

Annual Report and Accounts 2013

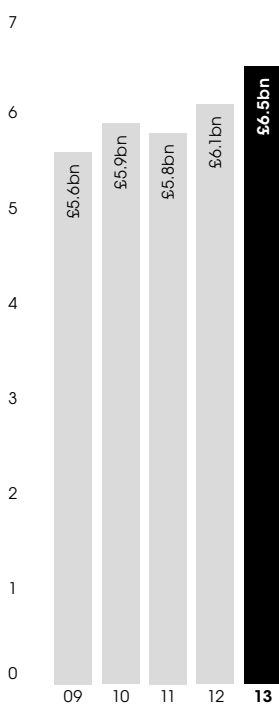


PREMIUM GROWTH

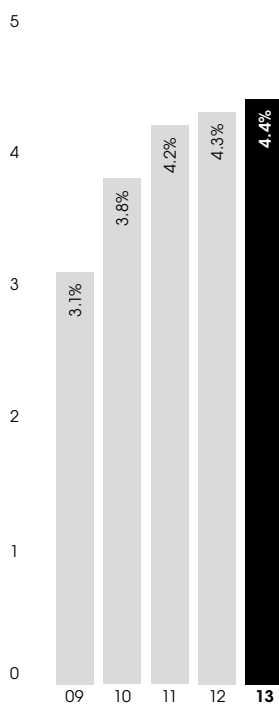
## TRACK RECORD OF CONSISTENT EPS GROWTH

We are pleased to announce that during 2013 the Group has again delivered strong results with a record profit before tax and good earnings growth.

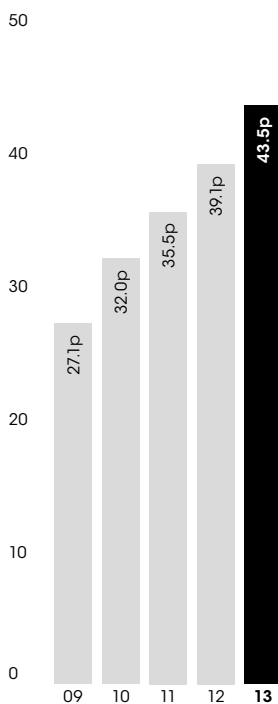
**SALES**  
**£6.5bn**  
 2012: £6.1bn



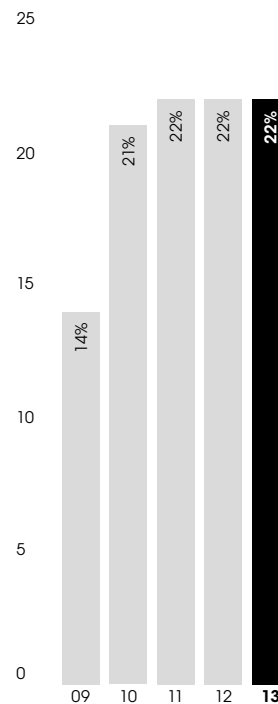
**OPERATING MARGIN\***  
 (before exceptional items)  
**4.4%**  
 2012: 4.3%



**ADJUSTED EARNINGS PER SHARE\***  
 (before exceptional items)  
**43.5p**  
 2012: 39.1p



**ROCE\***  
**22%**  
 2012: 22%



\* 2012 restated for the adoption of IAS 19 (revised).

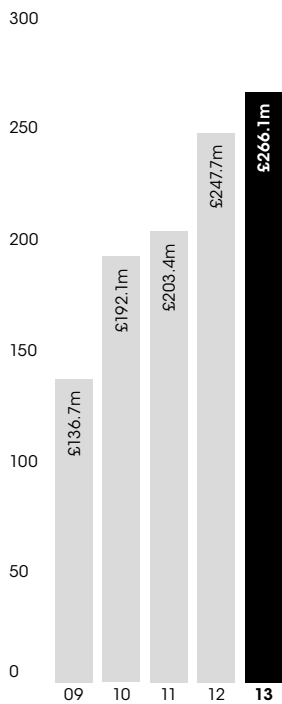
### OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Partnership with leading premium and luxury brand partners delivered robust revenue and profit growth
- Operating margin of 4.4%, up 10 bps year on year and back to peak
- Fourth consecutive year of double-digit earnings growth and over 20% ROCE
- Strong profit performance from Trivett Automotive group acquired in March 2013
- Returned £125m cash to shareholders through dividends and share buy backs in 2013

**PROFIT BEFORE TAX\***

**£266.1m**

2012: £247.7m

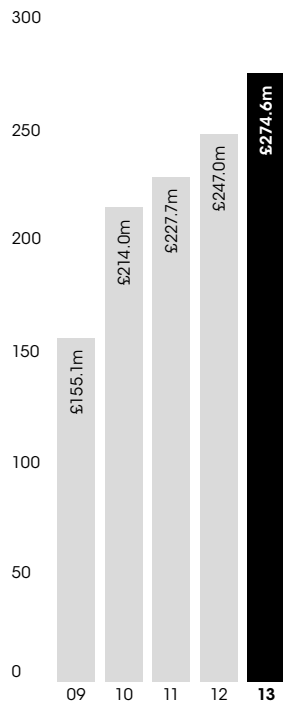


**PROFIT BEFORE TAX\***

(before exceptional items)

**£274.6m**

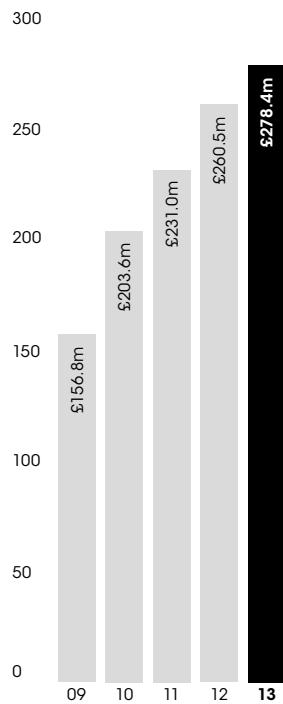
2012: £247.0m



**OPERATING PROFIT\***

**£278.4m**

2012: £260.5m

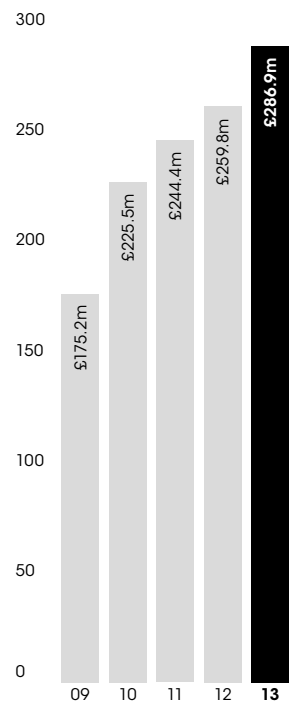


**OPERATING PROFIT\***

(before exceptional items)

**£286.9m**

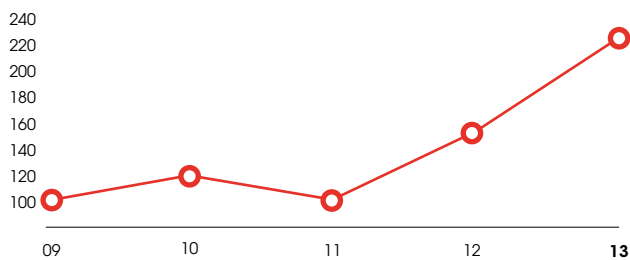
2012: £259.8m



**TOTAL SHAREHOLDER RETURN**

**INCHCAPE HISTORICAL TSR**

**+125%**



**INCHCAPE 1 YEAR TSR**

**+47%**

## IN THIS REPORT

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INCHCAPE IS A GLOBAL PREMIUM AUTOMOTIVE GROUP WITH UNRIVALLED EXPERTISE, OPERATING AS A STRATEGIC PARTNER TO THE WORLD'S LEADING CAR BRANDS IN THE GROWING LUXURY AND PREMIUM AUTOMOTIVE SECTOR.

THE GROUP PROVIDES A PROFESSIONAL AND WELL FINANCED ROUTE TO MARKET FOR VEHICLE AND PARTS MANUFACTURERS ACROSS FIVE CONTINENTS. WORKING ACROSS THE VALUE CHAIN WITH BRAND PARTNERS, INCHCAPE OPERATES AS BOTH DISTRIBUTOR AND RETAILER.



**SEE ONLINE:**  
[www.inchcape.com/annualreport](http://www.inchcape.com/annualreport)

INCHCAPE'S STRATEGIC FOCUS ON PREMIUM GROWTH  
DRIVING PREMIUM RETURNS



## PREMIUM MARKETS

We operate in the right markets and segments.

p2

## PREMIUM STRATEGY

We differentiate ourselves from our competitors in every market through our premium customer-focused strategy.

p6

## PREMIUM OPERATIONS

Our matchless automotive experience in markets across the world has helped us develop a unique proprietary approach.

p10

## PREMIUM GROWTH

The premium growth we consistently deliver has driven total shareholder return of 125% over the last four years.

p14



### **A PREMIUM FIT IN AUSTRALIA**

We significantly extended our premium market position in Australia in 2013 with the acquisition of Trivett, the country's largest premium and luxury automotive group. A high quality operation that's an excellent fit for us, Trivett represents many leading premium brands, including BMW, Jaguar and Land Rover as well as super luxury brands like Rolls-Royce, Bentley, Aston Martin and McLaren. Trivett greatly strengthens our presence in one of the Southern Hemisphere's leading marketplaces.

[WWW.TRIVETT.COM.AU](http://WWW.TRIVETT.COM.AU)

# PREMIUM

## PREMIUM MARKETS

We operate in the right markets and segments. Not only do 73% of our profits come from the world's fastest growing economies in the Asia Pacific and Emerging Markets – we also focus on the premium and luxury automotive segments, driving 90% of our profits from deep and long-standing relationships with six world-leading automotive manufacturer groups.

## PREMIUM MARKETS

We derive 90% of our profits from our close relationships with leading premium and luxury automotive manufacturer groups in 26 markets across the world.



### REGIONS

### FINANCIAL HIGHLIGHTS

### BRAND PARTNERS

### MARKET CHANNELS

#### AUSTRALASIA

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

#### SALES

**£1,365.9m**  
2012: £1,168.7m

#### TRADING PROFIT

**£78.9m**  
2012: £67.2m



See page 29

#### EUROPE

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

#### SALES

**£629.5m**  
2012: £616.6m

#### TRADING PROFIT

**£19.5m**  
2012: £16.8m



See page 30

#### NORTH ASIA

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

#### SALES

**£566.1m**  
2012: £518.7m

#### TRADING PROFIT

**£59.2m**  
2012: £52.8m



See page 31

#### SOUTH ASIA

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

#### SALES

**£369.3m**  
2012: £385.1m

#### TRADING PROFIT

**£29.7m**  
2012: £35.1m



See page 32

#### UNITED KINGDOM

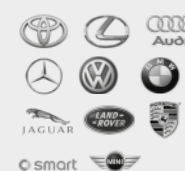
Inchcape operates a scale retail business with premium brand partners in key regions together with a fleet leasing business.

#### SALES

**£2,224.3m**  
2012: £2,133.8m

#### TRADING PROFIT

**£63.3m**  
2012: £65.2m



See page 33

#### 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.

#### SALES

**£1,369.8m**  
2012: £1,262.5m

#### TRADING PROFIT

**£55.2m**  
2012: £43.0m



See page 34

**KEY** Distribution Retail Vertically integrated retail (VIR)



## PREMIUM ROUTE TO MARKET

79% of trading profit derived from high margin distribution/VIR operations and 21% from selective investment in high quality retail markets.

### DISTRIBUTION AND VIR

As a distributor, Inchcape is appointed by the manufacturer to be exclusively responsible for logistics, marketing, retail network management and sales programmes for a particular region. In Vertically Integrated Retail (VIR) markets, Inchcape operates as both the exclusive distributor and exclusive retailer.



**TRADING PROFIT\***  
79%

### RETAIL ONLY

In our four retail only markets, Inchcape provides high quality brand representation through large scale retail facilities on a regional basis.



**TRADING PROFIT**  
21%

#### APAC AND EMERGING MARKETS

Hong Kong (67), Guam (91), Macau (86), Saipan (>100), Brunei (79), Singapore (68), Romania (54), Bulgaria (74), Macedonia (97), Albania (>100), Estonia (75), Lithuania (80), Latvia (85), Australia (14), New Zealand (48), Ethiopia (>100), Chile (29), Peru (42)\*\*

**TRADING PROFIT**  
73%

**TRADING PROFIT**  
70%

Russia  
China  
Poland

**TRADING PROFIT**  
3%

#### UK AND EUROPE

Belgium  
Luxembourg  
Greece  
Finland  
United Kingdom (IFS)

**TRADING PROFIT**  
27%

**TRADING PROFIT**  
9%

United Kingdom

**TRADING PROFIT**  
18%

- 79% of our trading profit is derived from our high margin/capital light Distribution and VIR operations in 23 of our 26 markets
- 90% of Distribution/VIR profit from high growth and high margin Asia Pacific and Emerging Markets regions
- Defensive profit streams from scale aftersales businesses
- Robust growth prospects in all categories

- 21% of trading profit is derived from selective investment in high quality large retail markets
- UK, China and Russia are amongst the largest premium/luxury automotive markets in the world
- Operational best practice processes transferred across the Group
- Six premium retail sites in China
- Strong footprint with world class facilities in Russia positioned to leverage structural growth
- Established UK business acts as an important source of expertise and strengthens Inchcape's brand partner relationships

\* Where we act as Distributor, we typically operate 10-20% of the retail network. Trading Profit for these retail operations of 7% is included in Distribution and VIR in the table above.

\*\* (x) Global ranking of the country in new vehicle volumes – IHS Automotive.



### **PREMIUM CUSTOMER SERVICE IN SINGAPORE**

Inchcape's new luxury LEXUS BOUTIQUE in Singapore sets a new benchmark in customer service, excellence and design. Borneo Motors, Inchcape's subsidiary in Singapore, is the sole distributor of Lexus in Singapore, and owns and operates all retail centres in the market.

The new LEXUS BOUTIQUE has been designed to showcase the Lexus brand's exhilarating automotive luxury, through its current and new product line up and 'Omotenashi' – the Lexus way of bespoke hospitality. The Lexus premium service lounge provides white glove service and maximum privacy with dedicated delivery suites for personalised hand-over of vehicles to customers after servicing.

[WWW.LEXUS.COM.SG](http://WWW.LEXUS.COM.SG)

# PREMIUM



## PREMIUM STRATEGY

We differentiate ourselves from our competitors in every market through our premium customer-focused strategy, based on superior service driven by our unique Inchcape Advantage programme. This enables us to maintain strong margins and deliver consistent premium returns, as evidenced by our return on capital employed of 22% and our four year total shareholder returns of 125%.

## PREMIUM STRATEGY

Premium growth strategy supported by strong operational discipline on our Top Five Priorities with a balanced focus on commercial and cash initiatives delivers premium growth for our brand partners and our shareholders.

### OUR CORE PURPOSE:

To create an incredible customer experience for the best car brands in the world

### CUSTOMER 1ST STRATEGY

Our Customer 1<sup>st</sup> Strategy is to **Strengthen** the business through delivering a superior customer value proposition, and **Expand** through selective investment in high margin, high growth areas.

#### STRENGTHEN

Superior customer value proposition through Inchcape Advantage.

### Customer strategy

#### EXPAND

Selective investment in high growth/high margin areas.

### COMMERCIAL INITIATIVES

to grow revenues ahead of competitors.

#### GROWING MARKET SHARE

Strong revenue and market share growth from new vehicle sales driven by differentiated Customer 1st strategy.

#### GROWING AFTERSALES

Outperforming competitors through effective customer contact and retention programmes during both the warranty and post-warranty period.

### CASH INITIATIVES

to grow profit and operating cash faster than revenues.

#### IMPROVING MARGIN

Tight cost discipline firmly in place and continuous focus on the pricing power of our brands.

#### CONTROLLING WORKING CAPITAL

Robust daily discipline on working capital and inventory management.

#### SELECTIVE CAPITAL EXPENDITURE

Disciplined capital investment initiatives to increase capacity in strategic markets.

**OUR VISION:**

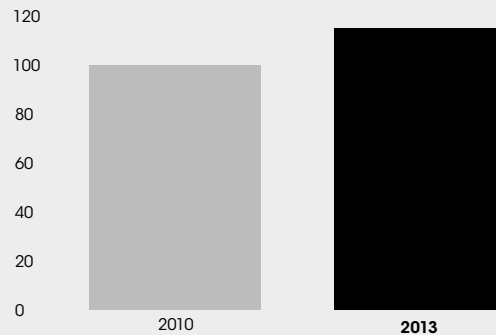
Our Customer 1<sup>st</sup> journey will create incredible growth for our people, our brand partners and our shareholders

**HOW WE MEASURE THE SUCCESS OF OUR CUSTOMER 1<sup>ST</sup> STRATEGY**

We conduct over 16,000 customer satisfaction interviews every month to measure the effectiveness of our Customer 1<sup>st</sup> strategy across the Group and track our progress through Net Promoter Score (NPS).

NPS is a proven customer loyalty metric used to measure the strength of the Company's customer relationships.

**CONTINUOUS NPS IMPROVEMENT (SALES AND AFTERSALES)**

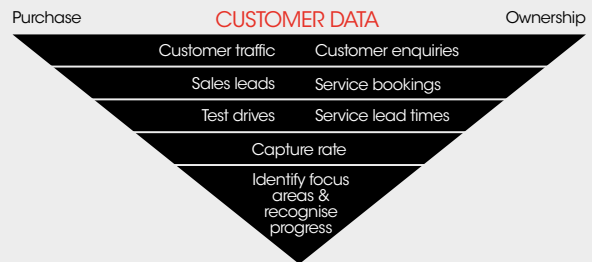


**HOW WE DRIVE OUR GROWTH STRATEGY**

Delivering differentiated customer service is the overarching strategic goal for the Group. Inchcape Advantage, our unique programme to deliver a consistently superior customer experience, underpinned by customer insights, proprietary retail operating processes, and cutting edge retail metrics, is enabling us to grow our market share and aftersales.

See page 12 for more information on our operational processes

**INCHCAPE ADVANTAGE DRIVING REVENUE AHEAD OF COMPETITORS**



SUPERIOR CUSTOMER VALUE

**GROWING MARKET SHARE**

TOP 3 POSITION IN 12 MARKETS

**ORGANIC INVESTMENT TO DRIVE FUTURE GROWTH**

We follow a disciplined approach to capital allocation with selective capital expenditure in high quality facilities to support the growth of our premium brand partners.

See pages 25-34 for more information in our KPIs and Operating Review

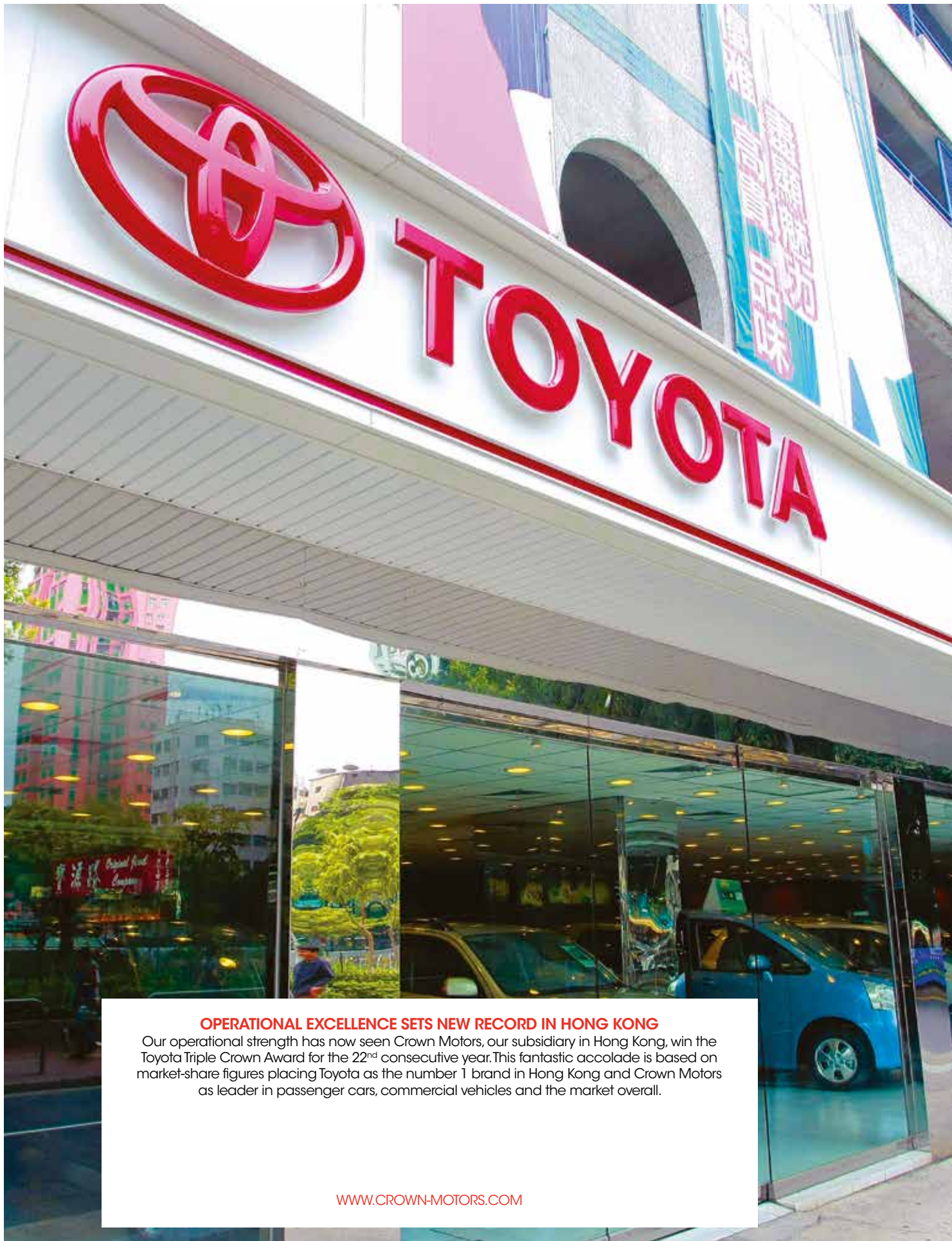
**STAYING AHEAD OF THE COMPETITION WITH PREMIUM FACILITIES**

**New facilities in 2013**

- BMW Chile – Santiago
- BMW Peru – Lima
- Porsche China – Nanchang
- Mercedes China – Jiujiang
- Land Rover Russia – Moscow
- Jaguar Russia – Moscow
- Volvo Russia – Moscow
- Rolls-Royce Russia – St. Petersburg

**Facility upgrades in 2013**

- VW UK – Chester
- VW UK – Swindon
- VW UK – Wirral
- BMW/MINI UK – Sunderland
- BMW UK – Norwich
- Toyota Singapore – Leng Kee Road
- Lexus Singapore – Leng Kee Road



**OPERATIONAL EXCELLENCE SETS NEW RECORD IN HONG KONG**

Our operational strength has now seen Crown Motors, our subsidiary in Hong Kong, win the Toyota Triple Crown Award for the 22<sup>nd</sup> consecutive year. This fantastic accolade is based on market-share figures placing Toyota as the number 1 brand in Hong Kong and Crown Motors as leader in passenger cars, commercial vehicles and the market overall.

[WWW.CROWN-MOTORS.COM](http://WWW.CROWN-MOTORS.COM)

# PREMIUM



## PREMIUM OPERATIONS

Our matchless automotive experience in markets across the world has helped us develop a unique approach to operational management based on 12 proprietary processes. This approach has helped us to systematise the quality of our on-the-ground delivery, giving our brand partners a sustainable competitive advantage in markets across the world.

## PREMIUM OPERATIONS

Leading the automotive industry with robust operational processes giving Inchcape a competitive advantage in every market.

## OUR ROLE IN THE VALUE CHAIN

Operating across each stage of the value chain, we provide a well-financed and professional route to market for our brand partners.



**VERTICALLY INTEGRATED RETAIL (VIR)**

VIR (Vertically Integrated Retail): we act as both the exclusive distributor and the exclusive retailer. Being both the Distributor and Retailer gives us a higher margin.

**DISTRIBUTION**

Distribution: a single exclusive agreement for each brand in each particular market, under which we manage the entire value chain past the factory gate, from importing vehicles and parts to sales and marketing.

**RETAIL**

## OUR 12 ROBUST OPERATIONAL PROCESSES DRIVE SUPERIOR PERFORMANCE

Our proprietary approach to management ensures operational excellence in every market.

<p><b>MARKET INTELLIGENCE &amp; FORECASTING</b></p> <p>Our understanding and knowledge of the markets where we operate has improved over the years based on powerful retail indicators and leading technology which enables us to make accurate sales forecasts and to spot trends even before they emerge – providing strong competitive advantage in good economic times and bad.</p> <p> See case study on page 23</p>	<p><b>SUPPLY &amp; WORKING CAPITAL MANAGEMENT</b></p> <p>We accurately synchronise supply with demand thanks to the exceptional integration of our management processes, our market measures and our forecasting. Not only does this approach enable us to control costs, it also ensures we can satisfy our customers more easily than the competition.</p> <p> See Operating Review</p>	<p><b>MARKETING &amp; INNOVATION</b></p> <p>Our in-depth knowledge of our markets and our OEM partners enables us to bring unparalleled insight and understanding to positioning and promoting brands and models. Our StarPlus model processes provide marketing excellence in our 26 markets. This not only drives growth in revenues and market share, it also further strengthens the equity and image of our brands.</p> <p> See case study on page 23</p>
<p><b>DEALER NETWORK DEVELOPMENT</b></p> <p>In our distribution markets, our route to market is largely managed by third party dealers and our network development teams provide expertise in network expansion, retail standards, operational training and IT support which enables us to deliver world class representation for our brands.</p> <p> See Chief Executive's Statement</p>	<p><b>WORLD CLASS RETAIL STANDARDS</b></p> <p>We continually invest in the world's most advanced retail technologies, in infrastructure and in our people to ensure that all customers in every market have an outstanding experience every time they interact with us.</p> <p> See case study on page 23</p>	<p><b>CUSTOMER SERVICE</b></p> <p>Our unique Inchcape Advantage programme, which underpins our commitment to delivering consistently superior customer service in every outlet, continues to drive sustainable aftersales retention and market share growth everywhere we operate.</p> <p> See Chief Executive's Statement</p>



### NATIONAL MARKETING & PRICE POSITIONING

Our deep market insight enables us to build strong pricing power into our brands and grow market share

### CUSTOMER ENGAGEMENT

Our Customer 1<sup>st</sup> strategy, enabled by Inchcape Advantage, ensures we gain unique customer insight so we consistently deliver superior customer service in every market

### VEHICLE SALES

We provide high quality brand representation through state of the art retail centres and outstanding levels of customer service

### VEHICLE FINANCE & INSURANCE

Our F&I specialists help customers find the most efficient way to finance their vehicles; and provide customers the opportunity to purchase ancillary products

### AFTERSALES

Our trained technicians and hi-tech facilities give us a unique competitive advantage



Retail: In our four retail-only markets – UK, Russia, China and Poland, Inchcape provides high quality brand representation through large scale retail facilities on a regional basis. Our competitive advantage is achieved through exceptional customer service standards delivered globally through our unique Inchcape Advantage programme.

### PERFORMANCE MANAGEMENT

A key element of Inchcape's way of working is the careful balance between strong central governance and local management, who are empowered to make decisions based on their market understanding. This means Inchcape can respond rapidly and effectively at every level to changing market conditions.

 See Executive Committee on page 46

### RISK MANAGEMENT

Within our operationally decentralised organisation, the Group's risk appetite is dictated by the Board while day-to-day risk oversight is the responsibility of the Group iPOM (Inchcape Peace of Mind) committee. Oversight of risk management, however, remains in the hands of the most senior management in our local markets.

 See Corporate Governance Report

### CAPEX & INVESTMENT

The strength of the Group's balance sheet and our brand relationships give us access to investment opportunities. We follow a highly disciplined and selective approach to investment that targets high growth and high margin markets.

 See Operating Review

### INVESTING IN PEOPLE

The key to outperforming our competition in every market is to ensure that we have winning people in winning teams. That's why Inchcape is focused, both centrally and locally, on ensuring that we have in place the right people, the right learning opportunities, the right reward systems and the right culture.

 See Corporate Responsibility Report

### GLOBAL IT INFRASTRUCTURE

Proprietary Distribution, VIR and Retail information technology enhances our productivity across the Group. Our global iPower programme is designed to reduce complexity and to provide our businesses with better management information on a timely basis.

 See Chief Executive's Statement

### REWARDING PERFORMANCE

Our people thrive in a culture which recognises individual contributions to our collective performance. This means that recognition and acclaim are as important as compensation in maintaining an engaged workforce made up of committed, energetic and enthusiastic people.

 See Directors' Report on Remuneration



### **PREPARING FOR GROWTH IN SOUTH AMERICA**

Benefiting from strong growth in the premium and luxury segment in South America, in 2013 we opened two new flagship facilities for BMW. One in Lima, Peru and one in Santiago, Chile. Both facilities improve the quality of the brand experience and increase our aftersales capacity to take advantage of the growth in the Car Parc.

 See page 23 for Chile case study

[WWW.BMW.COM.PE](http://WWW.BMW.COM.PE)   [WWW.BMW.CL](http://WWW.BMW.CL)

# PREMIUM

## PREMIUM GROWTH

Consistent growth in the premium and luxury segments has delivered premium returns for our shareholders. Our consistent performance is based on five competitive advantages that remain relevant for the future. First, our focus on those premium and luxury brands that continue to outperform the market. An aftersales strategy building sustainable margin that continues to gather momentum as customer numbers increase from a growing Car Parc.

Our unique Customer 1<sup>st</sup> strategy, which underpins our pricing power. A unique set of operational processes that differentiate us in every market. And our ability to leverage attractive consolidation opportunities in high growth/high margin markets.

# PREMIUM GROWTH

Consistent growth has delivered premium returns for our shareholders and our brand partners.

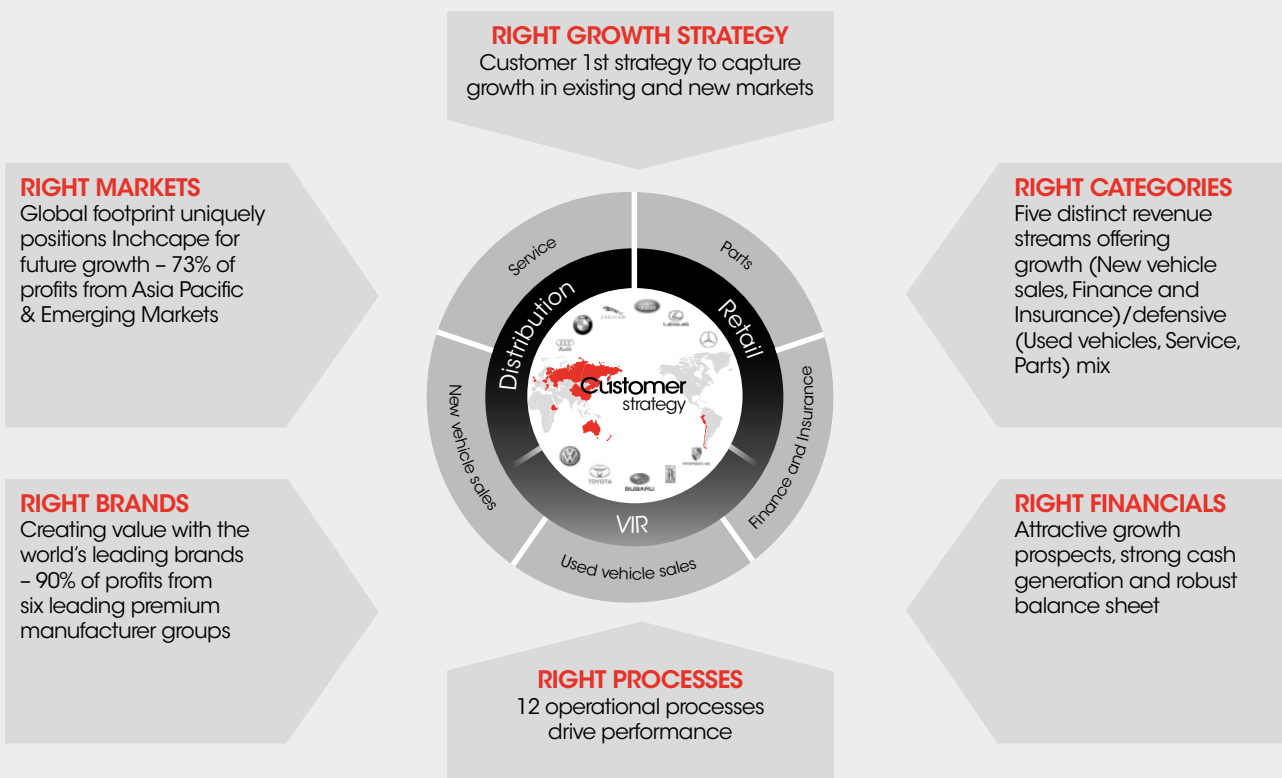
## OUR FIVE KEY DRIVERS OF PREMIUM GROWTH

Inchcape's sustainable drivers of sustainable growth leverage a unique business model.

<p><b>OUR FOCUS ON PREMIUM AND LUXURY BRANDS</b> We derive 90% of our profits from close relationships with six premium brand partner groups who continue to outperform the market.</p>	<p><b>OUR HIGH MARGIN AFTERSALES BUSINESS TO GAIN MOMENTUM</b> The strong growth in the New car market is fueling growth in the high margin aftersales market.</p>	<p><b>OUR UNIQUE CUSTOMER 1<sup>ST</sup> STRATEGY</b> Our focus on delivering superior customer service strengthens the pricing power of our brands.</p>	<p><b>OUR 12 INDUSTRY LEADING OPERATIONAL PROCESSES</b> We have the experience and management depth to apply world class operational processes which the local competition cannot match.</p>	<p><b>ACCESS TO ATTRACTIVE CONSOLIDATION OPPORTUNITIES</b> Our balance sheet strength and strong brand partner relationships give us the opportunity to invest selectively in high margin and high growth markets.</p>
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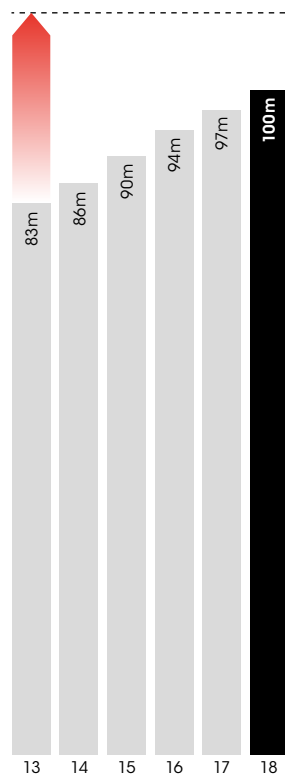
## OUR BUSINESS MODEL

Inchcape is a premium automotive group with a distinctive and attractive business model.

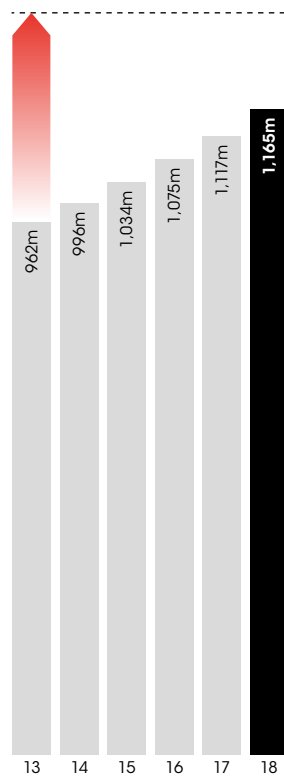


## STRONG GROWTH FORECAST IN THE GLOBAL CAR MARKET

**GLOBAL TIV\***  
21%  
Growth



**GLOBAL PARC\*\***  
21%  
Growth



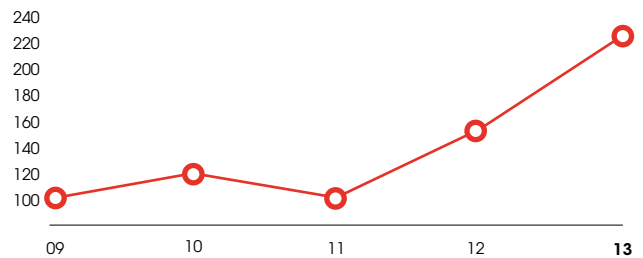
\* Source: IHS Automotive

\*\* Source: LMC Automotive

## PREMIUM RETURNS FOR OUR SHAREHOLDERS

**INCHCAPE HISTORICAL TSR**

**+125%**



**INCHCAPE 1 YEAR TSR**

**+47%**

## BROAD BASED GROWTH MOVING FORWARD

Inchcape operates within an exciting growth industry. The forecast total global growth between 2013 and 2018 for both New vehicles (TIV) and the installed base (Car Parc) is set to be greater than 20%.

Our weighting to Asia Pacific and Emerging Markets means that our country portfolio is structurally attractive, as wealth per capita increases vehicle ownership is set to rise. Furthermore, the growth in New

vehicles leads to opportunities across our value drivers and we are well positioned to generate returns for our shareholders from Finance & Insurance, Used vehicles, Service and Parts sales.

	Inchcape markets	% Inchcape Revenue 2013	% Inchcape Trading profit 2013	% Inchcape Trading profit margin 2013	GDP growth CAGR 2013-18 (Source: IMF)	TIV growth CAGR 2013-18* (Source: IHS Automotive)	1-5 year Car Parc growth CAGR 2013-18* (Source: LMC Automotive)
Asia Pacific & Emerging Markets	21	56%	73%	6.1%	+3.6%	+4.7%	5.0%
UK & Europe	5	44%	27%	2.9%	+2.0%	+1.4%	1.5%

\* Portfolio weighted based on 2013 trading profit.

## CHAIRMAN'S STATEMENT

The Group delivered record results in 2013

**KEN HANNA,**  
CHAIRMAN



2013 has been another strong year for Inchcape, marking a record profit and a return to peak operating margin performance. The strength of our premium operations, our focus on Asia Pacific and Emerging Markets, our dedication to our Customer 1st strategy and the passion of our colleagues have enabled Inchcape to achieve these record results.

We acquired Trivett, Australia's leading luxury and premium automotive group, on 1 March 2013 for an expected final consideration of £76m. The acquisition was an important step in the development of our operations in Australasia, positioning us with greater scale with premium and luxury brands represented in high quality retail centres in Sydney and Melbourne.

On 2 August 2013 we announced a share buy back programme of £100m within 12 months, of which £50m was completed by 31 December 2013. The Board of Inchcape recognised the opportunity to return cash to our shareholders and thus ensure capital discipline, recognising the priority to invest organically and retaining the capacity for M&A opportunities.

Inchcape is well positioned to benefit from the exciting growth prospects and attractive consolidation opportunities in the global automotive market given our competitive advantage in customer service and our strong relationships with the world's leading brands in the premium and luxury segments.

I am very pleased to report that our share price performance and progressive dividend policy have combined to deliver an excellent total shareholder return (TSR) in 2013 of 47%.

### PERFORMANCE

Group sales increased by 7.2% to £6.5bn for the full year to 31 December 2013. The Group benefited from the Trivett acquisition and like for like sales growth was achieved in most of the geographic segments. The Group also achieved profit growth across the majority of its markets in 2013. The performance of our Emerging Markets was especially pleasing. In Chile and Peru, where we are the distributor for BMW, the luxury car market grew by 28% and 22% respectively. 2013 has seen broad based growth across our five value drivers as the recovery in New vehicle volumes since 2010, in a number of our markets, has led to growth in Service and Parts sales.

Profit before tax and exceptional items of £274.6m was 11.2% higher than 2012. On a statutory basis, profit before tax was £266.1m, 7.4% above 2012. Adjusted earnings per share (EPS) rose by 11.3% to 43.5p, driving a four year compound annual growth rate of 12.6%.

Cash generated from operations during the year was £227.0m which represents an 81.5% conversion of statutory operating profit.

### CAPITAL EXPENDITURE

The Group continued to be selective on capital expenditure in 2013, ensuring that cash was allocated to the right growth prospects that meet our high return requirements.

In 2013, we completed new flagship BMW facilities in Chile and Peru. These class-leading sites in Santiago and Lima will enable Inchcape to take full advantage of the significant growth of recent years in BMW volumes in both markets and critically we are well placed to serve the aftersales requirements of the fast growing Car Parks. In China we opened a Porsche site in Nanchang and a Mercedes-Benz site in Jiujiang. In Russia we opened new facilities for Rolls-Royce in St. Petersburg and for Jaguar, Land Rover and Volvo in Moscow.

### BOARD

Following nine years' service, Will Samuel, the Deputy Chairman and Senior Non-Executive Director, retired from the Board on 16 May 2013. We are very grateful for the valuable insights and dedication delivered by Will to the Group. Following this change Simon Borrows became Senior Independent Director. John Langston joined the Board on 1 August 2013, and was appointed Chairman of the Audit Committee on 1 September 2013.

### DIVIDEND

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2013 of 11.7p, +11.4% on 2012 (10.5p). This gives a total dividend for 2013 of 17.4p, representing a payout ratio of 40% and a 20% increase

on 2012 (14.5p). Subject to approval at the Company's Annual General Meeting (AGM) on 16 May 2014, the final dividend will be paid on 24 June 2014 to shareholders of the Company on the register of members at the close of business on 30 May 2014.

### APPROACH TO GOVERNANCE AND CORPORATE RESPONSIBILITY (CR)

We view governance as a continually evolving set of principles and the Annual Report gives the Board an opportunity to communicate to our stakeholders how we have incorporated these principles in order to underpin the delivery of the Group's strategy. The Corporate Governance Report on pages 48 to 56 aims to set out clearly 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 2013 the CR Board Committee, responsible for the strategic direction of the Group's Corporate Responsibility programme, continued to develop a global approach to making responsible economic, environmental and social behaviour fundamental to the way we work.

### PEOPLE

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their outstanding commitment and support in 2013.

### OUTLOOK

We are well positioned moving forward. We operate with the world's leading premium brands across 26 markets, in which we have long-standing market share strength and where we deploy our bespoke operational processes to deliver excellence throughout the value chain and thus enabling us to outcompete local operators.

The Group has a track record of delivering consistent profit growth despite challenging trading conditions in some of our key regions, namely South Asia and Europe. The commencement of the anticipated

recovery in 2014 of the New vehicle market in Singapore as well as the expected recovery of the Greek market in 2014 are important developments for the Group.

Our geographic footprint positions us for structural growth in Asia Pacific and Emerging Markets, and our leading premium partners give us confidence in our ability to take market share and maintain pricing power.

Furthermore, our operational discipline supports the sustainability of returns and when coupled with the intrinsically cash generative nature of our business model, we are confident in our ability to create long term value for our shareholders.



**KEN HANNA,**  
CHAIRMAN

## CHIEF EXECUTIVE'S STATEMENT

Premium growth delivering premium returns for our shareholders

**ANDRÉ LACROIX,**  
GROUP CHIEF EXECUTIVE



Inchcape is a leading global premium automotive group, operating in 26 countries worldwide both as a Distributor and as a scale Retailer.

