounts outstanding under these agreements are included within vehicle funding agreements above and interest charged under this agreement is included within stock holding interest.

At 31 December 2011 current other trade payables includes £386.8m (2010 – £370.7m) of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 2.0% (2010 – 1.9%). Interest charged on these balances is included within stock holding interest.

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

Notes to the accounts continued

21 Provisions

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2011	**61.8**	**8.9**	**12.2**	**12.0**	**94.9**
Charged to the consolidated income statement	**24.4**	**0.6**	**1.5**	**3.4**	**29.9**
Released to the consolidated income statement	**(3.7)**	**(0.3)**	**(1.0)**	**(1.9)**	**(6.9)**
Effect of unwinding of discount factor	**1.1**	**0.5**	**–**	**–**	**1.6**
Utilised during the year	**(21.7)**	**(1.6)**	**(2.0)**	**(2.1)**	**(27.4)**
Effect of foreign exchange rate changes	**(0.8)**	**–**	**(0.2)**	**(0.2)**	**(1.2)**
At 31 December 2011	**61.1**	**8.1**	**10.5**	**11.2**	**90.9**

Analysed as:	2011 £m	2010 £m
Current	**36.8**	36.1
Non-current	**54.1**	58.8
	90.9	94.9

Product warranty
Certain Group companies provide self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. These are not separable products. The warranty periods covered are up to six years and / or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

Vacant leasehold
The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK. Provision has been made to the extent of the estimated future net cost. This includes taking into account existing subtenant arrangements. The expected utilisation period of these provisions is generally over the next 10 years.

Litigation
This includes a number of litigation provisions in respect of the exit of certain motors and non-motors businesses. The majority of these relate to the exit of our former South American bottling business and shipping business. The cases are largely historical claims and are generally expected to be concluded within the next three to five years.

Other
This category principally includes provisions relating to residual values on leased vehicles, which are expected to be settled within three years.

22 Borrowings

2011	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2011 Total £m
Current							
Bank overdrafts	**97.5**	**0.1**	**–**	**–**	**97.5**	**0.1**	**97.6**
Bank loans	**2.3**	**7.1**	**1.0**	**4.2**	**3.3**	**–**	**3.3**
Other loans	**0.3**	**0.1**	**–**	**–**	**0.3**	**–**	**0.3**
Finance leases	**0.2**	**3.3**	**0.5**	**7.1**	**0.7**	**–**	**0.7**
	100.3	**0.3**	**1.5**	**5.2**	**101.8**	**0.1**	**101.9**
Non-current							
Private Placement	**335.8**	**2.2**	**–**	**–**	**335.8**	**–**	**335.8**
Finance leases	**–**	**–**	**2.8**	**7.1**	**2.8**	**–**	**2.8**
	335.8	**2.2**	**2.8**	**7.1**	**338.6**	**–**	**338.6**
Total borrowings	**436.1**	**1.8**	**4.3**	**6.4**	**440.4**	**0.1**	**440.5**

2010	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2010 Total £m
Current							
Bank overdrafts	135.3	0.1	–	–	135.3	6.7	142.0
Bank loans	1.0	8.8	–	–	1.0	–	1.0
Other loans	0.6	0.1	0.1	1.7	0.7	–	0.7
Finance leases	0.4	2.6	0.1	8.6	0.5	–	0.5
	137.3	0.2	0.2	5.2	137.5	6.7	144.2
Non-current							
Bank loans	–	–	–	–	–	0.4	0.4
Private Placement	317.2	1.9	–	–	317.2	–	317.2
Finance leases	0.4	2.6	2.5	7.1	2.9	–	2.9
	317.6	1.9	2.5	7.1	320.1	0.4	320.5
Total borrowings	454.9	1.4	2.7	7.0	457.6	7.1	464.7

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value, with the exception of the Private Placement which includes a fair value basis adjustment of £54.9m (2010 – £38.2m).

The Group's borrowings are unsecured.

At 31 December 2011, the committed funding facilities of the Group comprised bank facilities of £500m and Private Placement loan notes totalling US$436m.

At 31 December 2011, none (2010 – none) of the £500m syndicated credit facility that expires in April 2013 was drawn down.

All US$436m of the Group's Private Placement loan notes is swapped into Sterling. US$275m is repayable in six years, and US$161m in eight years.

Notes to the accounts continued

22 Borrowings continued

The table below sets out the maturity profile of the Group's borrowings that are exposed to interest rate risk. This analysis is presented after taking account of the cross currency fixed to floating interest rate swap on US$436m of the Private Placement.

2011	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Bank loans	**1.0**	**–**	**–**	**–**	**–**	**–**	**1.0**
Finance leases	**0.5**	**0.4**	**–**	**–**	**–**	**2.4**	**3.3**
Floating rate							
Bank overdrafts	**97.5**	**–**	**–**	**–**	**–**	**–**	**97.5**
Bank loans	**2.3**	**–**	**–**	**–**	**–**	**–**	**2.3**
Other loans	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Private Placement	**–**	**–**	**–**	**–**	**–**	**335.8**	**335.8**
Finance leases	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**

2010	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Other loans	0.1	–	–	–	–	–	0.1
Finance leases	0.1	0.1	0.1	–	–	2.3	2.6
Floating rate							
Bank overdrafts	135.3	–	–	–	–	–	135.3
Bank loans	1.0	–	–	–	–	–	1.0
Other loans	0.6	–	–	–	–	–	0.6
Private Placement	–	–	–	–	–	317.2	317.2
Finance leases	0.4	0.4	–	–	–	–	0.8

23 Financial instruments

The Group's financial liabilities, other than derivatives, comprise bank loans and overdrafts, loan notes, finance leases and trade and other payables. The main purpose of these instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade and other receivables, cash and short-term deposits which arise from its trading operations.