I am delighted to report another year of strong performance for the Group. We achieved robust growth across each of the categories in which we operate, continuing a long term trend of strong performance, not just in the context of the global economic challenges but also in comparison with our competitors across the world.

In the last four years, we have delivered consistent profit growth and attractive returns for our shareholders, with an earnings per share (EPS) compound annual growth rate of 12.6%, total shareholder return (TSR) of 125% and a return on capital employed (ROCE) of 22%.

Our unique approach is based on a global geographic footprint focused on high margin, high growth markets, a diversified set of revenue streams with an emphasis on growing sustainable high margin aftersales activities, and a competitive advantage based on operational excellence and delivering outstanding customer service.

At the heart of our business lies our close, long term partnerships with six premium and luxury automotive manufacturer groups, from which we derive c. 90% of our gross profit: BMW/MINI/Rolls-Royce, Jaguar/Land Rover, Mercedes-Benz, Subaru, Toyota/Lexus and Volkswagen/Audi/Porsche.

These premium and luxury brands are growing ahead of the global automotive market as a whole, due to their appeal to the burgeoning middle classes in the emerging markets. Their R&D strength allows them to invest ahead of their competition in fuel-efficient automotive technology that appeals to customers in the more developed markets. Importantly, the pricing power of these brands helps us to secure and grow our margins, which enables us to achieve such strong returns.



We believe that our market leading sales and aftersales performance in premium and luxury segments, supported by our premium Customer 1<sup>st</sup> strategy and premium operations, while seizing attractive consolidation opportunities, is the key to delivering sustainable growth for our shareholders.

### PREMIUM MARKETS

Three quarters of our profits are derived from the fast growing markets of Asia Pacific and the Emerging Markets.

Indeed, we are highly selective about the markets where we choose to operate and for us the world's most attractive markets are not necessarily the largest. The stand-alone New car markets in, for example, Hong Kong, Singapore, Guam, Macau, Peru and Ethiopia are small in a global context but this is a great strength for Inchcape as we have established competitive positions with high returns.

Our Distribution and VIR operations are focused in those small to medium sized markets, where our scale position, superior operating processes, marketing and sales expertise and the quality of our people provide a significant local advantage to our brand partners in terms of brand stewardship, advertising and promotional capability, aftersales expertise, network management and customer experience. During 2013, our Distribution and VIR operations generated 79% of our Group trading profits and 90% of the profits from our Distribution and VIR activities come from Australasia, North Asia, South Asia, Eastern Europe, Africa and South America.

Our long lasting relationships with our brand partners combined with the superior quality of our operations have given us a scale advantage in these markets. In 12 of our markets, we achieved a top three market share position for our brand partners in 2013. Not only does this deliver significant opportunities for New car sales, it also provides strong and

sustainable revenue streams across all our categories, particularly in our high margin Aftersales servicing and Parts business. Our scale advantage in the Distribution/VIR markets is driving superior returns for our shareholders.

In the world's larger car markets, like the UK, Russia and China, our six core brand partners run their own distribution and marketing companies. Here, we have selectively invested in large-scale premium retail facilities and provide our OEM partners with the highest quality brand representation and deliver exceptional standards in customer care.

### PREMIUM STRATEGY

Inchcape has a twin-track *strengthen* and *expand* Customer 1<sup>st</sup> growth strategy.

Our key focus is on strengthening our business through organic growth, maximising the return on our existing assets through a differentiated customer experience to increase market share in both vehicle sales and aftersales.

In fact, no matter where we operate, it is our unique Customer 1<sup>st</sup> strategy that prevails, providing a premium customer experience for the world's best car brands. This is what drives our competitive advantage: creating high levels of customer satisfaction, that we measure consistently through our Inchcape Advantage programme, and leveraging this to sustain and protect our margins. Quite simply, we set standards in markets across the world which the local competition cannot match.

A key strategic component of our strong business model is the diversity of our five income streams, which we classify into 'growth' and 'defensive' categories. Our main growth category is New vehicle sales, which historically has been at the core of Inchcape's business and, when combined with our Vehicle Finance and Insurance products, represents around 40% of Group gross profit.

Our 'defensive' categories of Used vehicle sales, Aftersales servicing and Parts now collectively account for 60% of our gross profit. This is excellent progress for the Group; not only is the trend towards substantial growth in the global Car Parc driving true sustainability for these business streams – the Car Parc is over 10 times the size of the New car market – but margins in this category are higher too.

Our premium strategy is supported by our strong operational discipline, a balanced focus between cash and commercial priorities that we summarise under our Top Five Priorities: maintaining tight control over margins, working capital and capital expenditure, while growing the business through increased market share and aftersales.

Through the strong brand partner relationships our Customer 1<sup>st</sup> strategy creates, we gain access to expansion opportunities in high margin, high growth areas of the world which we can pursue thanks to the strength of our balance sheet, as evidenced in 2013 when we completed the acquisition of the Trivett Automotive group, Australia's largest premium automotive retailer.

This premium growth strategy, in premium markets, with premium brands, is enabling us to deliver a premium financial performance.

### PREMIUM OPERATIONS

Our operational approach is to appoint strong and experienced local management teams and support them with industry best practice, market-leading technology and central governance. Quite simply, this means we bring to local markets a level of operational resource and global expertise that enables us to outperform the competition.

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

To maximise this advantage, we have developed a proprietary approach to management that ensures operational excellence in every market. This is made up of 12 unique operational processes:

• **Market intelligence and forecasting:**

Our understanding and knowledge of the markets where we operate has improved over the years based on powerful retail indicators and leading technology, which enable us to make accurate sales forecasts and to spot trends even before they emerge – providing strong competitive advantage in good economic times and bad.

• **Supply and working capital management:**

We accurately synchronise supply with demand thanks to the exceptional integration of our management processes, our market measures and our forecasting. Not only does this approach enable us to control costs, it also ensures we can satisfy our customers more easily than the competition.

• **Marketing and innovation:**

Our in-depth knowledge of our markets and our OEM partners enables us to bring unparalleled insight and understanding to positioning and promoting brands and models. Our StarPlus model processes provide marketing excellence in our 26 markets. This not only drives growth in revenues and market share, it also further strengthens the equity and image of our brands.

• **Dealer network development:**

In our distribution markets, our route to market is largely managed by third party dealers and our network development teams provide expertise in network expansion, retail standards, operational training and IT support which enables us to deliver world class representation for our brands.

• **World class retail standards:**

We continually invest in the world's most advanced retail technologies, in infrastructure and in our people to ensure that all customers in every market have an outstanding experience every time they interact with us.

• **Customer service:** Our unique Inchcape Advantage programme, which underpins our commitment to delivering consistently superior customer service in every outlet, continues to drive sustainable aftersales retention and market share growth everywhere we operate.

• **Performance management:** A key element of Inchcape's way of working is the careful balance between strong central governance and local management, who are empowered to make decisions based on their market understanding. This means Inchcape can respond rapidly and effectively at every level to changing market conditions.

• **Capex and investment:** The strength of the Group's balance sheet and our brand relationships give us access to investment opportunities. We follow a highly disciplined and selective approach to investment that targets high growth and high margin markets.

• **Global IT infrastructure:** Proprietary Distribution, VIR and Retail information technology enhances our productivity across the Group. Our global iPower programme is designed to reduce complexity and to provide our businesses with better management information on a timely basis.

• **Risk management:** Within our operationally decentralised organisation, the Group's risk appetite is dictated by the Board while day-to-day risk oversight is the responsibility of the Group iPOM (Inchcape Peace of Mind) Committee. Oversight of risk management, however, remains in the hands of the most senior management in our local markets.

• **Investing in people:** The key to outperforming our competition in every market is to ensure that we have winning people in winning teams. That's why Inchcape is focused, both centrally and locally, on ensuring that we have in place the right people, the right learning opportunities, the right reward systems and the right culture.

• **Rewarding performance:** Our people thrive in a culture which recognises individual contributions to our collective performance. This means that recognition and acclaim are as important as compensation in maintaining an engaged workforce made up of committed, energetic and enthusiastic people.

The application of these strong operational processes differentiates us both within the markets where we operate and in the eyes of the manufacturers we work with; our brand partners benefit from our consistent market share and customer service performance which strengthen our brand relationships giving us access to new business opportunities.

To see how a number of these key processes work in practice, delivering value to Inchcape, our brand partners, our customers and our shareholders, see the case study on page 23 about our work for BMW in Chile.

### PREMIUM GROWTH PREMIUM RETURNS

Our consistent growth in the premium and luxury segment has delivered premium returns for our shareholders. We believe that our performance track record is based on five competitive advantages: our focus on premium and luxury brands that continue to outperform the market; a rising Car Parc that feeds our high margin Aftersales business; our differentiated Customer 1<sup>st</sup> strategy which underpins strong pricing power; a unique set of 12 operational disciplines creating local competitive advantage; and an ability to leverage attractive consolidation opportunities in high growth/high margin markets. All these growth drivers remain relevant into the future.

## CASE STUDY: INCHCAPE BMW CHILE A PREMIUM APPROACH TO OPERATIONAL EXCELLENCE



Inchcape commenced its distribution operations for BMW in Chile, a country with tremendous opportunities, in 1994.

Chile has a population of 17.4 million, making it one of the largest in which Inchcape operates. There are six million inhabitants in the capital, Santiago, a truly global city that accounts for a third of the country's entire population. In addition, Chile has delivered a four year real compound annual GDP growth rate of 5.3% between 2009 and 2012.

Today, BMW stands at the head of Chile's luxury automotive segment, with 37% market share in 2013 – up from 27% just four years ago.

Below, we highlight just three areas in which our unique approach to operational excellence, developed over many years and involving a number of bespoke processes, is driving our success in Chile and indeed all of our Distribution markets.

### MARKET INTELLIGENCE AND FORECASTING

A key aspect of our approach is in-depth market planning and analysis, based around a tried and tested, best-practice strategic and operational methodology that works successfully wherever we apply it across the world. Our detailed segmentation analysis enables us to accurately determine the annual volume forecast and, in turn, the understanding this brings allows us to select the appropriate model mix.

We continue to track and understand sales volumes throughout the year, with updated monthly forecasts based on our daily traffic analysis and other leading indicators; this is an area where we are particularly advanced, enabling us to anticipate and plan for changes that will inevitably take place during a year's trading.

### WORLD CLASS RETAIL STANDARDS

Our focus on providing customers with the highest levels of service is enabling growth for our premium and luxury brands in markets across the world. In our new flagship retail and service centre for BMW in Santiago, we have taken the customer experience to new heights. In terms of the facility itself, the landmark building is a dramatic premium statement of sustainability, and the architecture provides a perfect showcase for our brand partner's vehicles. To this, our people bring a dedicated knowledge of the brand and a passion for delivering highly individual customer care.

We have consolidated five facilities into one, doubling our overall Aftersales capacity and enhancing the overall ambience and product display capabilities. We have designed a number of 'customer journeys' through the centre depending on customer type, reflecting the very real differences that exist in aspiration and expectation between, for example, BMW M-Sport and Motorrad customers. Having the

scope to segment by vehicle type, we ensure that all customers receive the very best and most relevant experience.

### MARKETING AND INNOVATION

Underpinned by Inchcape's Group-wide 'StarPlus' marketing model, which draws upon our deep understanding of the brands we represent around the world and the local markets where we represent them, our team created a campaign to leverage the completion of the new Santiago site to position BMW in the most effective and appropriate manner for the Chilean market.

From our concept "Experience the future" ("Bienvenidos al Futuro"), we delivered a highly impactful campaign that emphasises BMW's outstanding brand quality, product range, technology and design, complemented by our own comprehensive customer service offering.

In reflecting BMW's brand characteristics, a focus on retail innovation was of fundamental importance – and our team sought to develop true innovation in customer service: a three year warranty and free maintenance package was developed alongside 'ServiceConnect', with benefits including online booking and tracking and a remote fault diagnosis and response tool.

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

Over the next five years, annual New car sales are set to grow globally by 21%. Even more important for the sustainability of our earnings, the global Car Parc is forecast to increase substantially, by 21% over the same period, to 1,165 billion vehicles. Consequently we see significant growth opportunities ahead in all those categories where we operate – New and Used premium car sales, Finance and Insurance products, Aftersales servicing and Spare parts.

The geographic spread of our markets gives us a well-balanced approach to growth. Our 21 Asia Pacific and Emerging Markets businesses delivered 56% of our revenue and 73% of our trading profit in 2013, thanks to the 6.1% average trading profit margin they deliver. Our operations in the UK and Europe, meanwhile, delivered 44% of our revenue and 27% of our trading profit.

With both New vehicle sales and the Car Parc set to deliver substantial growth over the next five years, these markets provide the balance and stability needed to give us a solid, sustainable platform for continued growth across the Group.

In summary, Inchcape's dedicated focus on premium growth is delivering premium returns for our shareholders:

We have a scale presence in the right premium markets, where we expect robust, broad based growth across all categories.

We have a highly attractive portfolio of premium and luxury brands, with which we have deep and long-standing relationships.

We have a premium strategy driven by a strong focus on superior customer service, enabling us to enjoy strong pricing power in our markets and market share growth in premium and luxury Vehicle sales and in Aftersales.

We have the right operational discipline, with a strong track record of delivering leading market share.

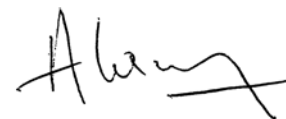
We deliver premium returns with a balanced mix of growth and defensive drivers and a highly disciplined approach to cost and cash management.

And we have a strong balance sheet, which together with our outstanding manufacturer partnerships clearly positions us strongly to take advantage of the exciting premium consolidation opportunities in Asia Pacific and the Emerging Markets, as evidenced by our recent acquisition of the Trivett Automotive group.

Trivett's fit with Inchcape is excellent: the business has 22 retail centres in and around Sydney, Australia's largest metropolitan area for premium brands, and two in Melbourne. This scale enables Trivett to make a substantial contribution to Inchcape Australasia – itself a considerable business with 21 owned and managed retail centres and 101 independently owned franchised Subaru centres throughout Australasia. Just as important, however, is Trivett's portfolio of premium brands, including BMW, Jaguar, Land Rover, Volvo and Honda, as well as super luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren.

In Trivett's first year as part of Inchcape, the business has already proved itself as a powerful source of value for our Australian operation, with a trading profit of £9.9m, a trading margin of 3.3% and a ROCE of 17.3% in 2013. The prospects are promising as Trivett integrates completely into our global organisation, enabling us to leverage significant commercial synergies.

Our premium growth strategy combined with our strong cash and cost discipline is the right one for Inchcape and for our shareholders and I am confident we can look forward to a long term performance that continues our record of generating sustainable premium growth and premium returns.



**ANDRÉ LACROIX,**  
GROUP CHIEF EXECUTIVE

## KEY PERFORMANCE INDICATORS (KPIs)

Inchcape's premium growth delivering premium returns

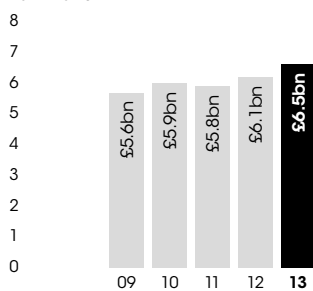
### THESE KPIs ARE HOW WE MEASURE OUR BUSINESS PERFORMANCE

The Inchcape plc 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

£6.5bn

2012: £6.1bn



#### 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 2013

Group sales were up 7.2% on last year driven by strong top line performance in Australia, the UK and the Emerging Markets.

#### TRADING PROFIT

£305.8m

2012: £280.1m

#### TRADING PROFIT CONTRIBUTION

Australasia	25.8%
Europe	6.4%
North Asia	19.4%
South Asia	9.7%
UK	20.7%
Russia and Emerging Markets	18.0%

#### DEFINITION

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

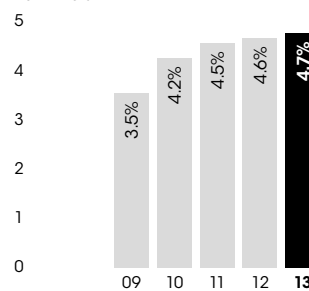
#### ACHIEVEMENTS IN 2013

A continued focus on cost control and accretive margin growth has meant that trading profit has grown by 9.2% year on year.

#### TRADING MARGIN

4.7%

2012: 4.6%



#### DEFINITION

Calculated by dividing trading profit by sales.

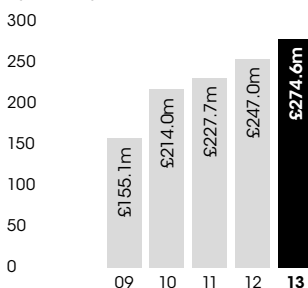
#### ACHIEVEMENTS IN 2013

The Group's trading margin grew to 4.7% (+0.1 ppt).

#### PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS\*

£274.6m

2012: £247.0m



#### DEFINITION

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

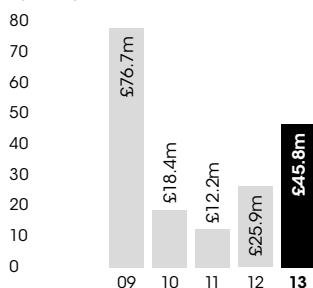
#### ACHIEVEMENTS IN 2013

Profit before tax and exceptional items increased by 11.2%, to a record £274.6m.

#### WORKING CAPITAL

£45.8m

2012: £25.9m



#### DEFINITION

Inventory, receivables, payables, and supplier related credit.

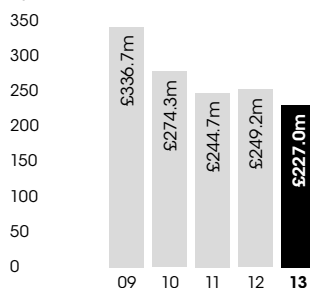
#### ACHIEVEMENTS IN 2013

Working capital was tightly managed ending at £45.8m.

#### CASH GENERATED FROM OPERATIONS

£227.0m

2012: £249.2m



#### DEFINITION

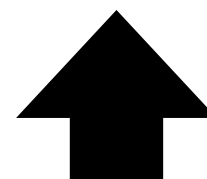
Operating profit adjusted for depreciation, amortisation and other non-cash items plus the change in working capital, provisions and pension contributions.

#### ACHIEVEMENTS IN 2013

The Group has generated an operating cash flow of £227.0m.

#### LIKE FOR LIKE SALES

+3.0%



#### 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 2013

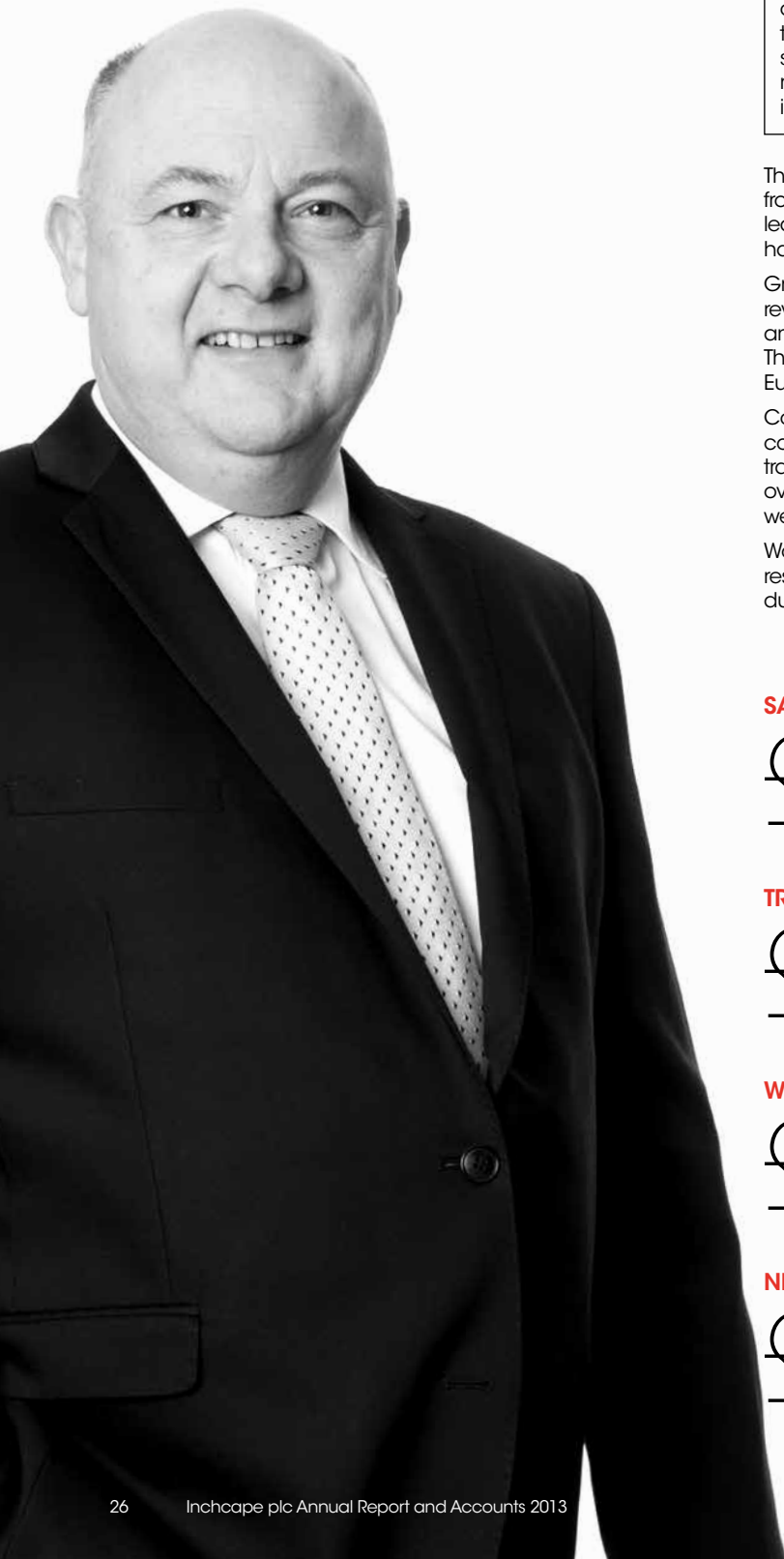
Like for like sales increased by 3.0%.

\* 2012 restated for the adoption of IAS 19 (revised).

## OPERATING REVIEW

Sustained top line growth and operating margin expansion

**JOHN MCCONNELL,**  
GROUP FINANCE DIRECTOR



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 2014 outlook commentary is also referenced at constant currency.

The Group has delivered record results as we continued to benefit from our broad geographic spread and our partnership with the leading OEMs in the premium and luxury segments. The Group has delivered robust top line growth and double digit profit growth.

Group sales at £6.5bn were up 7.7% on last year driven by strong revenue performance in the UK, Emerging Markets and North Asia, and by the acquisition of the Trivett Automotive group in Australia. The Group delivered revenue growth in all segments except Europe and South Asia.

Continued focus on margin expansion with disciplined cost control enabled the Group to achieve an increase of 10.3% in trading profit to £305.8m. Following a strong performance in 2012, overheads before exceptional items as a percentage of sales were reduced by 30 bps.

Working capital was tightly managed throughout the year and resulted in a year end position of £45.8m, higher than in 2012 due to the growth in revenue.

### SALES

£6.5bn

### TRADING PROFIT

£305.8m

### WORKING CAPITAL

£45.8m

### NET CAPITAL EXPENDITURE

£84.9m

We have continued to make strategic investments throughout the year, developing greenfield sites in China, Chile, Peru and Russia and upgrading existing facilities in Singapore and the UK. Net capital expenditure for the year was £84.9m.

Net cash at the end of the year was £123.0m, with the reduction vs. 2012 driven by the share buy back programme announced in August 2013 and the acquisition of the Trivett Automotive group. During 2013 we completed the first £50m of our £100m share buy back scheme at an average price of 613.7p and we plan to complete the final £50m in the first half of 2014.

We acquired Trivett Automotive group, Australia's leading luxury and premium automotive group, on 1 March 2013 for an expected total consideration of £76m. In the first 10 months, our Trivett business performed in line with expectations with £298.8m in revenue, £9.9m in trading profit, a return on sales (ROS) of 3.3% and a return on capital employed (ROCE) of 17.3%. The integration of the business was completed to plan and we are confident about the prospects for sustained profitable growth.

## PERFORMANCE INDICATORS – RESULTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012* £m	% change	% change in constant currency
Sales	<b>6,524.9</b>	6,085.4	7.2	7.7
Trading profit	<b>305.8</b>	280.1	9.2	10.3
Trading margin %	<b>4.7</b>	4.6	0.1ppt	0.1ppt
Like for like sales	<b>5,911.6</b>	5,762.0	2.6	3.0
Like for like sales growth %	<b>2.6</b>	4.6	(2.0)ppt	
Profit before tax before exceptional items	<b>274.6</b>	247.0	11.2	12.5
Working capital	<b>45.8</b>	25.9	76.8	
Cash generated from operations	<b>227.0</b>	249.2	(8.9)	
Net cash	<b>123.0</b>	276.2	(55.5)	

	2013 Trading profit £m	2013 Exceptional items £m	2013 Operating profit £m	2012 Trading profit £m	2012* Exceptional items £m	2012* Operating profit £m
Australasia	<b>78.9</b>	<b>(5.7)</b>	<b>73.2</b>	67.2	(2.2)	65.0
Europe	<b>19.5</b>	-	<b>19.5</b>	16.8	(4.7)	12.1
North Asia	<b>59.2</b>	-	<b>59.2</b>	52.8	(0.1)	52.7
South Asia	<b>29.7</b>	-	<b>29.7</b>	35.1	-	35.1
United Kingdom	<b>63.3</b>	<b>(1.1)</b>	<b>62.2</b>	65.2	(2.9)	62.3
Russia & Emerging Markets	<b>55.2</b>	<b>(1.0)</b>	<b>54.2</b>	43.0	(8.1)	34.9
<b>Trading profit</b>	<b>305.8</b>	<b>(7.8)</b>	<b>298.0</b>	280.1	(18.0)	262.1
Central costs		<b>(0.7)</b>	<b>(19.6)</b>		18.7	(1.6)
Operating profit		<b>(8.5)</b>	<b>278.4</b>		0.7	260.5

\* 2012 restated for the adoption of IAS 19 (revised).

## OPERATING REVIEW CONTINUED

### BUSINESS ANALYSIS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>				
Distribution	<b>2,540.0</b>	2,511.5	1.1	1.5
Retail	<b>3,984.9</b>	3,573.9	11.5	12.0
<b>Like for like sales</b>				
Distribution	<b>2,453.6</b>	2,451.1	0.1	0.5
Retail	<b>3,458.0</b>	3,310.9	4.4	4.9
<b>Trading profit</b>				
Distribution	<b>219.4</b>	194.0	13.1	14.1
Retail	<b>86.4</b>	86.1	0.3	1.6

### DISTRIBUTION BUSINESS

Our Distribution business grew year on year by 1.5% to £2.5bn in terms of sales and 14.1% to £219.4m in trading profit. All regions other than South Asia delivered margin expansion.

Sales in our Australasian segment declined by 4.3% to £674.8m but trading profit grew by 14.0% to £55.0m. The 130 bps in trading margin expansion was driven by a favourable product mix, an improvement of the exchange rate between the Australian dollar and Japanese Yen and a strong aftersales performance.

In South Asia, year on year sales decreased by 5.1% and trading profit by 16.4%, driven by the decline of the New car market and the competitive pressure on vehicle margin due to the high Certificate of Entitlement (COE) prices.

In North Asia, sales grew by 7.5% and trading profit by 10.5% to record levels of £566.1m and £59.2m respectively. This was driven by very strong performance in our Hong Kong business where we retained the Toyota Triple Crown award for the 22<sup>nd</sup> year in a row.

Russia and Emerging Markets continued to grow in 2013 with sales up by 15.3% and trading profit up by 59.7%, driven by a year of strong profitable growth in Ethiopia and South America. Included in the results is a property profit of £6.2m on the disposal of a property in South America which, if excluded, would have seen an underlying profit improvement of 38.7%.

Our European segment returned to growth at a reported level, but delivered a slight decline in sales at constant currency of 1.5%. Our successful new product launches and our continuing cost controls allowed us to grow our trading profit by 8.7%, giving us a trading margin increase of 40 bps.

### RETAIL BUSINESS

Sales from our Retail operations increased by 12.0% to £4.0bn, driven by the acquisition of the Trivett business in Australia and by an 8.7% like for like performance in the UK. Trading profit increased by 1.6%.

The UK New car market reached a five year high; and whilst our UK Retail business grew headline sales by 4.1%, our like for like sales growth of 8.7% (after the disposal of the Ford sites in February 2013) was robust. Our gross margin decreased year on year, as a result of the price pressure on new vehicles and the consequent impact on used vehicle prices. Our UK Retail business retained an industry leading trading margin of 2.5%.

With the addition of Trivett, we increased sales in Australasia by 74.9% and trading profit by 59.8%. Our trading margin was slightly down on last year due to the opening of a new site and a significant recall for one of our brand partners. Our Trivett business delivered a strong performance with a trading margin of 3.3%.

The European segment experienced a decline in sales, but at a slower rate than 2012. Sales declined by 4.0% compared to a decline of 6.0% in 2012.

The Russia and Emerging Markets segment continued to grow at a similar rate to last year with sales up by 5.5% to £981.1m. Trading profit was down 38.2% year on year as improved profitability in China and Poland was more than offset by margin pressure in Russia as industry over-supply drove unprecedented pricing competition.

### REGIONAL ANALYSIS

The Group reports its regional analysis in line with IFRS 8 'Operating Segments'. 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 these markets have started to grow but have yet to reach a mature stage of development and accordingly are in, or are expected to return to, the growth phase of the development cycle.



## AUSTRALASIA

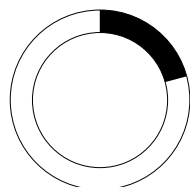
Successful integration of Trivett drives record sales and trading profit



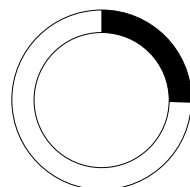
### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>1,365.9</b>	1,168.7	16.9	24.1
Distribution	674.8	747.8	(9.8)	(4.3)
Retail	691.1	420.9	64.2	74.9
<b>Like for like sales</b>	<b>1,026.8</b>	1,122.5	(8.5)	(2.8)
Distribution	674.8	747.8	(9.8)	(4.3)
Retail	352.0	374.7	(6.0)	0.1
<b>Trading profit</b>	<b>78.9</b>	67.2	17.4	24.8
Distribution	55.0	51.3	7.2	14.0
Retail	23.9	15.9	50.3	59.8
<b>Trading margin %</b>	<b>5.8</b>	5.7	0.1ppt	-
Distribution	8.2	6.9	1.3ppt	1.3ppt
Retail	3.5	3.8	(0.3)ppt	(0.3)ppt

CONTRIBUTION  
TO GROUP SALES  
20.9%



CONTRIBUTION  
TO GROUP PROFIT  
25.8%



SALES  
**£1,365.9m +16.9%**  
(2012: £1,168.7m)\*

TRADING PROFIT  
**£78.9m +17.4%**  
(2012: £67.2m)\*

\* at actual exchange rates.

### THE MARKET

The Australian economy continued to grow in 2013 with total industry volume up 2.2% and the car market in New Zealand grew strongly, up 12.6% on 2012.

### BUSINESS MODEL & STRATEGY

We are the distributor for Subaru in both Australia and New Zealand. In addition, we have multi-franchise retail operations based in Sydney, Melbourne and Brisbane.

Our Inchcape Australia operation holds franchises for Subaru, Volkswagen, Mitsubishi, Isuzu and Kia. Moreover, on 1 March 2013 we acquired the Trivett Automotive group, the leading premium automotive group in Australia, significantly expanding our Retail footprint and expanding our portfolio with a number of the world's leading premium brands, including BMW, Jaguar, Land Rover, Volvo, Honda and Harley Davidson and the highly aspirational, super-luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren.

The Subaru launch of the new Forester was very successful throughout 2013, driven by improvements in design, engine performance and vehicle interior.

During the year, our brand partners in Retail delivered a successful programme of model launches, including the BMW X5, MINI Paceman, Jaguar F-Type, Volvo V40 and Range Rover Vogue that have contributed strongly to growth of the segment.

At the end of 2013, we owned 45 retail centres and managed a network of 101 independently owned Subaru centres 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, our retail business, as well as other independent dealers.

### OUR OPERATING PERFORMANCE

In 2013, we delivered strong top line growth and margin expansion as our Distribution business delivered strong performance due to the launch of the new Forester and more favourable exchange rates and our Trivett business delivered £9.9m in trading profit in line with expectations.

Total revenue of £1,365.9m for the year was up by 24.1%. Like for like revenue was down by 2.8% compared to 2012 due to the benefit in our 2012 revenue base of the one-off supply replenishment after the 2011 earthquake in Japan.

### OUTLOOK FOR 2014

In 2014, we expect the industry to benefit from the structural growth drivers of population growth, premiumisation and replacement cycle acceleration. Our Distribution business will continue to leverage its strong pricing power based on the premium positioning of Subaru and based on a better exchange rate between the Australian dollar and Japanese Yen. We will continue to focus on the growth of our Trivett business in 2014 and there are a number of exciting product launches planned across our portfolio of brands.

We expect to deliver a robust performance in 2014.

**GEORGE ASHFORD,**  
CHIEF EXECUTIVE OFFICER, INCHCAPE AUSTRALASIA

## EUROPE

Gaining market share and returning to profitable growth

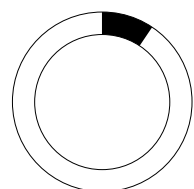


### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>629.5</b>	616.6	2.1	(2.0)
Distribution	<b>499.8</b>	486.9	2.6	(1.5)
Retail	<b>129.7</b>	129.7	-	(4.0)
<b>Like for like sales</b>	<b>615.6</b>	601.9	2.3	(1.9)
Distribution	<b>499.8</b>	486.9	2.6	(1.5)
Retail	<b>115.8</b>	115.0	0.7	(3.4)
<b>Trading profit</b>	<b>19.5</b>	16.8	16.1	11.7
Distribution	<b>19.5</b>	17.3	12.7	8.7
Retail	-	(0.5)	-	-
<b>Trading margin %</b>	<b>3.1</b>	2.7	0.4ppt	0.4ppt
Distribution	<b>3.9</b>	3.6	0.3ppt	0.4ppt
Retail	-	(0.4)	0.4ppt	0.4ppt

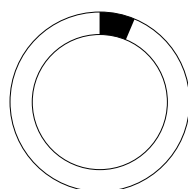
CONTRIBUTION  
TO GROUP SALES

9.6%



CONTRIBUTION  
TO GROUP PROFIT

6.4%



SALES  
**£629.5m +2.1%**  
(2012: £616.6m)\*

TRADING PROFIT  
**£19.5m +16.1%**  
(2012: £16.8m)\*

\* at actual exchange rates.

### THE MARKET

The Belgian private car market remained stable in 2013 following the 14.9% decline in 2012 driven by the end of the government's CO<sub>2</sub> incentive scheme.

The Greek market also stabilised with private vehicles in marginal growth following the 40.2% decline in total industry volume in 2012.

### BUSINESS MODEL & STRATEGY

In Belgium and Luxembourg we distribute Toyota and Lexus and own 11 retail centres with a network of 98 retail centres operated by independent third party retailers and 33 repair outlets. In Luxembourg we also operate a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus, owning five retail centres and overseeing a further 40 which are independently owned.

In Finland we are the distributor for Jaguar, Land Rover and Mazda and manage a network of 47 independent retailers.

### OUR OPERATING PERFORMANCE

Our Greek business outperformed the market, increasing market share by 120 bps to 11.6%, and achieved overall market leadership. In Belgium our market share of 3.8% improved on last year by 10 bps.

At a headline reported level, the region returned to revenue growth in 2013, but at constant currency we delivered a 2.0% reduction in sales as our strong progress in market share in Greece and Belgium was offset by aftersales revenue decline in Greece.

We have delivered a solid trading performance with a break even result in Retail and an overall trading margin of 3.1%, 40 bps up on last year. Our teams have continued to protect the pricing power of our brands and to drive a strong performance in our highly profitable aftersales business.

The continued focus on vehicle mix, pricing and cost control drove an 11.7% increase in trading profit.

### OUTLOOK FOR 2014

The Greek market is expected to start its recovery after six years of decline, which will enable our strong Toyota business to leverage its market leading experience and its lean cost structure to deliver profitable growth.

The Belgian market is expected to remain resilient with an increased customer demand for fuel efficient technology, which positions Toyota well for continued progress in 2014.

Strong marketing programmes increasing traffic into the dealer network with new model launches coupled with tight cost controls and effective pricing should enable us to deliver another year of profitable growth.

We expect our European segment to deliver a strong performance in 2014.

**BERTRAND MALLET,**  
CHIEF EXECUTIVE OFFICER, TOYOTA BELGIUM

**ARIS ARAVANIS,**  
MANAGING DIRECTOR, GREECE AND THE BALKANS

**LOUIS FALLENSTEIN,**  
CHIEF EXECUTIVE OFFICER, EMERGING MARKETS

## NORTH ASIA

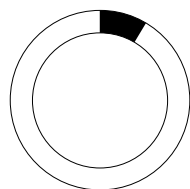
Another record year of profitable growth



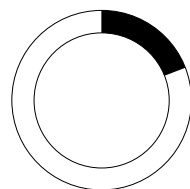
### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>566.1</b>	518.7	9.1	7.5
Distribution	<b>566.1</b>	518.7	9.1	7.5
<b>Like for like sales</b>	<b>499.9</b>	458.5	9.0	7.4
Distribution	<b>499.9</b>	458.5	9.0	7.4
<b>Trading profit</b>	<b>59.2</b>	52.8	12.1	10.5
Distribution	<b>59.2</b>	52.8	12.1	10.5
<b>Trading margin %</b>	<b>10.5</b>	10.2	0.3ppt	0.3ppt
Distribution	<b>10.5</b>	10.2	0.3ppt	0.3ppt

CONTRIBUTION  
TO GROUP SALES  
8.7%



CONTRIBUTION  
TO GROUP PROFIT  
19.4%



SALES  
**£566.1m +9.1%**  
(2012: £518.7m)\*

TRADING PROFIT  
**£59.2m +12.1%**  
(2012: £52.8m)\*

\* at actual exchange rates.

### THE MARKET

New vehicle registrations in Hong Kong grew by 11.3% in 2013 reflecting the underlying strengths of the economy as well as the change in government taxation, reducing the number of vehicles benefitting from the efficient vehicle rebate from 1 April.

### BUSINESS MODEL & STRATEGY

In Hong Kong and Macau we are the exclusive distributor for Toyota, Lexus, Land Rover, Jaguar, Ford, Daihatsu and Hino Trucks. We also own and operate all 19 retail centres for these brand partners in this market.

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

### OUR OPERATING PERFORMANCE

We have delivered another strong performance across the segment. In Hong Kong we maintained our market leadership position despite increased activities in the market following the change of vehicle taxation in April. We retained our number one position in the market with a 27.8% share and won the Toyota Triple Crown award for the 22nd consecutive year. Our Aftersales operations in Hong Kong had another strong year as we benefited from the growth of the Car Parc and we continued to increase customer retention with our targeted marketing programmes.

In Guam, we delivered a robust performance, growing our share in a growing market, and our Aftersales business continued to benefit from growth in the Car Parc. In Guam, we have been market leader for 33 consecutive years.

Overall, we delivered 7.5% sales growth with revenues significantly higher than 2012 in both sales and aftersales. Following the record 2012, North Asia further increased trading profit by 10.5% to a new record level of £59.2m, with trading margin up 30 bps to 10.5%.

### OUTLOOK FOR 2014

We expect the Hong Kong economy to remain strong and the New car market to continue to grow in 2014. The Commercial vehicle market will start to grow when the proposed replacement programme of pre-Euro IV diesel becomes effective in February 2014.

We have a strong pipeline of exciting new product launches across the Toyota, Lexus, Ford, Jaguar and Land Rover brands and we expect to deliver a robust performance in North Asia in 2014.

### PATRICK S LEE,

CHIEF EXECUTIVE OFFICER, INCHCAPE NORTH ASIA AND CHINA

## SOUTH ASIA

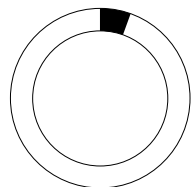
Gaining market share ahead of the Singapore market recovery



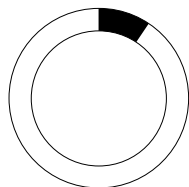
### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>369.3</b>	385.1	(4.1)	(5.1)
Distribution	369.3	385.1	(4.1)	(5.1)
<b>Like for like sales</b>	<b>369.3</b>	385.0	(4.1)	(5.0)
Distribution	369.3	385.0	(4.1)	(5.0)
<b>Trading profit</b>	<b>29.7</b>	35.1	(15.4)	(16.4)
Distribution	29.7	35.1	(15.4)	(16.4)
<b>Trading margin %</b>	<b>8.0</b>	9.1	(1.1)ppt	(1.1)ppt
Distribution	8.0	9.1	(1.1)ppt	(1.1)ppt

CONTRIBUTION  
TO GROUP SALES  
5.7%



CONTRIBUTION  
TO GROUP PROFIT  
9.7%



SALES  
**£369.3m -4.1%**  
(2012: £385.1m)\*

TRADING PROFIT  
**£29.7m -15.4%**  
(2012: £35.1m)\*

\* at actual exchange rates.

### THE MARKET

The car market in Singapore continued to decline in 2013 as expected, and ended the year 9.4% lower than 2012. This market contraction was driven by a reduction in the number of Certificates of Entitlement (COE) available, based on a lower level of deregistrations.

### 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 five retail centres in the market.

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

### OUR OPERATING PERFORMANCE

In 2013, we gained market share in Singapore, maintaining our market leadership and growing our share by 100 bps vs. 2012 driven by successful launches of new models during the year and a return to the taxi segment for Toyota.

Sales were down 5.1%, driven by the New Car market contraction and the decline of the 1-5 year old Car Parc.

Our Aftersales activities remained strong and in the second quarter, we opened our modernised Toyota and Lexus retail flagship facility and introduced a number of customer service innovations, such as "Evening Express", where customers are provided with light dinner in a lounge whilst having their cars serviced in 45 minutes.

Trading profit reduced year on year by 16.4% to £29.7m, driven by the negative operating leverage based on a revenue decline of 5.1%, offset partially by our controls on margins and costs which enabled us to deliver a trading margin of 8.0%.

In Brunei, we delivered top line growth and margin expansion whilst increasing our strong market share in a growing market.

### OUTLOOK FOR 2014

We expect the market will return to growth in 2014 driven by the fact that we have now seen an increase in de-registrations year on year for 16 consecutive months.

The growth prospects are truly exciting for our Singapore business and we are well positioned, given our strong brand portfolio and our excellent service reputation, to take advantage of the start of market recovery as of 2014.

We expect to deliver a strong performance in South Asia in 2014.