The Group's primary derivative transactions are forward and swap currency contracts, and cross currency interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

a. Classes of financial instruments

2011	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	**–**	**6.1**	**–**	**–**	**6.1**
Trade and other receivables	**213.1**	**–**	**–**	**–**	**213.1**
Derivative financial instruments	**–**	**–**	**139.7**	**–**	**139.7**
Cash and cash equivalents	**–**	**–**	**–**	**558.9**	**558.9**
Total financial assets	**213.1**	**6.1**	**139.7**	**558.9**	**917.8**
Financial liabilities					
Trade and other payables	**–**	**–**	**–**	**(1,038.7)**	**(1,038.7)**
Derivative financial instruments	**–**	**–**	**(7.4)**	**–**	**(7.4)**
Borrowings	**–**	**–**	**–**	**(440.5)**	**(440.5)**
Total financial liabilities	**–**	**–**	**(7.4)**	**(1,479.2)**	**(1,486.6)**
	213.1	**6.1**	**132.3**	**(920.3)**	**(568.8)**

23 Financial instruments continued

2010	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	–	14.1	–	–	14.1
Trade and other receivables	180.9	–	–	–	180.9
Derivative financial instruments	–	–	122.1	–	122.1
Cash and cash equivalents	–	–	–	561.6	561.6
Total financial assets	180.9	14.1	122.1	561.6	878.7
Financial liabilities					
Trade and other payables	–	–	–	(955.6)	(955.6)
Derivative financial instruments	–	–	(9.0)	–	(9.0)
Borrowings	–	–	–	(464.7)	(464.7)
Total financial liabilities	–	–	(9.0)	(1,420.3)	(1,429.3)
	180.9	14.1	113.1	(858.7)	(550.6)

b. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Australian Dollar to Japanese Yen exchange rate.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments designated as net investment hedges from movements in the US Dollar to Sterling exchange rate are recorded directly in equity;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

c. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2011 the Group has borrowed at floating rates only (after taking into account existing interest rate hedging activities). This approach maximises the Group's exposure to the current low interest rate environment. If hedging is deemed appropriate by management in the future, the Board has approved the fixing of up to 30% of gross borrowings. Instruments approved for this purpose include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's 10 and 12 year loan notes, bank borrowings, supplier related finance and the returns available on surplus cash.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact of floating rate borrowings.

	Increase in basis points	Effect on profit before tax £m
2011		
Sterling	**75**	**3.9**
Euro	**50**	**(0.1)**
Australian Dollar	**100**	**(1.1)**
2010		
Sterling	75	3.0
Euro	50	–
Australian Dollar	100	(1.6)

Notes to the accounts continued

23 Financial instruments continued
d. Foreign currency risk
The Group publishes its consolidated Financial statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

Transaction exposure hedging
The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than that unit's reporting currency. For a significant proportion of the Group these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australia which purchases vehicles in Japanese Yen.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39 hedges are documented and tested for hedge effectiveness on an ongoing basis.

Hedge of foreign currency debt
The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with the US$436m Private Placement. The effective portion of the gain or loss on the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement.

Net investment hedging
Consideration is given to the currency mix of debt with the primary objective that interest on such borrowings acts as a hedge on foreign currency earnings.

Foreign currency risk table
The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese Yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/ (decrease) in exchange rate	Effect on equity £m
2011		
Yen	**+10%**	**1.1**
Yen	**-10%**	**(1.0)**
2010		
Yen	+10%	–
Yen	-10%	–

23 Financial instruments continued
e. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit limits are reviewed regularly.

The table below analyses the Group's short-term deposits and derivative assets by credit exposure excluding bank balances and cash in hand:

Credit rating of counterparty[1]	**2011** Derivative assets £m	**2011** Short-term deposits £m	2010 Derivative assets £m	2010 Short-term deposits £m
AA	**–**	**–**	61.5	63.9
AA-	**2.7**	**72.9**	–	1.8
A+	**73.8**	**21.6**	58.5	95.0
A	**–**	**38.0**	2.1	1.4
A-	**63.2**	**14.9**	–	2.0
BB[2]	**–**	**–**	–	5.3
CCC[2]	**–**	**9.0**	–	–
No rating[3]	**–**	**16.9**	–	15.7
	139.7	**173.3**	122.1	185.1

1 Standard & Poor's equivalent rating shown as a reference for the lowest credit rating of the counterparty from either Standard & Poor's or Moody's.

2 Exposure to a counterparty approved as an exception to Group policy.

3 Counterparties in certain markets in which the Group operates do not have a credit rating.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for cash at bank, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £385.6m (2010 – £376.5m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly. Title to the vehicles sold on finance resides with the Group until cleared funds are received from the finance house in respect of a given vehicle.

Notes to the accounts continued

23 Financial instruments continued

f. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Refer to the Business Review on page 32 for discussion of liquidity risks to the Group.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2011 and 2010 based on expected contractual undiscounted cash flows:

2011	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**516.6**	**42.3**	**–**	**–**	**558.9**
Trade and other receivables	**193.3**	**13.5**	**5.8**	**0.5**	**213.1**
Available for sale financial assets	**0.3**	**0.4**	**1.6**	**3.8**	**6.1**
Derivative financial instruments	**10.9**	**22.8**	**76.8**	**358.7**	**469.2**
	721.1	**79.0**	**84.2**	**363.0**	**1,247.3**
Financial liabilities					
Interest bearing loans and borrowings	**(100.8)**	**(18.1)**	**(68.6)**	**(305.9)**	**(493.4)**
Trade and other payables	**(990.3)**	**(28.0)**	**(20.4)**	**–**	**(1,038.7)**
Derivative financial instruments	**(6.5)**	**(7.8)**	**(27.1)**	**(275.4)**	**(316.8)**
	(1,097.6)	**(53.9)**	**(116.1)**	**(581.3)**	**(1,848.9)**
Net outflows	**(376.5)**	**25.1**	**(31.9)**	**(218.3)**	**(601.6)**

2010	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	543.6	18.0	–	–	561.6
Trade and other receivables	162.1	16.8	1.4	0.6	180.9
Available for sale financial assets	0.4	1.4	6.1	6.2	14.1
Derivative financial instruments	12.5	19.7	76.1	375.4	483.7
	718.6	55.9	83.6	382.2	1,240.3
Financial liabilities					
Interest bearing loans and borrowings	(142.9)	(18.3)	(85.4)	(304.2)	(550.8)
Trade and other payables	(788.1)	(144.8)	(22.7)	–	(955.6)
Derivative financial instruments	(4.7)	(10.4)	(24.3)	(280.4)	(319.8)
	(935.7)	(173.5)	(132.4)	(584.6)	(1,826.2)
Net outflows	(217.1)	(117.6)	(48.8)	(202.4)	(585.9)

23 Financial instruments continued
g. Hedging activities

In accordance with IFRS 7 disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

			2011			2010
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Assets						
Derivatives used for hedging	**–**	**139.7**	**139.7**	–	122.1	122.1
Available for sale financial assets	**6.1**	**–**	**6.1**	14.1	–	14.1
	6.1	**139.7**	**145.8**	14.1	122.1	136.2
Liabilities						
Derivatives used for hedging	**–**	**(7.4)**	**(7.4)**	–	(9.0)	(9.0)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2011.

The Group's derivative financial instruments comprise the following:

		Assets		Liabilities
	2011 £m	2010 £m	**2011 £m**	2010 £m
Cross currency interest rate swap	**125.1**	108.9	**–**	–
Forward foreign exchange contracts	**14.6**	13.2	**(7.4)**	(9.0)
	139.7	122.1	**(7.4)**	(9.0)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to a loss of £2.4m (2010 – gain of £2.0m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of £nil (2010 – £nil).

23 Financial instruments continued

Cash flow hedges

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months of the end of the reporting period.

The nominal principal amounts of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2011 was £520.1m (2010 – £637.5m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2011 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period.

Fair value hedge

At 31 December 2011, the Group had in place five cross currency interest rate swaps. Four of these total US$475m which hedge changes in the fair value of the Group's 10 and 12 year loan notes. Under these swaps the Group receives fixed rate US Dollar interest of 5.94% on US$275m and 6.04% on US$200m and pays LIBOR +85bps and LIBOR +90bps for the 10 and 12 year notes respectively. An additional US$39.2m cross currency interest rate swap was put in place after debt reduction in 2009 to offset the non-required portion of the original US$475m swaps. Under this swap the Group pays US Dollar interest of 6.04% on US$39.2m and receives LIBOR +214bps for the 12 year notes only. The loan notes and cross currency interest rate swaps have the same critical terms.

h. Capital management

The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation.

	2011	2010
Adjusted EBITA interest cover (times)*	**227.2**	83.7
Net debt to EBITDA (times)**	**n/a**	n/a
Net debt / market capitalisation (percentage)***	**n/a**	n/a

* Calculated as Adjusted EBITA / interest on consolidated borrowings

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation

***Calculated as net debt / market capitalisation as at 31 December

24 Share capital
a. Allotted, called up and fully paid up

	2011 Number	2010 Number	2011 £m	2010 £m
Ordinary shares (nominal value of 10.0p each)				
At 1 January	**463,192,297**	4,630,714,974	**46.4**	46.4
Allotted under share option schemes prior to Share Consolidation	**–**	179,960	**–**	–
Share Consolidation	**–**	(4,167,805,441)	**–**	–
Allotted under share option schemes post Share Consolidation	**280,919**	102,804	**–**	–
At 31 December	**463,473,216**	463,192,297	**46.4**	46.4
Deferred shares				
At 1 January	**–**	487,244,106	**–**	116.9
Share capital re-organisation	**–**	(487,244,106)	**–**	(116.9)
At 31 December	**–**	–	**–**	–
			46.4	46.4

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

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

d. Share buy back programme
At 31 December 2011, the Company held 2,687,560 treasury shares (2010 – 2,687,560) with a total book value of £99.4m (2010 – £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2011 (2010 – nil). The market value of treasury shares at 31 December 2011 was £7.9m (2010 – £9.7m).

e. Substantial shareholdings
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 12 March 2012 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Investor relations section on page 60.