### KOH CHING HONG,

MANAGING DIRECTOR, INCHCAPE SOUTH ASIA

## UNITED KINGDOM

Strong revenue growth in a competitive market

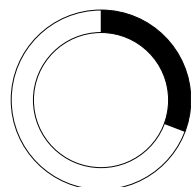


### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>2,224.3</b>	2,133.8	4.2	4.2
Distribution	41.3	37.4	10.4	10.4
Retail	2,183.0	2,096.4	4.1	4.1
<b>Like for like sales</b>	<b>2,134.1</b>	1,962.7	8.7	8.7
Distribution	41.3	37.4	10.4	10.4
Retail	2,092.8	1,925.3	8.7	8.7
<b>Trading profit</b>	<b>63.3</b>	65.2	(2.9)	(2.9)
Distribution	8.6	7.2	19.4	19.4
Retail	54.7	58.0	(5.7)	(5.7)
<b>Trading margin %</b>	<b>2.8</b>	3.1	(0.3)ppt	(0.3)ppt
Distribution	20.8	19.3	1.5ppt	1.5ppt
Retail	2.5	2.8	(0.3)ppt	(0.3)ppt

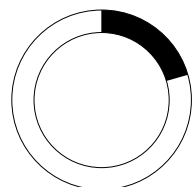
CONTRIBUTION  
TO GROUP SALES

34.1%



CONTRIBUTION  
TO GROUP PROFIT

20.7%



SALES

**£2,224.3m +4.2%**  
(2012: £2,133.8m)

TRADING PROFIT

**£63.3m -2.9%**  
(2012: £65.2m)

\* at actual exchange rates.

### THE MARKET

The UK New car market reached a five-year high in 2013 with 2.3m units sold, around 11% more than in 2012. The retail market continued to be the key driver of growth, increasing 15.6%, while the fleet/business market has also grown, albeit at a lower rate of 5.7%.

### BUSINESS MODEL & STRATEGY

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio of 111 retail centres focused on luxury and premium brands. We aim to create significant differentiation by delivering a superior level of customer service through the bespoke operating processes of our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

In February we disposed of our Ford retail operations.

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 in the automotive industry, IFS has won a number of industry awards for its unrivalled level of customer service.

### OUR OPERATING PERFORMANCE

Revenues at £2,224.3m were up 4.2% on the year and on a like for like basis, adjusting for the Ford disposal, were up 8.7%. New car sales drove an increase in revenue as we benefited from both market growth and an improvement in share performance. Used car revenues were in line with our expectations and our Service and Parts business started to benefit from the gradual recovery of the 1-5 year Car Parc.

Our continued cost discipline resulted in overhead reduction vs. last year. This was offset by an unprecedented level of tactical activities in the market which resulted in an over-supply of vehicles and which impacted our gross margin on both new and used cars. In 2013, our UK Retail business delivered an industry leading trading margin of 2.5%.

IFS delivered a strong performance for the year, generating a trading profit of £8.6m, leading to a trading margin of 20.8%, a year on year increase of 150 bps.

### OUTLOOK FOR 2014

We expect the overall industry to continue its growth trajectory in 2014 albeit at a lower rate than 2013. The expected recovery of the European markets should reduce the level of tactical activity in the UK market which should gradually improve new and used vehicles margin performance. The Car Parc of vehicles between 1-5 years is expected to accelerate its growth momentum based on the strength of growth in the New car market in the last five years.

We are well positioned to leverage the growth of the New car and Aftersales market as we stay focused on delivering superior customer service and launch the exciting pipeline of our brand partners' new models.

We expect to deliver a solid performance in the UK in 2014 as we expect a gradual recovery of vehicle margin and we plan to leverage the good growth momentum of the 1-5 year Car Parc.

### CONNOR MCCORMACK,

CHIEF EXECUTIVE OFFICER, INCHCAPE UK

## RUSSIA AND EMERGING MARKETS

Strong revenue growth and margin expansion

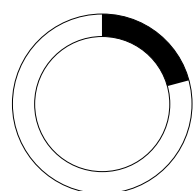


### KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
<b>Sales</b>	<b>1,369.8</b>	1,262.5	8.5	8.1
Distribution	<b>388.7</b>	335.6	15.8	15.3
Retail	<b>981.1</b>	926.9	5.8	5.5
<b>Like for like sales</b>	<b>1,265.9</b>	1,231.4	2.8	2.5
Distribution	<b>368.5</b>	335.6	9.8	9.3
Retail	<b>897.4</b>	895.8	0.2	(0.1)
<b>Trading profit</b>	<b>55.2</b>	43.0	28.4	30.5
Distribution	<b>47.4</b>	30.3	56.4	59.7
Retail	<b>7.8</b>	12.7	(38.6)	(38.2)
<b>Trading margin %</b>	<b>4.0</b>	3.4	0.6ppt	0.7ppt
Distribution	<b>12.2</b>	9.0	3.2ppt	3.4ppt
Retail	<b>0.8</b>	1.4	(0.6)ppt	(0.6)ppt

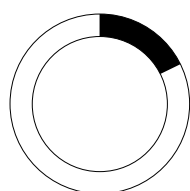
CONTRIBUTION  
TO GROUP SALES

21.0%



CONTRIBUTION  
TO GROUP PROFIT

18.0%



SALES  
**£1,369.8m +8.5%**  
(2012: £1,262.5m)\*

TRADING PROFIT  
**£55.2m +28.4%**  
(2012: £43.0m)\*

\* at actual exchange rates.

### THE MARKET

In South America, the demand for luxury cars increased by 26.7% during the year. In Ethiopia, the economic fundamentals remain strong and the demand for Aftersales and New vehicles continued to increase. In Russia, we have seen a decrease in the New car market of 5.4% in 2013. In Eastern Europe we benefited from improved demand in the Baltics, while the demand in the Baltics remained challenging. In China, we have seen a sustained healthy demand for luxury vehicles, with industry year on year growth of 18%.

### BUSINESS MODEL & STRATEGY

In South America we operate as the vertically integrated retailer (VIR) for BMW in Peru and VIR for BMW and Rolls-Royce in Chile. In Ethiopia we operate VIR for Toyota, Daihatsu, Komatsu, and New Holland. In Russia we operate 22 scale retail centres in St. Petersburg and Moscow, representing 10 brands.

In the Baltics we are the distributor for Toyota and Lexus, operating five 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 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 centres across the region. In China we have six scale retail centres for Lexus, Jaguar and Land Rover in Shanghai and Shaoxing. We opened a new Porsche centre in Nanchang in April and a Mercedes-Benz centre in Jiujiang in October.

### OUR OPERATING PERFORMANCE

We have enjoyed robust growth in South America, Africa, Poland and the Baltic states while trading conditions remained challenging in the Balkans and Russia. Our operations in this segment have delivered a record trading profit in 2013 of £55.2m following their significant contribution to the Group's earnings growth over the last four years. In 2013, revenue for the segment as a whole was £1,369.8m, 8.1% ahead of last year. Trading profit of £55.2m was 30.5% ahead of last year and trading margin at 4.0% was up 70 bps as we improved gross margin and maintained tight control on costs.

#### DISTRIBUTION PERFORMANCE:

The segment delivered revenue of £388.7m in 2013, a 15.3% increase on last year. We delivered trading profit of £47.4m resulting in a trading margin of 12.2%, a full 340 bps ahead of 2012. Our South American operations generated a strong trading profit performance driven by a strong operating leverage on the back of double digit growth in the luxury market and by a profitable disposal of property. In Africa, our profit performance was strong as we benefited from a solid performance in New cars and aftersales in Ethiopia. In Eastern Europe we benefited from a strong operating leverage in the Baltics and on the back of solid industry growth, while the trading environment remains challenging in the Balkans.

#### RETAIL PERFORMANCE:

In 2013, the segment delivered revenue of £981.1m, a 5.5% increase vs. last year. Trading profit was impacted by margin pressure in Russia as a result of unprecedented level of oversupply which triggered an increased level of competitive activities affecting vehicle margins. In Russia, we delivered a full year revenue of £703.9m in 2013 and a trading profit of £4.5m and we continued to strengthen our footprint with the opening of Inchcape City in the centre of Moscow, representing Jaguar, Land Rover and Volvo. In China, we benefited from improved margins on New cars and aftersales and opened two new sites in April (Porsche) and October (Mercedes-Benz). In Poland, we continued to drive profitable growth as we leveraged the capacity expansion we have pursued in the last two years.

### OUTLOOK FOR 2014

In South America, we are now fully operational in landmark, state of the art BMW centres in Lima and Santiago and we are well-positioned to leverage the continued growth in sales and aftersales. In Ethiopia, we will continue to benefit from the favourable economic conditions resulting in increased demand for vehicles and car repairs. In Russia, we will benefit from a full year's trading of our new flagship retail centre, Inchcape City, conveniently located in the heart of Moscow's business centre. We expect a gradual recovery of vehicle margins as the vehicle supply normalises throughout 2014. In China, the demand for premium and luxury vehicles should continue to increase and we will benefit from our two new openings.

Overall, we expect our Russia and Emerging Markets segment to deliver a robust performance in 2014.

**ARIS ARAVANIS,**  
MANAGING DIRECTOR, GREECE AND THE BALKANS

**LOUIS FALLENSTEIN,**  
CHIEF EXECUTIVE OFFICER, EMERGING MARKETS

**PATRICK S LEE,**  
CHIEF EXECUTIVE OFFICER, INCHCAPE NORTH ASIA AND CHINA

## FINANCE REVIEW

The Group has delivered a strong performance in 2013

In addition to the segmental results, detailed below is supplementary financial information on our operating activities.

### CENTRAL COSTS

Unallocated central costs for the full year are £18.9m before exceptional items (2012 restated: £20.3m). Our costs remain well controlled with moderate inflationary increases. Included in our central costs is a pension restructuring gain of £9.8m (2012 restated: £2.9m) which has been offset by higher share-based payments and other non-recurring costs.

### JOINT VENTURES AND ASSOCIATES

The Group has reported zero share of profit after tax from joint ventures in 2013 (2012: gain of £0.2m). This is mainly as a result of the acquisition of the remaining 49% interest in the joint venture in Russia in November 2012, thereby converting it into a 100% owned subsidiary.

### OPERATING EXCEPTIONAL ITEMS

The Group has reported exceptional operating costs of £8.5m in 2013 (2012 restated: a gain of £0.7m). Included within this are restructuring costs of £4.6m (2012: £17.3m), together with £3.9m of acquisition costs for the Trivett business in Australia. These costs were reported as exceptional costs in the first half of 2013. Given the recent FRC guidance the Group will give further consideration to how costs of a similar nature are treated in future reporting periods.

### NET FINANCING COSTS

Net financing costs before exceptional items have decreased from £13.0m in 2012 (restated) to £12.3m in 2013. In 2013, the Group reported a gain of £2.3m (2012: a gain of £4.8m) in our mark to market reporting of the hedges for the US loan notes and net interest income on pension assets of £5.4m (2012 restated: net income of £0.9m).

### TAX

The effective tax rate before exceptional items for the year is 24%, compared to 25% in 2012. This is due to the impact of reducing tax rates in a number of our markets and the successful conclusion of overseas territories tax audits. The rate is expected to be similar for 2014.

### NON CONTROLLING INTERESTS

Profits attributable to our non controlling interests were £6.6m, compared to £5.9m in 2012. 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 2013, the translation of the Group's overseas profits before tax into sterling at the 2013 average exchange rate negatively impacted the year's results by £3.5m (2012: £nil impact). In the final quarter of 2013, the strengthening of Sterling resulted in a negative profit translation of £4.2m.

### DIVIDEND

The Board recommends a final ordinary dividend of 11.7p per ordinary share which is subject to the approval of shareholders at the 2014 Annual General Meeting. This gives a total dividend for the year of 17.4p per ordinary share (2012: 14.5p).

### PENSIONS

Starting 1 January 2013, the Group has adopted IAS 19 (revised), 'Employee benefits'. The revised standard has impacted the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets have been replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are now recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

The principal changes resulting from the adoption of the revised standard are set out in note 34 of the Annual Report and Accounts.

In 2013, the IAS 19 net post-retirement surplus was £106.0m (2012 restated: £95.7m) and, in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £32.7m (2012: £23.3m). We have however agreed with the Trustees that future cash contributions will be reduced to circa £2m per annum.

### ACQUISITIONS AND DISPOSALS

In March 2013, the Group acquired Trivett Automotive group, a premium and luxury automotive retailer and distributor in Australia, for an expected total consideration of £76m. This transaction added further scale to our Australian business, which benefits from attractive automotive demand characteristics and a robust economic background.

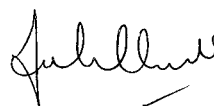
In February 2013, the Group disposed of its Ford retail centres in the UK and a dealership in China, generating proceeds of £14.9m.

### CAPITAL EXPENDITURE

During the year, the Group invested £84.9m (2012: £87.3m) of net capital expenditure in the development of greenfield sites and the enlargement of existing facilities, primarily in the UK, Asia Pacific and the Emerging Markets.

### CASH FLOW AND NET FUNDS

Working capital ended the year at £45.8m (2012: £25.9m) primarily due to higher levels of inventory to support demand in Asia, the UK and the Emerging Markets. At the end of 2013, the Group had net funds of £123.0m (2012: £276.2m) after acquiring the Trivett group for an expected total consideration of £76m and buying back shares at a cost of £50.0m.



**JOHN MCCONNELL**  
GROUP FINANCE DIRECTOR

## PRINCIPAL RISKS

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

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.

Further details of the Group's risk management process can be found on pages 53 to 54.

### STRATEGY INCLUDING CUSTOMER AND CONSUMER

Description of risk	Impact	Mitigation
<b>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</b>	We do not increase our profits, revenues and margins. There may be an impact on our relationships with the brand partners whom we represent	<ul style="list-style-type: none"> <li>The Group is investing in its Inchcape Advantage and Customer 1<sup>st</sup> programmes to ensure that we win new customers and retain existing ones</li> <li>The Group is investing in new ways of reaching its customers including through the use of the internet and social media</li> <li>Obtaining favourable credit terms and making improvements in supply chain management</li> <li>Group wide focus on working capital (particularly aged stock) reduction</li> <li>Thorough reviews of all proposed capital expenditure to ensure Group investment hurdles are met</li> </ul>

### BRAND PARTNERS, KEY RELATIONSHIPS AND REPUTATION

Description of risk	Impact	Mitigation
<b>Maintenance of product reputation in light of product recalls</b>	Negative impact on sales revenue, margins and reputation	<ul style="list-style-type: none"> <li>Maintenance of up to date customer data to ensure swift communication and response to affected customers</li> <li>Complaints monitoring to anticipate recalls</li> <li>Continuous product quality marketing to maintain reputation</li> </ul>
<b>Inability to sustain current high quality relationships with brand partners</b>	Impact on our ability to retain existing businesses on contract renewal and to take on new opportunities for growth	<ul style="list-style-type: none"> <li>Constant focus on performance and continuous improvement, effective communication and ensuring that our objectives are closely linked to those of our brand partners</li> <li>Constant focus on improving governance practices and 'the right way of doing business' to enhance and maintain our market leading reputation</li> </ul>

### SYSTEMS AND TECHNOLOGY

Description of risk	Impact	Mitigation
<b>Security of confidential data, particularly customer and employee sensitive data</b>	Impact on customer relationship and erosion of reputation	<ul style="list-style-type: none"> <li>Recognised industry standard security policies in place for all systems and servers</li> <li>Secure data centres (including relevant certifications for third party data centres)</li> </ul>
<b>Maintenance of control environment following new systems implementation</b>	Loss of revenue/profit through inefficiencies and potential fraud	<ul style="list-style-type: none"> <li>A standardised and enhanced minimum controls framework including automated controls in new systems and supporting manual controls has been developed and is being implemented</li> <li>A rigorous audit plan in place to ensure full compliance and regular follow up on mitigation plans via the risk management (iPOM) network</li> </ul>



## PEOPLE, INCLUDING EH&S

Description of risk	Impact	Mitigation
<b>Failure to attract, develop and retain talent</b>	Unable to deliver business plans  Employees who lack motivation and engagement	<ul style="list-style-type: none"> <li>• Global annual performance review process</li> <li>• Talent review and planning process</li> <li>• Annual employee engagement survey and action planning</li> <li>• External benchmarking of remuneration</li> <li>• Succession plans in place for key positions</li> </ul>
<b>Failure to comply with EH&amp;S standards</b>	Injury to customers/employees	<ul style="list-style-type: none"> <li>• Local EH&amp;S co-ordinators in place in all markets</li> <li>• Group and Regional EH&amp;S steering committees in place with defined reporting lines to iPOM Committees</li> <li>• Training for all staff</li> <li>• Specific EH&amp;S audit plan</li> </ul>

## ECONOMIC, POLITICAL AND ENVIRONMENTAL

Description of risk	Impact	Mitigation
<b>European economic instability impacting local currencies and trading environments</b>	Volume and margin are adversely impacted across our European markets and our wider third party dealer networks performance deteriorates	<ul style="list-style-type: none"> <li>• Maintain focus on margin accretive initiatives across the region</li> <li>• Maintain close relationships with the dealer network with regular reviews of their financial strength</li> </ul>

## LEGAL AND REGULATORY

Description of risk	Impact	Mitigation
<b>Litigation and regulatory risk in an environment of ever increasing regulatory scrutiny</b>	Litigation or breaching the laws or regulations of the countries in which we operate could have a financial and/or reputational impact	<ul style="list-style-type: none"> <li>• The Group ensures that it receives timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of detriment or non-compliance</li> <li>• Policies and procedures in place, including subsidiary governance manual to emphasise compliance with proper process</li> <li>• The Group has a risk management programme (iPOM) in place aimed at preventing issues from arising where possible and responding to those which do crystallise</li> </ul>

## TAX, PENSIONS AND INSURANCE

Description of risk	Impact	Mitigation
<b>Tax increase due to Governments drive for higher tax revenue</b>	Increased tax liability	<ul style="list-style-type: none"> <li>• Ensure adequate tax compliance readiness carried out locally</li> <li>• Maintain accurate and robust tax records</li> <li>• Monitor tax audits</li> </ul>

## FINANCE AND TREASURY

Description of risk	Impact	Mitigation
<b>Availability of credit for customers and floor plan financing</b>	Customers unable to finance vehicles impacting retail sales. Dealer networks inability to secure funding impacting distribution sales	<ul style="list-style-type: none"> <li>• Maintain relationships with key banks at a Group and market level</li> <li>• Close monitoring of credit lines offered to customers and movements in floor plan financing</li> <li>• Leverage Group relationship with OEM finance companies</li> </ul>
<b>Counterparty risk</b>	Credit losses	<ul style="list-style-type: none"> <li>• Deposits concentrated with counterparties approved in advance by Group Treasury</li> <li>• Cash deposits held locally in line with Group policy</li> <li>• Continuous review of ratings of major banking partners to ensure they maintain investment grade status</li> </ul>
<b>Currency risk</b>	Transactional foreign exchange exposures	<ul style="list-style-type: none"> <li>• A significant proportion of Group trading is denominated in local currency</li> <li>• Where possible, foreign exchange exposures are matched internally before hedging externally</li> <li>• Where businesses are billed in a foreign currency, committed transactional exposures are hedged back to the reporting currency</li> </ul>

# CORPORATE RESPONSIBILITY REPORT

As a global industry leader, we seek to make a positive impact in the way in which we operate around the world

**ANDRÉ LACROIX,**  
GROUP CHIEF EXECUTIVE



## 2013 HIGHLIGHTS INCLUDE:

- Successful global roll out and completion of the Green Baton programme which highlights local CR initiatives from across our markets around the world.
- Continuation and strengthening of the Incredible Inchcape programme designed to mobilise our colleagues to take the Company to new heights.
- 2013 CO<sub>2</sub> data was collected for all markets in accordance with DEFRA standards.

OUR CORPORATE RESPONSIBILITY MISSION IS  
TO PROMOTE 'MOBILITY WITH PASSION AND CARE'  
[www.inchcape.com/responsibility/who\\_we\\_support](http://www.inchcape.com/responsibility/who_we_support)



In 2013 we further developed our activities in line with our Corporate Responsibility (CR) mission to promote 'Mobility with Passion and Care'.

We aim to achieve our mission by adopting a global approach to embedding responsible behaviour into the way we operate and growing a sustainable business for the benefit of all our stakeholders – our people, our customers, our brand partners, the communities in which we operate and of course, our shareholders. This approach helps us to capture the spirit and energy of our incredible people and achieve our wider goals. Ultimately it inspires us to become a better company.

We know that the best CR initiatives come from individual passions. Across the world, our peoples commitment to their local communities has inspired life-changing initiatives. For example, in Ethiopia, where we operate a highly successful Toyota business, our people have supported the Mother and Child Rehabilitation Centre since 2002. This inspirational project provides shelter, food, education, medical care and therapy for the most disadvantaged children and education and support for their parents to help them overcome trauma and build promising futures. This is just one example of the many inspirational initiatives that our colleagues are involved in around the world.

In 2013 we ran our Green Baton programme, designed to highlight these initiatives by giving every Inchcape market the opportunity to showcase the CR activities they are implementing in their communities. It has proved highly successful, providing inspiration and motivation amongst our employees.

Delivering differentiated customer service is the overarching strategic goal for the Group and, as such, Customers are a core area of our CR strategy. More information can be found on pages 8 and 9 of the Strategic Report and on page 42 of this report.

Our Values are living, shared beliefs within our business that inform our day to day behaviours. These Values empower our culture, drive our business and enable us to contribute responsibly and sustainably to society.

We believe that our colleagues' spirit, passion and enthusiasm, combined with our mission to promote 'Mobility with Passion and Care', underpinned by our Values, means that we will continue to make a positive impact on the lives of our people, our customers, our brand partners and in the communities in which we operate, while managing our impact on the environment.

A handwritten signature in black ink, appearing to read 'Alacroix'.

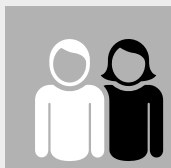
**ANDRÉ LACROIX,**  
GROUP CHIEF EXECUTIVE

## OUR VALUES



### PASSIONATE ABOUT MAKING A DIFFERENCE

We feel empowered to make a difference and have the courage, determination and commitment to do so. We are committed to giving growth opportunities to our people, delivering performance for our brand partners and creating magic moments for our customers as we take our Company to new heights.



### RESPECT AND CAMARADERIE

Our people are at the heart of who we are as a Company. We celebrate diversity, learn from each other and are proud to be working with the best. We rise to any challenge together; our friendship, respect for each other and sense of 'Inchcape family' make us incredibly strong and we have fun along the way.



### BEING ALWAYS AHEAD

A pioneering spirit is the very essence of the Company. We liberate talent, prize bold innovation and are passionate about seizing opportunities ahead of our competitors.



### WINNING TOGETHER

We are strong as individuals but we're even stronger when we work together as a team. We are proud to be part of a rich global network of incredible Inchcape people.



### INTEGRITY WITHOUT COMPROMISE

We have an uncompromising commitment to transparency and ethical principles. We believe in straight talking and taking responsibility for what we say and do.



### CARING FOR OUR SOCIETY

We are aware of our responsibilities as the global industry leader. We seek to make a positive impact on the lives of our People, our Customers and the Communities in which we operate around the world. Our Corporate Responsibility mission is to promote 'Mobility with Passion and Care'.



### TREATING EVERY £ AS OUR OWN

Each one of us feels and acts like an owner of our Company. We see cost as a good thing as long as it creates value. We hate waste and therefore think before we spend. We leverage our scale to achieve a cost and speed advantage over our competitors.



**GOVERNANCE AND MANAGEMENT**

**CORPORATE RESPONSIBILITY COMMITTEE**



**VICKY BINDRA,**  
COMMITTEE CHAIR

This report sets out the key principles of our CR programme. It provides insight into the development of our people, our Customer 1<sup>st</sup> approach, our relationships with our brand partners, the impact on our environment and highlights our achievements in the communities in which we operate.

The Board is responsible for the strategic direction of Corporate Responsibility, however it has delegated certain responsibilities to the CR Committee.

Only members of the Committee are required to attend Committee meetings however, other individuals such as the Group Communications Director and external consultants are able to attend by invitation.

**KEY RESPONSIBILITIES**

- Develop the Group CR strategy and monitor external developments
- Review the Group CR policy
- Monitor the Group CR risk exposure
- Review annual Corporate Responsibility Report

The terms of reference for the CR Committee can be found on the website [www.inchcape.com/about\\_us/governance](http://www.inchcape.com/about_us/governance)

**ACTIVITIES DURING THE YEAR**

2012 Corporate Responsibility Report – The Committee reviewed and approved the Corporate Responsibility Report for the year ended 31 December 2012.

CO<sub>2</sub> data collection – Throughout the year the Committee reviewed the CO<sub>2</sub> data collection process including: monitoring the integrity of the data, the assurance process, the intensity ratio and the relevant key environmental impacts. The Committee also reviewed the guidance issued by the Department for Environment, Food and Rural Affairs. The disclosures required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations in respect of greenhouse gas emissions are detailed on page 41.

Green Baton – The Committee received regular updates on the global Green Baton initiative. Further details are given on page 41.

Communications strategy – The Committee reviewed and approved the 2014 CR strategy including the appropriateness of the five core areas and the CR communications programme.

Terms of reference – The Committee reviewed its terms of reference and confirmed that it had been compliant throughout the year.

**CODE OF BUSINESS**

It is vital that our businesses throughout the world operate in an organised and compliant manner with consistent and robust controls being applied. Doing so will ensure that our reputation is preserved and that we can pursue:

Our Core Purpose – to create an incredible customer experience for the best car brands in the world; and

Our Vision – our Customer 1<sup>st</sup> journey will create incredible growth for our people, our brand partners and our shareholders which will enable us to deliver our strategy and achieve our goals.

**OUR COMMITMENT TO INTEGRITY**

- Our Values
- Whistleblowing

**PERSONAL INTEGRITY**

- Conflicts of interest
- Gifts and entertainment

**BUSINESS INTEGRITY**

- Bribery
- Money laundering
- Competition





## OUR FIVE CORE AREAS

### COMMUNITIES

We support our local communities to make positive impacts where we operate

### ENVIRONMENT

We manage our CO<sub>2</sub> footprint by understanding our impact

### CUSTOMERS

We drive constantly improving levels of customer service every day, every time, everywhere

### PEOPLE

We attract, train and motivate by engaging our people in the strategy and vision of the Group

### BRAND PARTNERS

We partner with brands that are at the forefront of green technology developments

## COMMUNITIES

With our extensive international businesses, we firmly believe in supporting the many different communities and cultures within which we operate, often through sponsorship and support for local charities for local people. These inspirational activities are decided on and driven by our people, who are passionate about the causes and charities they support.

In 2013 we successfully completed the 'Green Baton' programme, which was designed to highlight incredible local CR activities from across our markets on our intranet site. The Green Baton circulated the globe over 12 months and gave every Inchcape market the opportunity to showcase the fantastic CR activities they implemented in their businesses and communities.

On receiving the baton, each market had a two week window to share and promote their CR activities on a dedicated section of our Group intranet site. There, colleagues could learn about the charities and communities we support and read about the environmental and customer initiatives our people are passionate about while picking up a wealth of other information and tried and tested best practices.

Some truly incredible CR initiatives were carried out in 2013. More information about these initiatives can be found on the CR section of the corporate website [www.inchcape.com/responsibility](http://www.inchcape.com/responsibility).

## 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 to improve fuel efficiency.

## ENVIRONMENT

Environment is a core area of focus within our CR programme. During 2013 we refined our CO<sub>2</sub> data collection process and completed a full years data analysis.

Our colleagues around the world also took part in environmentally focused initiatives to support their local communities and wildlife.

### GREENHOUSE GAS EMISSIONS

Under Schedule 7 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (the Regulations) quoted companies are required to report their greenhouse gas emissions (GHG) in the Directors' Report. As the environment is a core area of focus, the information required under the Regulations is given in this report, which forms part of the Strategic Report.

### ORGANISATIONAL BOUNDARY

We have reported on all material emissions for which we deem ourselves to be responsible and which fall within our operational and control boundaries.

### REPORTING PERIOD

Our GHG reporting year is 1 January 2013 to 31 December 2013 and is aligned to our financial reporting year. This will form the baseline data for subsequent years.

## CORPORATE RESPONSIBILITY CONTINUED

### KEY ENVIRONMENTAL IMPACTS

Data is collected for three core key performance indicators:

- Energy – our global electricity and gas usage.
- Transport – 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.
- Business travel – the movement of our people.

### METHODOLOGY

The methodology used to calculate the Group's GHG emissions is based on the Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance (June 2013) issued by the Department for Environment, Food and Rural Affairs (DEFRA) and includes DEFRA's 2013 conversion factors.

### DATA COLLECTION

Data has been collected from the following markets: Australia, Belgium, Brunei, Bulgaria, Chile, China, Estonia, Ethiopia, Finland, Greece, Guam, Hong Kong, Latvia, Lithuania, Luxembourg, Macau, New Zealand, Peru, Poland, Romania, Russia, Saipan, Singapore and the UK.

The level at which we report is business unit for each market. This covers our retail operations, distribution operations and business service operations.

Scope	Description
Scope 1 (direct emissions)	Transport of vehicles and parts including test drives
Scope 2 (energy indirect)	Electricity and gas used by the Group's operations
Scope 3 (other indirect)	Employees' business travel by air, car or train

### INTENSITY RATIO

The Group's intensity ratio is revenue per tonne of CO<sub>2</sub>. This allows for a fair comparison over time of CO<sub>2</sub> emissions, given the growth trajectory envisaged by the Company and cyclical variations in business activity.

### GLOBAL GREENHOUSE GAS EMISSIONS DATA

Global GHG emissions data for period 1 January 2013 to 31 December 2013

Emissions from	Tonnes of CO <sub>2</sub> e	2013
Combustion of fuel and operation of facilities		<b>66,165</b>
Electricity, heat, steam and cooling purchased for own use		<b>62,325</b>
Total footprint		<b>128,490</b>
Intensity ratio: £k revenue per tonne of CO <sub>2</sub>		<b>51</b>

### CUSTOMERS

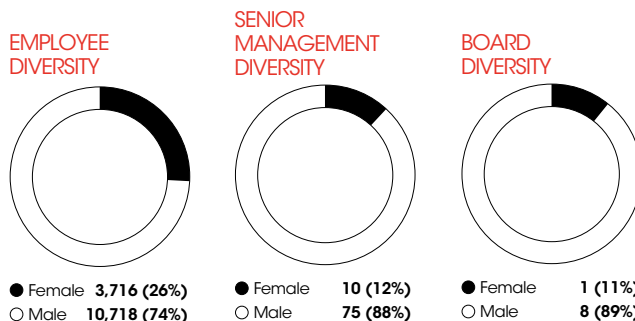
Our Customer 1<sup>st</sup> strategy is at the heart of everything we do and creates incredible growth for our people, our brand partners and our shareholders. Our strategy is to strengthen the business through delivering a superior customer experience.

### CUSTOMER 1<sup>ST</sup> HIGHLIGHTS IN 2013

- We carried out over 3,600 mystery shop exercises in 208 retail showrooms and service centres globally
- We talked to 19,600 customers for our vehicle sales and aftersales Net Promoter Score (NPS) programme

The NPS has improved again across the Group.

### PEOPLE



We know that it is our people that make all the difference and throughout 2013 we continued to develop our people strategy of 'engaged people in winning teams' by focusing on the Right People, Right Learning, Right Reward and Right Culture. In 2013 we also continued to embed 'Incredible Inchcape'; our Group wide engagement programme designed to mobilise our colleagues to take the Company to new heights.

### RIGHT PEOPLE

As a global company, we are able to leverage the benefits of a diverse workforce. We have strong processes which are aimed at constantly improving the quality of our hiring and our talent planning and reviews. As a consequence, we are able to offer exciting development opportunities for our talent, including international transfers.

### RIGHT LEARNING

We aim to create and promote a rich environment of learning for everyone. Through programmes such as 'Grow with Inchcape' we ensure that internal development happens for everyone. This can be on the job training or through a variety of development options, including job rotation or stretching new roles. By doing this, we are creating a pipeline of talent that has been internally nurtured and developed. Our Executive Committee is a great example of this, where most of the current Committee members have been developed within the Group before being appointed into their current role. Biographies of the Executive Committee can be found on pages 46 to 48.

**RIGHT REWARD**

We have several schemes across the Group which are designed to ensure that our people feel valued and are recognised for their contribution to the business. Our recognition and rewards policy is geared towards reinforcing the right behaviours in keeping with our Values and the interests of our shareholders.

**RIGHT CULTURE**

We recognise that it is the engagement of our colleagues around the world that brings our Customer 1<sup>st</sup> strategy to life. We proactively develop employee engagement through a variety of programmes, including workshops designed to align each colleague with the strategic plan as well as give them toolkits to help them unleash their own potential as well as the potential of their colleagues.

**ENVIRONMENT, HEALTH & SAFETY**

**NUMBER OF ACCIDENTS 2013**

Location	2013	2012	2011
Australasia	22	16	7
Europe	12	19	9
North Asia	25	26	32
South Asia	8	4	2
UK	85	82	74
Russia & Emerging Markets	23	8	5

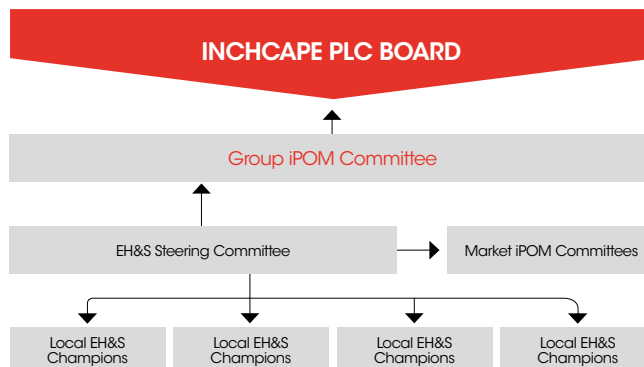
Our approach to safety aims to manage risks effectively by ensuring that our employees are fully trained and our businesses comply with safety regulations. During 2013, we have seen a 12.9% increase in the number of accidents reported. This is due to an increased awareness in Emerging Markets and there have been no specific trends or areas of concern.

We are committed to providing a safe environment for our employees and in 2012 we created a Group EH&S Steering Committee. The Committee will provide the leadership to deliver a clear Policy Statement, maintain an effective organisational structure and provide systematic tools which will allow the Group to significantly and consistently improve its focus on delivery of EH&S.

**PROGRESS AGAINST GOALS**

Objective	2013 progress	Goal attained
<b>Green Baton programme</b>	The Green Baton programme was completed in 2013	Attained
<b>EH&amp;S best practice</b>	Drive to report all accidents to ensure that policies and procedures are reviewed and any issues raised addressed by the Group EH&S Steering Committee	Attained
<b>CO<sub>2</sub> data collection</b>	The 2013 CO <sub>2</sub> data was collected for all markets in accordance with DEFRA standards and the first GHG report published	Attained

**THE EH&S ORGANISATIONAL STRUCTURE**



The Committee is made up of regional EH&S co-ordinators and external experts and will meet at least three times a year to review progress against targets, develop tools and techniques which address any process or capability gaps and allocate resource where required to support implementation of the required standards across the Group. The Committee's key tasks are:

- develop and maintain the Group EH&S Policy Statement
- identify and deliver priority areas for the development of Group wide minimum standards and the roll out plan for these standards
- review EH&S Audit results / self audit reviews
- maintain EH&S organisational structure and allocate relevant resource to markets to help with EH&S embedding
- develop and implement market EH&S Audits
- develop and conduct market training
- identify key issues / trends for senior management action

## BOARD OF DIRECTORS

A broad range of skills, knowledge and experience provides effective stewardship

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### 1 KEN HANNA

CHAIRMAN

**APPOINTMENT TO BOARD:**  
September 2001

**SKILLS AND EXPERIENCE:**

Ken is Chairman of Aggreko plc and a Non-Executive Director of Tesco plc.

Prior to becoming Chairman, 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. He has previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker.

**COMMITTEE MEMBERSHIP:**

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

---

### 2 ANDRÉ LACROIX

GROUP CHIEF EXECUTIVE

**APPOINTMENT TO BOARD:**  
September 2005

**SKILLS AND EXPERIENCE:**

André is the Senior Independent Director of Reckitt Benckiser Group plc and 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.

**COMMITTEE MEMBERSHIP:**

André is a member of the Nominations and CR Committees.

---

### 3 JOHN MCCONNELL

GROUP FINANCE DIRECTOR

**APPOINTMENT TO BOARD:**  
October 2009

**SKILLS AND EXPERIENCE:**

John was appointed as Group Finance Director 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 the Group, John worked with Reckitt and Colman (now Reckitt Benckiser) for 13 years in a variety of senior finance roles in the UK, Germany and Australia.

John was appointed as a Non-Executive Director of UBM plc in January 2014.

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### 4 VICKY BINDRA

NON-EXECUTIVE DIRECTOR

**APPOINTMENT TO BOARD:**  
July 2011

**SKILLS AND EXPERIENCE:**

Vicky is President of Asia/Pacific, Middle East & Africa (APMEA) for MasterCard Worldwide. Prior to joining MasterCard in June 2009, Vicky 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.

**COMMITTEE MEMBERSHIP:**

Vicky is Chairman of the CR Committee.

---

### 5 SIMON BORROWS

SENIOR INDEPENDENT DIRECTOR

**APPOINTMENT TO BOARD:**  
October 2010

**SKILLS AND EXPERIENCE:**

Simon was appointed as Chief Executive Officer of 3i Group plc in May 2012. He is also a Non-Executive Director of The British Land Company PLC.

Previously, Simon was the Co-Chief Executive 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.

**COMMITTEE MEMBERSHIP:**

Simon is a member of the Audit and Nominations Committees.

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### 6 ALISON COOPER

NON-EXECUTIVE DIRECTOR

**APPOINTMENT TO BOARD:**  
July 2009

**SKILLS AND EXPERIENCE:**

Alison is Chief Executive of Imperial Tobacco Group PLC.

Alison joined Imperial Tobacco in 1999 and through a number of senior roles has contributed significantly to the international expansion. She was appointed as Chief Executive in May 2010 and since her appointment she has led the development and implementation of Imperial Tobacco's sustainable growth strategy.

Alison is a Chartered Accountant and was previously with PricewaterhouseCoopers LLP.

**COMMITTEE MEMBERSHIP:**

Alison is a member of the Audit Committee.





**7 JOHN LANGSTON**  
NON-EXECUTIVE DIRECTOR

**APPOINTMENT TO BOARD:**  
August 2013

**SKILLS AND EXPERIENCE:**

John joined the Board on 1 August 2013 and was appointed as Chairman of the Audit Committee on 1 September 2013.

John is a Non-Executive Director and Chairman of the Audit Committee of Rexam PLC. He was formerly Finance Director of Smiths Group plc, having been a member of the Board of Smiths Group since 2000. John has also held a number of senior commercial positions at Smiths Group as Group Managing Director of the Speciality Engineering division and, prior to that, the Detection and Sealing Solutions divisions. From 1993, John held senior positions at TI Group plc, joining the Board of TI Group in 1998.

**COMMITTEE MEMBERSHIP:**

John is Chairman of the Audit Committee.

**8 NIGEL NORTHRIDGE**  
NON-EXECUTIVE DIRECTOR

**APPOINTMENT TO BOARD:**  
July 2009

**SKILLS AND EXPERIENCE:**

Nigel is Chairman of Paddy Power plc and Debenhams plc. He was appointed as a Non-Executive Director of Aer Lingus plc in January 2014. Nigel 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 Director of Aggreko plc.

**COMMITTEE MEMBERSHIP:**

Nigel is Chairman of the Remuneration Committee.

**9 TILL VESTRING**  
NON-EXECUTIVE DIRECTOR

**APPOINTMENT TO BOARD:**  
September 2011

**SKILLS AND EXPERIENCE:**

Till is Senior Partner of Bain & Company South East Asia. Till has a 23 year career at Bain & Company of which the last 18 were spent in Asia with postings in Sydney, Hong Kong, Tokyo and Singapore.

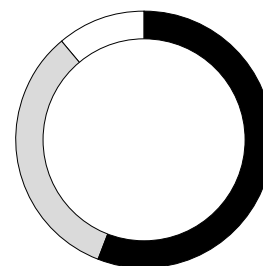
He has served as head of Bain's Automotive & Industrial Practice in Asia, Managing Partner for South East Asia, as well as on Bain's global Partner Nomination & Compensation Committee.

He has extensive experience advising multinationals on growth strategy across Asia as well as advising leading Asian companies on strategy, M&A and organisation

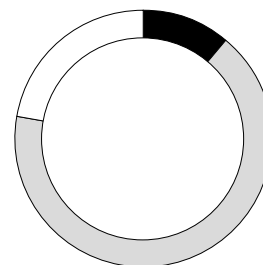
**COMMITTEE MEMBERSHIP:**

Till is a member of the Remuneration and Nominations Committees.

**INDUSTRY BACKGROUND**



**BOARD TENURE**



## EXECUTIVE COMMITTEE

A broad range of industry, commercial and strategic experience is vital to the management of the Group

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### 1 ANDRÉ LACROIX

GROUP CHIEF EXECUTIVE

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
February 2006

Please see page 44 for full biography.

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### 2 JOHN MCCONNELL

GROUP FINANCE DIRECTOR

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
February 2006

Please see page 44 for full biography.

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### 3 ARIS ARAVANIS

MANAGING DIRECTOR, GREECE AND THE BALKANS

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
July 2009

**SKILLS AND EXPERIENCE:**

In July 2013, Aris was promoted to Managing Director, Greece and the Balkans and is responsible for Greece, Bulgaria, Romania and Macedonia. Aris joined the Group in 1991 and during his tenure 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 a member of the Board of Directors.

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

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### 4 GEORGE ASHFORD

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 the Group in March 2006 as Director of Implementation, Inchcape Advantage. In this role George led the implementation of 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 the Group from Yum Restaurants International (previously Pepsi Restaurants International), where he spent 10 years holding several senior management positions.

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### 5 KOH CHING HONG

MANAGING DIRECTOR,  
INCHCAPE SOUTH ASIA

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
August 2009

**SKILLS AND EXPERIENCE:**

Ching Hong joined Borneo Motors 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.

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### 6 STÉPHANE CHATAL

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 Information Systems (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.

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### 7 LOUIS FALLENSTEIN

CHIEF EXECUTIVE OFFICER,  
EMERGING MARKETS

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
January 2012

**SKILLS AND EXPERIENCE:**

Louis was appointed Managing Director, Emerging Markets in January 2012 and was promoted to Chief Executive Officer in July 2013. He is responsible for retail and distribution activities in Poland, the Nordics, South America, Africa and Russia. He oversees both current operations and our future expansion plans in these markets.

Prior to this, Louis was Franchise Director BMW for our UK business. Louis has been with the Group since the acquisition of European Motor Holdings plc and was a major force in the integration of the Lind Automotive Group and European Motor Holdings with the UK retail businesses.



**8 TONY GEORGE**

GROUP HR AND BUSINESS DEVELOPMENT DIRECTOR

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
February 2007

**SKILLS AND EXPERIENCE:**

In addition to his role as Group HR Director, Tony took over responsibility for strategy and business development in August 2012. He has over 25 years' 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. Tony has also worked with ICI in India, Diageo plc where he was the first Global Management Development Director UDV in the UK and Burger King, where he was the SVP International HR. During his career Tony has lived and worked in India, the UK, USA and Australia.

**9 KEN LEE**

GROUP MARKETING AND COMMUNICATIONS DIRECTOR

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
November 2006

**SKILLS AND EXPERIENCE:**

Ken joined the Group 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. In August 2013, Ken's role was extended to include leadership of the Group wide Marketing community.

Prior to joining the Group, 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.

**10 PATRICK S LEE**

CHIEF EXECUTIVE OFFICER,  
INCHCAPE NORTH ASIA AND CHINA

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
November 2006

**SKILLS AND EXPERIENCE:**

Patrick is in charge of our VIR operations in Hong Kong, Macau and Guam. In all three markets, Toyota has maintained the No.1 position for several years. He is also responsible for the Group's operations in China.