24 Share capital continued
f. Share options
At 31 December 2011, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan		
– approved (Part II – UK)		
5,188	17 March 2012	1.93
4,668	19 March 2013	2.14
17,348	31 August 2013	3.46
43,056	20 May 2014	4.42
16,017	29 September 2014	4.37
52,735	6 March 2015	5.78
19,866	11 September 2015	6.03
731,854	19 May 2019	2.00
9,375	22 November 2019	3.20
164,779	7 April 2020	3.10
– unapproved (Part I – UK)		
8,670	31 August 2013	3.46
83,915	20 May 2014	4.42
2,288	29 September 2014	4.37
140,446	6 March 2015	5.78
218,727	11 September 2015	6.03
2,964,654	19 May 2019	2.00
37,500	22 November 2019	3.20
1,046,717	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
12,983	17 March 2012	1.93
68,857	19 March 2013	2.14
164,552	20 May 2014	4.42
225,308	6 March 2015	5.78
2,474,301	19 May 2019	2.00
892,189	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme		
– approved		
84	1 December 2010	7.43
3,015	1 December 2011	5.31
94,499	1 May 2012	3.42
1,882,219	1 May 2013	2.30
1,010,414	1 May 2014	2.05
746,257	1 May 2015	2.43

Included within the retained earnings reserve are 1,370,916 (2010 – 1,448,052) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2011 was £2.5m (2010 – £2.5m). The market values of these shares at 31 December 2011 and at 12 March 2012 were £4.0m and £5.2m respectively (31 December 2010 – £5.2m, 7 March 2011 – £5.7m).

25 Other reserves

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2010	–	121.8	(9.4)	112.4
Cash flow hedges:				
– Fair value movements	–	–	11.3	11.3
– Reclassified and reported in inventories	–	–	(11.0)	(11.0)
– Tax on cash flow hedges	–	–	0.1	0.1
Movement on available for sale financial assets	(3.6)	–	–	(3.6)
Effect of foreign exchange rate changes	–	36.0	–	36.0
At 1 January 2011	**(3.6)**	**157.8**	**(9.0)**	**145.2**
Cash flow hedges:				
– Fair value movements	**–**	**–**	**7.1**	**7.1**
– Reclassified and reported in inventories	**–**	**–**	**(1.7)**	**(1.7)**
– Tax on cash flow hedges	**–**	**–**	**(2.0)**	**(2.0)**
Transfer of impairment losses to consolidated income statement (note 7)	**10.9**	**–**	**–**	**10.9**
Fair value movement transferred from available for sale financial assets	**(6.5)**	**–**	**–**	**(6.5)**
Effect of foreign exchange rate changes	**–**	**(26.2)**	**–**	**(26.2)**
At 31 December 2011	**0.8**	**131.6**	**(5.6)**	**126.8**

Available for sale reserve

Gains and losses on available for sale financial assets are recognised in the 'available for sale reserve' until the asset is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the consolidated income statement. In 2011, impairment losses of £10.9m on Greek Government Bonds have been recognised in the consolidated income statement.

Translation reserve

The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

26 Retained earnings

	2011 £m	2010 £m
At 1 January	**811.9**	649.5
Total comprehensive income attributable to owners of the parent for the year:		
– Profit for the year	**142.2**	127.9
– Actuarial (losses) / gains on defined pension benefits (note 5)	**(18.7)**	28.6
– Tax charged / (credited) to reserves	**0.6**	(0.6)
Total comprehensive income for the year	**124.1**	155.9
Share-based payments, net of tax	**6.7**	7.2
Net purchase of own shares by ESOP Trust	**(0.2)**	(0.6)
Dividends paid (note 10)	**(46.8)**	–
Share Consolidation	**–**	(0.1)
At 31 December	**895.7**	811.9

Notes to the accounts continued

27 Notes to the consolidated statement of cash flows
a. Reconciliation of cash generated from operations

	2011 £m	2010 £m
Cash flows from operating activities		
Operating profit	**231.0**	203.6
Operating exceptional items	**13.4**	21.9
Amortisation of intangible assets	**4.5**	5.0
Depreciation of property, plant and equipment	**29.0**	36.5
Profit on disposal of property, plant and equipment	**(0.1)**	(7.5)
Share-based payments charge	**7.3**	6.5
Increase in inventories	**(61.0)**	(64.0)
(Increase) / decrease in trade and other receivables	**(24.0)**	16.7
Increase in trade and other payables	**79.0**	85.9
Decrease in provisions	**(1.1)**	(1.0)
Pension contributions in excess of the pension charge for the year*	**(24.8)**	(22.9)
Increase in interest in leased vehicles	**(1.1)**	(1.4)
Payment in respect of operating exceptional items	**(6.5)**	(5.0)
Other items	**(0.9)**	–
Cash generated from operations	**244.7**	274.3

* The decrease in post-retirement defined benefits includes additional payments of £19.2m (2010 – £23.3m).

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

	2011 £m	2010 £m
Net increase in cash and cash equivalents	**45.1**	156.3
Net cash (inflow) / outflow from borrowings and finance leases	**(0.7)**	40.7
Change in net cash and debt resulting from cash flows	**44.4**	197.0
Effect of foreign exchange rate changes on net cash and debt	**(3.5)**	6.0
New finance leases	**(0.8)**	–
Net movement in fair value	**(2.4)**	2.0
Movement in net funds	**37.7**	205.0
Opening net funds	**205.8**	0.8
Closing net funds	**243.5**	205.8

Net funds is analysed as follows:

	2011 £m	2010 £m
Cash at bank and cash equivalents	**385.6**	376.5
Short-term deposits	**173.3**	185.1
Bank overdrafts	**(97.6)**	(142.0)
Cash and cash equivalents	**461.3**	419.6
Bank loans	**(339.1)**	(318.6)
Other loans	**(0.3)**	(0.7)
Finance leases	**(3.5)**	(3.4)
	118.4	96.9
Fair value of cross currency interest rate swap	**125.1**	108.9
Net funds	**243.5**	205.8

28 Acquisitions and disposals

a. Acquisitions

The Group acquired its interest in the Musa Motors group in July 2008. Under the terms of the original acquisition agreement, contingent deferred consideration dependent on 2010 EBITA was due in respect of 24.9% of the Group. In the first half of 2011, the amount of the deferred consideration was determined and a payment of US$32m (£19.6m) was made to the vendor to complete the Group's purchase.

In addition, a further US$1m (£0.6m) was paid which relates to the consideration agreed upon in October 2009, relating to the acquisition of the initial 75.1% shareholding.

b. Disposals

During the year, the Group disposed of a small number of dealerships at net book value generating disposal proceeds of £5.5m (2010 – proceeds of £1.0m).

29 Guarantees and contingencies

	2011 £m	2010 £m
Guarantees, performance bonds and contingent liabilities	**19.5**	13.4

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

30 Commitments
a. Capital commitments
Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2011 £m	2010 £m
Property, plant and equipment	**24.8**	3.5
Vehicles subject to residual value commitments*	**75.7**	82.3

* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £29.8m (2010 – £44.7m) has been included within 'trade and other payables'. These commitments are largely expected to be settled within the next 12 months, with a minority to be settled within three years.

b. Lease commitments
Operating lease commitments – Group as lessee
The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
Within one year	**43.3**	40.4
Between one and five years	**107.2**	100.4
After five years	**156.4**	121.3
	306.9	262.1

Operating lease commitments – Group as lessor
The Group has entered into non-cancellable operating leases on a number of its vehicles. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
Within one year	**4.3**	3.7
Between one and five years	**6.0**	5.5
After five years	**8.3**	4.0
	18.6	13.2

Finance leases and hire purchase contracts
The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings), are as follows:

	2011 £m	2010 £m
Minimum lease payments:		
– Within one year	**0.8**	0.8
– Between one and five years	**1.4**	1.4
– After five years	**3.8**	3.9
Total minimum lease payments	**6.0**	6.1
Less: future finance charges	**(2.5)**	(2.7)
Present value of finance lease liabilities	**3.5**	3.4

31 Related party disclosures
a. Principal subsidiaries and joint ventures
The consolidated Financial statements include the principal subsidiaries and joint ventures listed below:

	Country of incorporation	Shareholding	Description
Subsidiaries			
Subaru (Australia) Pty Limited	Australia	90.0%	Distribution
Toyota Belgium NV/SA	Belgium	100.0%	Distribution
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94.1%	Distribution
Inchcape Motors Finland OY	Finland	100.0%	Distribution
Toyota Hellas SA	Greece	100.0%	Distribution
Crown Motors Limited	Hong Kong	100.0%	Distribution
Inchcape Olimp OOO	Russia	100.0%	Retail
Inchcape Moscow Motors BV	Netherlands	100.0%	Intermediate holding company(1)
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Distribution
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services(2)
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Retail Limited	United Kingdom	100.0%	Retail
The Cooper Group Limited	United Kingdom	100.0%	Retail
Gerard Mann Limited	United Kingdom	100.0%	Retail
Joint ventures			
Unitfin SA	Greece	60.0%	Financial services
Tefin SA	Greece	50.0%	Financial services
Inchcape Independence LLC	Russia	51.0%	Retail
Associates			
Excelease SA	Belgium	49.0%	Financial services

(1) Holding company of the Musa Motors businesses in Moscow

(2) Included within distribution in the business segmental analysis (see note 1)

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31 Related party disclosures continued
b. Trading transactions
Intra-group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Vehicles purchased from joint ventures and associates	**0.1**	0.1	**–**	–
Vehicles sold to joint ventures and associates	**315.2**	299.5	**–**	0.1
Other income paid to joint ventures and associates	**1.3**	2.5	**0.2**	0.2
Other income received from joint ventures and associates	**0.4**	1.7	**0.4**	0.3

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2010 – £nil).

c. Compensation of key management personnel
The remuneration of the Board of Directors and the Executive Committee was as follows:

	2011 £m	2010 £m
Wages and salaries	**8.0**	8.6
Post-retirement benefits	**1.1**	1.0
Share-based payments	**1.9**	1.1
Compensation for loss of office	**0.7**	0.3
	11.7	11.0

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Directors' report on remuneration.