Prior to this, 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 of '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.

**11 BERTRAND MALLET**

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 Managing Director of the Emerging Markets and the Group Strategy Director.

Before joining the Group in 2008, Bertrand spent over six years with Euro Disney in both strategy and sales roles, including as the 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 USA. His main areas of focus were around retail and distribution. Bertrand began his career in Sales and Marketing with Automobiles Peugeot in Sweden.

**12 CONNOR MCCORMACK**

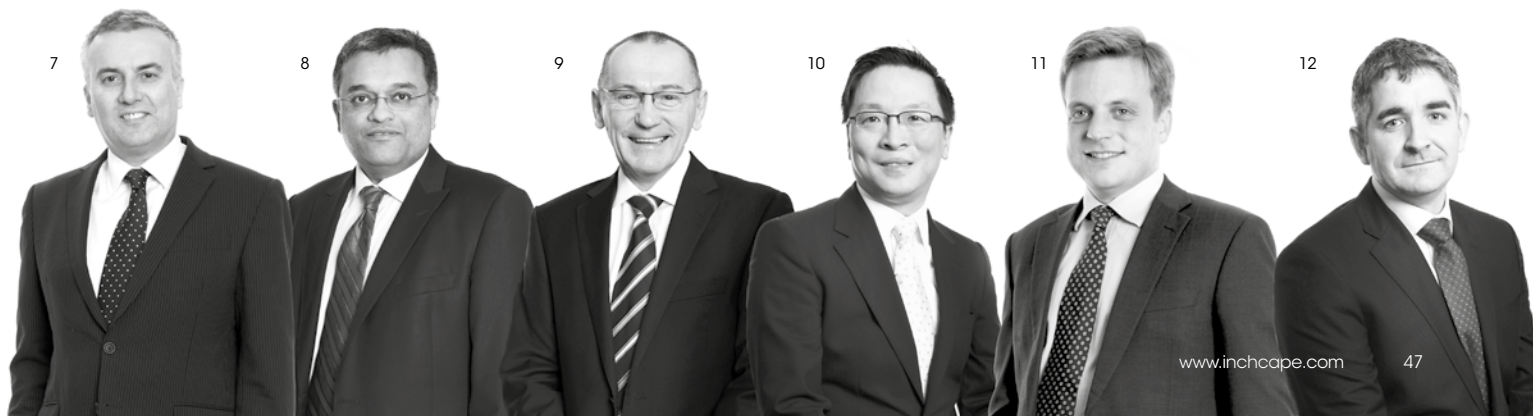
CHIEF EXECUTIVE OFFICER, INCHCAPE UK

**APPOINTMENT TO EXECUTIVE COMMITTEE:**  
November 2009

**SKILLS AND EXPERIENCE:**

Connor has been with the Group since July 2005, having initially joined as Finance Director, UK Retail and was appointed Chief Executive Officer of the UK business in November 2009.

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



# CORPORATE GOVERNANCE REPORT

The Board has defined a set of responsibilities and accountabilities that underpin a high quality decision making process

**KEN HANNA,**  
CHAIRMAN



## IN THIS SECTION

- 55 Audit Committee Report
- 57 Nominations Committee Report
- 58 Directors' Report on Remuneration
- 74 Directors' Report



 **SEE ONLINE:**  
[www.inchcape.com/annualreport](http://www.inchcape.com/annualreport)

## DEAR SHAREHOLDER

This Corporate Governance Report (the Report) is intended to give shareholders an understanding of the Group's governance procedures. The Report sets out how the Company complied with the 2012 UK Corporate Governance Code (the Code), and how this has supported the Board's decision making process during the year. The disclosures made in the Report mirror the Code and further statutory disclosures are included at the end of the Report.

## BOARD COMPOSITION AND DIVERSITY

Will Samuel retired in May 2013 after completing nine years' service as a member of the Board. Will was appointed as a Non-Executive Director in 2004 and became Deputy Chairman and Senior Independent Director in 2006. The Board and I would like to thank Will for his valued advice and assistance over the last nine years.

As Chairman, it is my responsibility to ensure that members of the Board have the right mix of skills, knowledge and experience and after reviewing the composition of the Board following Will's departure, I am pleased to report that John Langston was appointed as a Non-Executive Director in August 2013 and became Chairman of the Audit Committee in September 2013. John brings a wealth of financial and operational experience to the Board and his full biography can be found on page 45.

Simon Borrows was appointed as the Senior Independent Director in May 2013 and stepped down from the role of Audit Committee Chairman in September 2013. He remains a member of the Audit Committee. Further details can be found in the Nominations Committee Report on page 57.

During our search for a new Non-Executive Director we gave due consideration to diversity and the recommendations in the Davies Report. We consider diversity to include ethnicity, experience and geographical location as well as gender. Our Board currently has 11% female representation.

We intend to recruit a further Non-Executive Director in 2014 and will consider all aspects of diversity including, but not limited to, gender in the recruitment process.

## STATEMENT OF CODE COMPLIANCE

The Board has complied with the 2012 UK Corporate Governance Code during 2013 apart from the requirement under provision D.2.1. Further information can be found of page 65 of the Directors' Report on Remuneration.

The information required under DTR7 is given on pages 48 to 57 and forms part of the Report.

A handwritten signature in black ink, appearing to read 'Ken Hanna'.

**KEN HANNA,**  
CHAIRMAN

**THE BOARD AND ITS COMMITTEES**

The role of the Board is to have responsibility for generating shareholder value over the long term by setting the Group's strategy, ensuring that appropriate resources are available to enable the Company to meet its objectives and to monitor the delivery of those objectives within an effective framework of internal controls. The Board has a defined set of responsibilities and accountabilities which are set out in the Matters Reserved for the Board and include:

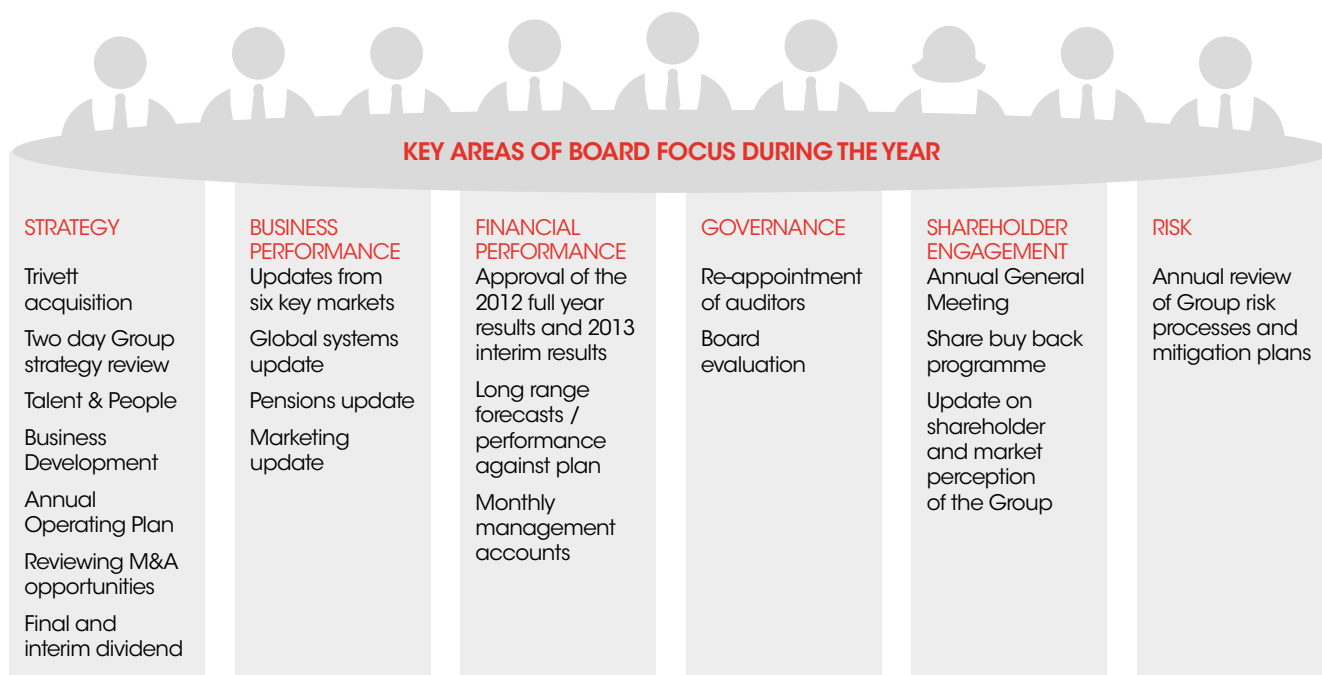
- Strategy and management – responsibility for long term success of the Company, approval of objectives and commercial strategy, approval of the extension of Group's activities into new business or geographic areas
- Financial reporting and controls – review and approval of the Annual Operating Plan, major capital projects and any changes to them
- Internal Controls – reviewing effectiveness of internal controls processes to support strategy
- Risk – approval of the Group's risk appetite, determining the nature and extent of significant risks the Group is willing to take to achieve its objectives

The full Matters Reserved for the Board can be found on the website [www.inchcape.com/about\\_us/governance](http://www.inchcape.com/about_us/governance)

**BOARD MEETINGS**

The Board meetings are structured to allow the Board sufficient time to discuss and review financial performance, achievement of objectives, development of the Group's strategy, operational performance and risk and internal controls. Standing agenda items are discussed at each Board meeting, which include:

- Chief Executive's Report – this report gives an update on performance across the Group
- Finance Director's Report – includes the latest financial information for the Group
- Investor Relations Report – provides an update on macro trends by key geographies, share register movements and summary of IR activity



## CORPORATE GOVERNANCE REPORT CONTINUED

### COMMITTEES' RESPONSIBILITIES

The table below shows the key Committees and their responsibilities. The Audit Committee Report can be found on page 55. The Nominations Committee Report can be found on page 57, the Remuneration Committee Report can be found on page 65 and the CR Committee Report can be found on page 40.

INCHCAPE PLC BOARD					
	AUDIT COMMITTEE	REMUNERATION COMMITTEE	EXECUTIVE COMMITTEE	NOMINATIONS COMMITTEE	CORPORATE RESPONSIBILITY COMMITTEE
Delegated authorities	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Financial risk management</li> <li>Internal Control</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration policy</li> <li>Incentive plans</li> <li>Performance targets</li> </ul>	<ul style="list-style-type: none"> <li>Group Strategy</li> <li>Operational Management</li> </ul>	<ul style="list-style-type: none"> <li>Balance of the Board</li> <li>Leadership of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of the Group CR Programme</li> </ul>
Reviews	<ul style="list-style-type: none"> <li>Full year and half year results</li> <li>Accounting policies</li> <li>Terms of engagement of auditors</li> </ul>	<ul style="list-style-type: none"> <li>Achievement of performance targets for short and long term incentives</li> <li>Pay across the Group</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly performance against strategic goals</li> <li>Quarterly performance against AOP</li> </ul>	<ul style="list-style-type: none"> <li>Composition of Board</li> <li>Skills, knowledge &amp; experience on the Board</li> <li>Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Group CR Policy</li> </ul>
Recommends	<ul style="list-style-type: none"> <li>Re-appointment of auditors</li> <li>Audit tender</li> <li>Auditors' remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Level and structure of remuneration for Executive Directors and Executive Committee</li> <li>Remuneration Policy</li> </ul>	<ul style="list-style-type: none"> <li>Development opportunities for key talent</li> <li>Programmes to further strategic agenda</li> </ul>	<ul style="list-style-type: none"> <li>Appointments to the Board</li> <li>Election/re-election of Directors at Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Group CR strategy</li> </ul>
Monitors	<ul style="list-style-type: none"> <li>Integrity of financial statements</li> <li>Effectiveness of internal controls and risk management</li> <li>Internal Audit function</li> <li>Legal and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Appropriateness of Remuneration Policy</li> <li>Legal and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement levels across the Group</li> <li>Inchcape Advantage</li> <li>Customer 1<sup>st</sup> strategy</li> </ul>	<ul style="list-style-type: none"> <li>Independence of Non-Executive Directors</li> <li>Succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Group's CR risk exposure</li> <li>Legal &amp; regulatory requirements</li> </ul>
Approves	<ul style="list-style-type: none"> <li>Statements in Annual Report concerning internal controls and risk management</li> <li>Policy on non-audit services</li> <li>Whistleblowing procedures</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration Policy</li> <li>Remuneration packages for Executive Directors and Executive Committee members</li> <li>Design of long term incentive plans</li> <li>Performance targets for long term incentive schemes</li> </ul>	<ul style="list-style-type: none"> <li>Group wide strategic programmes</li> </ul>	<ul style="list-style-type: none"> <li>Nominations Committee Report</li> <li>External appointments for Executive Directors</li> <li>Skills profile for Non-Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>Annual CR Report</li> </ul>

## LEADERSHIP

The Board met five times during 2013. Attendance is shown in the table below.

Name of Director	Board Meetings		Audit Committee Meetings		Nominations Committee Meetings		Remuneration Committee Meetings		Corporate Responsibility Committee Meetings	
	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended
<b>Chairman</b>										
Ken Hanna	5	5	-	-	2	2	2	2	3	3
<b>Group Chief Executive</b>										
André Lacroix	5	5	-	-	2	2	-	-	3	3
<b>Group Finance Director</b>										
John McConnell	5	5	-	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>										
Vicky Bindra	5	5	-	-	-	-	-	-	3	3
Simon Borrows (Senior Independent Director)	5	5	4	4	2	2	-	-	-	-
Alison Cooper	5	5	4	4	-	-	-	-	-	-
John Langston*	2	2	1	1	-	-	-	-	-	-
Nigel Northridge	5	5	-	-	-	-	2	2	-	-
Will Samuel**	2	2	1	1	1	1	1	1	-	-
Till Vestring	5	5	-	-	1	1	2	2	-	-

\* John Langston was appointed on 1 August 2013.

\*\* Will Samuel resigned on 16 May 2013.

## ROLES AND RESPONSIBILITIES

The roles of the Chairman and Chief Executive are separate. A summary of their responsibilities is set out below.

### CHAIRMAN

- To lead an effective Board by providing direction and focus and promoting open and constructive debate
- Ensuring that members receive information that is accurate, relevant and timely
- Responsibility for composition of the Board to ensure that the members have the right mix of skills, knowledge and experience
- Chair the Nominations Committee and membership of the CR Committee

### GROUP CHIEF EXECUTIVE

- To develop the Group's strategy and business plans for approval by the Board
- Report to the Board on performance, the implementation of strategy and significant developments
- To lead the Executive Committee, develop and implement the Group's strategy, manage risk and the internal control framework
- Responsibility for the day to day operations of the Group, providing information to the Board to aid the decision making process
- To regularly engage with shareholders on the Group's activities and progress against objectives

### SENIOR INDEPENDENT DIRECTOR

- To act as a sounding board for the Chairman
- To serve as an intermediary to other Directors
- To be available to shareholders should they have concerns which have not been resolved through the normal channels
- To hold an annual meeting of Non-Executive Directors to evaluate the performance of the Chairman

### NON-EXECUTIVE DIRECTORS

The Non-Executive Directors bring a wide range of skills and experience to the Board. They are responsible for using their independent judgement in decisions regarding the development and implementation of the Group's strategy, monitoring and reporting of performance and the integrity of internal controls and risk management.

The biographies of the Board can be found on pages 44 to 45.

The Non-Executive Directors held meetings in May and November without the presence of the Executive Directors.

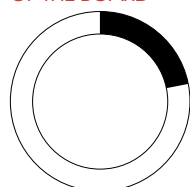
**EFFECTIVENESS**

**COMPOSITION OF THE BOARD**

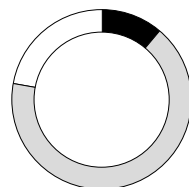
The Board consists of the Chairman, two Executive Directors and six Non-Executive Directors. Will Samuel, who had served on the Board for nine years, resigned in May 2013. John Langston was appointed to the Board in August 2013 and became Chairman of the Audit Committee in September 2013.

All Non-Executive Directors were considered independent during 2013, in accordance with the Code.

**THE GEOGRAPHIC MAKE-UP OF THE BOARD**



**LENGTH OF SERVICE OF NON-EXECUTIVE DIRECTORS**



**APPOINTMENTS TO THE BOARD**

The Nominations Committee has responsibility for evaluating the composition of the Board and nominating suitable candidates to the Board to fill any vacancies. Details of the activities of the Nominations Committee can be found on page 57.

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 are given in their biographies on pages 44 to 45. The Executive Directors are generally permitted to take one non-executive position as long as it does not lead to conflicts of interest or undue time commitment.

**COMMITMENT**

The members of the Board are expected to allow sufficient time to discharge their duties effectively. The minimum number of days required by the Non-Executive Directors is set out in the letter of appointment.

**DEVELOPMENT AND INFORMATION AND SUPPORT**

New Directors receive a tailored induction programme designed to give them a comprehensive understanding of the strategy, operations and values of the Group. John Langston joined the Board in 2013 and received a formal induction. Over two days, he met with the following key members of the Group to gain an understanding of their roles and the Company's operations:

- Chairman – the Board, its Committees, history of the Group, vision and values
- Group Chief Executive – strategy, overview of operational businesses, analyst and investor engagement
- Group Company Secretary – directors' duties and regulatory rules, governance and Board administration
- Group HR and Business Development Director – key management, succession planning, remuneration policy, business development strategy

- Group Finance Director – financial review, current KPIs
- Group Financial Controller – operational financial review, reporting systems and processes
- Group Audit Director – risk management, assurance processes and internal controls
- Group Chief Information Officer – overview of the Group's IS strategy and structure
- Director of Taxation – overview of the Group's tax structure
- Group Communications Director – brand, marketing, internal and external communications and Inchcape Advantage
- External auditor – external audit function

The Board is kept up to date throughout the year with key information which includes:

- Regional updates from Executive Committee members and other senior managers;
- Operational updates from departmental heads including, tax, IT and internal audit;
- Monthly financial updates; and
- An annual overseas visit and UK dealership visits which allow the Non-Executive Directors to informally meet the Group's employees to gain a deeper understanding of the business

The Company Secretary is available to offer advice and services in relation to the business of the Board should they require it.

**EVALUATION**

In 2013, the Senior Independent Director facilitated an internal review which consisted of one-to-one interviews and a questionnaire which covered:

- strategy
- Board knowledge, effectiveness and contribution
- succession
- risk management
- the Nominations, Audit, Remuneration and CR Committees
- Board administration

The questionnaire was designed to encourage an open exchange of views on how the Board operates.

The evaluation concluded that there is widespread agreement and support for Board structure and processes. Also, as a result of the evaluation, there will be a continued focus on Board composition and succession planning of the Board and senior management during 2014.

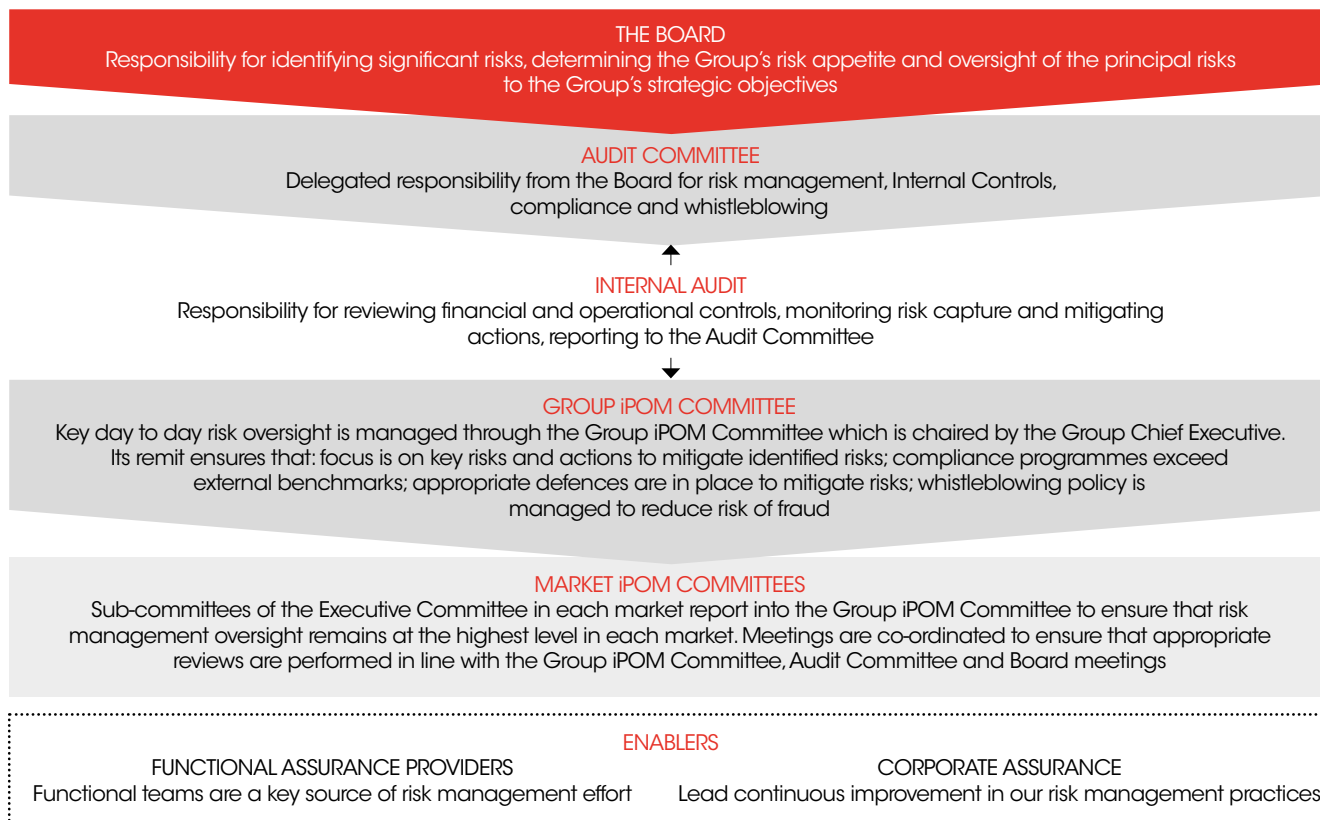
The Non-Executive Directors met without the Chairman present to consider his performance. The Non-Executive Directors expressed no concerns over the Chairman's leadership of the Board.

**RE-ELECTION**

In accordance with the Code, all Directors stand for election or re-election at the Annual General Meeting (the AGM). At the 2013 AGM, shareholders re-appointed all the Directors.



**RISK MANAGEMENT PROCESS**



**ACCOUNTABILITY**

**FINANCIAL AND BUSINESS REPORTING**

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. A statement of the Directors' responsibility for reporting the financial statements, the going concern statement and the statement by the Directors that they consider the Annual Report, as a whole, to be fair, balanced and understandable is set out on page 74. The statement by the auditors about their reporting responsibilities is given on page 141.

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 the 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 in 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.

**RISK MANAGEMENT AND INTERNAL CONTROLS**

Internal Controls over the financial reporting framework are designed to provide reasonable assurance regarding the reliability of financial reporting as well as the preparation of the financial statements in accordance with IFRS. Internal

Audit and management regularly assess the effectiveness of internal controls over financial reporting as well as the preparation of financial statements based on the framework contained in the Turnbull Guidance. There have been no significant changes and the Board has concluded that the Group's internal system of controls over financial reporting was effective during the year.

The Board has overall responsibility for risk management and is advised of key risks (including environmental, social and governance risks) facing the Group on a rolling 12 month basis, with a formal review of the most significant risks annually or more frequently if required. Risks are categorised as systematic risks – defined as known risks which are largely unchanging or which apply Group wide and are managed through standard policies and procedures, and dynamic risks – forward looking risks which can be specific to a market, region or function, which change in nature constantly and which are therefore managed through bespoke mitigation or response plans.

Inchcape Peace of Mind (iPOM) is the Group wide programme developed to drive risk management and engage risk aware behaviours across the Group. The Group uses iPOM to define and emphasise 'the right way to do business'. The central principle of iPOM is to ensure that risk management is recognised as something within every employee's scope of responsibility. The iPOM framework encourages and enables employees to make decisions which balance performance with conformance, ensuring that the Group does business in the right way and

protects its reputation and the value it creates. The Group's principal risks can be found on pages 36 to 37.

**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 on pages 55 to 56.

**REMUNERATION**

The Remuneration Committee has responsibility for developing the Company's remuneration policy and monitoring its implementation. Details of the Committee's activities along with the Remuneration Report can be found on pages 58 to 73.

**RELATIONS WITH SHAREHOLDERS**

The Board understands that effective communication is essential to enable shareholders to gain a clear understanding of the Group's strategy, business model and remuneration policy.

The Chairman, Group Chief Executive, Group Finance Director and Head of Investor Relations hold regular meetings with institutional investors throughout the year through a comprehensive investor relations programme. The programme includes site visits, roadshows and conferences. During the year approximately 260 institutions met with management to discuss the Group and its objectives.

As part of the 2014 programme, institutional investors will be able to attend an investor day during which the Executive Committee will give presentations covering the Group's unique global operations, the focus on delivering operational excellence and the confidence in delivering sustainable growth.

Shareholders are also kept informed of Company performance through regular press releases. These are made available to the London Stock Exchange and on the Company's website.

Presentations were held for analysts for the Group's annual and half yearly results. Recorded conference calls are also held for analysts on the release of Interim Management Statements. These presentations and calls are published on the Company's website so that both private and institutional investors or potential investors have access to the information.

The Board is provided with regular updates on the views raised by the Company's investors. During the year, the Board received a presentation from external advisors on shareholder and market perception of the Group and its strategy.

**ANNUAL GENERAL MEETING (AGM)**

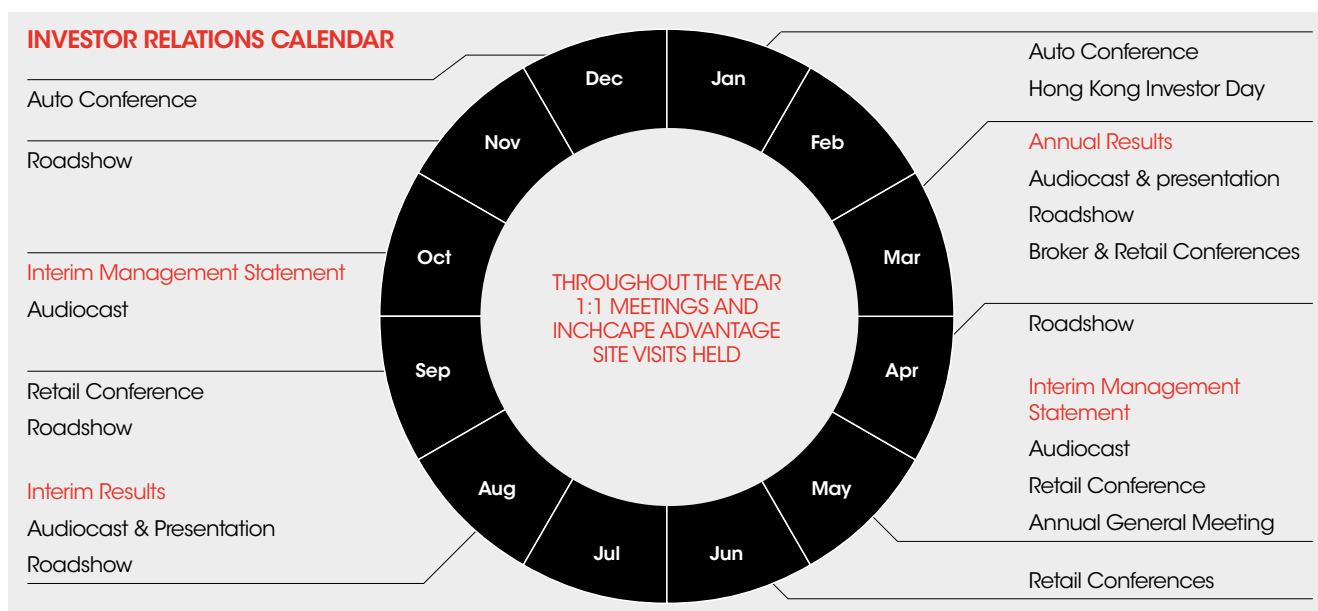
The AGM gives all shareholders an opportunity to meet the Board and ask any questions they have regarding the Group. The Board encourages participation of private shareholders at the AGM, however, the Board understands that it is not always possible for shareholders to attend. For this reason, a prepaid reply form is sent to shareholders to enable them to give their views should they be unable to attend the AGM in person.

The Company complies with the Code as it relates to voting, the proposal of separate resolutions on each substantially separate issue and the attendance of Committee Chairmen at the AGM. Details of the voting on resolutions at the AGM are made available on the Company's website.

The Group is committed to reducing its impact on the environment and encourages shareholders to receive communications electronically to reduce paper usage.

Shareholders can also register for news alerts via email. Please visit the website [www.inchcape.com/investors](http://www.inchcape.com/investors) for more information.

It is important for investors to receive communications in the form most appropriate to their needs and they can change the way they receive shareholder communications at any time.



## AUDIT COMMITTEE REPORT



**JOHN LANGSTON,**  
CHAIRMAN

### AUDIT COMMITTEE MEMBERSHIP AND MEETINGS 2013

The Audit Committee is comprised of three independent Non-Executive Directors, John Langston, Alison Cooper and Simon Borrows. John was appointed as Chairman on 1 September 2013 and is a qualified chartered accountant. He is considered to have recent and relevant experience in accordance with the provisions of the Code.

The Committee held four meetings during 2013 and attendance is shown in the table on page 51.

Only members of the Committee are required to attend Committee meetings however, other individuals (such as the Chairman, Group Chief Executive, Group Finance Director, Group Audit Director and external auditors) are able to attend by invitation.

### KEY RESPONSIBILITIES

The Board has delegated certain responsibilities to the Audit Committee which are set out in its terms of reference.

These are reviewed on an annual basis and are available on the Company's website [www.inchcape.com/about\\_us/governance](http://www.inchcape.com/about_us/governance). The key responsibilities are as follows:

- Monitor the integrity of the financial statements and formal announcements
- Review and recommend to the Board for approval the annual and half yearly reports
- Review Group accounting policies
- Review significant financial reporting issues
- Review the financial and operational risks, policies and risk management
- Monitor the effectiveness of internal controls and risk management
- Monitor and review the effectiveness of the internal audit function
- Monitor the effectiveness and independence of the external auditors
- Approval of the policy on non-audit services
- Review representation letter requested by external auditors
- Recommend the re-appointment of the external auditors
- Recommend, for approval, the remuneration of external auditors
- Whistleblowing

### ACTIVITIES DURING THE YEAR

During the year the Committee focused on the following matters:

- Review of the interim and year end financial statements for the Group
- Review of the consistency and appropriateness of the accounting policies
- Review of the methods used to account for significant transactions, completeness of disclosures and material areas in which significant judgements had been applied
- Review of the effectiveness of internal controls, risk assessment process, the assurance process and changes to significant risks
- Approval of the Internal Audit Plan and review of its effectiveness
- Review of the accounting controls and IT control environment for new systems
- Approval of the terms of engagement, strategy, scope and effectiveness of the external auditors
- Review whistleblowing arrangements and procedures in place during the year
- Review tax and litigation updates

### SIGNIFICANT ISSUES

As part of the reporting and review process, the Committee has discussed the significant issues considered in relation to the financial statements and how those issues were addressed.

During the year the Committee considered the following key risks, accounting issues and judgements:

Significant issue	Action taken
<b>Impairment of goodwill</b>	Management prepared a detailed impairment review paper on the goodwill in the Group. The Committee challenged the methodology, assumptions and sensitivity analysis used by management. The Committee also considered the independent review by the external auditors.  The Committee concluded that the goodwill carrying amounts shown in note 11 on page 112 of the financial statements were appropriate and it approved the disclosures.
<b>IT controls framework</b>	The Group is committed to maintaining a Group wide internal controls framework to ensure that appropriate controls are designed across key business processes to reduce financial reporting risks. Regular updates were given to the Committee on the progress of our global systems roll out.  The Committee, having challenged the plans, progress and risk management of the project concluded that it was satisfied with the appropriateness of the controls currently in operation across the Group.
<b>Going Concern</b>	Management prepared a detailed paper on going concern using the strategic plan forecasts that had been approved by the Board including the committed and uncommitted facilities available, and then conducted sensitivity analysis.  The Committee challenged the assumptions used and also considered the review conducted by the external auditors. The Committee concluded that the Board is able to make the Going Concern statement on page 74 of the Directors' Report.

### FINANCIAL AND BUSINESS REPORTING

The Committee is responsible for monitoring the integrity of the financial statements including the Group's annual and half yearly results and ensuring they are fair, balanced and understandable.

The external auditors also provide an auditors' report to the members providing an independent opinion on the truth and fairness of the Group's financial statements. This report can be found on page 139. An external auditors' review report of the Group is also included in the half yearly results announcement.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Group has well established risk management and internal control processes. These are regularly subject to audit and the results are reported to the Audit Committee and the Board for their review. iPOM is the Group wide risk management programme, which has the objective to drive risk management and risk aware behaviours across the Group.

Day to day management of risk is delegated to the iPOM Committee, which consists of the Group Chief Executive, the Group Finance Director, the Group HR Director, the Group General Counsel, the Group Audit Director and the Group Head of Corporate Assurance. The Committee meets six times a year to manage oversight of systemic and dynamic risk at Group level and throughout the markets.

It has a broad remit which ensures that:

- the correct management focus is on key risks and actions to mitigate or respond to identified and emerging risks
- a compliance programme is in place in all markets and head offices which meets or exceeds external benchmarks and is appropriate in terms of the legal requirements, content, sector, cost and resource requirement
- appropriate defences are in place to mitigate exposure to, or effect a response to, any risk that may crystallise

Further information on the risk management process can be found in the Accountability section of the Corporate Governance Report on page 53.

### INTERNAL AUDIT

The Committee reviewed and agreed the Internal Audit Plan. This included the proposed audit approach, allocation of resources and the number of audits to be undertaken.

The Group Audit Director reported regularly on the audits carried out, which covered a range of operational, financial and IT processes and progress was reviewed against the Plan.

The Group Audit Director and his team met with the Committee without the presence of management.

### EXTERNAL AUDIT

The Audit Committee has recommended to the Board that a resolution be put to shareholders at the Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the Company for a further year subject to their continued satisfactory performance. The Committee reviewed the effectiveness, independence and objectivity of the external auditors and no matters of concern were raised during 2013.

The Committee keeps under review the ongoing legislative proposals on audit tendering and rotation from the EU and the Competition Commission, and will implement them when they become final. These proposals have in effect superseded the FRC's comply-or-explain approach that underpins the Code which would otherwise have applied to the Company for the first time this year. The FRC plans to withdraw this tendering provision during 2014.

PricewaterhouseCoopers LLP has been the Company's auditor for more than 20 years and the transitional rules that the EU has proposed are expected to require an initial change of audit firms no later than 2020. The Committee will continue to consider annually whether to conduct an audit tender for audit quality or independence reasons.

The external auditors attend all Committee meetings and the Committee also meets with the external auditors without management present.

### EFFECTIVENESS AND INDEPENDENCE OF EXTERNAL AUDITORS

The Committee reviewed the effectiveness of the external audit process during the year by:

- Reviewing the experience and expertise of the auditors
- Reviewing the completion and variations, if any, of the audit plan
- Reviewing the thoroughness and insight of the external auditors in the treatment of principal accounting judgements
- Reviewing the content of the Report to the Audit Committee

The Committee received a formal statement of independence from the external auditors when the external auditors presented their Report to the Audit Committee for the interim review and year end audit. The reports identified their assessment of key issues arising from their work and highlighted the principal accounting judgements underlying the Group's results to assist the Audit Committee in carrying out its own review of the interim and year end financial information.

To safeguard the auditors' independence the external auditors must:

- not undertake certain non-audit services
- request authority from the Audit Committee Chairman for non-audit services above a specific fee level

The Committee reviewed its policy of services provided by the external auditors for non-audit services. The policy is in place to ensure that the external auditors' objectivity and independence are not compromised by earning a disproportionate level of fees for non-audit services or by performing work which, by its nature, may compromise the external auditors' independence.

The level and nature of non-audit fees are reviewed at year end and at the half year to ensure that the policy is being adhered to. The current policy is to maintain a 1:0.5 fee ratio except where expressly approved by the Audit Committee Chairman. Non-audit fees relate mainly to tax advisory services.

The Audit Committee is responsible for authorising the provision of any non-audit services provided by the external auditor before they may commence and a breakdown of fees paid can be found on page 100 in note 3d.

## 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 for Board approval
- Succession planning for Executive Directors and Senior Management
- Review the size and structure of the Board

The terms of reference for the Nominations Committee can be found on the website [www.inchcape.com/about\\_us/governance](http://www.inchcape.com/about_us/governance)

Only members of the Committee are required to attend Committee meetings however, other individuals (such as the Group HR Director and external consultants) are able to attend by invitation. Membership and meetings held during 2013 are shown in the table on page 51.

### ACTIVITIES DURING THE YEAR

Composition of the Board and its Committees – Will Samuel retired from the Board in May 2013. After a review of the skills and competencies of the Board, it was agreed that a Director with financial experience would benefit and strengthen the Board.

A skills profile was prepared and an external search consultant, The Inzito Partnership, appointed to assist in the recruitment process. John Langston was identified as a suitable candidate and his appointment was recommended to the Board for approval. The Inzito Partnership does not provide any other services nor does it have any other connection with the Company.

It was also agreed that Simon Borrows would be appointed the Senior Independent Director and step down from his role as Audit Committee Chair whilst remaining a Committee member. John Langston was appointed as the Audit Committee Chairman with effect from 1 September 2013.

Other changes during the year include the appointment of Till Vestring as a member of the Nominations Committee.

**Independence** – The Committee reviewed the independence of the Non-Executive Directors and agreed to recommend to the Board that it should determine that they remain independent in accordance with the UK Corporate Governance Code.

**Length of service** – The Committee reviewed the time served by the Non-Executive Directors and confirmed that it was comfortable with the continued service of the Non-Executive Directors.

Simon Borrows completed his initial three year term in 2013. The Committee evaluated his performance and agreed that he should be appointed for a further three year term subject to annual re-election by shareholders at the AGM.

**Time commitment** – The Committee reviewed the time commitment required by the Non-Executive Directors and confirmed that it was satisfied that all Directors had met or exceeded the time commitment required.

**Election/Re-election of Directors** – In accordance with the UK Corporate Governance Code, the Committee recommended to the Board that all Directors stand for election or re-election at the Annual General Meeting.

**Policy on Board appointments** – The Committee reviewed its policy on multiple board appointments and confirmed that the Directors had complied with the policy during the year.

**Diversity policy** – the Committee recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in delivering the Group's strategy and objectives.

The Company believes that a truly diverse Board will include and make good use of differences in skills, regional and industry experience as well as background, race and gender. These differences will be considered in determining optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective.

**Succession planning** – The Committee's terms of reference state that it is responsible for giving full consideration to succession planning for the Directors and members of the Group Executive Committee, taking into account the challenges and opportunities facing the Company. During 2013, succession planning was discussed as part of the two day Group strategy review by the Board.

# DIRECTORS' REPORT ON REMUNERATION



## REMUNERATION COMMITTEE FOCUS DURING THE YEAR:

- There were no major changes to the Group's remuneration policy during the year
- Continued strong performance of the business: adjusted earnings per share rose by 11.3% and profit before tax is 7.4% above 2012
- Remuneration focus continues to be on revenue and operating profit in the short term and EPS and ROCE in the medium to long term

## DEAR SHAREHOLDER

I am pleased to introduce the Directors' Report on Remuneration for the year ended 31 December 2013, which has been prepared by the Remuneration Committee and approved by the Board. The Group delivered a strong performance in 2013. Sales increased by 7.2%, profit before tax and exceptional items was up 11.2% to a record for the business of £274.6m. Adjusted earnings per share rose by 11.3%.

In August 2013, the UK Government Department of Business, Innovation & Skills (BIS) published regulations setting out what companies must disclose in the Directors' Report on Remuneration with the overall aim of improving transparency, empowering shareholders and promoting best practice. This Report is divided into two sections. The first is the Directors' Remuneration Policy, which details the Group's remuneration policies and links to strategy as well as projected pay outcomes under various performance scenarios. The second section is the Annual Report on Remuneration, which focuses on the implementation of the remuneration policy in 2013 including the total actual remuneration paid to each Director and details of performance against targets, and how we intend to implement our remuneration policy in 2014.

The Report complies with Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and other relevant requirements of the FCA Listing Rules. The Committee believes that the Company has complied with the provisions regarding remuneration matters contained within the UK Corporate Governance Code. In particular, 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.

Following the year end, the Committee has started a consultation with its larger shareholders on some proposed minor changes to the EPS targets for long term incentive awards to be made in 2014. The outcome of this consultation will be reported in the 2014 Directors' Report on Remuneration.

We will be putting the Directors' Remuneration Policy to a binding shareholder vote and the Annual Report on Remuneration to an advisory vote at the Annual General Meeting (AGM) on 16 May 2014, asking our shareholders to approve these reports.

A handwritten signature in black ink, appearing to read 'Nigel Northridge'.

**NIGEL NORTHRIDGE,**  
CHAIRMAN OF THE REMUNERATION COMMITTEE

## PART 1 – DIRECTORS' REMUNERATION POLICY

This section of the Report sets out the policy which shareholders are asked to approve at the 2014 AGM. The Committee intends that this policy will formally come into effect from 16 May 2014.

Our remuneration policy 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.

### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
<b>Base salary</b>	To pay competitive salary to attract, retain and motivate talent	Salaries are reviewed annually and any increases typically take effect from 1 April of each year  Adjustments to salary will take account of: <ul style="list-style-type: none"> <li>• increases awarded across the Group as a whole, and conditions elsewhere in the Group</li> <li>• experience and performance of the individual</li> <li>• pay levels at organisations of a similar size, complexity and type</li> <li>• changes in responsibilities or scope of the role</li> </ul>	Increases are not expected to exceed average increases for senior management, unless a change in scope or complexity of role applies
<b>Annual bonus</b>	To motivate outstanding performance; specifically, to reward sustainable growth in profits, i.e. growth that comes from the top line as well as from improving margins, and to maintain exceptional levels of customer service	Based at least 70% on annual financial performance. Measures may include (but are not limited to) revenue and operating profit  Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the co-investment plan  The bonus is reduced if Net Promoter Score (NPS) falls below target levels of performance  The Committee retains discretion to adjust the bonus outcome up or down to ensure it is a fair reflection of the Group's underlying performance	150% of salary maximum payable for achieving stretch performance against all measures  60% of salary payable for target performance  12% of salary payable for entry level performance

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
<b>Performance share plan (PSP)</b>	<p>To provide a meaningful reward to senior executives linked to the long term success of the business</p> <p>The mix of 'normal' and 'enhanced' performance shares enables the delivery of median pay for median performance; upper quartile pay for upper quartile performance; and upper decile pay for upper decile performance</p> <p>To strengthen alignment with shareholders by defining award sizes as a number of shares</p>	<p>Annual awards of 'normal' performance shares, vesting based on three year EPS growth and three year average ROCE performance</p> <p>The performance measures may vary year on year to reflect strategic priorities, subject to a minimum of 50% to be based on EPS growth, but allowing for the potential introduction of a third measure to facilitate continued alignment with the Company's strategy</p> <p>Annual awards of 'enhanced' performance shares, vesting on stretch EPS targets, over and above those attached to 'normal' performance shares</p> <p>Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest</p> <p>The Committee has discretion to reduce or prevent vesting in the event of a material restatement of the Group financial statements or gross misconduct</p> <p>The Committee also has discretion to adjust the performance conditions in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions</p>	<p>Award levels are expressed as a number of shares, subject to an individual limit of 300% of salary in normal circumstances</p> <p>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</p> <p>Threshold level performance will result in 25% vesting of the 'normal' shares and no vesting of the 'enhanced' shares</p> <p>The Committee has discretion to make higher awards in exceptional circumstances. Any such additional award would be capped at 150% of salary</p>
<b>Co-investment plan (CIP)</b>	<p>To encourage executive share ownership and reinforce long term success</p>	<p>A voluntary share investment opportunity in return for a performance based match</p> <p>Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit</p> <p>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</p> <p>Vesting of matching awards based on three year EPS growth and three year average ROCE performance</p>	<p>Executive Directors may invest up to an overall normal maximum of 50% of post-tax salary</p> <p>Maximum match of 2:1, threshold of 0.5:1</p> <p>Maximum normal matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary</p> <p>In exceptional circumstances the Committee may increase the investment opportunity up to 100% of post-tax salary</p>



Element	Objective and link to strategy	Operation and performance metrics	Opportunity
<b>Co-investment plan (CIP) continued</b>		<p>The performance measures may vary year on year to reflect strategic priorities, subject to a minimum of 50% to be based on EPS growth, but allowing for the potential introduction of a third measure to facilitate continued alignment with the Company's strategy</p> <p>Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest</p> <p>The Committee has discretion to adjust the performance conditions in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions</p>	
<b>Save as you earn (SAYE)</b>	To encourage share ownership	<p>UK employees are able to make monthly savings, over a three year period. At the end of the savings period the funds are used to purchase shares under option</p> <p>As this is an all-employee scheme and Executive Directors participate on the same terms as other employees, the acquisition of shares is not subject to the satisfaction of a performance target</p>	Participation limits are those set by the UK tax authorities from time to time
<b>Pension</b>	To provide market competitive pension benefits where it is cost effective and tax efficient to do so	<p>The Group's pension scheme, Cash+, is a career average cash retirement scheme which accrues 16% of earnings (capped at £300,000 p.a.) paid as a lump sum at the age of 65</p> <p>Members are required to contribute 7% of pensionable salary</p> <p>Executive Directors may also receive a salary supplement in lieu of pension contributions</p> <p>Salary is the only element of remuneration which is pensionable</p>	<p>Eligibility to join the Cash+ scheme at a minimum level to meet regulatory requirements</p> <p>Cash supplement up to 40% of base salary</p>
<b>Other benefits</b>	To provide market competitive benefits where it is cost effective and tax efficient to do so	<p>Benefits currently include (but are not limited to):</p> <ul style="list-style-type: none"> <li>• company cars</li> <li>• medical care</li> <li>• life assurance premiums</li> </ul> <p>All benefits are non-pensionable</p>	<p>None of the existing Executive Directors received total taxable benefits exceeding 5% of salary over the last two financial years, and it is not anticipated that the cost of benefits provided will materially exceed this level over the next three years</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation)</p>

To encourage share ownership and ensure alignment of executive interests with those of shareholders, 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.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### NOTES TO THE POLICY TABLE

#### PAYMENTS FROM EXISTING AWARDS

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the remuneration policy detailed in this report. Such awards include vested but unexercised options, as detailed on page 72.

#### SELECTION OF PERFORMANCE MEASURES & TARGET SETTING

The annual bonus measures have been selected to incentivise sustainable growth in profits. The matrix structure is intended to provide a balanced focus between commercial and cash initiatives. NPS is selected to reinforce the Group's Customer 1st strategy and maintain exceptional levels of customer service.

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 supports the Group's cash initiatives of controlling working capital and capital expenditure, and when combined with EPS, provides a balance between growth and returns.

Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are 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 the performance targets set are very stretching, and that the maximum will only be available for truly outstanding performance.

#### CHANGES TO POLICY IN THE CURRENT YEAR

The remuneration policy outlined above for which we are now seeking shareholder approval has been operated by the Company since the beginning of 2011. The policy was subject

to an extensive shareholder consultation prior to its implementation and has received strong support from our shareholders as reflected in the votes in favour of our Directors' Remuneration Reports at the 2011, 2012 and 2013 AGMs. The Committee will of course continue to keep the appropriateness of our remuneration policy under review.

#### REMUNERATION POLICY FOR OTHER EMPLOYEES

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys are used, where appropriate, to establish market rates.

Senior managers participate in an annual bonus scheme which has similar performance targets to those of the Executive Directors. Below this level, local incentive schemes are in place for management and non-management employees. Opportunities and performance conditions vary by organisational level with business unit specific metrics incorporated where appropriate. Commission based arrangements are also operated for certain roles.

Senior managers (c.300 individuals) also receive normal PSP awards, while enhanced PSP awards and participation in the CIP are limited to Executive Directors, Executive Committee members and the next level of executives (c.30 individuals). Performance conditions are consistent for all participants, while award sizes vary by organisational level. Share ownership guidelines apply to Executive Directors.

All UK employees are eligible to participate in the SAYE scheme on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations within the Group. Executive Directors participate in the same scheme as other senior executives.

### REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Objective and link to strategy	Operation and performance metrics	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the roles	<p>Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits, except for the Chairman who receives medical cover</p> <p>Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (excluding the Nominations Committee)</p> <p>The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors</p> <p>Non-Executive Directors may elect to receive up to 20% of the net fees per annum in the Company's shares</p>	<p>Appropriate adjustments may be made to fee levels, taking account of:</p> <ul style="list-style-type: none"> <li>• increases awarded across the Group as a whole, and conditions elsewhere in the Group</li> <li>• fee levels at organisations of a similar size, complexity and type</li> <li>• changes in complexity, responsibility or time commitment required for the role</li> </ul>

**CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP**

Prior to the annual salary review, the Committee receives an update from the Group HR Director on the average salary increases across the Group. This is considered by the Committee when determining salary increases for the Executive Directors and the Executive Committee. The Company has a diverse international spread of business as well as a wide variety of roles from petrol pump attendants and valeters through to Managing Directors of our individual businesses and therefore pay levels and structures vary to reflect local market conditions. Although the Company has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

**CONSIDERATION OF SHAREHOLDER VIEWS**

When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. In light of the extensive consultation exercise prior to the introduction of our current remuneration policy in 2011, the high level of support for the 2012 Directors' Report on Remuneration and the fact that no changes to remuneration policy are being proposed for 2014, the Committee did not carry out a formal shareholder consultation exercise in 2013.

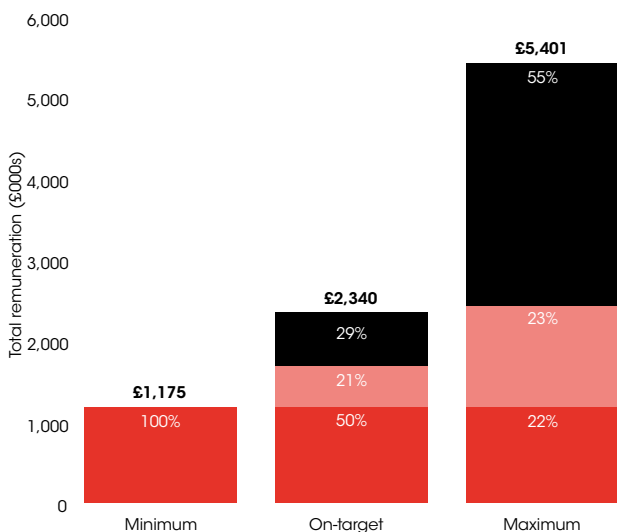
However, the Committee Chairman had ad hoc discussions with shareholders regarding remuneration during the year and the Committee is always open to feedback from shareholders on remuneration policy and arrangements.

Following the year end, the Committee has started a consultation with its larger shareholders on some proposed minor changes to the EPS targets for long term incentive awards to be made in 2014. The outcome of the consultation will be reported in the 2014 Directors' Report on Remuneration. We commit to undergoing shareholder consultation in advance of any changes to remuneration policy. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate. The votes received on the 2012 Directors' Report on Remuneration are provided on page 71.

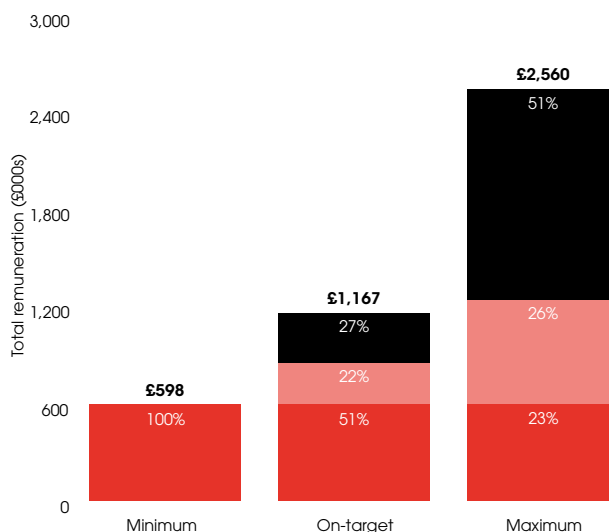
**PERFORMANCE SCENARIOS**

The charts below show the remuneration that Executive Directors could be expected to obtain based on varying performance scenarios. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting period of awards.

**GROUP CHIEF EXECUTIVE**



**GROUP FINANCE DIRECTOR**



**Key:** ● Salary pension and benefits ● Annual bonus ● Long-term incentives (CIP and PSP)

Potential reward opportunities illustrated above are based on the policy which will apply in the forthcoming financial year, applied to the base salary effective 1 April 2014. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2014. For the CIP, the award opportunities assume full voluntary investment in Inchcape shares. PSP values are based on the proposed number of shares to be awarded in 2014 and the average share price from 1 October 2013 to 31 December 2013 of 608.8p. Note that the projected values exclude the impact of any share price movements and dividend accrual.

The 'Minimum' scenario shows base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages which are not at risk.

The 'On-Target' scenario reflects fixed remuneration as above, plus a target payout of 40% of the annual bonus, threshold match of 0.5:1 under the CIP, and threshold vesting of 25% and 0% of the 'normal' and 'enhanced' shares, respectively, under the PSP.

The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### APPROACH TO RECRUITMENT REMUNERATION

#### EXTERNAL APPOINTMENTS

In the cases of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value	
<b>Base salary</b>	The base salaries of new appointees will be determined by reference to the scope of the role, experience of the individual, pay levels at organisations of a similar size, complexity and type, pay and conditions elsewhere in the Group, implications for total remuneration, internal relativities and the candidate's current base salary	n/a	
<b>Pension</b>	New appointees will be eligible to participate in the Group pension plan (or receive a cash supplement in lieu) on similar terms to existing Executive Directors		
<b>Benefits</b>	New appointees will be eligible to receive normal benefits available to senior managers, including (but not limited to) company cars, medical care and life assurance		
<b>Annual bonus</b>	The annual bonus described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year	150% of salary	
<b>PSP</b>	New appointees will be granted awards under the CIP and PSP on the same terms as other Executive Directors, as described in the policy table	300% of salary in normal circumstances, or higher in exceptional circumstances	The combined maximum is not intended to exceed 400% of salary in normal circumstances
<b>CIP</b>	New appointees will be required to be eligible for a bonus before they can participate in the CIP	100% of salary in normal circumstances, or 200% of salary in exceptional circumstances	
<b>Other</b>	Any buy out of incentives forfeited on leaving previous employer will be structured on a comparable basis, taking into account any performance conditions attached, time to vesting and share price at the time of buy out  The Committee retains discretion to make use of the relevant listing rule to facilitate such a buy out	n/a	

In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of the Group and its shareholders.

#### INTERNAL APPOINTMENTS

In cases of internal promotions to the Board, the Committee will determine remuneration in line with the policy for external appointees as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Incentive opportunities for below Board employees are typically no higher than for Executive Directors, but measures may vary to provide better line-of-sight.

#### NON-EXECUTIVE DIRECTORS

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on page 62. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as Chairman of the Audit, Remuneration and CR Committees as appropriate.

## EXIT PAYMENT POLICY, SERVICE CONTRACTS AND CHANGE OF CONTROL

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. In addition, the Committee retains discretion to settle any other amount reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

The table below summarises how the awards under the annual bonus, PSP and CIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Circumstance	Treatment of bonus/awards	Payment/Vesting date
<b>Annual bonus</b>		
Resignation	Bonus will lapse unless the leave date is after year end. Bonus will only be paid to the extent the targets set at the beginning of the year have been achieved	Either the end of the performance period or at the Committee's discretion
Death, ill-health, redundancy, retirement, or any other reason which the Committee may, in its absolute discretion, permit	Bonuses will only be paid to the extent that targets set at the beginning of the year have been achieved	Either the end of the performance period or at the Committee's discretion
Change of control	Resulting bonus will be pro-rated for time served during year	
<b>PSP and CIP</b>		
Resignation	Unvested awards lapse on date of resignation. Vested awards can be exercised	Either the end of the performance period or at the Committee's discretion
Death, ill-health, redundancy, retirement (CIP only), or any other reason which the Committee may, in its absolute discretion, permit	Any unvested awards will be pro-rated for time and performance	Either the end of the performance period or at the Committee's discretion
Change of control		

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.

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 Company may terminate the Executive Directors' contract by paying a sum equal to his base salary and, in certain circumstances, benefits including pension and life assurance, car and entitlement to holiday pay for the 12 month period. Executive Director service contracts are available to view at the Company's registered office.

## PART 2 – ANNUAL REPORT ON REMUNERATION

The following section provides details of how the Company's remuneration policy was implemented during the financial year ended 31 December 2013 and how it will be implemented in the financial year ending 31 December 2014.

### KEY RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

- 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/about\\_us/governance](http://www.inchcape.com/about_us/governance)

The Committee Chairman is Nigel Northridge. The members are Till Vestring and Ken Hanna. 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. No Director takes part in any decision affecting his own remuneration.

After the retirement of Will Samuel during the year, the Committee consisted of two independent Non-Executive Directors. Therefore the Committee did not comply with Code D.2.1 of the UK Corporate Governance Code which requires at least three independent Non-Executive Directors. The recruitment of a further Non-Executive Director is underway and an additional member will be appointed to the Remuneration Committee in due course.

### COMMITTEE ACTIVITIES DURING THE YEAR

Directors' Report on Remuneration – The Committee approved the 2012 Directors' Report on Remuneration and recommended to the Board that the Report be approved by shareholders at the AGM.

Bonus – The Committee reviewed and agreed the achievement of the performance targets for the 2012 bonus (payable in 2013). The Committee also discussed the performance targets for the 2013 bonus (payable in 2014) and agreed that these were both relevant and satisfactory in light of the Group's strategy. Details of the 2013 bonus paid to the Executive Directors can be found on page 67.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

Executive Remuneration – The Committee reviewed the proposals for Executive Directors and senior management, taking into account pay and conditions of employees across the Group. Details of the salaries paid to the Executive Directors can be found in the table below.

Chairman's fee – The Committee reviewed the Chairman's fee, which had not been increased since 2009. The Committee approved an increase to £300,000 per annum.

Share plans – The Committee agreed the vesting level of the 2010 Executive Share Option Plan, reviewed the performance targets of the 2011 and 2012 Performance Share Plan and

reviewed and approved the performance targets and grant level of the 2013 Performance Share Plan, the 2013 Co-investment Plan and the 2013 SAYE grant. Details of the awards made to Executive Directors can be found on page 70. The Committee also monitored headroom limits in accordance with ABL guidelines.

Remuneration update – The Committee received an annual update from its advisors, Kepler, on the current remuneration trends, industry best practice and external developments including the BIS proposals.

### SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the total actual remuneration received by each Executive Director for the year to 31 December 2013 and the prior year.

	André Lacroix (£000)		John McConnell (£000)	
	2013	2012	2013	2012
Base salary	<b>806</b>	790	<b>422</b>	408
Taxable benefits <sup>1</sup>	<b>18</b>	18	<b>6</b>	10
Pension <sup>2</sup>	<b>321</b>	311	<b>154</b>	168
Single-year variable <sup>3</sup>	<b>588</b>	815	<b>306</b>	420
Multiple-year variable <sup>4</sup>	<b>2,402</b>	446	<b>1,125</b>	254
Other <sup>5</sup>	<b>3</b>	-	<b>-</b>	-
<b>Total</b>	<b>4,138</b>	2,380	<b>2,013</b>	1,260

The figures have been calculated as follows:

1. Taxable benefits comprise car allowance and medical cover.
2. During the year, André Lacroix and John McConnell received cash supplements of 40% and 30% of base salary, respectively, in lieu of pension contribution.
3. Payment for performance during the year under the annual bonus, including amounts paid in shares. See following sections for further details.
4. The 2013 figure includes any CIP and PSP awards based on the value at vesting of shares vesting on performance over the three year period ending 31 December 2013. Shares valued based on the average share price from 1 October 2013 to 31 December 2013 of 608.8p. The 2012 figure has been restated to show the actual value of the long term incentives which vested in 2013 rather than the estimates given last year.
5. SAYE based on the embedded value at grant. The mid market price on the date of grant, 1 November 2013, was 635.5p. The exercise price for the 2013 SAYE is 476p.

### SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director (NED) for the year ended 31 December 2013 and the prior year.

	Base fee (£000)		Committee Chair fee (£000)		Total fees (£000)	
	2013	2012	2013	2012	2013	2012
Ken Hanna*	<b>293</b>	282	-	-	<b>293</b>	282
Will Samuel**	<b>29</b>	76	-	-	<b>29</b>	76
David Scotland**	-	23	-	-	-	23
Alison Cooper	<b>53</b>	50	-	-	<b>53</b>	50
John Langston**	<b>23</b>	-	<b>3</b>	-	<b>26</b>	-
Simon Borrows	<b>60</b>	50	<b>10</b>	10	<b>70</b>	60
Nigel Northridge	<b>53</b>	50	<b>10</b>	10	<b>63</b>	60
Vicky Bindra	<b>53</b>	47	<b>10</b>	10	<b>63</b>	57
Till Vestring	<b>53</b>	50	-	-	<b>53</b>	50
<b>Total</b>	<b>617</b>	628	<b>33</b>	30	<b>650</b>	658

With effect from 1 May 2013, the fee payable to the Chairman of the Board is £300,000 p.a. and the basic fee payable to each Non-Executive Director is £55,000 p.a. The fee payable for chairing the Audit, Remuneration and CR Committees is £10,000 p.a. The Senior Independent Director receives a fee of £76,000 p.a.

As the NED fees were reviewed and increased in 2013 there are no plans to review the fees in 2014.

\* Ken Hanna's fee includes medical cover.

\*\* David Scotland left the Group on 10 May 2012. Will Samuel left the Group on 16 May 2013 and John Langston was appointed on 1 August 2013.

**SINGLE TOTAL FIGURE OF REMUNERATION OF ALL DIRECTORS (AUDITED)**

	2013 £'000	2012 £'000
Single total figure	<b>6,801</b>	4,298

**BASE SALARY**

Salaries are reviewed annually and typically take effect from 1 April of each year.

During the year the quantum of executive total remuneration was reviewed against four comparator groups: retailers, distributors, companies of similar market cap and companies with similar revenues.

Salaries for 2014 were determined taking account of this benchmarking data, as well as the other factors detailed in the policy table.

The salaries for 2012, 2013 and 2014 are set out in the table below, together with the average increases across the Group.

Name	1 April 2012	1 April 2013	1 April 2014
André Lacroix	£794,254 (2% increase)	£810,140 (2% increase)	£826,343 (2% increase)
John McConnell	£409,734 (2% increase)	£426,123 (4% increase)	£434,645 (2% increase)
Average increase across the Group	3.2% increase	2.8% increase	2.9% increase

**PENSION**

During the year, André Lacroix and John McConnell received cash supplements of 40% and 30% of base salary, respectively, in lieu of pension contribution, and were eligible to join the Cash+ scheme. This arrangement remains unchanged for 2014.

**ANNUAL BONUS**

**ANNUAL BONUS IN RESPECT OF 2013 PERFORMANCE**

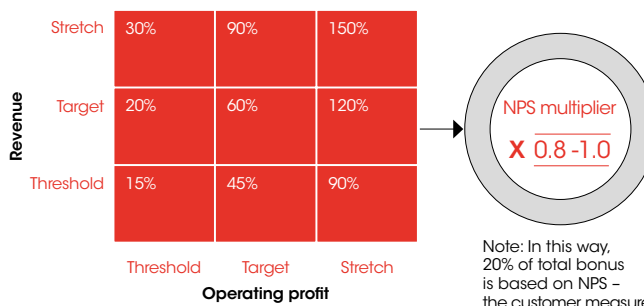
In 2013, as for 2012, the Executive Directors' annual bonuses were assessed against a financial performance matrix. This matrix was designed to reward stretching targets of revenue and operating profit, whilst maintaining exceptional levels of customer service.

During the year, the Group delivered sales of £6.5bn and operating profit before exceptional items of £286.9m, reflecting annual growth of 7.2% and 10.3% respectively.

The Committee reviewed performance against the targets and rules of the scheme and determined that revenue performance was between target and stretch, and operating profit was between target and stretch. The Group also achieved the NPS targets. Taking into account all relevant factors, the Committee determined that both the Group Chief Executive and the Group Finance Director receive a bonus of 72.6% of salary for 2013.

Given the close link between performance measures and longer term strategy, these targets remain commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. We anticipate this will be no longer than three years from the date of payment. The Committee will keep this policy under review.

The Group's performance in relation to the annual bonus matrix is shown below.



**ANNUAL BONUS FOR 2014**

The maximum annual bonus opportunity for Executive Directors in 2014 will remain unchanged from the opportunity in 2013, and will be 150% of salary.

Bonuses will be based on the same financial performance matrix, linked to revenue and operating profit, and customer service.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### PERFORMANCE SHARE PLAN AWARDS VESTING DURING THE YEAR

In 2011, the Executive Directors were granted awards under the PSP. Vesting was dependent on EPS and average ROCE over the three years to 31 December 2013. There was no retest provision. Further details, including vesting schedules and performance against targets, are provided in the table below.

	Performance measure	Wtg.	Performance targets	Vesting outcome (% of element)
'Normal' performance shares	EPS	75%	0% vesting below 7% p.a.; 25% vesting for 7% p.a.; 100% vesting for 15% p.a. or more; Straight line vesting between these points	71.5%
	ROCE	25%	0% vesting below 18%; 25% vesting for 18%; 100% vesting for 21% or more; Straight line vesting between these points	100%
<b>Total (sum product of weighting and vest %)</b>				<b>79%</b>
'Enhanced' performance shares	EPS	100%	0% vesting below 15% p.a.; 100% vesting for 20% p.a. or more; Straight line vesting between these points	0%

The awards will vest on 23 May 2014, subject to continued employment. As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2013 of 608.8p. The actual value at vesting will be given in the 2014 Directors' Report on Remuneration.

Executive Director	Interest held	Vesting %	Interest vesting	Date vesting	Assumed market price	Estimated value
André Lacroix	304,171	79%	240,295	23 May 2014	608.8p	£1,462,916
John McConnell	130,761		103,301			£628,896
André Lacroix	101,390	0%	0	23 May 2014	608.8p	£0
John McConnell	26,152		0			£0

### AWARDS MADE DURING THE YEAR

Awards of 'normal' and 'enhanced' awards were made to Executive Directors and other senior executives under the PSP in 2013, and details are provided in the table on page 70.

Awards in 2011 were based on a percentage of salary, but were fixed as a number of shares for 2012 and 2013. 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 the face value will rise if the share price rises.

Performance conditions for awards made in 2013 are as follows:

#### NORMAL AWARDS

Three year EPS growth p.a.	Vesting percentage
Less than 7%	0%
7%	25%
15%	100%
Between 7% and 15%	Straight line basis
Three year average ROCE	Vesting percentage
Less than 18%	0%
18%	25%
21%	100%
Between 18% and 21%	Straight line basis

#### ENHANCED AWARDS

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



## CO-INVESTMENT PLAN

### AWARDS VESTING DURING THE YEAR

In 2011, both Executive Directors made investments in the CIP and were therefore granted matching awards. Vesting was dependent on EPS and average ROCE over the three years to 31 December 2013. There was no retest provision. Further details, including vesting schedules and performance against targets, are provided in the table below.

Performance measure	Wtg.	Performance targets	Vesting outcome (% of element)
EPS	75%	No match below 7% p.a.; 0.5:1 match for 7% p.a.; 2:1 match for 15% p.a. or more; Straight line vesting between these points	1.44:1 match
ROCE	25%	No match below 18%; 0.5:1 match for 18%; 2:1 match for 21% or more; Straight line vesting between these points	2:1 match
<b>Total (sum product of weighting and vest %)</b>			<b>1.58:1 match</b>

The awards will vest on 2 June 2014, subject to continued employment. As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2013 of 608.8p. The actual value at vesting will be given in the 2014 Directors' Report on Remuneration.

Executive Director	Interest held	Vesting %	Interest vesting	Date vesting	Assumed market price	Estimated value
André Lacroix	195,322	79%	154,304	2 June 2014	608.8p	£939,403
John McConnell	103,238		81,558			£496,525

### AWARDS MADE DURING THE YEAR

During 2013, both Executive Directors made investments in the CIP. André Lacroix invested 12.3% of net salary (24% of gross salary) and received an award of 49% of salary. John McConnell invested 1.2% of net salary (2.6% of gross salary) and received an award of 4.9% of salary. Details of these awards are provided in the table on page 70.

For simplicity and alignment, the performance targets for the CIP awards are the same as the 'normal' PSP award made in 2013.

### LONG TERM INCENTIVES FOR 2014

The Committee is currently consulting with major shareholders on proposed changes to the EPS targets attached to the PSP and CIP awards for 2014, and at the same time a reduction in the total number of shares awarded for the PSP.

Subject to shareholder support for these proposals and shareholder approval of the Directors' Remuneration Policy, for 2014 the Group Chief Executive will receive 304,170 'normal' PSP awards and 50,695 'enhanced' PSP awards, and the Group Finance Director will receive 130,760 'normal' PSP awards and 13,075 'enhanced' PSP awards.

### EXECUTIVE SHARE OWNERSHIP (AUDITED)

As at 31 December 2013, the Directors held the following shares:

	Shares held	Nil cost awards		Options held		Guideline met*
		Subject to performance conditions	Subject to deferral	Subject to deferral	Vested but not yet exercised	
André Lacroix	560,487	1,609,620	n	1,890	1,205,337	y
John McConnell	211,735	698,257	n	3,703	50,072	y

\* The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary, which they both achieved as at 31 December 2013.

Details of the shares held by the Non-Executive Directors are given on page 71.

The number of shares held by each Director also includes any shares purchased under the CIP.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### AWARDS MADE DURING THE YEAR (AUDITED)

	Date of grant	Share price	Number of shares/options awarded	Face value of grant	Performance period	Exercise period
<b>André Lacroix</b>						
'Normal' PSP	11-Apr-13	513.5p	304,170	£1,561,913	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Apr 2017
'Enhanced' PSP	11-Apr-13	513.5p	101,390	£520,638	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Apr 2017
CIP	23-Apr-13	499.0p	80,453	£401,460	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Oct 2016
SAVE	01-Nov-13	476.0p	1,890	£8,996	n/a	Nov 2016 – Apr 2017
<b>John McConnell</b>						
'Normal' PSP	11-Apr-13	513.5p	130,760	£671,453	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Apr 2017
'Enhanced' PSP	11-Apr-13	513.5p	26,150	£134,280	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Apr 2017
CIP	23-Apr-13	499.0p	4,271	£21,312	1 Jan 2013 – 31 Dec 2015	Apr 2016 – Oct 2016

- Performance conditions for awards made under the PSP and CIP in 2011 and 2012 are the same as those for awards made in 2013, as detailed on page 68.
- PSP awards are based on a number of shares.
- At threshold 25% of the 'normal' PSP will vest, 0% of the 'enhanced' PSP will vest and 25% of the CIP will vest.
- The table shows the mid market price for shares on the date of grant for PSP and CIP.
- Details of all awards and options granted to Executive Directors can be found in the tables on pages 72 and 73.

### PERCENTAGE CHANGE IN GROUP CHIEF EXECUTIVE REMUNERATION

The table below shows the percentage change in Group Chief Executive remuneration from 2012 compared with the average percentage change in remuneration for all other employees.

For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and annual bonus only.

	Change in remuneration from 2012 to 2013	
	Group Chief Executive	Senior Management*
Salary	2.0%	2.7%
Taxable benefits	0.0%	2.0%
Single-year variable	-28.0%	-20.8%
<b>Total</b>	<b>-13.0%</b>	<b>-7.0%</b>

\* Employees representing the most senior executives (c.80) have been selected as this group is large enough to provide a robust comparison, whilst also providing data that is readily available on a matched sample basis. These employees also participate in bonus schemes of a similar nature to Executive Directors and therefore remuneration will be similarly influenced by Company performance.

### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy backs) from 2012 to 2013.

	2013 £m	2012 £m	% change
Distribution to shareholders	<b>125.5</b>	52.5	139.0%
Employee remuneration	<b>470.8</b>	443.5	6.2%

On 2 August 2013, the Company announced a share buy back of up to £100m within 12 months. As at 31 December 2013, £49.7m had been returned to shareholders.

The Directors are proposing a final dividend for 2013 of 11.7p per share (2012: 10.5p).

### ADVISORS TO THE COMMITTEE

The Remuneration Committee held a review of its advisors in 2010 and as a result of the review process appointed Kepler Associates (Kepler) as the Company's remuneration consultants. They have no other connection with the Company.

Kepler acted as the independent remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis of all elements of the remuneration policy and regular market and best practice updates.

Kepler is a signatory and adheres to the Code of Conduct for Remuneration Consultants (which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com)). Kepler reports directly to the Committee Chairman and provides no non-remuneration services to the Company and is therefore considered to be independent.

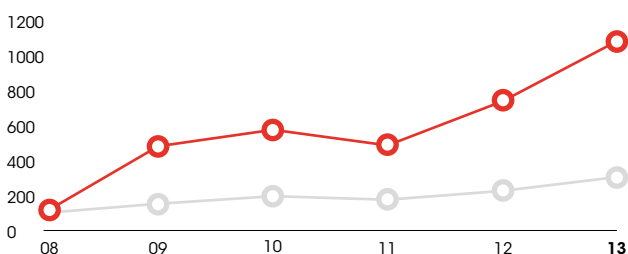
Kepler's fees are charged at an hourly rate in accordance with the terms & conditions set out in the Engagement Letter. They were paid fees of £68,150 for their services during the year, excluding expenses and VAT.

## PAY FOR PERFORMANCE

The graph below shows the Total Shareholder Return (TSR) of the Company over the five year period to 31 December 2013. The FTSE mid 250 excluding investment trusts has been chosen as the most suitable comparator group as it is the general market index in which the Company appears. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

### HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the 5 years to 31 December 2013



Key: ● Inchcape ● FTSE mid 250 excluding investment trust

	2009	2010	2011	2012	2013
CEO single figure of remuneration (£000)	1,984	1,984	2,556	2,380 <sup>1</sup>	<b>4,138</b>
Annual bonus outcome (% of maximum)	100%	100%	52%	68%	<b>48%</b>
LTI <sup>2</sup> vesting outcome (% of maximum)	0%	0%	100%	100%	<b>66%</b>

1. This excludes the one-off award of options granted to André Lacroix in 2009, which he subsequently elected to return to the Company. They would have been worth c.£1,182k on vesting during 2012

2. LTI includes CIP, 'normal' PSP, 'enhanced' PSP shares and options prior to 2013

## 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 Committee and the Company complies with the limits set by the Association of British Insurers.

Issued share capital as at 31 December 2013	463.8m
All schemes – 10% over 10 year rolling period	46.3m
Remaining headroom for all schemes	17.3m
Executive schemes – 5% over a 10 year rolling period	23.1m
Remaining headroom for executive schemes	1.5m

## SHAREHOLDER CONTEXT

The table below shows the advisory vote on the 2012 Directors' Report on Remuneration at the 2013 AGM. It is the policy of the Committee to consult with major shareholders prior to any major changes to the remuneration policy.

	Total number of votes	% of votes cast
For (including discretionary)	364,369,003	94.56%
Against	20,958,318	5.44%
Total votes cast (excluding withheld votes)	385,327,321	100%
Votes withheld*	299,899	<0.1%
<b>Total votes cast (including withheld votes)</b>	<b>385,627,220</b>	

\* Withheld votes are not included in the final proxy figures as they are not recognised as a vote in law.

## EXIT PAYMENT DURING THE YEAR

There were no exit payments made in 2013.

## PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors in 2013.

## OTHER DIRECTORSHIPS

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: Senior Independent Director for Reckitt Benckiser Group plc for which he receives a fee of £91,000 and as Non-Executive Chairman of Good Restaurants AG for which he does not receive a fee.

John McConnell is a Non-Executive Director of UBM plc for which he receives a fee of £70,000.

## 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 2013:

Name	31 December 2013	1 January 2013
Ken Hanna	70,000	70,000
André Lacroix	560,487	536,179
John McConnell	211,735	210,676
Vicky Bindra	504	0
Simon Borrows	1,000,000	1,000,000
Alison Cooper	2,726	2,500
Nigel Northridge	25,267	25,000
John Langston	267	0
Till Vestring	30,341	30,000

There have been no changes to the number of shares held by the Directors between 31 December 2013 and 10 March 2014.

## DIRECTORS' REPORT ON REMUNERATION CONTINUED

### PART 3 – ADDITIONAL INFORMATION [AUDITED]

#### PENSION ENTITLEMENTS

The Group closed the UK final salary pension plan to future accrual on 31 December 2012. Under the scheme the Group offered defined benefit pensions for Executive Directors and other senior executives at the normal retirement age of 65.

The maximum pension benefit was two-thirds of a pension specific ceiling of £137,400 in the 2012/13 tax year, subject to the completion of between 20 and 40 years' service. Members who joined after March 2005 contributed 7% of pensionable salary.

#### DIRECTORS' PENSION ENTITLEMENTS

JOHN MCCONNELL

	Increase in accrued DB pension during the year £'000	Increase in accrued DB pension during the year (net of inflation) £'000	Accumulated total of accrued DB pension at 31.12.12 £'000	Accumulated total of accrued DB pension as at 31.12.13 £'000	Accumulated lump sum £'000	Pension value in year £'000	Cash supplement £'000	Total £'000
Group pension	0.0	0.0	14.7	15.0	n/a	0.1	n/a	n/a
Cash+	n/a	n/a	n/a	n/a	48.0	27.0	127.0	154.0

John McConnell made a contribution to his pension of 7% of capped salary via salary sacrifice during the year. His normal retirement date is 16 March 2026.

#### DIRECTORS' SHARE OPTIONS

	Held at 31.12.13	Lapsed during year	Exercised during the year	Granted during the year	Held at 01.01.13	Exercise price(£)(c)	Exercise period
André Lacroix	205,468 (a)	-	-	-	205,468 (a)	6.034	Sept 2008 – Sept 2015
	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 (d)	-	4,390 (b)	2.05	Nov 2013 – Apr 2014
	1,890 (b)	-	-	1,890 (b)	-	4.76	Nov 2016 – Apr 2017
John McConnell	-	-	17,746 (d)	-	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
	-	-	222,772 (d)	-	222,772 (a)	2.00	May 2012 – May 2019
	-	-	46,875 (d)	-	46,875 (a)	3.20	Nov 2012 – Nov 2019
	-	-	125,806 (d)	-	125,806 (a)	3.10	Apr 2013 – Apr 2020
	3,703 (b)	-	-	-	3,703 (a)	2.43	Nov 2014 – Apr 2015

#### Notes on share options

(a) Under the Inchcape 1999 Share Option Plan.

- 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 10 years from grant.

(b) Under the Inchcape SAYE Share Option Scheme.

- 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.

- The table shows Executive Directors' options over ordinary shares of 10.0p at 1 January 2013 and 31 December 2013.
- The mid market price for shares at the close of business on 31 December 2013 was 614.5p. The price range during 2013 was 430.9p to 645.0p.

(d) The following options were exercised during the year:

- John McConnell exercised options over 17,746 ordinary shares on 13 March 2013. The mid market price for shares on the date of exercise was 521.0p. He sold all the shares upon exercise. A gain of £54,036.57 was made on the sale of the shares.
- John McConnell exercised options over 395,453 ordinary shares on 12 April 2013. The mid market price for shares on the date of exercise was 513.0p. He sold all the shares upon exercise. A gain of £1,038,951.36 was made on the sale of the shares.
- André Lacroix exercised options over 4,390 ordinary shares on 1 November 2013. The mid market price for shares on the date of exercise was 635.5p. He retained all the shares upon exercise.

## PERFORMANCE SHARE PLAN

	Share awards as at 31.12.13	Share awards lapsed during the year	Share awards exercised during the year	Share awards granted during the year	Share awards as at 01.01.13	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
	304,170 (a)	-	-	-	304,170 (a)	10-Apr-12	April 2015 - April 2016
	101,390 (a)	-	-	-	101,390 (b)	10-Apr-12	April 2015 - April 2016
	304,170 (a)	-	-	304,170 (a)	-	11-Apr-13	April 2016 - April 2017
	101,390 (b)	-	-	101,390 (b)	-	11-Apr-13	April 2016 - April 2017
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
	130,760 (a)	-	-	-	130,760 (a)	10-Apr-12	April 2015 - April 2016
	26,150 (b)	-	-	-	26,150 (b)	10-Apr-12	April 2015 - April 2016
	130,760 (a)	-	-	130,760 (a)	-	11-Apr-13	April 2016 - April 2017
	26,150 (b)	-	-	26,150 (b)	-	11-Apr-13	April 2016 - April 2017

### Notes on the Performance Share Plan

- Awards under the Inchoape 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.
- The share price on the date of grant in 2011 was 379.9p
- The share price on the date of grant in 2012 was 354.3p
- The share price on the date of grant in 2013 was 513.5p

(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 68.
- All awards were granted for nil consideration.
- The table shows Executive Directors' awards over ordinary shares of 10.0p at 1 January 2013 and 31 December 2013.
- The mid market price for shares at the close of business on 31 December 2013 was 614.5p. The price range during 2013 was 430.9p to 645.0p.

## CO-INVESTMENT PLAN

	Awarded ordinary shares 31.12.13	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded ordinary shares 01.01.13	Date of grant	Exercise period
André Lacroix	195,322	-	-	-	195,322	02-Jun-11	Jun 2014 - Dec 2014
	117,164	-	-	-	117,164	22-Jun-12	Jun 2015 - Dec 2015
	80,453	-	-	80,453	-	23-Apr-13	Apr 2016 - Oct 2016
John McConnell	103,238	-	-	-	103,238	02-Jun-11	Jun 2014 - Dec 2014
	120,015	-	-	-	120,015	22-Jun-12	Jun 2015 - Dec 2015
	4,271	-	-	4,271	-	23-Apr-13	Apr 2016 - Oct 2016

### Notes on Co-investment Plan

- 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 in 2011 was 389.7p
- The share price on the date of grant in 2012 was 340.3p
- The share price on the date of grant in 2013 was 499.0p
- Details of the performance targets are given on page 68.

# DIRECTORS' REPORT

## DIRECTORS

The Directors of the Company who were in office during the year were:

Vicky Bindra

Simon Borrows

Alison Cooper

Ken Hanna

André Lacroix

John Langston

John McConnell

Nigel Northridge

Will Samuel

Till Vestring

Each Director held office throughout the year except Will Samuel who retired on 16 May 2013 and John Langston who was appointed on 1 August 2013.

There have been no appointments between 1 January 2014 and 10 March 2014.

The biographical details for each Director are given on pages 44 and 45.

In accordance with the 2012 UK Corporate Governance Code all of the Directors will stand for election or re-election at the AGM on 16 May 2014.

## RESULTS AND DIVIDENDS

The Group's audited financial statements for the year ended 31 December 2013 are shown on pages 78 to 82. The Board recommends a final ordinary dividend of 11.7p per ordinary share.

If approved at the 2014 AGM, the final ordinary dividend will be paid on 24 June 2014 to shareholders registered in the books of the Company at the close of business on 30 May 2014. Together with the interim dividend of 5.7p per ordinary share paid on 12 September 2013, this makes a total ordinary dividend for the year of 17.4p per ordinary share (2012 – 14.5p).

## 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, judgment is given against the Director.

The indemnity has been in force for the financial year ended 31 December 2013.

## 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 Strategic Report on pages 1 to 43 and in the notes to the accounts on pages 90 to 137.

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 with 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 (IFRS) 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 IFRS, 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 IFRS 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 26 to 34 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.

The Board has reviewed the content of the Annual Report and Accounts and considers when taken as a whole that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### PRINCIPAL FINANCIAL RISK FACTORS

These risks are shown on page 37.

### EVENTS AFTER THE REPORTING PERIOD

In the year ended 31 December 2013, the Company purchased, for cancellation, 8,147,813 ordinary shares of 10.0p each at a cost of £49.7m. In the period from 1 January to 10 March 2014, the Company purchased, for cancellation, a further 4,078,000 ordinary shares of 10.0p each at a cost of £25.0m. The Company is committed to completing a £100m share buy back programme by 30 June 2014.

### EMPLOYEES

The Company is committed to a policy of treating all its colleagues and job applicants equally. 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.

### DIVERSITY

The breakdown showing the number of female and male employees who were (i) Directors of the Company (ii) senior managers and (iii) employees of the Company as at 31 December 2013 is given in the Corporate Responsibility Report on page 42.

### 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 2013.

Name	31 December 2013	1 January 2013
Ken Hanna	70,000	70,000
André Lacroix	560,487	536,179
John McConnell	211,735	210,676
Vicky Bindra	504	0
Simon Borrows	1,000,000	1,000,000
Alison Cooper	2,726	2,500
Nigel Northridge	25,267	25,000
John Langston	267	0
Till Vestring	30,341	30,000

There have been no changes to the number of shares held by Directors between 31 December 2013 and 10 March 2014.

### 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 2013, the Trust's shareholding totalled 1,777,567 ordinary shares. Between 1 January 2014 and 10 March 2014 the Trust transferred 17,703 ordinary shares to satisfy the exercise of awards under employee share plans.

### SIGNIFICANT SHAREHOLDERS

As at 10 March 2014, the Company had been notified of the following significant shareholders:

Shareholder	Percentage notified
Prudential plc	9.22%
Standard Life	8.00%
Mr George Horesh	7.99%
Capital Group of Companies Inc	6.01%
Schroders plc	5.07%
Legal & General	3.99%

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

### SHARE CAPITAL

As at 31 December 2013, the Company's issued share capital of £46,380,853.70 comprised 463,808,537 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, 16 May 2013, the Company was authorised to make market purchases of up to 46,578,249 ordinary shares (representing approximately 10.0% of its issued share capital).

On 2 August 2013, the Company announced a share buy back of up to £100m within 12 months. The Board recognised the opportunity to return cash to shareholders, thus ensuring capital discipline.

Pursuant to the authority granted at the 2013 AGM the Company purchased, for cancellation, 8,147,813 ordinary shares of 10.0p each (representing 1.76% of the Company's issued share capital as at 31 December 2013) at a cost of £49.7m. All purchases were made through the market.

#### **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 considers 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, other than remuneration, required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties' was outstanding at 31 December 2013, or was entered into during the year for any Director and/or connected person (2012 - none).

#### **GREENHOUSE GAS EMISSIONS**

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of greenhouse gas emissions is given in the Environment section of the Corporate Responsibility Report on pages 41 and 42.

#### **EMPLOYEE INVOLVEMENT**

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of employee involvement is given in the People section of the Corporate Responsibility Report on pages 42 and 43.

#### **CORPORATE GOVERNANCE STATEMENT**

The information required under DTR7 is given in the Corporate Governance Report on pages 48 to 57.

#### **FINANCIAL INSTRUMENTS**

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of financial instruments is given in note 23 to the financial statements on page 123 to 129.

#### **ANNUAL GENERAL MEETING**

The AGM will be held at 11.00 a.m. on Friday, 16 May 2014 at Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

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.

The Directors' Report and the Strategic Report were approved by the Board and have been signed by the Company Secretary on its behalf.



**TAMSIN WATERHOUSE,**  
GROUP COMPANY SECRETARY



## IN THIS SECTION

### FINANCIAL STATEMENTS

<b>78</b>	Consolidated income statement
<b>79</b>	Consolidated statement of comprehensive income
<b>80</b>	Consolidated statement of financial position
<b>81</b>	Consolidated statement of changes in equity
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# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Before exceptional items 2013 £m	Exceptional items (note 2) 2013 £m	Total 2013 £m	Before exceptional items (restated) <sup>1</sup> 2012 £m	Exceptional items (note 2) (restated) <sup>1</sup> 2012 £m	Total (restated) <sup>1</sup> 2012 £m
<b>Revenue</b>	1, 3	<b>6,524.9</b>	<b>-</b>	<b>6,524.9</b>	6,085.4	-	6,085.4
Cost of sales		<b>(5,598.2)</b>	<b>(0.5)</b>	<b>(5,598.7)</b>	(5,210.7)	(0.4)	(5,211.1)
<b>Gross profit</b>		<b>926.7</b>	<b>(0.5)</b>	<b>926.2</b>	874.7	(0.4)	874.3
Net operating expenses	3	<b>(639.8)</b>	<b>(8.0)</b>	<b>(647.8)</b>	(614.9)	1.1	(613.8)
<b>Operating profit</b>		<b>286.9</b>	<b>(8.5)</b>	<b>278.4</b>	259.8	0.7	260.5
Share of profit after tax of joint ventures and associates	13	-	-	-	0.2	-	0.2
<b>Profit before finance and tax</b>		<b>286.9</b>	<b>(8.5)</b>	<b>278.4</b>	260.0	0.7	260.7
Finance income	6	<b>15.4</b>	-	<b>15.4</b>	16.5	-	16.5
Finance costs	7	<b>(27.7)</b>	-	<b>(27.7)</b>	(29.5)	-	(29.5)
<b>Profit before tax</b>		<b>274.6</b>	<b>(8.5)</b>	<b>266.1</b>	247.0	0.7	247.7
Tax	8	<b>(65.9)</b>	<b>0.6</b>	<b>(65.3)</b>	(60.8)	0.5	(60.3)
<b>Profit for the year</b>		<b>208.7</b>	<b>(7.9)</b>	<b>200.8</b>	186.2	1.2	187.4
<b>Profit attributable to:</b>							
- Owners of the parent				<b>194.2</b>			181.5
- Non controlling interests				<b>6.6</b>			5.9
				<b>200.8</b>			187.4
Basic earnings per share (pence)	9			<b>41.8p</b>			39.4p
Diluted earnings per share (pence)	9			<b>41.1p</b>			38.7p

1. See note 34.

The notes on pages 90 to 137 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012 (restated) <sup>1</sup> £m
<b>Profit for the period</b>		<b>200.8</b>	187.4
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to the consolidated income statement</i>			
Defined benefit pension scheme remeasurements	5	<b>(33.9)</b>	49.7
Deferred tax recognised in statement of comprehensive income	16	<b>(3.6)</b>	8.7
		<b>(37.5)</b>	58.4
<i>Items that may be reclassified subsequently to the consolidated income statement</i>			
Cash flow hedges		<b>41.4</b>	(46.1)
Fair value gains on available for sale financial assets	14	-	0.1
Impairment losses on available for sale financial assets transferred to consolidated income statement		-	1.0
Recycled fair value gains on disposal of available for sale financial assets	25	<b>(1.6)</b>	-
Effect of foreign exchange rate changes		<b>(103.9)</b>	(12.3)
Deferred tax recognised in statement of comprehensive income	16	<b>(12.8)</b>	13.8
		<b>(76.9)</b>	(43.5)
Other comprehensive (loss) / income for the period, net of tax		<b>(114.4)</b>	14.9
<b>Total comprehensive income for the period</b>		<b>86.4</b>	202.3
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		<b>78.4</b>	199.8
- Non controlling interests		<b>8.0</b>	2.5
		<b>86.4</b>	202.3

1. See note 34.

The notes on pages 90 to 137 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 £m	As at 31 December 2012 (restated) <sup>1</sup> £m	As at 1 January 2012 (restated) <sup>1</sup> £m
<b>Non-current assets</b>				
Intangible assets	11	587.1	559.5	542.6
Property, plant and equipment	12	732.7	693.1	647.6
Investments in joint ventures and associates	13	14.0	13.8	29.5
Available for sale financial assets	14	1.4	4.0	5.6
Trade and other receivables	15	26.9	31.2	34.4
Deferred tax assets	16	24.6	40.4	43.0
Retirement benefit asset	5	125.4	122.4	56.6
		<b>1,512.1</b>	1,464.4	1,359.3
<b>Current assets</b>				
Inventories	17	1,042.7	928.9	905.5
Trade and other receivables	15	309.9	258.4	251.5
Available for sale financial assets	14	8.3	2.7	0.5
Derivative financial instruments	23	106.2	116.1	139.7
Current tax assets		2.2	3.0	2.2
Cash and cash equivalents	18	396.8	597.9	558.9
		<b>1,866.1</b>	1,907.0	1,858.3
Assets held for sale and disposal group	19	8.2	31.3	5.7
		<b>1,874.3</b>	1,938.3	1,864.0
<b>Total assets</b>		<b>3,386.4</b>	3,402.7	3,223.3
<b>Current liabilities</b>				
Trade and other payables	20	(1,278.8)	(1,150.7)	(1,140.6)
Derivative financial instruments	23	(36.9)	(62.6)	(7.4)
Current tax liabilities		(49.5)	(47.5)	(45.1)
Provisions	21	(37.0)	(41.9)	(36.8)
Borrowings	22	(65.7)	(113.5)	(101.9)
		<b>(1,467.9)</b>	(1,416.2)	(1,331.8)
<b>Non-current liabilities</b>				
Trade and other payables	20	(18.0)	(22.4)	(29.6)
Provisions	21	(31.8)	(43.0)	(54.1)
Derivative financial instruments	23	(4.5)	-	-
Deferred tax liabilities	16	(43.1)	(26.9)	(42.9)
Borrowings	22	(297.9)	(320.0)	(338.6)
Retirement benefit liability	5	(19.4)	(26.7)	(60.8)
		<b>(414.7)</b>	(439.0)	(526.0)
Liabilities directly associated with the disposal group	19	(4.6)	(19.1)	-
<b>Total liabilities</b>		<b>(1,887.2)</b>	(1,874.3)	(1,857.8)
<b>Net assets</b>		<b>1,499.2</b>	1,528.4	1,365.5
<b>Shareholders' equity</b>				
Share capital	24	46.5	46.9	46.4
Share premium		145.7	136.5	126.9
Capital redemption reserve		134.1	133.3	133.3
Other reserves	25	8.7	86.7	126.8
Retained earnings	26	1,135.0	1,099.2	903.7
<b>Equity attributable to owners of the parent</b>		<b>1,470.0</b>	1,502.6	1,337.1
Non controlling interests		29.2	25.8	28.4
<b>Total shareholders' equity</b>		<b>1,499.2</b>	1,528.4	1,365.5

1. See note 34.

The notes on pages 90 to 137 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 78 to 137 were approved by the Board of Directors on 10 March 2014 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 2013

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 25) £m	Retained earnings (note 26) £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2012		46.4	126.9	133.3	126.8	895.7	1,329.1	28.4	1,357.5
Adjustment for IAS 19 (revised)	34	-	-	-	-	8.0	8.0	-	8.0
At 1 January 2012 (restated) <sup>1</sup>		46.4	126.9	133.3	126.8	903.7	1,337.1	28.4	1,365.5
Profit for the year (restated) <sup>1</sup>		-	-	-	-	181.5	181.5	5.9	187.4
Other comprehensive income / (loss) for the year (restated) <sup>1</sup>		-	-	-	(40.1)	58.4	18.3	(3.4)	14.9
Total comprehensive income / (loss) for the year (restated) <sup>1</sup>		-	-	-	(40.1)	239.9	199.8	2.5	202.3
Share-based payments, net of tax	4,16	-	-	-	-	10.4	10.4	-	10.4
Net purchase of own shares by ESOP Trust		-	-	-	-	(2.3)	(2.3)	-	(2.3)
Issue of ordinary share capital	24	0.5	9.6	-	-	-	10.1	-	10.1
Dividends:									
- Owners of the parent	10	-	-	-	-	(52.5)	(52.5)	-	(52.5)
- Non controlling interests		-	-	-	-	-	-	(3.3)	(3.3)
Disposal of businesses		-	-	-	-	-	-	(1.8)	(1.8)
At 1 January 2013 (restated) <sup>1</sup>		<b>46.9</b>	<b>136.5</b>	<b>133.3</b>	<b>86.7</b>	<b>1,099.2</b>	<b>1,502.6</b>	<b>25.8</b>	<b>1,528.4</b>
Profit for the year		-	-	-	-	194.2	194.2	6.6	200.8
Other comprehensive (loss) / income for the year		-	-	-	(78.0)	(37.8)	(115.8)	1.4	(114.4)
Total comprehensive income / (loss) for the year		-	-	-	(78.0)	156.4	78.4	8.0	86.4
Share-based payments, net of tax	4,16	-	-	-	-	7.4	7.4	-	7.4
Share buy back programme	24	(0.8)	-	0.8	-	(50.0)	(50.0)	-	(50.0)
Net purchase of own shares by ESOP Trust		-	-	-	-	(2.5)	(2.5)	-	(2.5)
Issue of ordinary share capital	24	0.4	9.2	-	-	-	9.6	-	9.6
Dividends:									
- Owners of the parent	10	-	-	-	-	(75.5)	(75.5)	-	(75.5)
- Non controlling interests		-	-	-	-	-	-	(4.6)	(4.6)
<b>At 31 December 2013</b>		<b>46.5</b>	<b>145.7</b>	<b>134.1</b>	<b>8.7</b>	<b>1,135.0</b>	<b>1,470.0</b>	<b>29.2</b>	<b>1,499.2</b>

1. See note 34.

The notes on pages 90 to 137 are an integral part of these consolidated financial statements.

Share-based payments have been stated net of a tax charge of £1.6m (2012 - credit of £3.6m).

Cumulative goodwill of £108.1m (2012 - £108.1m) has been written off against the retained earnings reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012 (restated) <sup>1</sup> £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	27a	227.0	249.2
Tax paid		(48.7)	(47.2)
Interest received		10.9	14.7
Interest paid		(28.7)	(32.3)
<b>Net cash generated from operating activities</b>		<b>160.5</b>	<b>184.4</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses, net of cash and overdrafts acquired	28a	(74.1)	(15.8)
Net cash inflow from sale of businesses	28c	14.9	2.9
Purchase of property, plant and equipment		(96.5)	(83.8)
Purchase of intangible assets		(20.0)	(13.9)
Proceeds from disposal of property, plant and equipment		31.6	10.4
Net purchase of available for sale financial assets		(3.0)	(0.8)
<b>Net cash used in investing activities</b>		<b>(147.1)</b>	<b>(101.0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		9.6	10.1
Share buy back programme		(50.0)	-
Net purchase of own shares by ESOP Trust		(2.5)	(2.3)
Net cash inflow / (outflow) from borrowings		0.1	(3.5)
Payment of capital element of finance leases		(1.7)	(0.4)
Loans granted to joint ventures	13	-	(3.2)
Equity dividends paid	10	(75.5)	(52.5)
Dividends paid to non controlling interests		(4.6)	(3.3)
<b>Net cash used in financing activities</b>		<b>(124.6)</b>	<b>(55.1)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	27b	<b>(111.2)</b>	<b>28.3</b>
Cash and cash equivalents at the beginning of the year		484.9	461.3
Effect of foreign exchange rate changes		(41.5)	(4.7)
Cash and cash equivalents at the end of the year		<b>332.2</b>	<b>484.9</b>

	Notes	2013 £m	2012 £m
<b>Cash and cash equivalents consist of:</b>			
- Cash at bank and cash equivalents	18	290.3	324.4
- Short term deposits	18	106.5	273.5
- Bank overdrafts	22	(64.6)	(113.0)
		<b>332.2</b>	<b>484.9</b>

1. See changes in accounting policy and disclosures.

The notes on pages 90 to 137 are an integral part of these consolidated financial statements.

## 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 available for sale financial assets, and those financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss, which are measured at fair value.

### 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 financial statements.

### 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.

IAS 19 (revised), 'Employee benefits' has become effective and has been retrospectively applied by the Group for accounting periods starting 1 January 2013. The revised standard impacts the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets are replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

Under the previous accounting policy, the Group recognised actuarial gains and losses directly in other comprehensive income which is as required by the new standard.

The principal changes resulting from the adoption of IAS 19 (revised), 'Employee benefits' are set out in note 34.

The following new standards are effective for accounting periods beginning 1 January 2013 but have not had a material impact on the results or financial position of the Group:

- IAS 1, 'Amendment to IAS 1, Presentation of financial statements: Other comprehensive income'. The main change resulting from this amendment is a requirement for the Group to present items on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods.
- IFRS 7, 'Amendment to IFRS 7 Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'. The Group has included the new disclosures required by this amendment in note 23.
- IFRS 13, 'Fair value measurement'. The change in the accounting policy has been made in accordance with its transitional provisions.
- Annual improvements 2011.

The following standards were in issue but were not 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 2014:

- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IAS 32, 'Amendment to IAS 32 Financial Instruments: Presentation – Offsetting financial assets and financial liabilities'
- IAS 36, 'Amendment to IAS 36 Impairment of assets'
- IAS 39, 'Amendment to IAS 39 Financial instruments: Recognition and measurement'
- IFRS 9, 'Financial instruments' (not yet endorsed)
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 10, 11 and 12, 'Amendment to IFRS 10, 11 and 12, Transition guidance'.

The above standards are not expected to have a material impact on the Group's reported position or performance.

The following changes have been made to the consolidated statement of cash flows and related notes:

- The effect of foreign exchange rate changes on intra-group funding arrangements has been reclassified from settlement of derivatives to effect on foreign exchange rate changes in 2013, with the prior year comparative restated accordingly;
- Other non cash items include non cash pension charges / (credits).

## 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 are consolidated and the Group's share of results of its joint ventures and associates is equity accounted for 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 to / reductions from 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 presentation 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' in 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 receivable and residual value. This sits as deferred income in 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 are 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 or substantively 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.

## 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 five 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 on a straight line basis over their estimated useful life, which is generally less than a year.

## ACCOUNTING POLICIES CONTINUED

### 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 included within 'net operating expenses' in the consolidated income statement, with the exception of depreciation on 'interest in leased vehicles' which is charged to 'cost of sales'. It is provided on a straight line basis over the estimated useful life of the asset, except for freehold land which is not depreciated. 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 and adjusted if necessary.

### 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. Any impairment losses are included within 'net operating expenses' in the consolidated income statement.

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.

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

### 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 are included within inventories as the Group is considered to have the risks and rewards of ownership. The corresponding liability is 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.

An inventory provision is recognised in situations where net realisable value is likely to be less than cost (such as obsolescence, deterioration, fall in selling price). When calculating the provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability, determined on conditions that exist at the end of the reporting period. With the exception of parts, generally net realisable value adjustments are applied on an item-by-item basis.

### TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are recognised as current assets if collection is due in one year or less. If collection is due in over a year, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment 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 amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

### TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables include the liability for vehicles held on consignment, with the corresponding asset included within inventories.

## BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

## 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. Administrative scheme expenses associated with the plans are recorded within 'net operating expenses' when incurred, in line with IAS 19 (revised). Net interest income or interest cost relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Changes in the retirement benefit obligation or asset 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.

### PRODUCT WARRANTY PROVISION

A product warranty provision corresponds to self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends.

### VACANT LEASEHOLD PROVISION

A vacant leasehold provision is recognised when the Group is committed to certain leasehold premises for which it no longer has a commercial use. It is made to the extent of the estimated future net cost, including existing subtenant arrangements if any.

### LITIGATION PROVISION

A litigation provision is recognised when a litigation case is outstanding at the end of the reporting period and there is a likelihood that the legal claim will be settled.

## 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 in 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's operating segments are countries and the market channels, distribution and retail. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

## FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the following categories: loans and receivables; held at fair value through profit and loss; financial liabilities measured at 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 through profit and loss 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.

## ACCOUNTING POLICIES CONTINUED

### FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities measured at amortised cost include non-derivative financial liabilities which are held at original cost, less amortisation or provisions raised.

Available for sale financial assets 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 hold 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.

### 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).

### 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 within 'net operating expenses' 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.

### AVAILABLE FOR SALE FINANCIAL ASSETS

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. Cumulative gains and losses on investments held for operational reasons are included within 'net operating expenses'. Cumulative gains and losses on investments held for financing purposes are included within 'finance income' and 'finance costs' respectively.

## 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

The Directors have made a number of estimates and assumptions regarding the future, and made some significant judgements in applying the Group's accounting policies. These are discussed below:

### *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 impairment calculations require the use of estimates including projected future cash flows (see note 11).

### *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.

### *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 (see note 21).

### *PENSIONS AND OTHER POST-RETIREMENT BENEFITS*

The net retirement benefit asset or liability is calculated based on the actuarial assumptions 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 (see note 8). There are a number of transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. 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 (see note 16). In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

### *PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS*

Property, plant and equipment and intangible assets 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 (see notes 11 and 12).

### *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 (see note 30).

# NOTES TO THE FINANCIAL STATEMENTS

## 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 accordingly are in or are expected to return to the growth phase of their development cycle. These currently comprise China, the Balkans, the Baltics, Poland, South America and Africa.

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

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.

2013							Distribution	
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m	
<b>Revenue</b>								
Total revenue	898.5	644.3	566.1	369.3	41.3	420.5	2,940.0	
Inter-segment revenue	(223.7)	(144.5)	-	-	-	(31.8)	(400.0)	
Revenue from third parties	674.8	499.8	566.1	369.3	41.3	388.7	2,540.0	
<b>Results</b>								
Segment result	55.0	19.5	59.2	29.7	8.6	47.4	219.4	
Operating exceptional items	-	-	-	-	-	-	-	
Operating profit after exceptional items	55.0	19.5	59.2	29.7	8.6	47.4	219.4	
Share of profit after tax of joint ventures and associates	-	-	-	-	-	-	-	
Profit / (loss) before finance and tax	55.0	19.5	59.2	29.7	8.6	47.4	219.4	
Finance income								
Finance costs								
Profit before tax								
Tax								
Profit for the year								

The segment result in Russia and Emerging Markets includes a profit of £6.2m on a sale of a property.

2013	Retail							
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Revenue</b>								
Total revenue	691.1	129.7	2,183.0	981.1	3,984.9	6,924.9	-	6,924.9
Inter-segment revenue	-	-	-	-	-	(400.0)	-	(400.0)
Revenue from third parties	691.1	129.7	2,183.0	981.1	3,984.9	6,524.9	-	6,524.9
<b>Results</b>								
Segment result	23.9	-	54.7	7.8	86.4	305.8	(18.9)	286.9
Operating exceptional items	(5.7)	-	(1.1)	(1.0)	(7.8)	(7.8)	(0.7)	(8.5)
Operating profit after exceptional items	18.2	-	53.6	6.8	78.6	298.0	(19.6)	278.4
Share of profit after tax of joint ventures and associates	-	-	-	-	-	-	-	-
Profit / (loss) before finance and tax	18.2	-	53.6	6.8	78.6	298.0	(19.6)	278.4
Finance income								15.4
Finance costs								(27.7)
Profit before tax								266.1
Tax								(65.3)
Profit for the year								200.8

Central costs include a past service credit of £9.8m (net of costs).

Net finance costs of £12.3m are not allocated to individual segments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**1 SEGMENTAL ANALYSIS CONTINUED**

2013							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
<b>Segment assets and liabilities</b>							
Segment assets	<b>78.6</b>	<b>126.4</b>	<b>107.6</b>	<b>69.5</b>	<b>37.3</b>	<b>140.8</b>	<b>560.2</b>
Other current assets							
Non-current assets							
Segment liabilities	<b>(172.4)</b>	<b>(130.6)</b>	<b>(80.5)</b>	<b>(51.3)</b>	<b>(57.6)</b>	<b>(114.2)</b>	<b>(606.6)</b>
Other liabilities							
<b>Net assets</b>							

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

2013							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
<b>Other segment items</b>							
Capital expenditure:							
- Property, plant and equipment	<b>3.5</b>	<b>0.4</b>	<b>5.6</b>	<b>4.4</b>	<b>0.2</b>	<b>27.1</b>	<b>41.2</b>
- Interest in leased vehicles	<b>-</b>	<b>0.1</b>	<b>6.2</b>	<b>-</b>	<b>7.4</b>	<b>11.4</b>	<b>25.1</b>
- Intangible assets	<b>0.6</b>	<b>0.8</b>	<b>1.4</b>	<b>1.6</b>	<b>0.1</b>	<b>0.4</b>	<b>4.9</b>
Depreciation:							
- Property, plant and equipment	<b>3.5</b>	<b>0.8</b>	<b>2.5</b>	<b>2.0</b>	<b>0.2</b>	<b>2.5</b>	<b>11.5</b>
- Interest in leased vehicles	<b>0.5</b>	<b>2.0</b>	<b>1.9</b>	<b>-</b>	<b>6.2</b>	<b>1.2</b>	<b>11.8</b>
Amortisation of intangible assets	<b>0.6</b>	<b>0.3</b>	<b>-</b>	<b>0.6</b>	<b>0.1</b>	<b>-</b>	<b>1.6</b>
Net provisions charged / (released) to the consolidated income statement	<b>6.3</b>	<b>2.1</b>	<b>1.8</b>	<b>3.9</b>	<b>(0.3)</b>	<b>0.6</b>	<b>14.4</b>

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



## 1 SEGMENTAL ANALYSIS CONTINUED

2013	Retail					Total £m
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	
<b>Segment assets and liabilities</b>						
Segment assets	149.4	25.4	461.8	196.4	833.0	1,393.2
Other current assets						508.0
Non-current assets						1,485.2
Segment liabilities	(162.0)	(13.2)	(454.3)	(121.7)	(751.2)	(1,357.8)
Other liabilities						(529.4)
<b>Net assets</b>						<b>1,499.2</b>

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

2013	Retail							Total £m
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	
<b>Other segment items</b>								
Capital expenditure:								
- Property, plant and equipment	0.9	0.3	29.2	22.5	52.9	94.1	1.4	95.5
- Interest in leased vehicles	-	0.3	-	0.1	0.4	25.5	-	25.5
- Intangible assets	-	-	2.2	3.5	5.7	10.6	8.3	18.9
Depreciation:								
- Property, plant and equipment	1.9	0.9	10.3	8.8	21.9	33.4	0.2	33.6
- Interest in leased vehicles	-	-	-	0.1	0.1	11.9	-	11.9
Amortisation of intangible assets	0.1	-	1.9	2.5	4.5	6.1	-	6.1
Net provisions charged / (released) to the consolidated income statement	7.5	0.1	23.8	0.4	31.8	46.2	4.5	50.7

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**1 SEGMENTAL ANALYSIS CONTINUED**

2012							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
<b>Revenue</b>							
Total revenue	978.4	617.3	518.9	385.1	37.4	364.3	2,901.4
Inter-segment revenue	(230.6)	(130.4)	(0.2)	-	-	(28.7)	(389.9)
Revenue from third parties	747.8	486.9	518.7	385.1	37.4	335.6	2,511.5
<b>Results</b>							
Segment result	51.3	17.3	52.8	35.1	7.2	30.3	194.0
Operating exceptional items	(0.8)	(3.6)	(0.1)	-	-	(0.2)	(4.7)
Operating profit / (loss) after exceptional items	50.5	13.7	52.7	35.1	7.2	30.1	189.3
Share of profit / (loss) after tax of joint ventures and associates	-	(0.1)	-	-	-	-	(0.1)
Profit / (loss) before finance and tax	50.5	13.6	52.7	35.1	7.2	30.1	189.2
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

## 1 SEGMENTAL ANALYSIS CONTINUED

2012					Retail			
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central (restated) <sup>1</sup> £m	Total (restated) <sup>1</sup> £m
<b>Revenue</b>								
Total revenue	420.9	129.7	2,096.4	926.9	3,573.9	6,475.3	-	6,475.3
Inter-segment revenue	-	-	-	-	-	(389.9)	-	(389.9)
Revenue from third parties	420.9	129.7	2,096.4	926.9	3,573.9	6,085.4	-	6,085.4
<b>Results</b>								
Segment result	15.9	(0.5)	58.0	12.7	86.1	280.1	(20.3)	259.8
Operating exceptional items	(1.4)	(1.1)	(2.9)	(7.9)	(13.3)	(18.0)	18.7	0.7
Operating profit / (loss) after exceptional items	14.5	(1.6)	55.1	4.8	72.8	262.1	(1.6)	260.5
Share of profit / (loss) after tax of joint ventures and associates	-	-	-	0.3	0.3	0.2	-	0.2
Profit / (loss) before finance and tax	14.5	(1.6)	55.1	5.1	73.1	262.3	(1.6)	260.7
Finance income								16.5
Finance costs								(29.5)
Profit before tax								247.7
Tax								(60.3)
Profit for the year								187.4

1. See note 34.

Central costs include pension credits of £2.9m (restated).

Net finance costs of £13.0m are not allocated to individual segments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**1 SEGMENTAL ANALYSIS CONTINUED**

2012							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
<b>Segment assets and liabilities</b>							
Segment assets	84.5	104.8	87.5	76.7	33.1	117.0	503.6
Other current assets							
Non-current assets							
Segment liabilities	(250.5)	(117.8)	(76.7)	(57.0)	(54.3)	(94.9)	(651.2)
Other liabilities							
<b>Net assets</b>							

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

2012							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
<b>Other segment items</b>							
Capital expenditure:							
- Property, plant and equipment	5.3	1.7	2.8	6.7	0.2	13.7	30.4
- Interest in leased vehicles	11.2	0.2	2.9	-	25.2	2.1	41.6
- Intangible assets	0.5	0.4	0.4	1.6	0.2	0.3	3.4
Depreciation:							
- Property, plant and equipment	3.0	1.0	2.0	2.0	0.1	2.5	10.6
- Interest in leased vehicles	1.7	1.4	1.6	-	7.4	1.5	13.6
Amortisation of intangible assets	0.5	0.2	-	0.1	0.1	0.1	1.0
Impairment of goodwill	-	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-	-	-
Net provisions charged / (released) to the consolidated income statement	3.9	6.4	2.5	2.3	(1.2)	4.7	18.6

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

## 1 SEGMENTAL ANALYSIS CONTINUED

2012						Retail	
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total (restated) <sup>1</sup> £m	
<b>Segment assets and liabilities</b>							
Segment assets	85.0	18.5	389.2	218.0	710.7	1,214.3	
Other current assets						755.4	
Non-current assets						1,433.0	
Segment liabilities	(87.8)	(11.3)	(391.3)	(138.2)	(628.6)	(1,279.8)	
Other liabilities						(594.5)	
<b>Net assets</b>						<b>1,528.4</b>	

1. See note 34.

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

2012								Total
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Other segment items</b>								
Capital expenditure:								
- Property, plant and equipment	1.3	0.4	22.3	30.9	54.9	85.3	0.7	86.0
- Interest in leased vehicles	-	0.9	-	0.1	1.0	42.6	-	42.6
- Intangible assets	-	-	2.1	1.7	3.8	7.2	7.9	15.1
Depreciation:								
- Property, plant and equipment	0.7	0.9	10.0	7.3	18.9	29.5	0.2	29.7
- Interest in leased vehicles	-	-	-	0.1	0.1	13.7	-	13.7
Amortisation of intangible assets	-	-	1.2	1.5	2.7	3.7	-	3.7
Impairment of goodwill	-	-	0.2	-	0.2	0.2	-	0.2
Impairment of intangible assets	-	-	0.8	1.1	1.9	1.9	-	1.9
Impairment of property, plant and equipment	-	-	-	0.8	0.8	0.8	-	0.8
Net provisions charged / (released) to the consolidated income statement	4.0	2.3	21.5	0.5	28.3	46.9	5.9	52.8

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 2 EXCEPTIONAL ITEMS

	2013 £m	2012 (restated) <sup>1</sup> £m
Restructuring costs	<b>(4.6)</b>	(17.3)
Acquisition of business	<b>(3.9)</b>	-
Closure of defined benefit pension schemes to future accrual	-	19.2
Loss on deemed disposal of joint venture	-	(1.2)
Total exceptional items before tax	<b>(8.5)</b>	0.7
Exceptional tax credit	<b>0.6</b>	0.5
Total exceptional items	<b>(7.9)</b>	1.2

In the first half of 2013, exceptional costs of £8.5m relate to restructuring charges of £4.6m together with £3.9m of costs associated with acquiring the Trivett business in Australia. The exceptional tax credit of £0.6m represents tax relief on restructuring costs.

In 2012, the restructuring costs of £17.3m represented the cost of headcount reduction across the Group together with the closure of less profitable sites. The restructuring was carried out to ensure that the Group maintained an organisational structure and efficient cost base across the Group. Included within this was an impairment charge of £0.8m in respect of property, plant and equipment and £2.1m in respect of goodwill and other intangible assets.

Also during 2012, the Group closed two of its UK defined benefit pension schemes to future accrual. The net gain<sup>1</sup> to the Group of £19.2m comprised a curtailment gain<sup>1</sup> of £25.5m net of costs of £6.3m associated with implementing the changes including the harmonisation of pension arrangements.

In 2012, the Group had also recognised a loss of £1.2m as a result of measuring at fair value its 51% equity interest in the Inchcape Independence group prior to the acquisition of the remaining 49%.

The 2012 exceptional tax credit of £0.5m represented relief on restructuring and property costs (£3.1m credit), the use of brought forward unprovided tax losses and other reliefs (£1.7m credit), offset by a charge<sup>1</sup> arising on pension scheme curtailment gains (£4.3m charge).

In 2013 and 2012, restructuring costs have been reported as exceptional items in the consolidated income statement. In 2013, these costs were reported as exceptional items in the first half of the year. Given the recent FRC guidance, the Group will give further consideration to how costs of a similar nature are treated in future reporting periods.

1. See note 34. 2012 reported amounts were: net gain of £19.7m, curtailment gain of £26.0m, tax charge of £4.4m.

### 3 REVENUE AND EXPENSES

#### A. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2013 £m	2012 £m
Sale of goods	<b>5,976.9</b>	5,579.7
Provision of services	<b>548.0</b>	505.7
	<b>6,524.9</b>	6,085.4

#### B. ANALYSIS OF NET OPERATING EXPENSES

	Net operating expenses before exceptional items 2013 £m	Exceptional items 2013 £m	Net operating expenses 2013 £m	Net operating expenses before exceptional items (restated) <sup>1</sup> 2012 £m	Exceptional items (restated) <sup>1</sup> 2012 £m	Net operating expenses (restated) <sup>1</sup> 2012 £m
Distribution costs	<b>355.2</b>	-	<b>355.2</b>	330.5	3.1	333.6
Administrative expenses / (income)	<b>304.2</b>	<b>8.0</b>	<b>312.2</b>	288.8	(5.4)	283.4
Other operating (income) / expenses	<b>(19.6)</b>	-	<b>(19.6)</b>	(4.4)	1.2	(3.2)
	<b>639.8</b>	<b>8.0</b>	<b>647.8</b>	614.9	(1.1)	613.8

1. See note 34.

Other operating (income) / expenses in 2013 includes a £6.2m profit on disposal of a property in South America and £9.8m pension credit (net of costs) in Central (2012 - £2.9m (restated)).

#### C. PROFIT BEFORE TAX IS STATED AFTER THE FOLLOWING CHARGES / (CREDITS):

	2013 £m	2012 £m
Depreciation of tangible fixed assets:		
- Property, plant and equipment	<b>33.6</b>	29.7
- Interest in leased vehicles	<b>11.9</b>	13.7
Amortisation of intangible assets	<b>6.1</b>	3.7
Impairment of intangible assets	-	1.9
Impairment of goodwill	-	0.2
Impairment of property, plant and equipment	-	0.8
Impairment of trade receivables	<b>2.0</b>	2.1
Profit on sale of property, plant and equipment	<b>(7.4)</b>	(0.2)
Operating lease rentals	<b>56.2</b>	47.8

## NOTES TO THE FINANCIAL STATEMENTS 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:

	2013 £m	2012 £m
Audit services:		
Fees payable to the Company's auditors and its associates for the audit of the parent Company and the consolidated financial statements	<b>0.6</b>	0.6
Fees payable to the Company's auditors and its associates for other services:		
- The audit of the Company's subsidiaries	<b>1.5</b>	1.4
- Audit related assurance services	<b>0.1</b>	0.1
- Tax advisory services	<b>0.4</b>	0.6
- Tax compliance services	<b>0.3</b>	0.3
- All other services	<b>0.2</b>	0.3
<b>Total fees payable to PricewaterhouseCoopers</b>	<b>3.1</b>	3.3
<b>Audit fees – firms other than PricewaterhouseCoopers</b>	<b>0.2</b>	0.2

#### E. STAFF COSTS

	2013 £m	2012 (restated) <sup>1</sup> £m
Wages and salaries	<b>403.8</b>	381.3
Social security costs	<b>43.9</b>	43.3
Other pension costs	<b>14.1</b>	12.1
Share-based payment charge	<b>9.0</b>	6.8
	<b>470.8</b>	443.5

1. Adjusted to reflect the adoption of IAS 19 (revised). 2012 reported Other pension costs were £12.0m.

Other pension costs correspond to the current service charge and contributions to the defined contribution schemes.

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 58 to 73 of this document. Information on compensation of key management personnel is set out in note 31c.

#### F. AVERAGE MONTHLY NUMBER OF EMPLOYEES

	Distribution		Retail		Total	
	2013 Number	2012 Number	2013 Number	2012 Number	2013 Number	2012 Number
Australasia	<b>499</b>	536	<b>1,090</b>	699	<b>1,589</b>	1,235
Europe	<b>279</b>	287	<b>328</b>	359	<b>607</b>	646
North Asia	<b>1,461</b>	1,404	-	-	<b>1,461</b>	1,404
South Asia	<b>895</b>	878	-	-	<b>895</b>	878
United Kingdom	<b>190</b>	179	<b>4,804</b>	4,805	<b>4,994</b>	4,984
Russia and Emerging Markets	<b>1,567</b>	1,412	<b>3,158</b>	3,421	<b>4,725</b>	4,833
<b>Total operational</b>	<b>4,891</b>	4,696	<b>9,380</b>	9,284	<b>14,271</b>	13,980
Central					<b>131</b>	140
					<b>14,402</b>	14,120



#### 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 £9.0m (2012 – £6.8m), all of which is equity-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:

2013	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£2.71	4,843,082	6,150,383	2,632,474	1,545,923
Granted	£4.76	2,436,221	-	869,131	504,730
Exercised	£2.48	(120,951)	(3,018,176)	(829,973)	(243,061)
Lapsed	£2.68	(474,579)	(282,579)	(391,978)	(101,888)
<b>Outstanding at 31 December</b>	<b>£3.24</b>	<b>6,683,773</b>	<b>2,849,628</b>	<b>2,279,654</b>	<b>1,705,704</b>
Exercisable at 31 December	£2.98	11,644	2,849,628	82,631	3,954

2012	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£2.52	2,553,653	9,426,525	3,736,488	1,309,577
Granted	£3.07	2,673,542	-	1,129,041	598,506
Exercised	£2.15	(44,274)	(2,924,659)	(1,709,358)	(232,300)
Lapsed	£3.17	(339,839)	(351,483)	(523,697)	(129,860)
<b>Outstanding at 31 December</b>	<b>£2.71</b>	<b>4,843,082</b>	<b>6,150,383</b>	<b>2,632,474</b>	<b>1,545,923</b>
Exercisable at 31 December	£2.63	-	4,319,659	108,129	-

\* 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.

The weighted average remaining contractual life for the share options outstanding at 31 December 2013 is 2.3 years (2012 – 3.7 years).

The range of exercise prices for options outstanding at the end of the year was £2.00 to £6.03 (2012 – £2.00 to £6.03). See note 24 for further details.

The fair value of options granted under the Save As You Earn Plan is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of awards granted under the Performance Share Plan and Other Share Plan is the market value of the related shares at the time of grant.

The following table lists the main inputs to the model for awards granted during the years ended 31 December 2013 and 31 December 2012:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2013	2012	2013	2012	2013	2012
Weighted average share price at grant date	£5.15	£3.55	£6.02	£3.70	£5.51	£3.62
Weighted average share price at date of exercise	£5.37	£3.66	£6.09	£4.07	£5.86	£3.86
Weighted average exercise price	n/a	n/a	£4.76	£3.07	n/a	n/a
Vesting period	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Expected volatility	n/a	n/a	34.5%	40.6%	n/a	n/a
Expected life of option	3.0 years	3.0 years	3.2 years	3.2 years	3.0 years	3.0 years
Weighted average risk free rate	n/a	n/a	1.0%	0.4%	n/a	n/a
Expected dividend yield	n/a	n/a	2.7%	3.1%	n/a	n/a
Weighted average fair value per option	£5.15	£3.55	£1.37	£1.07	£5.51	£3.62

No options were granted under the Executive Share Option Plan in 2013 or 2012.

The expected life and volatility of the options are based upon historical data.

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its businesses, primarily in the UK.

### A. UK SCHEMES: BENEFITS, GOVERNANCE, CASH FLOW OBLIGATIONS AND INVESTMENTS

The Group operates four main defined benefit Final Salary pension schemes in the UK which are all closed to new employees and largely closed to future benefit accrual. The schemes are the Inchcape Motors Pension Scheme, the Normand Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. The Group also operates a defined benefit Cash Balance scheme in the UK, called Cash+, which is designed to meet regulatory requirements for auto-enrolment legislation.

#### BENEFIT STRUCTURE

Final Salary schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on final salary at retirement (or leaving date, if earlier) and length of service. The Group underwrites investment, mortality and inflation risks necessary to meet the obligations under the schemes. In the event of poor returns, increased life expectancy or higher than expected inflation, the Group is required to address any shortfall through a combination of an increase in contributions or by making appropriate adjustments to the schemes.

Cash Balance schemes like the Inchcape Cash+ Pension scheme allow members to accrue a percentage of their earnings each year, which then grows to provide a lump sum payment on retirement. Members have accrued benefits under this scheme with effect from 1 January 2013. The Group underwrites the investment risk to normal retirement age (65), but all inflation and mortality risks associated with benefits are borne solely by the members.

#### GOVERNANCE

Our UK schemes are registered with HMRC and comply fully with the regulatory framework published by the UK Pensions Regulator.

Benefits are paid to members from separate funds administered by Independent Trustees who are appointed by the Group. The Trustees are required to act in the best interest of the members, and are responsible for making funding and investment decisions in conjunction with the Group.

The Group also has 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.

#### SCHEME SPECIFIC CASH OBLIGATION / INVESTMENT DETAIL

##### *INCHCAPE MOTORS PENSION SCHEME (CLOSED SCHEME)*

The latest actuarial valuation for this scheme was carried out at 5 April 2013 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities is approximately 18 years and that a small surplus exists on a prudent funding basis. The Group contributes £0.5m p.a. towards the administrative costs of running the scheme and no further review is scheduled until April 2016.

The investment strategy is to hold 65% of bonds which hedge inflation and interest rate risk, with the remaining 35% held in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. Investment performance in excess of that assumed in the valuation is captured by increasing the proportion of hedging assets.

##### *NORMAND PENSION SCHEME (CLOSED SCHEME)*

The latest actuarial valuation for this scheme was carried out at 5 April 2011 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities is approximately 24 years and that the scheme was approximately 97% funded on a prudent funding basis. The Group contributes £0.4m p.a. towards the administrative costs of running the scheme and improving the funding ratio. The next review is scheduled for April 2014.

The investment strategy is to hold 50% of bonds which hedge inflation and interest rate risk, with the remaining 50% held in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes.

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

### *INCHCAPE OVERSEAS PENSION SCHEME*

This scheme is managed from Guernsey and is subject to most UK regulations. It is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out at 31 March 2012 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities is approximately 13 years and that the scheme was approximately 92% funded on a prudent funding basis. The Group contributes £0.5m p.a. towards the administrative costs of running the scheme and no further review is scheduled until April 2015.

Investments are held in a balanced portfolio of equities and bonds.

### *TKM GROUP PENSION SCHEME (CLOSED SCHEME)*

The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2013 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The actuarial valuation determined that the duration of the liabilities is approximately 12 years and that the scheme is considered fully funded on a prudent basis. No cash contributions are required by the Group and the next review is scheduled for April 2016.

The scheme has a prudent investment strategy with a swap overlay in place to fully hedge inflation and interest rate risks. Approximately 15% of the assets are invested in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes.

### *INCHCAPE CASH+ PENSION SCHEME*

This scheme is a new defined benefit scheme under which members accrue benefits with effect from 1 January 2013. An interim valuation was carried out at 5 April 2013 which determined that the scheme was considered fully funded on a prudent basis. The Group contributed £0.2m towards the administrative costs of running the scheme and the next review is in April 2016.

The initial investment strategy is to invest in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. Any outperformance of the investments will be invested in investment grade corporate bonds to hedge against future adverse market moves.

## **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 and assets are held in trust in separately administered funds. These schemes are typically subject to triennial valuations. The overseas defined contribution schemes are principally linked to local statutory arrangements.

## **C. DEFINED CONTRIBUTION PLANS**

The total expense recognised in the consolidated income statement is £6.3m (2012 – £4.8m). There are no outstanding contributions to the defined contribution schemes at the year end (2012 – £nil).

## **D. DEFINED BENEFIT PLANS**

As the Group's principal defined benefit schemes are in the UK, these have been reported separately from 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 in the following tables.