32 Foreign currency translation
The main exchange rates used for translation purposes are as follows:

	Average rates		Year end rates	
	2011	2010	**2011**	2010
Australian Dollar	**1.54**	1.69	**1.52**	1.53
Euro	**1.15**	1.17	**1.20**	1.17
Hong Kong Dollar	**12.53**	12.00	**12.07**	12.14
Singapore Dollar	**2.02**	2.11	**2.01**	2.00
Russian Ruble	**47.11**	47.05	**49.88**	47.61

Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	**2011 £m**	2010 £m	2009 £m	2008 £m	2007 £m
Revenue	**5,826.3**	5,885.4	5,583.7	6,259.8	6,056.8
Operating profit before exceptional items	**244.4**	225.5	175.2	240.5	265.0
Operating exceptional items	**(13.4)**	(21.9)	(18.4)	(82.5)	4.9
Operating profit	**231.0**	203.6	156.8	158.0	269.9
Share of (loss) / profit after tax of joint ventures and associates	**(3.0)**	(1.7)	0.7	2.2	3.5
Profit before finance and tax	**228.0**	201.9	157.5	160.2	273.4
Net finance costs before exceptional items	**(13.7)**	(9.8)	(20.8)	(52.0)	(33.4)
Finance costs exceptional items	**(10.9)**	–	–	–	–
Profit before tax	**203.4**	192.1	136.7	108.2	240.0
Tax before exceptional tax	**(59.2)**	(62.2)	(43.5)	(49.3)	(57.9)
Exceptional tax	**3.6**	3.1	1.8	(3.6)	–
Profit after tax	**147.8**	133.0	95.0	55.3	182.1
Non controlling interests	**(5.6)**	(5.1)	(3.0)	(3.9)	(5.7)
Profit for the year	**142.2**	127.9	92.0	51.4	176.4

Basic:					
– Profit before tax	**203.4**	192.1	136.7	108.2	240.0
– Earnings per share (pence)	**31.0p**	27.9p	22.9p	18.9p	64.1p
Adjusted (before exceptional items):					
– Profit before tax	**227.7**	214.0	155.1	190.7	235.1
– Earnings per share (pence)	**35.5p**	32.0p	27.1p	50.5p	62.4p
Dividends per share – interim paid and final proposed (pence)	**11.0p**	6.6p	–	5.5p	15.8p

Consolidated statement of financial position					
Non-current assets	**1,350.0**	1,311.2	1,306.1	1,372.1	1,037.0
Other assets less (liabilities) excluding net funds / (debt)	**(236.0)**	(227.7)	(217.2)	55.3	14.3
	1,114.0	1,083.5	1,088.9	1,427.4	1,051.3
Net funds / (debt)	**243.5**	205.8	0.8	(407.8)	(213.5)
Net assets	**1,357.5**	1,289.3	1,089.7	1,019.6	837.8
Equity attributable to owners of the parent	**1,329.1**	1,263.1	1,067.7	995.5	813.6
Non controlling interests	**28.4**	26.2	22.0	24.1	24.2
Total shareholders' equity	**1,357.5**	1,289.3	1,089.7	1,019.6	837.8

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Report of the independent auditors to the members of Inchcape plc

We have audited the Group Financial statements of Inchcape plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of the Directors' responsibilities, the Directors are responsible for the preparation of the Group Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial statements

In our opinion the Group Financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group Financial statements are prepared is consistent with the Group Financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent Company Financial statements of Inchcape plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Gill,
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2012

Company balance sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investment in subsidiaries	3	**1,622.0**	1,608.0
Current assets			
Debtors:			
– Amounts due within one year	4	**347.0**	301.7
– Amounts due after more than one year	4	**916.1**	840.1
Cash at bank and in hand	5	**16.7**	16.1
		1,279.8	1,157.9
Creditors – amounts falling due within one year	6	**(24.5)**	(31.3)
Net current assets		**1,255.3**	1,126.6
Total assets less current liabilities		**2,877.3**	2,734.6
Creditors – amounts falling due after more than one year	7	**(1,811.0)**	(1,955.8)
Provisions for liabilities and charges	9	**(4.6)**	(4.6)
Net assets		**1,061.7**	774.2
Capital and reserves			
Share capital	11, 13	**46.4**	46.4
Share premium	13	**126.9**	126.3
Capital redemption reserve	13	**133.3**	133.3
Profit and loss account	13	**755.1**	468.2
Total shareholders' funds		**1,061.7**	774.2

The Financial statements on pages 123 to 130 were approved by the Board of Directors on 12 March 2012 and were signed on its behalf by:

André Lacroix, Group Chief Executive

John McConnell, Group Finance Director

Registered Number: 609782

Inchcape plc

Accounting policies

Basis of preparation
These Financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2011. The Company is the ultimate parent entity of the Inchcape Group (the Group).