The 2012 numbers have been restated to reflect the adoption of IAS 19 (revised), as explained in note 34.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

THE PRINCIPAL WEIGHTED AVERAGE ASSUMPTIONS USED BY THE ACTUARIES WERE:

	United Kingdom		Overseas	
	2013 %	2012 %	2013 %	2012 %
Rate of increase in salaries	<b>3.9</b>	4.5	<b>3.6</b>	3.6
Rate of increase in pensions	<b>3.4</b>	3.0	<b>0.1</b>	0.2
Discount rate	<b>4.4</b>	4.3	<b>2.6</b>	1.3
Rate of inflation:				
- Retail price index	<b>3.4</b>	3.0	<b>0.4</b>	0.4
- Consumer price index	<b>2.4</b>	2.3	<b>n/a</b>	n/a

The rate of increase in healthcare costs is 5.5% (2012 – 6.1%) 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 23.7 years (2012 – 23.0 years) for current pensioners and 25.5 years (2012 – 25.4 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 ASSET / (LIABILITY) RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION IS DETERMINED AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
Present value of funded obligations	<b>(870.2)</b>	(841.8)	<b>(38.8)</b>	(44.2)	<b>(909.0)</b>	(886.0)
Fair value of plan assets	<b>978.9</b>	947.0	<b>38.1</b>	37.5	<b>1,017.0</b>	984.5
Surplus / (deficit) in funded obligations	<b>108.7</b>	105.2	<b>(0.7)</b>	(6.7)	<b>108.0</b>	98.5
Irrecoverable element of pension surplus	-	-	-	(0.4)	-	(0.4)
Net surplus / (deficit) in funded obligations	<b>108.7</b>	105.2	<b>(0.7)</b>	(7.1)	<b>108.0</b>	98.1
Present value of unfunded obligations	<b>(0.9)</b>	(1.2)	<b>(1.1)</b>	(1.2)	<b>(2.0)</b>	(2.4)
	<b>107.8</b>	104.0	<b>(1.8)</b>	(8.3)	<b>106.0</b>	95.7

The net pension asset is analysed as follows:

Schemes in surplus	<b>124.8</b>	122.2	<b>0.6</b>	0.2	<b>125.4</b>	122.4
Schemes in deficit	<b>(17.0)</b>	(18.2)	<b>(2.4)</b>	(8.5)	<b>(19.4)</b>	(26.7)
	<b>107.8</b>	104.0	<b>(1.8)</b>	(8.3)	<b>106.0</b>	95.7

THE AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
Current service cost	<b>(5.3)</b>	(4.9)	<b>(2.5)</b>	(2.4)	<b>(7.8)</b>	(7.3)
Past service credit	<b>10.5</b>	-	-	-	<b>10.5</b>	-
Scheme expenses	<b>(1.9)</b>	(1.9)	<b>(0.1)</b>	-	<b>(2.0)</b>	(1.9)
Interest expense on plan liabilities	<b>(35.4)</b>	(37.4)	<b>(0.5)</b>	(0.8)	<b>(35.9)</b>	(38.2)
Interest expense on irrecoverable element of pension surplus	-	(4.0)	-	-	-	(4.0)
Interest income on plan assets	<b>40.9</b>	42.5	<b>0.4</b>	0.6	<b>41.3</b>	43.1
Plan settlements	-	2.9	-	-	-	2.9
Plan curtailments	-	25.5	-	0.1	-	25.6
	<b>8.8</b>	22.7	<b>(2.7)</b>	(2.5)	<b>6.1</b>	20.2

The past service credit of £10.5m (£9.8m net of associated costs) arises from ongoing initiatives to mitigate the volatility associated with the Group's defined benefit obligations. In 2013, these initiatives included changes to pensions in payment and to benefits available to members at retirement.

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

THE AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
Actuarial (losses) / gains on liabilities:						
– Experience gains and losses	(11.7)	3.7	0.1	(2.0)	(11.6)	1.7
– Changes in demographic assumptions	(4.4)	–	–	–	(4.4)	–
– Changes in financial assumptions	(21.0)	(60.6)	3.8	0.3	(17.2)	(60.3)
Actuarial (losses) / gains on assets:						
– Experience gains and losses	(4.7)	16.2	3.6	3.6	(1.1)	19.8
Recoverable element of pension surplus	–	88.5	0.4	–	0.4	88.5
	<b>(41.8)</b>	47.8	<b>7.9</b>	1.9	<b>(33.9)</b>	49.7

ANALYSIS OF THE MOVEMENT IN THE NET ASSET / (LIABILITY):

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
At 1 January	104.0	5.8	(8.3)	(10.0)	95.7	(4.2)
Amount recognised in the consolidated income statement	8.8	22.7	(2.7)	(2.5)	6.1	20.2
Contributions by employer	36.8	27.7	2.0	1.9	38.8	29.6
Actuarial (losses) / gains recognised in the year	(41.8)	(40.7)	7.5	1.9	(34.3)	(38.8)
Recoverable surplus recognised in the year	–	88.5	0.4	–	0.4	88.5
Effect of foreign exchange rates	–	–	(0.7)	0.4	(0.7)	0.4
At 31 December	<b>107.8</b>	104.0	<b>(1.8)</b>	(8.3)	<b>106.0</b>	95.7

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
At 1 January	(843.0)	(816.2)	(45.4)	(45.5)	(888.4)	(861.7)
Current service cost	(5.3)	(4.9)	(2.5)	(2.4)	(7.8)	(7.3)
Past service credit	10.5	–	–	–	10.5	–
Interest expense on plan liabilities	(35.4)	(37.4)	(0.5)	(0.8)	(35.9)	(38.2)
Actuarial (losses) / gains:						
– Experience gains and losses	(11.7)	3.7	0.1	(2.0)	(11.6)	1.7
– Changes in demographic assumptions	(4.4)	–	–	–	(4.4)	–
– Changes in financial assumptions	(21.0)	(60.6)	3.8	0.3	(17.2)	(60.3)
Contributions by employees	–	(0.4)	(0.1)	(0.1)	(0.1)	(0.5)
Benefits paid	39.2	38.1	3.6	3.2	42.8	41.3
Plan settlements	–	9.2	–	–	–	9.2
Plan curtailments	–	25.5	–	0.1	–	25.6
Effect of foreign exchange rate changes	–	–	1.1	1.8	1.1	1.8
At 31 December	<b>(871.1)</b>	(843.0)	<b>(39.9)</b>	(45.4)	<b>(911.0)</b>	(888.4)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED**

CHANGES IN THE FAIR VALUE OF THE DEFINED BENEFIT ASSET ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m	2013 £m	2012 (restated) £m
At 1 January	<b>947.0</b>	906.5	<b>37.5</b>	35.9	<b>984.5</b>	942.4
Interest income on plan assets	<b>40.9</b>	42.5	<b>0.4</b>	0.6	<b>41.3</b>	43.1
Scheme expenses	<b>(1.9)</b>	(1.9)	<b>(0.1)</b>	-	<b>(2.0)</b>	(1.9)
Actuarial (losses) / gains:						
- Experience gains and losses	<b>(4.7)</b>	16.2	<b>3.6</b>	3.6	<b>(1.1)</b>	19.8
Contributions by employer	<b>36.8</b>	27.7	<b>2.0</b>	1.9	<b>38.8</b>	29.6
Contributions by employees	-	0.4	<b>0.1</b>	0.1	<b>0.1</b>	0.5
Benefits paid	<b>(39.2)</b>	(38.1)	<b>(3.6)</b>	(3.2)	<b>(42.8)</b>	(41.3)
Plan settlements	-	(6.3)	-	-	-	(6.3)
Effect of foreign exchange rate changes	-	-	<b>(1.8)</b>	(1.4)	<b>(1.8)</b>	(1.4)
At 31 December	<b>978.9</b>	947.0	<b>38.1</b>	37.5	<b>1,017.0</b>	984.5
Irrecoverable element of pension surplus	-	-	-	(0.4)	-	(0.4)
Revised value at 31 December	<b>978.9</b>	947.0	<b>38.1</b>	37.1	<b>1,017.0</b>	984.1

CHANGES IN THE FAIR VALUE OF THE IRRECOVERABLE ELEMENT OF THE PENSION SURPLUS ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013	2012 (restated)	2013	2012 (restated)	2013	2012 (restated)
At 1 January	-	(84.5)	<b>(0.4)</b>	(0.4)	<b>(0.4)</b>	(84.9)
Interest expense	-	(4.0)	-	-	-	(4.0)
Recoverable element recognised in the year	-	88.5	<b>0.4</b>	-	<b>0.4</b>	88.5
At 31 December	-	-	-	(0.4)	-	(0.4)

AT THE END OF THE REPORTING PERIOD, THE PERCENTAGE OF THE PLAN ASSETS BY CATEGORY HAD BEEN INVESTED AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2013	2012	2013	2012	2013	2012
Equities (quoted)	<b>5.7%</b>	5.4%	<b>68.5%</b>	65.9%	<b>8.0%</b>	7.7%
Equities (unquoted)	<b>1.0%</b>	1.0%	-	-	<b>1.0%</b>	0.9%
Corporate bonds (quoted)	<b>17.5%</b>	31.1%	<b>26.0%</b>	26.8%	<b>17.8%</b>	31.0%
Corporate bonds (unquoted)	<b>1.4%</b>	2.4%	-	-	<b>1.3%</b>	2.3%
Government bonds (quoted)	<b>32.4%</b>	29.8%	-	-	<b>31.2%</b>	28.7%
Diversified growth funds (quoted)	<b>24.1%</b>	24.0%	-	-	<b>23.2%</b>	23.0%
Other (quoted)	<b>7.6%</b>	2.7%	<b>2.9%</b>	2.9%	<b>7.5%</b>	2.7%
Other (unquoted)	<b>10.3%</b>	3.6%	<b>2.6%</b>	4.4%	<b>10.0%</b>	3.7%
	<b>100.0%</b>	100.0%	<b>100%</b>	100.0%	<b>100.0%</b>	100.0%

The fair value of the Group's own equity held within plan assets is £nil.

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

The following disclosures relate to the Group's defined benefit plans only.

### E. RISK MANAGEMENT

#### ASSET VOLATILITY

Scheme liabilities are calculated on a discounted basis using a discount rate which is set with reference to corporate bond yields. If scheme assets underperform this yield, then this will create a deficit. The combined schemes hold approximately 70% of assets as defensive assets (gilts, bonds, swaps) which mitigate significant changes in yields, and active monitoring plans are in place to identify opportunities to increase the proportion of such assets further when economically possible.

As the schemes mature, the Group reduces the level of investment risk by investing more in government and corporate bonds that better match the liabilities. However, the Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the long term investment strategy.

#### INFLATION RISK

The majority of the Group's defined benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in the majority of cases there are caps on the level of inflationary increases to be applied to pension obligations, and approximately 50% of the Group's total inflation risk is hedged through holding inflation-linked assets such as gilts and swaps.

#### LIFE EXPECTANCY

The plans' obligations are to provide a pension for the life of the member, so realised increases in life expectancy will result in an increase in the plans' benefit payments. Future mortality rates cannot be predicted with certainty. All of the schemes conduct scheme-specific mortality investigations annually, to ensure the Group has a clear understanding of any potential increase in liability due to pensioners living for longer than assumed. The trustees of the scheme hedge this risk by adopting a prudent approach in their assumption for future improvements.

### F. SENSITIVITY ANALYSIS

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in the assumptions used for the UK schemes. Changes in assumptions have an immaterial effect on the overseas schemes.

#### IMPACT ON THE DEFINED BENEFIT OBLIGATION

	United Kingdom	
	2013 %	2012 %
Discount rate -0.25%	<b>+4.0</b>	+4.8
Discount rate +0.25%	<b>-3.8</b>	-4.6
Inflation -0.25%	<b>-3.4</b>	-4.5
Inflation +0.25%	<b>+3.6</b>	+4.6
Mortality -1 year	<b>+3.3</b>	+3.0

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above variances have been used as they are believed to be reasonably possible fluctuations.

### G. EXPECTED FUTURE CASH FLOWS

The Group has agreed to pay approximately £1.6m (2012 - £32.5m) to its defined benefit plans in 2014. The Group does not expect any material changes to the annual cash contributions over the next three years given the funding position of the largest schemes, which account for 90% of the Group's total pension liabilities.

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 18 years for the UK schemes.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 6 FINANCE INCOME

	2013 £m	2012 (restated) <sup>1</sup> £m
Bank and other interest receivable	3.0	3.7
Net interest income on post-retirement plan assets and liabilities	5.4	0.9
Other finance income	7.0	11.9
<b>Total finance income</b>	<b>15.4</b>	<b>16.5</b>

1. See note 34.

In 2012, the Group recognised £3.7m of interest relating to tax refunds which was included within 'other finance income'.

### 7 FINANCE COSTS

	2013 £m	2012 (restated) <sup>1</sup> £m
Interest payable on bank borrowings	0.8	0.6
Interest payable on Private Placement	2.8	4.4
Interest payable on other borrowings	0.2	0.2
Fair value adjustment on Private Placement	(24.3)	(18.0)
Fair value loss on cross currency interest rate swaps	22.0	13.2
Stock holding interest	19.9	18.0
Other finance costs	6.9	11.7
Capitalised borrowing costs	(0.6)	(0.6)
<b>Total finance costs</b>	<b>27.7</b>	<b>29.5</b>

1. See note 34.

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% (2012 – 2.0%).



## 8 INCOME TAX

	2013 £m	2012 (restated) <sup>1</sup> £m
Current tax:		
- UK corporation tax	-	2.4
	-	2.4
Overseas tax	<b>53.7</b>	54.0
	<b>53.7</b>	56.4
Adjustments to prior year liabilities:		
- UK	<b>(0.6)</b>	-
- Overseas	<b>(0.6)</b>	(0.9)
Current tax	<b>52.5</b>	55.5
Deferred tax (note 16)	<b>13.4</b>	5.3
Tax before exceptional tax	<b>65.9</b>	60.8
Exceptional tax - current tax	-	(4.6)
Exceptional tax - deferred tax (note 16)	<b>(0.6)</b>	4.1
Exceptional tax (note 2)	<b>(0.6)</b>	(0.5)
<b>Total tax charge</b>	<b>65.3</b>	<b>60.3</b>

The UK corporation tax charge is calculated upon net UK profit and after taking account of all relevant prior year losses and other deductions including pension contributions and capital allowances on plant and buildings.

The effective tax rate for the year, before exceptional items, of 24.0% (2012 – 24.6%) is lower than the standard blended rate of tax of 24.5% (2012 – 23.4%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

	2013 £m	2012 (restated) <sup>1</sup> £m
Profit before tax	<b>266.1</b>	247.7
Profit before tax multiplied by the standard rate of tax of 24.5% (2012 – 23.4%)	<b>65.2</b>	58.0
Effects of:		
- Amortisation and impairment	-	0.1
- Non-tax deductible items	<b>(3.6)</b>	4.9
- Unrecognised tax losses	-	(0.3)
- Overseas tax levies and austerity taxes	<b>0.4</b>	1.7
- Prior year items	<b>0.2</b>	(6.1)
- Withholding tax on overseas dividends	<b>3.3</b>	2.7
- Profit on disposal of joint ventures	-	0.4
- Other items	<b>(0.2)</b>	(1.1)
<b>Total tax charge</b>	<b>65.3</b>	<b>60.3</b>

1. See note 34.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 9 EARNINGS PER SHARE

	2013 £m	2012 (restated) <sup>1</sup> £m
<b>Profit for the year</b>	<b>200.8</b>	187.4
Non controlling interests	<b>(6.6)</b>	(5.9)
<b>Basic earnings</b>	<b>194.2</b>	181.5
Exceptional items	<b>7.9</b>	(1.2)
<b>Adjusted earnings</b>	<b>202.1</b>	180.3
Basic earnings per share	<b>41.8p</b>	39.4p
Diluted earnings per share	<b>41.1p</b>	38.7p
Basic Adjusted earnings per share	<b>43.5p</b>	39.1p
Diluted Adjusted earnings per share	<b>42.8p</b>	38.5p

	2013 number	2012 (restated) <sup>1</sup> number
Weighted average number of fully paid ordinary shares in issue during the year	<b>468,782,483</b>	465,120,309
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	<b>(1,765,092)</b>	(1,552,107)
– Held in Treasury	<b>(2,687,560)</b>	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	<b>464,329,831</b>	460,880,642
Dilutive effect of potential ordinary shares	<b>7,823,169</b>	7,580,557
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	<b>472,153,000</b>	468,461,199

1. Adjusted to reflect the adoption of IAS 19 (revised). 2012 reported dilutive effect of potential ordinary shares was 7,318,204.

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 held in Treasury.

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.

Basic 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 held in Treasury.

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.

## 10 DIVIDENDS

The following dividends were paid by the Group:

	2013 £m	2012 £m
Interim dividend for the six months ended 30 June 2013 of 5.7p per share (2012 – 4.0p per share)	<b>26.6</b>	18.5
Final dividend for the year ended 31 December 2012 of 10.5p per share (2011 – 7.4p per share)	<b>48.9</b>	34.0
	<b>75.5</b>	52.5

A final dividend for the year ended 31 December 2013 of 11.7p per share amounting to £54.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2013.

## 11 INTANGIBLE ASSETS

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
<b>Cost</b>				
At 1 January 2012	564.0	76.6	–	640.6
Businesses acquired	8.3	–	0.1	8.4
Businesses sold	(0.7)	–	–	(0.7)
Additions	–	15.1	–	15.1
Retirement of fully amortised assets not in use	–	(0.8)	–	(0.8)
Effect of foreign exchange rate changes	(1.3)	(0.5)	–	(1.8)
At 1 January 2013	<b>570.3</b>	<b>90.4</b>	<b>0.1</b>	<b>660.8</b>
Businesses acquired (note 28)	<b>43.2</b>	–	<b>0.1</b>	<b>43.3</b>
Businesses sold	<b>(0.2)</b>	–	–	<b>(0.2)</b>
Additions	–	<b>18.9</b>	–	<b>18.9</b>
Disposals	–	<b>(0.3)</b>	–	<b>(0.3)</b>
Reclassified to disposal group (note 19)	<b>(0.8)</b>	–	–	<b>(0.8)</b>
Effect of foreign exchange rate changes	<b>(25.9)</b>	<b>(1.9)</b>	–	<b>(27.8)</b>
<b>At 31 December 2013</b>	<b>586.6</b>	<b>107.1</b>	<b>0.2</b>	<b>693.9</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2012	(61.7)	(36.3)	–	(98.0)
Amortisation charge for the year	–	(3.7)	–	(3.7)
Impairment charge for the year	(0.2)	(1.9)	–	(2.1)
Retirement of fully amortised assets not in use	–	0.8	–	0.8
Effect of foreign exchange rate changes	1.3	0.4	–	1.7
At 1 January 2013	<b>(60.6)</b>	<b>(40.7)</b>	–	<b>(101.3)</b>
Businesses sold	<b>0.2</b>	–	–	<b>0.2</b>
Amortisation charge for the year	–	<b>(5.9)</b>	<b>(0.2)</b>	<b>(6.1)</b>
Disposals	–	<b>0.2</b>	–	<b>0.2</b>
Effect of foreign exchange rate changes	<b>(0.3)</b>	<b>0.5</b>	–	<b>0.2</b>
<b>At 31 December 2013</b>	<b>(60.7)</b>	<b>(45.9)</b>	<b>(0.2)</b>	<b>(106.8)</b>
<b>Net book value at 31 December 2013</b>	<b>525.9</b>	<b>61.2</b>	–	<b>587.1</b>
Net book value at 31 December 2012	509.7	49.7	0.1	559.5

As at 31 December 2013, capitalised borrowing costs of £1.5m (2012 – £1.5m) were included within 'computer software', £nil of which was capitalised in 2013 (2012 – £nil).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 11 INTANGIBLE ASSETS CONTINUED

#### GOODWILL

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination. These CGU groups represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. Unless otherwise stated, the Group evaluates goodwill in CGU groupings at a country operation level, e.g. UK Retail, Australia Retail.

The carrying amount of goodwill has been allocated to CGU groups within the following reporting segments:

	2013 £m	2012 £m
United Kingdom	<b>262.1</b>	262.1
Russia and Emerging Markets	<b>202.1</b>	217.6
South Asia	<b>19.4</b>	20.5
Australasia	<b>42.3</b>	9.5
	<b>525.9</b>	509.7

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 CGU groups during the year ended 31 December 2013.

The recoverable amounts of all CGU groups 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, 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. The growth rates used vary between 2% 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 rates used are calculated as the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant country. The pre-tax discount rates used vary between 10% and 12% and reflect long term country risk.

## 11 INTANGIBLE ASSETS CONTINUED

The assumptions used with regards to pre-tax discount rates and long term growth rates in those reporting segments with material goodwill balances were as follows:

	Discount rate	Long term growth rate
United Kingdom	10%	2%
Russia and Emerging Markets	10% to 12%	5%
South Asia	10%	2%
Australasia	11%	2%

### IMPAIRMENT

No impairment charge was recognised in the year ended 31 December 2013. In 2012, an impairment charge of £0.2m was recognised relating to sold sites.

### 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 Group's businesses in Russia and Lithuania, a reasonably possible change in a key assumption will not cause a material impairment of goodwill in any of the other CGU groups.

The Group's goodwill in the Russia and Emerging Markets segment at 31 December 2013 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Russia	178.0	-	178.0
Latvia	44.2	(44.2)	-
Lithuania	21.6	-	21.6
Other	2.7	(0.2)	2.5
<b>At 31 December 2013</b>	<b>246.5</b>	<b>(44.4)</b>	<b>202.1</b>

The value in use calculations for the Group's business in Russia currently exceed the carrying value by approximately 9%. A 0.5% reduction in the long term growth rate would reduce the headroom available to approximately 2% of the carrying value, whilst a 0.5% increase in the discount rate would almost eliminate the headroom.

The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 34%. A 0.5% increase in the discount rate or a 0.5% reduction in the long term growth rate would reduce the headroom to approximately 25% of the carrying value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**12 PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
<b>Cost</b>					
At 1 January 2012	627.7	185.2	812.9	94.9	907.8
Businesses acquired	20.7	1.5	22.2	-	22.2
Businesses sold	-	(0.2)	(0.2)	-	(0.2)
Additions	52.4	33.6	86.0	42.6	128.6
Disposals	(5.6)	(10.7)	(16.3)	(0.7)	(17.0)
Transferred to inventory	-	(5.5)	(5.5)	(51.5)	(57.0)
Retirement of fully depreciated assets not in use	(0.1)	(5.2)	(5.3)	-	(5.3)
Reclassified to assets held for sale and disposal group (note 19)	(14.6)	(1.5)	(16.1)	-	(16.1)
Effect of foreign exchange rate changes	(4.8)	(2.9)	(7.7)	(1.4)	(9.1)
<b>At 1 January 2013</b>	<b>675.7</b>	<b>194.3</b>	<b>870.0</b>	<b>83.9</b>	<b>953.9</b>
Businesses acquired (note 28)	31.9	5.6	37.5	-	37.5
Businesses sold	(1.0)	(1.7)	(2.7)	-	(2.7)
Additions	57.8	37.7	95.5	25.5	121.0
Disposals	(15.8)	(14.4)	(30.2)	-	(30.2)
Transferred to inventory	-	(1.5)	(1.5)	(33.5)	(35.0)
Retirement of fully depreciated assets not in use	-	(1.3)	(1.3)	-	(1.3)
Reclassified within assets held for sale and disposal group (note 19)	0.7	(0.7)	-	-	-
Effect of foreign exchange rate changes	(32.1)	(11.4)	(43.5)	(1.0)	(44.5)
<b>At 31 December 2013</b>	<b>717.2</b>	<b>206.6</b>	<b>923.8</b>	<b>74.9</b>	<b>998.7</b>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2012	(106.9)	(118.8)	(225.7)	(34.5)	(260.2)
Businesses sold	-	0.1	0.1	-	0.1
Depreciation charge for the year	(11.6)	(18.1)	(29.7)	(13.7)	(43.4)
Disposals	2.9	7.7	10.6	0.3	10.9
Impairment losses recognised during the year	(0.8)	-	(0.8)	-	(0.8)
Transferred to inventory	-	0.8	0.8	17.2	18.0
Retirement of fully depreciated assets not in use	0.1	5.2	5.3	-	5.3
Reclassified to assets held for sale and disposal group (note 19)	3.7	1.3	5.0	-	5.0
Effect of foreign exchange rate changes	1.7	2.0	3.7	0.6	4.3
<b>At 1 January 2013</b>	<b>(110.9)</b>	<b>(119.8)</b>	<b>(230.7)</b>	<b>(30.1)</b>	<b>(260.8)</b>
Businesses sold	0.2	1.4	1.6	-	1.6
Depreciation charge for the year	(11.6)	(22.0)	(33.6)	(11.9)	(45.5)
Disposals	2.3	9.5	11.8	-	11.8
Transferred to inventory	-	0.6	0.6	16.8	17.4
Retirement of fully depreciated assets not in use	-	1.3	1.3	-	1.3
Reclassified from assets held for sale (note 19)	(0.1)	-	(0.1)	-	(0.1)
Effect of foreign exchange rate changes	2.8	5.9	8.7	(0.4)	8.3
<b>At 31 December 2013</b>	<b>(117.3)</b>	<b>(123.1)</b>	<b>(240.4)</b>	<b>(25.6)</b>	<b>(266.0)</b>
<b>Net book value at 31 December 2013</b>	<b>599.9</b>	<b>83.5</b>	<b>683.4</b>	<b>49.3</b>	<b>732.7</b>
Net book value at 31 December 2012	564.8	74.5	639.3	53.8	693.1

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.

## 12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Assets held under finance leases have the following net book values:

	2013 £m	2012 £m
Leasehold buildings	3.2	2.0
Plant, machinery and equipment	-	0.5
	<b>3.2</b>	<b>2.5</b>

The book value of land and buildings is analysed between:

	2013 £m	2012 £m
Freehold	427.5	410.5
Leasehold with over 50 years unexpired	30.9	37.0
Short leasehold	141.5	117.3
	<b>599.9</b>	<b>564.8</b>

As at 31 December 2013, £5.0m (2012 - £4.4m) of capitalised borrowing costs were included within 'land and buildings', £0.6m of which was capitalised in 2013 (2012 - £0.6m).

## 13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2013 £m	2012 £m
At 1 January	13.8	29.5
Disposals	-	(18.7)
Share of profit after tax of joint ventures and associates	-	0.2
Loan advances	-	3.2
Effect of foreign exchange rate changes	0.2	(0.4)
At 31 December	<b>14.0</b>	<b>13.8</b>

### GROUP'S SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES

	Joint ventures		Associates		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Non-current assets	-	-	0.1	0.1	0.1	0.1
Current assets	6.4	6.4	25.5	26.1	31.9	32.5
Group's share of gross assets	6.4	6.4	25.6	26.2	32.0	32.6
Current liabilities	(0.3)	(0.6)	(14.2)	(11.6)	(14.5)	(12.2)
Non-current liabilities	(0.3)	-	(3.2)	(6.6)	(3.5)	(6.6)
Group's share of gross liabilities	(0.6)	(0.6)	(17.4)	(18.2)	(18.0)	(18.8)
Group's share of net assets	<b>5.8</b>	<b>5.8</b>	<b>8.2</b>	<b>8.0</b>	<b>14.0</b>	<b>13.8</b>

### GROUP'S SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

Revenue	0.1	1.7	1.4	1.7	1.5	3.4
Expenses	(0.1)	(1.6)	(1.4)	(1.7)	(1.5)	(3.3)
Profit before tax	-	0.1	-	-	-	0.1
Tax	-	0.1	-	-	-	0.1
Share of profit after tax of joint ventures and associates	-	0.2	-	-	-	0.2

As at 31 December 2013, no guarantees were provided in respect of joint ventures and associates borrowings (2012 - £nil).

Principal joint ventures and associates are disclosed in note 31 of this Report.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 14 AVAILABLE FOR SALE FINANCIAL ASSETS

	2013 £m	2012 £m
At 1 January	6.7	6.1
Additions	7.2	1.9
Disposals	(4.2)	(1.1)
Fair value movement transferred to shareholders' equity	-	0.1
Fair value movement charged to consolidated income statement	-	(0.1)
Effect of foreign exchange rate changes	-	(0.2)
At 31 December	<b>9.7</b>	6.7

Analysed as:

	2013 £m	2012 £m
Non-current	1.4	4.0
Current	8.3	2.7
	<b>9.7</b>	6.7

Assets held are analysed as follows:

	2013 £m	2012 £m
Equity securities	0.3	0.2
Bonds	8.1	3.6
Other	1.3	2.9
	<b>9.7</b>	6.7

At 31 December 2013, the bonds attracted a weighted average fixed interest rate of 3.25% (2012 – 0.4%). 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	Total interest bearing £m
<b>2013</b>	<b>8.1</b>	-	<b>8.1</b>
2012	2.6	1.0	3.6

In certain jurisdictions management are required to hold bonds to offset future vehicle warranty obligations. To meet this obligation, 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		Non-current	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade receivables	<b>188.1</b>	148.3	<b>0.1</b>	0.1
Less: provision for impairment of trade receivables	<b>(8.4)</b>	(8.5)	-	-
Net trade receivables	<b>179.7</b>	139.8	<b>0.1</b>	0.1
Amounts receivable from related parties	-	0.1	-	-
Prepayments and accrued income	<b>91.7</b>	76.7	<b>20.8</b>	14.3
Other receivables	<b>38.5</b>	41.8	<b>6.0</b>	16.8
	<b>309.9</b>	258.4	<b>26.9</b>	31.2

Movements in the provision for impairment of receivables were as follows:

	2013 £m	2012 £m
At 1 January	<b>(8.5)</b>	(7.7)
Businesses acquired	<b>(0.3)</b>	-
Charge for the year	<b>(2.0)</b>	(2.1)
Amounts written off	<b>0.8</b>	0.6
Unused amounts reversed	<b>1.6</b>	0.5
Effect of foreign exchange rate changes	-	0.2
At 31 December	<b>(8.4)</b>	(8.5)

At 31 December, the analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired			Impaired £m
			0 < 30 days £m	30 - 90 days £m	> 90 days £m	
<b>2013</b>	<b>188.2</b>	<b>122.5</b>	<b>33.1</b>	<b>13.8</b>	<b>10.4</b>	<b>8.4</b>
2012	148.4	101.9	22.3	9.3	6.4	8.5

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**16 DEFERRED TAX**

	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
<b>Net deferred tax (liability) / asset</b>							
At 1 January 2013 (restated) <sup>1</sup>	(5.7)	13.0	5.1	10.5	3.7	(13.1)	13.5
(Charged) / credited to the consolidated income statement	(11.6)	0.1	0.7	(4.1)	0.2	1.9	(12.8)
Charged to shareholders' equity	(3.6)	(12.8)	(1.6)	-	-	-	(18.0)
Businesses acquired (note 28)	-	-	-	-	-	1.3	1.3
Effect of foreign exchange rate changes	-	(1.0)	-	(0.2)	0.2	(1.5)	(2.5)
<b>At 31 December 2013</b>	<b>(20.9)</b>	<b>(0.7)</b>	<b>4.2</b>	<b>6.2</b>	<b>4.1</b>	<b>(11.4)</b>	<b>(18.5)</b>

Analysed as:

	2013 £m	2012 (restated) <sup>1</sup> £m
Deferred tax assets	24.6	40.4
Deferred tax liabilities	(43.1)	(26.9)
	<b>(18.5)</b>	13.5

1. See note 34.

The Group has unrecognised deferred tax assets of £35m (2012 – £27m) relating to tax relief on trading losses. The asset represents £141m (2012 – £115m) of losses at the standard blended rate of 24.5% (2012 – 23.4%). The asset is not recognised, as £141m (2012 – £115m) 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 £6.2m (2012 – £10.5m) in respect of tax losses relates to trading losses in Russia (£2.6m), Belgium (£1.7m) and other territories (£1.9m) where future profits are anticipated with reasonable certainty.

The Group has unrecognised deferred tax assets of £27m (2012 – £30m) relating to capital losses. The asset represents £133m (2012 – £133m) of losses at the UK standard rate of 20.0% (2012 – 23.0%). 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, a tax charge of £3.5m (2012 – £nil) would be payable. As the overseas reserves are anticipated to be repatriated within 12 months, the provision has been made to current tax.

The £11.4m (2012 – £13.1m) net deferred tax liability for 'other timing differences' consists of a £28.4m (2012 – £31.1m) liability in respect of the net book value of tangible fixed assets that do not qualify for tax allowances and property revaluations and a £17.0m (2012 – £18.0m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are £11.0m in Australia, £3.0m in the UK, £2.0m in Russia and £1.0m in other territories (2012 – £15.0m in Australia, £2.0m in South America and £1.0m in other territories).

## 17 INVENTORIES

	2013 £m	2012 £m
Raw materials and work in progress	14.4	11.5
Finished goods and merchandise	1,028.3	917.4
	<b>1,042.7</b>	<b>928.9</b>

Vehicles held on consignment which are in substance assets of the Group amount to £133.8m (2012 – £128.1m). 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 £32.3m (2012 – £28.0m) 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 £5,337.0m (2012 – £4,926.6m). The write down of inventory to net realisable value recognised as an expense during the year was £40.7m (2012 – £30.5m). All of these items have been included within 'cost of sales' in the consolidated income statement.

## 18 CASH AND CASH EQUIVALENTS

	2013 £m	2012 £m
Cash at bank and cash equivalents	290.3	324.4
Short term deposits	106.5	273.5
	<b>396.8</b>	<b>597.9</b>

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 2013, the weighted average floating rate was 0.7% (2012 – 0.9%).

£20.7m (2012 – £20.9m) 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 2013, short term deposits have a weighted average period to maturity of 40 days (2012 – 19 days).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 19 ASSETS HELD FOR SALE AND DISPOSAL GROUP

	2013 £m	2012 £m
Assets directly associated with the disposal group	<b>5.8</b>	22.7
Assets held for sale	<b>2.4</b>	8.6
Assets held for sale and disposal group	<b>8.2</b>	31.3
Liabilities directly associated with the disposal group	<b>(4.6)</b>	(19.1)

The assets and liabilities in the disposal group comprise the following:

	2013 £m	2012 £m
Goodwill	<b>0.8</b>	-
Property, plant and equipment	<b>0.7</b>	3.6
Inventories	<b>4.3</b>	17.1
Trade and other receivables	-	2.0
Assets directly associated with the disposal group	<b>5.8</b>	22.7
Trade and other payables	<b>(4.6)</b>	(19.1)
Liabilities directly associated with the disposal group	<b>(4.6)</b>	(19.1)

Assets held for sale relate to surplus properties within the UK, which are actively marketed with a view to sale. The disposal group relates to assets and liabilities of a retail centre in Australasia, which was disposed of in March 2014.

In 2012, the disposal group corresponded to assets and liabilities of the Group's Ford retail centres in the UK, which were disposed of in February 2013.

### 20 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade payables: payments received on account	<b>57.7</b>	57.7	<b>0.3</b>	0.2
vehicle funding agreements	<b>225.4</b>	157.4	-	-
other trade payables	<b>759.8</b>	722.9	<b>7.5</b>	9.4
Other taxation and social security payable	<b>34.6</b>	19.0	-	-
Accruals and deferred income	<b>187.9</b>	176.1	<b>10.2</b>	12.8
Amounts payable to related parties	<b>0.2</b>	0.2	-	-
Other payables	<b>13.2</b>	17.4	-	-
	<b>1,278.8</b>	1,150.7	<b>18.0</b>	22.4

The Group has 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 are subject to a weighted average floating interest rate of 3.8% (2012 - 3.5%). Interest charged under these agreements is included within stock holding interest.

At 31 December 2013, current other trade payables includes £413.9m (2012 - £325.8m) of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 2.4% (2012 - 2.6%). 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.

## 21 PROVISIONS

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2013	51.0	5.7	7.9	20.3	84.9
Charged to the consolidated income statement	18.8	0.1	0.1	2.6	21.6
Released to the consolidated income statement	(5.3)	(2.2)	(1.4)	(3.1)	(12.0)
Effect of unwinding of discount factor	0.5	-	-	-	0.5
Businesses acquired (note 28)	-	4.5	-	0.4	4.9
Utilised during the year	(18.1)	(2.1)	(0.8)	(7.6)	(28.6)
Effect of foreign exchange rate changes	(2.2)	(0.6)	0.3	-	(2.5)
<b>At 31 December 2013</b>	<b>44.7</b>	<b>5.4</b>	<b>6.1</b>	<b>12.6</b>	<b>68.8</b>

Analysed as:

	2013 £m	2012 £m
Current	37.0	41.9
Non-current	31.8	43.0
	<b>68.8</b>	<b>84.9</b>

### 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 and Australia. 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 five years.

### OTHER

This category principally includes provisions relating to residual values on leased vehicles and provisions relating to restructuring activities. These provisions are expected to be utilised within three years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**22 BORROWINGS**

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2013 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
<b>2013</b>							
<b>Current</b>							
Bank overdrafts	64.6	0.3	-	-	64.6	-	64.6
Finance leases	-	-	1.1	6.3	1.1	-	1.1
	64.6	0.3	1.1	6.3	65.7	-	65.7
<b>Non-current</b>							
Private Placement	293.4	1.4	-	-	293.4	-	293.4
Finance leases	-	-	4.5	6.5	4.5	-	4.5
	293.4	1.4	4.5	6.5	297.9	-	297.9
<b>Total borrowings</b>	<b>358.0</b>	<b>1.2</b>	<b>5.6</b>	<b>6.5</b>	<b>363.6</b>	<b>-</b>	<b>363.6</b>

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2012 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
<b>2012</b>							
<b>Current</b>							
Bank overdrafts	110.5	0.1	-	-	110.5	2.5	113.0
Finance leases	-	-	0.5	7.3	0.5	-	0.5
	110.5	0.1	0.5	7.3	111.0	2.5	113.5
<b>Non-current</b>							
Private Placement	317.6	2.1	-	-	317.6	-	317.6
Finance leases	-	-	2.4	7.0	2.4	-	2.4
	317.6	2.1	2.4	7.0	320.0	-	320.0
<b>Total borrowings</b>	<b>428.1</b>	<b>1.6</b>	<b>2.9</b>	<b>7.1</b>	<b>431.0</b>	<b>2.5</b>	<b>433.5</b>

The above analysis is presented after taking account of the cross currency fixed to floating interest rate swap on the Private Placement of US\$436m (2012 - US\$436m).

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 £31.1 m (2012 - £49.0m).

The Group's borrowings are unsecured.

At 31 December 2013, the committed funding facilities of the Group comprised syndicated bank facilities of £450m (2012 - £450m), a bi-lateral facility of €65m (2012 - €65m) and Private Placement loan notes totalling US\$436m (2012 - US\$436m).

At 31 December 2013, none (2012 - none) of the £450m syndicated credit facility or the €65m bi-lateral facility was drawn down. Both facilities expire in 2017.

All US\$436m of the Group's Private Placement loan notes is swapped into Sterling. US\$275m is repayable in four years, and US\$161m in six years.

## 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 the Private Placement of US\$436m (2012 – US\$436m).

	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
<b>2013</b>							
<b>Fixed rate</b>							
Finance leases	1.1	0.5	0.3	1.5	0.6	1.6	5.6
<b>Floating rate</b>							
Bank overdrafts	64.6	-	-	-	-	-	64.6
Private Placement	-	-	-	187.8	-	105.6	293.4
<b>2012</b>							
<b>Fixed rate</b>							
Finance leases	0.5	0.1	0.1	0.1	0.1	2.0	2.9
<b>Floating rate</b>							
Bank overdrafts	110.5	-	-	-	-	-	110.5
Private Placement	-	-	-	-	200.4	117.2	317.6

## 23 FINANCIAL INSTRUMENTS

The Group's financial liabilities, other than derivatives, comprise 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 market risk, interest rate risk, currency risk, credit risk and liquidity risk.

### A. CLASSES OF FINANCIAL INSTRUMENTS

	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
<b>2013</b>						
<b>Financial assets</b>						
Available for sale financial assets	-	9.7	-	-	-	9.7
Trade and other receivables	260.1	-	-	-	-	260.1
Derivative financial instruments	-	-	106.2	-	-	106.2
Cash and cash equivalents	-	-	-	-	396.8	396.8
Total financial assets	260.1	9.7	106.2	-	396.8	772.8
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	(1,203.1)	-	(1,203.1)
Derivative financial instruments	-	-	(41.4)	-	-	(41.4)
Borrowings	-	-	-	(363.6)	-	(363.6)
Total financial liabilities	-	-	(41.4)	(1,566.7)	-	(1,608.1)
	260.1	9.7	64.8	(1,566.7)	396.8	(835.3)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**23 FINANCIAL INSTRUMENTS CONTINUED**

2012	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
<b>Financial assets</b>						
Available for sale financial assets	-	6.7	-	-	-	6.7
Trade and other receivables	209.6	-	-	-	-	209.6
Derivative financial instruments	-	-	116.1	-	-	116.1
Cash and cash equivalents	-	-	-	-	597.9	597.9
<b>Total financial assets</b>	<b>209.6</b>	<b>6.7</b>	<b>116.1</b>	<b>-</b>	<b>597.9</b>	<b>930.3</b>
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	(1,041.8)	-	(1,041.8)
Derivative financial instruments	-	-	(62.6)	-	-	(62.6)
Borrowings	-	-	-	(433.5)	-	(433.5)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(62.6)</b>	<b>(1,475.3)</b>	<b>-</b>	<b>(1,537.9)</b>
	209.6	6.7	53.5	(1,475.3)	597.9	(607.6)

**B. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following financial assets are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial assets	Gross amounts of financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position	Cash collateral received	Net amount
				Financial instruments		
<b>As at 31 December 2013</b>						
Derivative financial assets	106.6	(0.4)	106.2	(11.5)	-	94.7
Cash and cash equivalents	396.8	-	396.8	(64.6)	-	332.2
Trade and other receivables	3.1	(0.6)	2.5	-	-	2.5
<b>Total</b>	<b>506.5</b>	<b>(1.0)</b>	<b>505.5</b>	<b>(76.1)</b>	<b>-</b>	<b>429.4</b>
<b>As at 31 December 2012</b>						
Derivative financial assets	118.5	(2.4)	116.1	(19.1)	-	97.0
Cash and cash equivalents	597.9	-	597.9	(113.0)	-	484.9
Trade and other receivables	3.9	(0.6)	3.3	(0.3)	-	3.0
<b>Total</b>	<b>720.3</b>	<b>(3.0)</b>	<b>717.3</b>	<b>(132.4)</b>	<b>-</b>	<b>584.9</b>

The following financial liabilities are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial liabilities	Gross amounts of financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position	Cash collateral received	Net amount
				Financial instruments		
<b>As at 31 December 2013</b>						
Derivative liabilities	(41.8)	0.4	(41.4)	11.5	-	(29.9)
Bank overdrafts	(64.6)	-	(64.6)	64.6	-	-
Trade and other payables	(0.6)	0.6	-	-	-	-
<b>Total</b>	<b>(107.0)</b>	<b>1.0</b>	<b>(106.0)</b>	<b>76.1</b>	<b>-</b>	<b>(29.9)</b>
<b>As at 31 December 2012</b>						
Derivative liabilities	(65.0)	2.4	(62.6)	19.1	-	(43.5)
Bank overdrafts	(113.0)	-	(113.0)	113.0	-	-
Trade and other payables	(0.9)	0.6	(0.3)	0.3	-	-
<b>Total</b>	<b>(178.9)</b>	<b>3.0</b>	<b>(175.9)</b>	<b>132.4</b>	<b>-</b>	<b>(43.5)</b>

For the financial assets and liabilities subject to enforceable netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities if the amounts relate to the same transaction and are in the same currency. If the parties subject to the agreement do not elect to settle on a net basis, financial assets and liabilities will be settled on a gross basis. However, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of a default of the other party.



## 23 FINANCIAL INSTRUMENTS CONTINUED

### C. 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 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.

### D. 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 2013, 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
<b>2013</b>		
Sterling	75	(4.2)
Euro	50	0.2
Russian Ruble	50	(0.2)
Australian Dollar	100	(1.6)
<b>2012</b>		
Sterling	75	(3.1)
Euro	50	0.1
Russian Ruble	50	(0.2)
Australian Dollar	100	(1.2)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 23 FINANCIAL INSTRUMENTS CONTINUED

#### E. 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 functional 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.

##### 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
<b>2013</b>		
Yen	<b>+10%</b>	<b>0.5</b>
Yen	<b>-10%</b>	<b>(0.5)</b>
<b>2012</b>		
Yen	+10%	0.9
Yen	-10%	(0.9)

#### F. 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 <sup>1</sup>	2013		2012	
	Derivative assets £m	Short term deposits £m	Derivative assets £m	Short term deposits £m
AAA	-	12.4	-	68.4
AA-	7.9	17.4	0.1	54.6
A+	47.7	18.3	59.4	47.3
A	49.3	23.7	55.6	35.9
A-	1.3	24.8	1.0	41.2
BBB+ <sup>2</sup>	-	-	-	8.5
CCC <sup>2</sup>	-	-	-	0.2
No rating <sup>3</sup>	-	9.9	-	17.4
	<b>106.2</b>	<b>106.5</b>	116.1	273.5

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.

## 23 FINANCIAL INSTRUMENTS CONTINUED

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, cash equivalents, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £290.3m (2012 – £324.4m) 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.

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.

### G. 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 Strategic Report on page 36 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 2013 and 2012 based on expected contractual undiscounted cash flows:

	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
<b>2013</b>					
<b>Financial assets</b>					
Cash and cash equivalents	396.5	0.3	-	-	396.8
Trade and other receivables	232.3	21.6	4.3	1.9	260.1
Available for sale financial assets	1.3	7.2	0.7	0.5	9.7
Derivative financial instruments	1.7	32.7	222.5	149.8	406.7
	<b>631.8</b>	<b>61.8</b>	<b>227.5</b>	<b>152.2</b>	<b>1,073.3</b>
<b>Financial liabilities</b>					
Interest bearing loans and borrowings	(64.9)	(16.5)	(232.9)	(115.9)	(430.2)
Trade and other payables	(1,085.5)	(105.1)	(12.5)	-	(1,203.1)
Derivative financial instruments	(27.8)	(14.0)	(160.4)	(125.8)	(328.0)
	<b>(1,178.2)</b>	<b>(135.6)</b>	<b>(405.8)</b>	<b>(241.7)</b>	<b>(1,961.3)</b>
Net outflows	<b>(546.4)</b>	<b>(73.8)</b>	<b>(178.3)</b>	<b>(89.5)</b>	<b>(888.0)</b>
	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
<b>2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	580.7	17.2	-	-	597.9
Trade and other receivables	184.6	20.8	3.8	0.4	209.6
Available for sale financial assets	1.4	1.5	1.0	2.8	6.7
Derivative financial instruments	4.3	18.4	237.7	161.0	421.4
	<b>771.0</b>	<b>57.9</b>	<b>242.5</b>	<b>164.2</b>	<b>1,235.6</b>
<b>Financial liabilities</b>					
Interest bearing loans and borrowings	(113.3)	(16.5)	(260.6)	(130.1)	(520.5)
Trade and other payables	(975.6)	(53.4)	(12.3)	(0.5)	(1,041.8)
Derivative financial instruments	(19.0)	(43.5)	(163.9)	(129.5)	(355.9)
	<b>(1,107.9)</b>	<b>(113.4)</b>	<b>(436.8)</b>	<b>(260.1)</b>	<b>(1,918.2)</b>
Net outflows	<b>(336.9)</b>	<b>(55.5)</b>	<b>(194.3)</b>	<b>(95.9)</b>	<b>(682.6)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 23 FINANCIAL INSTRUMENTS CONTINUED

#### H. FAIR VALUE MEASUREMENT

In accordance with IFRS 13, 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:

	2013			2012		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
<b>Assets</b>						
Derivatives used for hedging	-	106.2	106.2	-	116.1	116.1
Available for sale financial assets	9.7	-	9.7	6.7	-	6.7
	<b>9.7</b>	<b>106.2</b>	<b>115.9</b>	<b>6.7</b>	<b>116.1</b>	<b>122.8</b>
<b>Liabilities</b>						
Derivatives used for hedging	-	(41.4)	(41.4)	-	(62.6)	(62.6)

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 2013.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2013 £m	2012 £m	2013 £m	2012 £m
Cross currency interest rate swap	89.8	111.8	-	-
Forward foreign exchange contracts	16.4	4.3	(41.4)	(62.6)
	<b>106.2</b>	<b>116.1</b>	<b>(41.4)</b>	<b>(62.6)</b>

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to a gain of £2.3m (2012 - gain of £4.8m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of £nil (2012 - £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 15 months of the end of the reporting period (2012 – 15 months).

The nominal principal amount of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2013 was £760.4m (2012 – £955.9m).

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 2013 are expected to be released to the consolidated income statement within 15 months of the end of the reporting period (2012 – 15 months).

### FAIR VALUE HEDGE

At 31 December 2013, 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.

## I. CAPITAL MANAGEMENT

The Group's capital structure consists of equity and debt. Equity represents funds raised from shareholders and debt represents funds raised from banks and other financial institutions. 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 finance the Group's activities, both now and in the future, and to 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 Directors consider the Group's capital structure and dividend policy at least twice a year prior to the announcement of results, taking into account the Group's ability to continue as a going concern and the requirements of its business plan.

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.

	2013	2012
Adjusted EBITA interest cover (times) *	<b>149.6</b>	116.0
Net debt to EBITDA (times) **	<b>n/a</b>	n/a
Net debt / market capitalisation (percentage) ***	<b>n/a</b>	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

	2013 Number	2012 Number	2013 £m	2012 £m
<b>Ordinary shares (nominal value of 10.0p each)</b>				
At 1 January	<b>468,108,202</b>	463,473,216	<b>46.9</b>	46.4
Allotted under share option schemes	<b>3,848,148</b>	4,634,986	<b>0.4</b>	0.5
Cancelled under share buy back	<b>(8,147,813)</b>	-	<b>(0.8)</b>	-
<b>At 31 December</b>	<b>463,808,537</b>	468,108,202	<b>46.5</b>	46.9

### B. SHARE BUY BACK PROGRAMME

At 31 December 2013, the Company held 2,687,560 treasury shares (2012 – 2,687,560) with a total book value of £99.4m (2012 – £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The market value of treasury shares at 31 December 2013 was £16.5m (2012 – £11.6m).

During the year, the Group repurchased 8,147,813 (2012 – nil) of its own shares through purchases on the London Stock Exchange, at a cost of £49.7m. The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.8m, equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.3m associated with the transfer to the Group of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 24 SHARE CAPITAL CONTINUED

#### C. SUBSTANTIAL SHAREHOLDINGS

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 10 March 2014 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Directors' Report.

#### D. SHARE OPTIONS

At 31 December 2013, 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 (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
<b>The Inchcape 1999 Share Option Plan</b>			<b>The Inchcape SAYE Share Option Scheme</b>		
<b>- approved (Part II - UK)</b>			<b>- approved</b>		
18,106	20 May 2014	4.42	82,631	1 May 2014	2.05
2,288	29 September 2014	4.37	455,996	1 May 2015	2.43
31,122	6 March 2015	5.78	894,235	1 May 2016	3.07
18,211	11 September 2015	6.03	846,792	1 May 2017	4.76
22,513	19 May 2019	2.00			
24,249	7 April 2020	3.10			
<b>- unapproved (Part I - UK)</b>					
30,677	20 May 2014	4.42			
50,561	6 March 2015	5.78			
218,727	11 September 2015	6.03			
1,066,499	19 May 2019	2.00			
334,363	7 April 2020	3.10			
<b>- unapproved overseas (Part I - Overseas)</b>					
76,782	20 May 2014	4.42			
147,127	6 March 2015	5.78			
494,871	19 May 2019	2.00			
293,000	7 April 2020	3.10			
20,532	13 June 2020	2.63			

Included within the retained earnings reserve are 1,777,567 (2012 - 1,692,848) ordinary shares in the Company 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 2013 was £5.5m (2012 - £4.0m). The market value of these shares at both 31 December 2013 and 10 March 2014 was £10.9m (31 December 2012 - £7.3m, 11 March 2013 - £9.0m).

## 25 OTHER RESERVES

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2012	0.8	131.6	(5.6)	126.8
Cash flow hedges:				
– Fair value movements	–	–	(54.0)	(54.0)
– Reclassified and reported in inventories	–	–	12.5	12.5
– Tax on cash flow hedges	–	–	12.4	12.4
Transfer of impairment losses to consolidated income statement	1.0	–	–	1.0
Fair value movement transferred from available for sale financial assets	0.1	–	–	0.1
Effect of foreign exchange rate changes	–	(12.1)	–	(12.1)
At 1 January 2013	<b>1.9</b>	<b>119.5</b>	<b>(34.7)</b>	<b>86.7</b>
Cash flow hedges:				
– Fair value movements	–	–	<b>37.8</b>	<b>37.8</b>
– Reclassified and reported in inventories	–	–	<b>(0.7)</b>	<b>(0.7)</b>
– Tax on cash flow hedges	–	–	<b>(11.4)</b>	<b>(11.4)</b>
Recycled fair value gains on disposal of available for sale financial assets	<b>(1.6)</b>	–	–	<b>(1.6)</b>
Effect of foreign exchange rate changes	–	<b>(102.1)</b>	–	<b>(102.1)</b>
<b>At 31 December 2013</b>	<b>0.3</b>	<b>17.4</b>	<b>(9.0)</b>	<b>8.7</b>

### 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.

### 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

	2013 £m	2012 (restated) <sup>1</sup> £m
At 1 January	<b>1,099.2</b>	895.7
Adjustment for IAS 19 (revised)	–	8.0
At 1 January (restated) <sup>1</sup>	<b>1,099.2</b>	903.7
Total comprehensive income attributable to owners of the parent for the year:		
– Profit for the year	<b>194.2</b>	181.5
– Actuarial (losses) / gains on defined pension benefits (note 5)	<b>(33.9)</b>	49.7
– Tax (charged) / credited to reserves	<b>(3.9)</b>	8.7
Total comprehensive income for the year	<b>156.4</b>	239.9
Share-based payments, net of tax	<b>7.4</b>	10.4
Share buy back programme	<b>(50.0)</b>	–
Net purchase of own shares by ESOP Trust	<b>(2.5)</b>	(2.3)
Dividends paid (note 10)	<b>(75.5)</b>	(52.5)
<b>At 31 December</b>	<b>1,135.0</b>	1,099.2

1. See note 34.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**  
**A. RECONCILIATION OF CASH GENERATED FROM OPERATIONS**

	2013 £m	2012 (restated) <sup>1</sup> £m
<b>Cash flows from operating activities</b>		
Operating profit	278.4	260.5
Exceptional items	8.5	(0.7)
Amortisation of intangible assets	6.1	3.7
Depreciation of property, plant and equipment	33.6	29.7
Profit on disposal of property, plant and equipment	(7.4)	(0.2)
Share-based payments charge	9.0	6.8
Increase in inventories	(89.0)	(42.5)
Increase in trade and other receivables	(44.0)	(9.5)
Increase in trade and other payables	114.4	47.3
Decrease in provisions	(12.5)	(16.5)
Pension contributions in excess of the pension charge for the year*	(31.0)	(22.3)
(Increase) / decrease in interest in leased vehicles	(13.0)	2.1
Payment in respect of exceptional items	(15.4)	(8.2)
Other non cash items	(10.7)	(1.0)
<b>Cash generated from operations</b>	<b>227.0</b>	<b>249.2</b>

\* Includes additional payments of £32.7m (2012 – £23.3m).

**B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2013 £m	2012 £m
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(111.2)</b>	<b>28.3</b>
Net cash outflow from borrowings and finance leases	1.6	3.9
Change in net cash and debt resulting from cash flows	(109.6)	32.2
Effect of foreign exchange rate changes on net cash and debt	(40.6)	(4.6)
Net movement in fair value	2.3	4.8
Net loans and finance leases relating to acquisitions and disposals	(5.3)	0.3
<b>Movement in net funds</b>	<b>(153.2)</b>	<b>32.7</b>
Opening net funds	276.2	243.5
<b>Closing net funds</b>	<b>123.0</b>	<b>276.2</b>

Net funds is analysed as follows:

	2013 £m	2012 £m
Cash at bank and cash equivalents	290.3	324.4
Short term deposits	106.5	273.5
Bank overdrafts	(64.6)	(113.0)
<b>Cash and cash equivalents</b>	<b>332.2</b>	<b>484.9</b>
Bank loans	(293.4)	(317.6)
Finance leases	(5.6)	(2.9)
	33.2	164.4
Fair value of cross currency interest rate swap	89.8	111.8
<b>Net funds</b>	<b>123.0</b>	<b>276.2</b>

1. See note 34 and changes in accounting policies and disclosures.



## 28 ACQUISITIONS AND DISPOSALS

### A. ACQUISITIONS

On 1 March 2013, the Group acquired the Trivett Automotive group in Australia.

Details of the fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	2013 £m
<b>Assets and liabilities acquired, at fair value</b>	
Intangible assets (note 11)	0.1
Property, plant and equipment (note 12)	37.5
Tax assets	4.8
Inventory	76.3
Trade and other receivables <sup>1</sup>	15.5
Cash and cash equivalents	4.8
Trade and other payables	(92.3)
Provisions (note 21)	(4.5)
Borrowings	(6.0)
Tax liabilities	(4.3)
Net assets acquired	31.9
Goodwill	42.7
Purchase consideration	74.6
<b>Satisfied by</b>	
Consideration – Cash paid	78.9
Consideration – Cash expected to be repaid	(4.3)
Purchase consideration	74.6
Net cash in business acquired	(4.8)
Borrowings in business acquired	6.0
Total consideration	75.8

1. Included within Trade and other receivables are trade receivables with a fair value of £14.8m with the gross contractual amount being £14.9m.

The goodwill arising on acquisition is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing business in Australia. Specifically, the goodwill represents the premium paid to expand the Group's presence in this important market and achieve regional scale in the premium and luxury brand sector. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion.

During the year, the accounting in respect of the acquisition of the 49% interest in the Inchcape Independence group in Russia was finalised and resulted in an increase in goodwill of £0.5m.

### B. PROFORMA FULL YEAR INFORMATION

If the acquisition of the Trivett group had occurred on 1 January 2013, the approximate revenue and operating profit before exceptional items for the period ended 31 December 2013 of the Group would have been £6,587.1m and £287.9m respectively. This information has been estimated based on the management information of the Trivett group prior to acquisition. The acquired business contributed revenue of £298.8m and operating profit before exceptional items of £9.9m to the Group for the period 1 March to 31 December 2013.

### C. DISPOSALS

During the year, the Group disposed of Ford retail centres in the UK and a Toyota dealership in China, generating disposal proceeds of £14.9m.

In 2012, the Group disposed of its interest in a dealership in Russia at book value, generating disposal proceeds of £2.9m.

## 29 GUARANTEES AND CONTINGENCIES

	2013 £m	2012 £m
Guarantees, performance bonds and contingent liabilities	24.2	15.6

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).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 30 COMMITMENTS

#### A. CAPITAL COMMITMENTS

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2013 £m	2012 £m
Property, plant and equipment	11.4	15.8
Vehicles subject to residual value commitments*	88.3	91.3

\* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £16.2m (2012 - £27.0m) has been included within 'trade and other payables'. These commitments are largely expected to be settled over the next 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:

	2013 £m	2012 £m
Within one year	46.8	43.8
Between one and five years	119.9	104.2
After five years	197.0	154.0
	<b>363.7</b>	<b>302.0</b>

##### 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:

	2013 £m	2012 £m
Within one year	3.2	3.7
Between one and five years	6.9	6.1
After five years	10.8	7.3
	<b>20.9</b>	<b>17.1</b>

#### 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:

	2013 £m	2012 £m
Minimum lease payments:		
– Within one year	1.2	0.7
– Between one and five years	4.0	0.9
– After five years	3.0	3.9
Total minimum lease payments	8.2	5.5
Less: future finance charges	(2.6)	(2.6)
Present value of finance lease liabilities	5.6	2.9

### 31 RELATED PARTY DISCLOSURES

#### A. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The consolidated financial statements include the principal subsidiaries, joint ventures and associates listed below:

	Country of incorporation	Shareholding	Description
<b>Subsidiaries</b>			
<i>Directly held:</i>			
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
<i>Indirectly held:</i>			
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 <sup>(1)</sup>
Inchcape T BV	Netherlands	100.0%	Intermediate holding company <sup>(2)</sup>
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Distribution
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services <sup>(3)</sup>
Inchcape Overseas 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
<b>Joint ventures</b>			
Unitfin SA	Greece	60.0%	Financial services
Tefin SA	Greece	50.0%	Financial services
<b>Associates</b>			
Excelease SA	Belgium	49.0%	Financial services

(1) Holding company of the Musa Motors businesses in Moscow.

(2) Holding company of the Toyota Vnukovo business in Moscow.

(3) Included within distribution in the business segmental analysis (see note 1).

The full list of subsidiaries is included in the Company's annual return.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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	
	2013 £m	2012 £m	2013 £m	2012 £m
Vehicles purchased from joint ventures and associates	-	0.1	-	-
Vehicles sold to joint ventures and associates	0.1	61.2	-	0.1
Other income paid to joint ventures and associates	1.0	0.9	0.2	0.2
Other income received from joint ventures and associates	0.1	0.1	-	-

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 (2012 - £nil).

#### C. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2013 £m	2012 £m
Wages and salaries	7.8	8.9
Post-retirement benefits	1.0	1.1
Share-based payments	4.2	2.1
Compensation for loss of office	1.0	0.2
	<b>14.0</b>	<b>12.3</b>

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	
	2013	2012	2013	2012
Australian Dollar	1.63	1.53	1.86	1.56
Euro	1.18	1.23	1.20	1.23
Hong Kong Dollar	12.14	12.33	12.85	12.59
Singapore Dollar	1.96	1.98	2.09	1.98
Russian Ruble	49.97	49.43	54.46	49.53

#### 33 EVENTS AFTER THE REPORTING PERIOD

In the year ended 31 December 2013, the Company purchased, for cancellation, 8,147,813 ordinary shares of 10.0p each at a cost of £49.7m (see note 24). In the period from 1 January to 10 March 2014, the Company purchased, for cancellation, a further 4,078,000 ordinary shares of 10.0p each at a cost of £25.0m. The Company is committed to completing a £100m share buy back programme by 30 June 2014.

### 34 ADOPTION OF IAS 19 (REVISED)

The principal changes as a result of the transition to IAS 19 (revised), 'Employee benefits' are set out in the following tables.

The impacts on the total comprehensive income are detailed below:

	Year to 31 Dec 2012 £m
Increase in pre-exceptional operating expenses	(2.1)
Decrease in exceptional income	(0.5)
Increase in operating expenses	(2.6)
Increase in net finance costs	(1.2)
Decrease in tax expense	0.8
Net decrease in profit for the period	(3.0)
Attributable to:	
Owners of the parent	(3.0)
Non controlling interests	-
Movement in actuarial losses in other comprehensive income	16.1
Deferred tax effect on actuarial losses in other comprehensive income	(0.1)
Net increase in other comprehensive income, net of tax	16.0
Net increase in total comprehensive income	13.0
Attributable to:	
Owners of the parent	13.0

The impacts on the consolidated statement of financial position are detailed below:

	As at 31 Dec 2012 £m	As at 1 Jan 2012 £m
Increase in retirement benefit asset	21.8	9.3
Decrease in retirement benefit obligation	1.2	1.4
Increase in deferred tax liability	(2.0)	(2.7)
Net impact on shareholders' equity	21.0	8.0
Attributable to:		
Owners of the parent	21.0	8.0

There is no impact on the consolidated statement of cash flows.

In note 1 Segmental analysis, operating expenses of £(2.1)m for the year ended 31 December 2012 have been allocated to Central. This relates to £(2.0)m scheme expenses which, under the revised standard, are recognised in the period in which they are incurred, and to a £(0.1)m decrease in the settlement gain recognised in 2012.

A £(0.5)m decrease in the exceptional curtailment gain recognised by the Group in 2012 has also been allocated to Central in the segmental analysis.

## 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, with the exception of 2012 which has been restated to reflect the adoption of IAS 19 (revised)<sup>1</sup>.

	2013 £m	2012 (restated) £m	2011 £m	2010 £m	2009 £m
<b>Consolidated income statement</b>					
<b>Revenue</b>	<b>6,524.9</b>	6,085.4	5,826.3	5,885.4	5,583.7
Operating profit before exceptional items	<b>286.9</b>	259.8	244.4	225.5	175.2
Operating exceptional items	<b>(8.5)</b>	0.7	(13.4)	(21.9)	(18.4)
Operating profit	<b>278.4</b>	260.5	231.0	203.6	156.8
Share of profit / (loss) after tax of joint ventures and associates	-	0.2	(3.0)	(1.7)	0.7
Profit before finance and tax	<b>278.4</b>	260.7	228.0	201.9	157.5
Net finance costs before exceptional items	<b>(12.3)</b>	(13.0)	(13.7)	(9.8)	(20.8)
Finance costs exceptional items	-	-	(10.9)	-	-
Profit before tax	<b>266.1</b>	247.7	203.4	192.1	136.7
Tax before exceptional tax	<b>(65.9)</b>	(60.8)	(59.2)	(62.2)	(43.5)
Exceptional tax	<b>0.6</b>	0.5	3.6	3.1	1.8
Profit after tax	<b>200.8</b>	187.4	147.8	133.0	95.0
Non controlling interests	<b>(6.6)</b>	(5.9)	(5.6)	(5.1)	(3.0)
<b>Profit for the year</b>	<b>194.2</b>	181.5	142.2	127.9	92.0
Basic:					
- Profit before tax	<b>266.1</b>	247.7	203.4	192.1	136.7
- Earnings per share (pence)	<b>41.8p</b>	39.4p	31.0p	27.9p	22.9p
Adjusted (before exceptional items):					
- Profit before tax	<b>274.6</b>	247.0	227.7	214.0	155.1
- Earnings per share (pence)	<b>43.5p</b>	39.1p	35.5p	32.0p	27.1p
Dividends per share - interim paid and final proposed (pence)	<b>17.4p</b>	14.5p	11.0p	6.6p	-
<b>Consolidated statement of financial position</b>					
Non-current assets	<b>1,512.1</b>	1,464.4	1,350.0	1,311.2	1,306.1
Other assets less (liabilities) excluding net funds	<b>(135.9)</b>	(212.2)	(236.0)	(227.7)	(217.2)
	<b>1,376.2</b>	1,252.2	1,114.0	1,083.5	1,088.9
Net funds	<b>123.0</b>	276.2	243.5	205.8	0.8
<b>Net assets</b>	<b>1,499.2</b>	1,528.4	1,357.5	1,289.3	1,089.7
Equity attributable to owners of the parent	<b>1,470.0</b>	1,502.6	1,329.1	1,263.1	1,067.7
Non controlling interests	<b>29.2</b>	25.8	28.4	26.2	22.0
<b>Total shareholders' equity</b>	<b>1,499.2</b>	1,528.4	1,357.5	1,289.3	1,089.7

1. See note 34 of the financial statements.

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INCHCAPE PLC

## REPORT ON THE GROUP FINANCIAL STATEMENTS

### OUR OPINION

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this Report.

### WHAT WE HAVE AUDITED

The Group financial statements, which are prepared by Inchcape plc, comprise:

- the consolidated statement of financial position as at 31 December 2013;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; and
- the summary of significant accounting policies and notes to the financial statements, which includes other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts 2013 (the Annual Report), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OVERVIEW OF OUR AUDIT APPROACH

#### MATERIALITY

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £13 million, which is approximately 5% of the Group's profit before tax.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.65 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group is organised into six geographic operating segments (Australasia, Europe, North Asia, South Asia, United Kingdom and Russia and Emerging Markets). The operating businesses are further categorised into two market channels – distribution and retail. The Group financial statements are a consolidation of 56 reporting units, comprising the Group's operating businesses (within the six geographic segments and two market channels) and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The reporting units vary significantly in size and we identified 24 reporting units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. These 24 reporting units contributed 91% of the Group's profit before tax.

#### AREAS OF PARTICULAR AUDIT FOCUS

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their Report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 55.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INCHCAPE PLC CONTINUED

Area of focus	How the scope of our audit addressed the area of focus
<p><i>Goodwill impairment assessment</i></p> <p>We focused on this area because it involves complex and subjective judgements by the Directors, including the future results of the business.</p> <p>As set out in note 11 of the financial statements, the recoverable amount of the goodwill in Russia (£178.0 million) and Lithuania (£21.6 million) is sensitive to a change in the key assumptions.</p>	<p>We evaluated the Directors' future cash flow forecasts, including comparing them with the latest Board approved budgets and tested the integrity of underlying calculations. We challenged the Directors' key assumptions for long term growth rates in the forecasts by comparing them with historical results and external data. We challenged the discount rate by assessing the cost of capital for the Company and comparable organisations.</p> <p>We also performed sensitivity analysis around the key drivers of the cash flow forecasts, specifically the long term growth rates and the assumptions relating to revenue growth and operating margins, as well as the discount rates. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such movements in those key assumptions arising.</p>
<p><i>Fraud in revenue recognition</i></p> <p>ISAs (UK &amp; Ireland) require us to consider the risk of fraud in revenue recognition. We focused our work on the potential fraudulent recognition of revenue, in particular items posted through manual journals to revenue accounts.</p>	<p>We evaluated the relevant IT systems and tested the internal controls over revenue transactions recognised in the financial statements. We tested the validity of sales recorded in the period by agreeing them to appropriate third party documentation and cash receipts. We also tested manual journal entries posted to revenue accounts by identifying and investigating unusual or irregular items.</p>
<p><i>Risk of management override of internal controls</i></p> <p>ISAs (UK &amp; Ireland) require that we consider this.</p>	<p>We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's Internal Audit function. We examined the significant accounting estimates and judgements relevant to the financial statements, such as impairment reviews and warranty provisions, for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries and incorporated an element of unpredictability in our audit work.</p>

### GOING CONCERN

Under the Listing Rules we are required to review the Directors' statement, set out on page 74, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.



## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

## OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

### CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are required to review the part of the Corporate governance report relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 75 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 55, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

### OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 74, 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 ISAs (UK & 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.

### OTHER MATTER

We have reported separately on the Company financial statements of Inchcape plc for the year ended 31 December 2013 and on the information in the Directors' Report on Remuneration 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

10 March 2014

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 £m	2012 £m
<b>Fixed assets</b>			
Investment in subsidiaries	3	<b>1,637.5</b>	1,623.6
<b>Current assets</b>			
Debtors:			
- Amounts due within one year	4	<b>9.8</b>	363.2
- Amounts due after more than one year	4	<b>340.0</b>	903.2
Cash at bank and in hand	5	<b>3.3</b>	10.2
		<b>353.1</b>	1,276.6
<b>Creditors - amounts falling due within one year</b>	6	<b>(5.5)</b>	(4.5)
<b>Net current assets</b>		<b>347.6</b>	1,272.1
<b>Total assets less current liabilities</b>		<b>1,985.1</b>	2,895.7
<b>Creditors - amounts falling due after more than one year</b>	7	<b>(571.1)</b>	(1,770.7)
<b>Provisions for liabilities</b>	9	<b>(4.6)</b>	(4.6)
<b>Net assets</b>		<b>1,409.4</b>	1,120.4
<b>Capital and reserves</b>			
Called up share capital	11, 13	<b>46.5</b>	46.9
Share premium accounts	13	<b>145.7</b>	136.5
Capital redemption reserve	13	<b>134.1</b>	133.3
Profit and loss account	13	<b>1,083.1</b>	803.7
<b>Total shareholders' funds</b>		<b>1,409.4</b>	1,120.4

The financial statements on pages 142 to 149 were approved by the Board of Directors on 10 March 2014 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 2013. The Company is the ultimate parent entity of the Inchcape Group (the Group). Accounting policies have been applied consistently.

## **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 differences are taken to the profit and loss account.

## **FINANCE COSTS**

Finance costs consist of interest payable on the Private Placement borrowing. Costs are recognised as an expense in the period in which they are incurred.

## **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. 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 83 to 89.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 AUDITORS' REMUNERATION

The Company incurred £0.1m (2012 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2013.

## 2 DIRECTORS' REMUNERATION

	2013 £m	2012 £m
Wages and salaries	4.1	3.8
Social security costs	0.4	0.4
Pension costs	0.5	0.4
	<b>5.0</b>	<b>4.6</b>

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 58 to 73.

## 3 INVESTMENT IN SUBSIDIARIES

	2013 £m	2012 £m
<b>Cost</b>		
At 1 January	1,663.4	1,661.8
Additions	84.6	1.6
Disposals	(35.4)	-
<b>At 31 December</b>	<b>1,712.6</b>	<b>1,663.4</b>
<b>Provisions</b>		
At 1 January	(39.8)	(39.8)
Provisions for impairment	(70.7)	-
Disposals	35.4	-
<b>At 31 December</b>	<b>(75.1)</b>	<b>(39.8)</b>
<b>Net book value</b>	<b>1,637.5</b>	<b>1,623.6</b>

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

In 2013, the Company invested £84.6m in a new subsidiary, Inchcape Finance (Ireland) Limited.

Also, the Company disposed of its investments in Inchcape Testing Services Limited and Southwell Motor Company Limited. Both investments had been fully provided for.

An impairment charge of £70.7m has been recognised in the year to ensure that the carrying value of investments is stated at the lower of cost and recoverable amount.

**4 DEBTORS**

	2013 £m	2012 £m
<b>Amounts due within one year</b>		
Amounts owed by Group undertakings	9.8	363.2
	<b>9.8</b>	<b>363.2</b>
<b>Amounts due after more than one year</b>		
Deferred tax asset (note 8)	2.7	2.5
Amounts owed by Group undertakings	337.3	900.7
	<b>340.0</b>	<b>903.2</b>

Amounts owed by Group undertakings bear interest at rates linked to LIBOR.

**5 CASH AT BANK AND IN HAND**

	2013 £m	2012 £m
Cash at bank and in hand	3.3	10.2

**6 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £m	2012 £m
Other taxation and social security payable	2.7	1.5
Other creditors	2.8	3.0
	<b>5.5</b>	<b>4.5</b>

**7 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013 £m	2012 £m
Amounts owed to Group undertakings	308.9	1,502.1
Private Placement	262.2	268.6
	<b>571.1</b>	<b>1,770.7</b>

The Company has US\$435.8m outstanding under the Private Placement borrowing: US\$275m is repayable in 2017 and bears interest at a fixed rate of 5.94% per annum; and US\$160.8m is repayable in 2019 and bears interest at a fixed rate of 6.04% per annum.

Amounts owed to Group undertakings are repayable in 2015 and bear interest at rates linked to LIBOR.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 8 DEFERRED TAX

	Share-based payments £m	Other timing differences £m	Total £m
At 1 January 2013	1.5	1.0	2.5
(Charged) / credited to the profit and loss account	(0.3)	0.5	0.2
<b>At 31 December 2013</b>	<b>1.2</b>	<b>1.5</b>	<b>2.7</b>

### 9 PROVISIONS FOR LIABILITIES

	2013 £m	2012 £m
At 1 January	4.6	4.6
Released to the profit and loss account	-	-
<b>At 31 December</b>	<b>4.6</b>	<b>4.6</b>

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

	2013 £m	2012 £m
Guarantees of various subsidiaries' borrowings (against which £nil has been drawn at 31 December 2013 (2012 - £nil))	504.2	502.8

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2013 was £3.3m (2012 - £10.2m).

### 11 SHARE CAPITAL

#### A. ALLOTTED, CALLED UP AND FULLY PAID UP

	2013 Number	2012 Number	2013 £m	2012 £m
<b>Ordinary shares</b>				
At 1 January	468,108,202	463,473,216	46.9	46.4
Allotted under share option schemes	3,848,148	4,634,986	0.4	0.5
Cancelled under share buy back	(8,147,813)	-	(0.8)	-
<b>At 31 December</b>	<b>463,808,537</b>	<b>468,108,202</b>	<b>46.5</b>	<b>46.9</b>

#### B. SHARE BUY BACK PROGRAMME

At 31 December 2013, the Company held 2,687,560 treasury shares (2012 - 2,687,560) with a total book value of £99.4m (2012 - £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The market value of treasury shares at 31 December 2013 was £16.5m (2012 - £11.6m).

During the year, the Company repurchased 8,147,813 (2012 - nil) of its own shares through purchases on the London Stock Exchange, at a cost of £49.7m. The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.8m, equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.3m associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

#### C. SUBSTANTIAL SHAREHOLDINGS

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 10 March 2014 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Directors' Report on page 74.

## 11 SHARE CAPITAL CONTINUED

### D. SHARE OPTIONS

At 31 December 2013, 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 (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
<b>The Inchcape 1999 Share Option Plan – approved (Part II – UK)</b>			<b>The Inchcape SAYE Share Option Scheme – approved</b>		
18,106	20 May 2014	4.42	82,631	1 May 2014	2.05
2,288	29 September 2014	4.37	455,996	1 May 2015	2.43
31,122	6 March 2015	5.78	894,235	1 May 2016	3.07
18,211	11 September 2015	6.03	846,792	1 May 2017	4.76
22,513	19 May 2019	2.00			
24,249	7 April 2020	3.10			
<b>– unapproved (Part I – UK)</b>					
30,677	20 May 2014	4.42			
50,561	6 March 2015	5.78			
218,727	11 September 2015	6.03			
1,066,499	19 May 2019	2.00			
334,363	7 April 2020	3.10			
<b>– unapproved overseas (Part I – Overseas)</b>					
76,782	20 May 2014	4.42			
147,127	6 March 2015	5.78			
494,871	19 May 2019	2.00			
293,000	7 April 2020	3.10			
20,532	13 June 2020	2.63			

Included within the retained earnings reserve are 1,777,567 (2012 – 1,692,848) ordinary shares in the Company 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 2013 was £5.5m (2012 – £4.0m). The market value of these shares at both 31 December 2013 and 10 March 2014 was £10.9m (31 December 2012 – £7.3m, 11 March 2013 – £9.0m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 11 SHARE CAPITAL CONTINUED E. SHARE-BASED REMUNERATION

Inchcape plc has two employees, the Group Chief Executive and the Group Finance Director.

The charge arising from share-based transactions during the year is £2.0m (2012 – £1.4m), all of which is equity-settled.

The following table sets out the movements in the number of share options and awards during the year:

2013		Options outstanding at 1 January	Granted during the year	Lapsed during the year	Exercised during the year	Options outstanding at 31 December	Fair value of one award (£)
Share Option Plan	Grant Date						
Executive Share Option Plan	20 March 2003	17,746	-	-	(17,746)	-	0.50
	21 May 2004	28,428	-	-	-	28,428	1.22
	07 March 2005	21,644	-	-	-	21,644	1.56
	12 September 2005	205,468	-	-	-	205,468	1.60
	20 May 2009	978,771	-	-	(222,772)	755,999	1.07
	23 November 2009	46,875	-	-	(46,875)	-	1.08
	08 April 2010	369,676	-	-	(125,806)	243,870	1.05
Save As You Earn Plan	23 September 2010	4,390	-	-	(4,390)	-	0.84
	01 November 2011	3,703	-	-	-	3,703	0.81
	01 November 2013	-	1,890	-	-	1,890	1.37
Performance Share Plan	23 May 2011	562,474	-	-	-	562,474	3.80
	10 April 2012	562,470	-	-	-	562,470	3.54
	11 April 2013	-	562,470	-	-	562,470	5.14
Other Share Plans	02 June 2011	298,560	-	-	-	298,560	3.90
	22 June 2012	237,179	-	-	-	237,179	3.40
	23 April 2013	-	84,724	-	-	84,724	4.99
<b>Weighted average exercise price (£)</b>		<b>2.86</b>	<b>4.76</b>	<b>-</b>	<b>2.47</b>	<b>2.99</b>	

2012		Options outstanding at 1 January	Granted during the year	Lapsed during the year	Exercised during the year	Options outstanding at 31 December	Fair value of one award (£)
Share Option Plan	Grant Date						
Executive Share Option Plan	20 March 2003	17,746	-	-	-	17,746	0.50
	21 May 2004	28,428	-	-	-	28,428	1.22
	07 March 2005	21,644	-	-	-	21,644	1.56
	12 September 2005	205,468	-	-	-	205,468	1.60
	20 May 2009	978,771	-	-	-	978,771	1.07
	23 November 2009	46,875	-	-	-	46,875	1.08
	08 April 2010	369,676	-	-	-	369,676	1.05
Save As You Earn Plan	23 September 2010	4,390	-	-	-	4,390	0.84
	01 November 2011	3,703	-	-	-	3,703	0.81
Performance Share Plan	23 May 2011	562,474	-	-	-	562,474	3.80
	10 April 2012	-	562,470	-	-	562,470	3.54
Other Share Plans	02 June 2011	298,560	-	-	-	298,560	3.90
	22 June 2012	-	237,179	-	-	237,179	3.40
<b>Weighted average exercise price (£)</b>		<b>2.86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.86</b>	

The weighted average remaining contractual life for the share options outstanding at 31 December 2013 is 2.6 years (2012 – 4.0 years) and the range of exercise prices for options outstanding at the end of the year was £2.00 to £6.03 (2012 – £2.00 to £6.03).



## 12 DIVIDENDS

The following dividends were paid by the Company:

	2013 £m	2012 £m
Interim dividend for the six months ended 30 June 2013 of 5.7p per share (2012 – 4.0p per share)	<b>26.6</b>	18.5
Final dividend for the year ended 31 December 2012 of 10.5p per share (2011 – 7.4p per share)	<b>48.9</b>	34.0
	<b>75.5</b>	52.5

A final proposed dividend for the year ended 31 December 2013 of 11.7p per share amounting to £54.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2013.

## 13 RESERVES

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2012	46.4	126.9	133.3	755.1	1,061.7
Profit for the financial year	-	-	-	96.6	96.6
Dividends	-	-	-	(52.5)	(52.5)
Issue of ordinary share capital	0.5	9.6	-	-	10.1
Net purchase of own shares by ESOP Trust	-	-	-	(2.3)	(2.3)
Share-based payments charge	-	-	-	6.8	6.8
At 1 January 2013	<b>46.9</b>	<b>136.5</b>	<b>133.3</b>	<b>803.7</b>	<b>1,120.4</b>
Profit for the financial year	-	-	-	398.4	398.4
Dividends	-	-	-	(75.5)	(75.5)
Issue of ordinary share capital	<b>0.4</b>	<b>9.2</b>	-	-	<b>9.6</b>
Net purchase of own shares by ESOP Trust	-	-	-	(2.5)	(2.5)
Share buy back programme	<b>(0.8)</b>	-	<b>0.8</b>	<b>(50.0)</b>	<b>(50.0)</b>
Share-based payments charge	-	-	-	9.0	9.0
<b>At 31 December 2013</b>	<b>46.5</b>	<b>145.7</b>	<b>134.1</b>	<b>1,083.1</b>	<b>1,409.4</b>

## 14 PRINCIPAL SUBSIDIARIES AT 31 DECEMBER 2013

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

A full list of subsidiaries will be included in the Company's annual return.

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INCHCAPE PLC

## REPORT ON THE COMPANY FINANCIAL STATEMENTS

### OUR OPINION

In our opinion the Company financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### WHAT WE HAVE AUDITED

The Company financial statements, which are prepared by Inchcape plc, comprise:

- the Company balance sheet as at 31 December 2013; and
- the summary of significant accounting policies and notes to the financial statements, which includes other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts 2013 (the Annual Report) rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). 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 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 Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINIONS ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

### IN OUR OPINION:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Company financial statements are prepared is consistent with the Company financial statements.
- the part of the Directors' Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

## OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have no exceptions to report arising from this responsibility.

### DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

### OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

## **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

### **OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS**

As explained more fully in the Directors' responsibilities statement set out on page 74, the Directors are responsible for the preparation of the 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 Company financial statements in accordance with applicable law and ISAs (UK & 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.

### **OTHER MATTER**

We have reported separately on the Group financial statements of Inchcape plc for the year ended 31 December 2013.

### **MARK GILL**

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

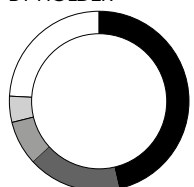
10 March 2014

# SHAREHOLDER INFORMATION

## SHAREHOLDER PROFILE

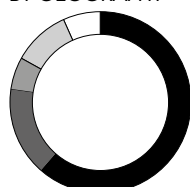
As at 31 December 2013, the Company had 6,755 holdings on its register of ordinary shareholders (2012 – 6,979). 72.1% of the total share register was held on behalf of investment institutions such as pension funds, mutual funds, insurance funds and funds managed for private individuals (2012 – 71%). The majority of funds are managed from the UK, with the USA representing 15.8%.

### REGISTER ANALYSIS BY HOLDER



- Unit trusts & mutual funds
- Pension funds
- Insurance companies
- Private investors
- Other

### REGISTER ANALYSIS BY GEOGRAPHY



- UK
- USA
- Israel
- Europe
- Other

## DEALING IN INCHCAPE SHARES

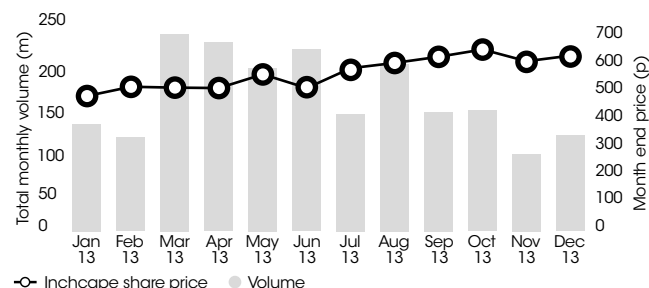
The Company's ordinary shares are listed on the London Stock Exchange. Prices are reported daily in the Financial Times and on our website.

For further information on the Company's shares please visit the shareholder section of our website at [www.inchcape.com/investors/shareholdercentre](http://www.inchcape.com/investors/shareholdercentre) or call Computershare Investor Services on +44 (0) 870 707 1076.

The Company's shares trade within the FTSE 250 index and at the year end it was ranked no. 120 by market capitalisation in the FTSE 350 (2012 – 130).

The share price by volume graph shows the movement in the share price, closing at 614.5p as at 31 December 2013.

## SHARE PRICE BY VOLUME DURING 2013



## REGISTERED OFFICE

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22a St James's Square  
London SW1Y 5LP

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Fax: +44 (0) 20 7546 0010

Registered number: 609782

## ADVISORS

### AUDITORS

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Registered Auditors

### SHARE REGISTRARS

Computershare Investor Services PLC  
Registrar's Department, The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

Tel: +44 (0) 870 707 1076

### SOLICITORS

Slaughter and May

### CORPORATE BROKERS

Deutsche Bank

JP Morgan Cazenove

## 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

Tel: +44 (0) 1296 414144

## 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](http://www.shareview.com)

## FINANCIAL CALENDAR

### ANNUAL GENERAL MEETING

16 May 2014

### ANNOUNCEMENT OF 2013 INTERIM RESULTS

August 2014



## EXPLORE OUR WEBSITE FOR ACCESS TO OUR LATEST ANNUAL REPORT AND MORE.

### THE 2013 ONLINE ANNUAL REPORT INCLUDES:

- read about Inchcape's progress in our 'Year in Review'
- a searchable PDF of the Annual Report
- download prior year Annual Reports
- Inchcape videos - watch and learn more about Inchcape and what we do



[www.inchcape.com/annualreport](http://www.inchcape.com/annualreport)

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