Accounting convention
These Financial statements have been prepared on the historical cost basis modified for fair values in accordance with the Companies Act 2006 and applicable UK accounting standards. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. In addition, the Company is not required to prepare a cash flow statement under the terms of FRS 1 (revised), 'Cash Flow Statements'.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange and are taken to the profit and loss account.

Investments
Investments in subsidiaries are stated at cost, less provisions for impairment.

Deferred tax
Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS 19, 'Deferred Tax'. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

Provisions
Provisions are recognised when the Company has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Share capital
Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

Dividends
Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the Financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Share-based payments
The Company operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the profit and loss account (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a 'Save as you earn' award, the charge for that award is recognised as an expense immediately, even though the award does not vest. In accordance with the transitional provisions of FRS 20, 'Share-based payment', no charge had been recognised for grants of equity instruments made before 7 November 2002. The Company adopts Amendments to FRS 20 in line with the Group's adoption of Amendments to IFRS 2.

Financial instruments
The adoption by the Company of FRS 29, 'Financial Instruments: Disclosures' has had no impact as the Company has taken advantage of the exemption not to apply FRS 29 in its own Financial statements. The Group's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are set out in the Group's accounting policies on pages 67 to 73.

Notes to the accounts

1 Auditors' remuneration

The Company incurred £0.1m (2010 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2011.

2 Directors' remuneration

	2011 £m	2010 £m
Wages and salaries	**2.8**	3.2
Social security costs	**0.4**	0.4
Pension costs	**0.4**	0.4
	3.6	4.0

Further information on Executive Directors' emoluments and interests is given in the Directors' report on remuneration which can be found on pages 50 to 57.

3 Investment in subsidiaries

	2011 £m	2010 £m
Cost		
At 1 January	**1,632.2**	1,632.2
Additions	**40.8**	–
Disposals	**(11.2)**	–
At 31 December	**1,661.8**	1,632.2
Provisions		
At 1 January	**(24.2)**	(28.9)
Provisions for impairment	**(15.6)**	–
Reversal of provision for impairment	**–**	4.7
At 31 December	**(39.8)**	(24.2)
Net book value	**1,622.0**	1,608.0

During the year, the Company purchased St James Insurance from its subsidiary Inchcape Overseas Limited for £3.5m. The Company also paid a capital injection of £37.3m to Inchcape Overseas Limited and subsequently sold 30% of Inchcape Overseas Limited to Inchcape Australia Limited.

Notes to the accounts continued

4 Debtors

	2011 £m	2010 £m
Amounts due within one year		
Amounts owed by Group undertakings	**347.0**	301.7
	347.0	301.7
Amounts due after more than one year		
Deferred tax asset (note 8)	**2.4**	1.8
Amounts owed by Group undertakings	**913.7**	838.3
	916.1	840.1

Amounts owed by Group undertakings bear interest at rates linked to LIBOR.

5 Cash at bank and in hand

	2011 £m	2010 £m
Cash at bank and in hand	**16.7**	16.1

6 Creditors – amounts falling due within one year

	2011 £m	2010 £m
Amounts owed to Group undertakings	**20.3**	28.0
Other taxation and social security payable	**0.8**	–
Other loans	**0.4**	–
Other creditors	**3.0**	3.3
	24.5	31.3

7 Creditors – amounts falling due after more than one year

	2011 £m	2010 £m
Amounts owed to Group undertakings	**1,530.2**	1,676.3
Other loans	**–**	0.6
Private Placement	**280.8**	278.9
	1,811.0	1,955.8

The Company has US$435.8m outstanding under the Private Placement borrowing: US$235.8m is repayable in 2017 and bears interest at a fixed rate of 5.94% per annum; and US$200m is repayable in 2019 and bears interest at a fixed rate of 6.04% per annum.

Other loans are loan notes issued in connection with the acquisition of European Motor Holdings plc and bear interest at rates linked to LIBOR.

Amounts owed to Group undertakings bear interest at rates linked to LIBOR.

8 Deferred tax

	Share-based payments £m	Other timing differences £m	Total £m
At 1 January 2011	**0.5**	**1.3**	**1.8**
Credited / (charged) to the profit and loss account	**0.8**	**(0.2)**	**0.6**
At 31 December 2011	**1.3**	**1.1**	**2.4**

9 Provisions for liabilities and charges

	2011 £m	2010 £m
At 1 January	**4.6**	8.1
Released to the profit and loss account	**–**	(3.5)
At 31 December	**4.6**	4.6

Provision has been made for warranties, indemnities and other litigation issues in relation to motors and non-motors business exits, based on expected outcomes. These provisions are expected to be settled within the next three to five years.

10 Guarantees and contingencies

	2011 £m	2010 £m
Guarantees of various subsidiaries' borrowings (against which £nil has been drawn at 31 December 2011 (2010 – £nil))	**500.0**	500.0

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2011 was £16.7m (2010 – £16.1m).

11 Share capital
a. Allotted, called up and fully paid up

	2011 Number	2010 Number	2011 £m	2010 £m
Ordinary shares				
At 1 January	**463,192,297**	4,630,714,974	**46.4**	46.4
Allotted under share option schemes prior to Share Consolidation	**–**	179,960	**–**	–
Share Consolidation	**–**	(4,167,805,441)	**–**	–
Allotted under share option schemes post Share Consolidation	**280,919**	102,804	**–**	–
At 31 December	**463,473,216**	463,192,297	**46.4**	46.4
Deferred shares				
At 1 January	**–**	487,244,106	**–**	116.9
Share capital re-organisation	**–**	(487,244,106)	**–**	(116.9)
At 31 December	**–**	–	**–**	–
			46.4	46.4

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

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

d. Share buy back programme
At 31 December 2011, the Company held 2,687,560 treasury shares (2010 – 2,687,560) with a total book value of £99.4m (2010 – £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2011 (2010 – nil). The market value of treasury shares at 31 December 2011 was £7.9m (2010 – £9.7m).

e. Substantial shareholdings
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 12 March 2012 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Investor relations section on page 60.

11 Share capital continued
f. Share options
At 31 December 2011, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan – approved (Part II – UK)		
5,188	17 March 2012	1.93
4,668	19 March 2013	2.14
17,348	31 August 2013	3.46
43,056	20 May 2014	4.42
16,017	29 September 2014	4.37
52,735	6 March 2015	5.78
19,866	11 September 2015	6.03
731,854	19 May 2019	2.00
9,375	22 November 2019	3.20
164,779	7 April 2020	3.10
– unapproved (Part I – UK)		
8,670	31 August 2013	3.46
83,915	20 May 2014	4.42
2,288	29 September 2014	4.37
140,446	6 March 2015	5.78
218,727	11 September 2015	6.03
2,964,654	19 May 2019	2.00
37,500	22 November 2019	3.20
1,046,717	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
12,983	17 March 2012	1.93
68,857	19 March 2013	2.14
164,552	20 May 2014	4.42
225,308	6 March 2015	5.78
2,474,301	19 May 2019	2.00
892,189	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
84	1 December 2010	7.43
3,015	1 December 2011	5.31
94,499	1 May 2012	3.42
1,882,219	1 May 2013	2.30
1,010,414	1 May 2014	2.05
746,257	1 May 2015	2.43

Included within the Retained earnings reserve are 1,370,916 (2010 – 1,370,916) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2011 was £2.5m (2010 – £2.5m). The market values of these shares at 31 December 2011 and at 12 March 2012 were £4.0m and £5.2m respectively (31 December 2010 – £5.2m, 7 March 2011 – £5.7m).

Notes to the accounts continued

12 Dividends

The following dividends were paid by the Company:

	2011 £m	2010 £m
Interim dividend for the six months ended 30 June 2011 of 3.6p per share (2010 – nil per share)	**16.5**	–
Final dividend for the year ended 31 December 2010 of 6.6p per share (2009 – nil per share)	**30.3**	–
	46.8	–

A final proposed dividend for the year ending 31 December 2011 of 7.4p per share amounting to £34.1m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2011.

13 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2010	163.3	126.1	16.4	405.7	711.5
Profit for the financial year	–	–	–	56.7	56.7
Issue of ordinary share capital	–	0.2	–	–	0.2
Share Consolidation and cancellation	(116.9)	–	116.9	(0.1)	(0.1)
Net purchase of own shares by ESOP Trust	–	–	–	(0.6)	(0.6)
Share-based payments charge (net of tax)	–	–	–	6.5	6.5
At 1 January 2011	**46.4**	**126.3**	**133.3**	**468.2**	**774.2**
Profit for the financial year	**–**	**–**	**–**	**326.6**	**326.6**
Dividends	**–**	**–**	**–**	**(46.8)**	**(46.8)**
Issue of ordinary share capital	**–**	**0.6**	**–**	**–**	**0.6**
Net purchase of own shares by ESOP Trust	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Share-based payments charge (net of tax)	**–**	**–**	**–**	**7.3**	**7.3**
At 31 December 2011	**46.4**	**126.9**	**133.3**	**755.1**	**1,061.7**

14 Principal subsidiaries at 31 December 2011

The Company is a limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal subsidiaries in which the Company holds an investment are as follows:

	Country of incorporation	Shareholding	Description
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Overseas Limited	United Kingdom	70.0%	Intermediate holding company

Report of the independent auditors to the members of Inchcape plc

We have audited the parent company Financial statements of Inchcape plc for the year ended 31 December 2011 which comprise the Company balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the parent company Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial statements

In our opinion the parent company Financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company Financial statements are prepared is consistent with the parent company Financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial statements and the part of the Directors' report on remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group Financial statements of Inchcape plc for the year ended 31 December 2011.

Mark Gill,
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2012

Shareholder information

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

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Inchcape ISA
Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Tel: 0870 300 0430

International callers:
Tel: +44 121 441 7560

More information is available at
www.shareview.com

Financial calendar
Annual General Meeting
10 May 2012

Announcement of 2012 interim results
July 2012

Explore our new Reporting Centre for access to our latest Annual Report and more.

The Reporting Centre includes:

- 2011 Annual Report – a fully interactive, searchable PDF of the Annual Report with a customised download centre
- 2011 Year in Review – an animated online summary of why Inchcape is truly engineered for performance
- Videos – watch and learn more about Inchcape and what we do
- About Inchcape – a quick and easy guide to help you access investor information, sign up for e-comms, link to share price information and much more

www.inchcape.com/reportingcentre

Design and production by

Black Sun Plc (London)
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