Annual Report and Accounts 2012

Inchcape

The premium choice in the automotive industry

RIGHT MARKETS | RIGHT BRANDS | RIGHT CATEGORIES | RIGHT FINANCIALS | RIGHT GROWTH STRATEGY

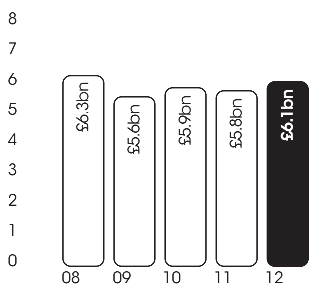
The premium choice in the automotive industry

Central to everything we do is our focus on customer service, operational excellence and world-class governance, which differentiates us in each of our 26 markets globally. Our distinctive business model in the automotive industry makes us the premium choice as we create sustainable, long-term growth for all of our stakeholders.

KEY HIGHLIGHTS

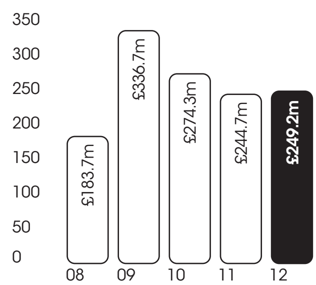
SALES

£6.1bn
2011: £5.8bn



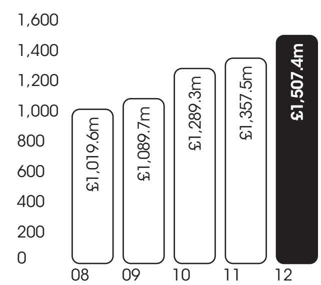
CASH GENERATED FROM OPERATIONS

£249.2m
2011: £244.7m



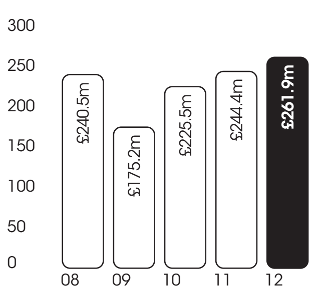
NET ASSETS

£1,507.4m
2011: £1,357.5m



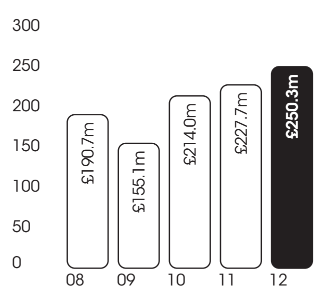
OPERATING PROFIT
(before exceptional items)

£261.9m
2011: £244.4m



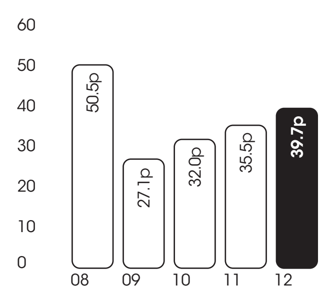
PROFIT BEFORE TAX
(before exceptional items)

£250.3m
2011: £227.7m



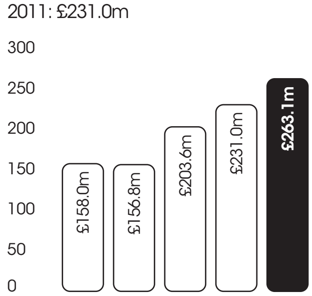
ADJUSTED EARNINGS PER SHARE*
(before exceptional items)

39.7p
2011: 35.5p



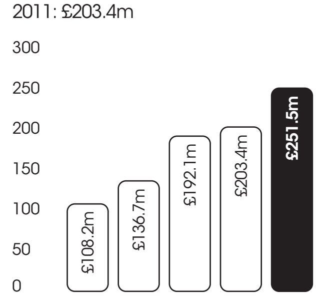
OPERATING PROFIT

£263.1m
2011: £231.0m



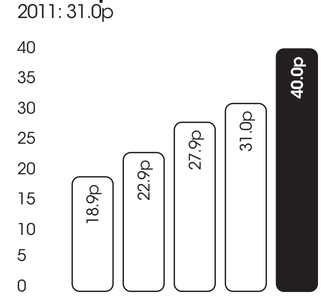
PROFIT BEFORE TAX

£251.5m
2011: £203.4m



EARNINGS PER SHARE*

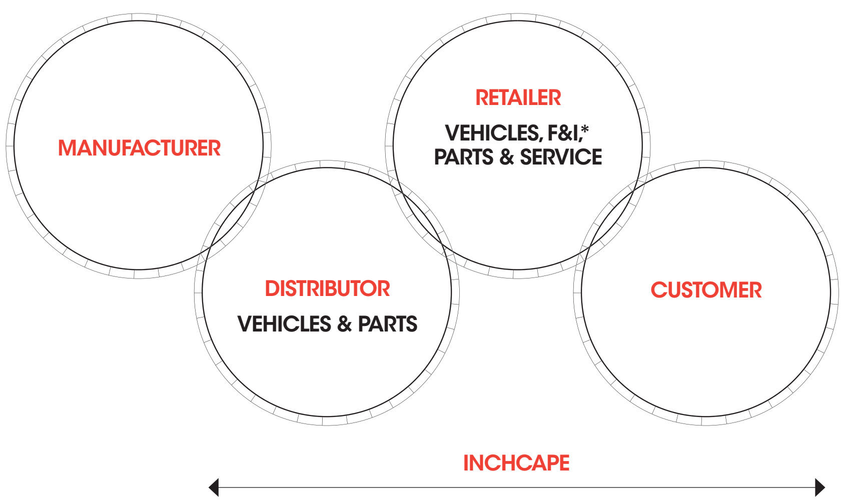
40.0p
2011: 31.0p



* 2008/09 numbers restated to reflect the bonus element of the Rights Issue and the Share Consolidation

Strategic partnerships with the world's leading automotive brands

Inchcape is a global premium automotive group, operating as a strategic partner to the world's leading car brands in the fast 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 a distributor and retailer.



* F&I: finance & insurance

OUR ROLE AS A DISTRIBUTOR

In 22 of our 26 markets, Inchcape is responsible for the fulfilment of the entire marketing, supply and sales programme for our brand partners' vehicles and spare parts. As the exclusive brand representative, we provide the local expertise, unrivalled market understanding and scale to deploy market leading operational standards and world class governance:

- Product development – specifying the models and volumes for each market
- Logistics – from factory gate to retail centre
- National marketing and sales – all promotional and pricing activities to enhance the brand
- Retail network management – appointing, managing, training and supporting franchised dealer networks
- Operational excellence – delivering competitive advantage through unrivalled levels of customer service.

In city-state markets (e.g. Hong Kong and Singapore) Inchcape operates as both the exclusive distributor and the exclusive retailer for its brand partners, capitalising on important margin opportunities.

OUR ROLE AS A RETAILER

In our four retail only markets (UK, Russia, China and Poland) where our partners manage their brand themselves, Inchcape provides high quality brand representation through large-scale retail facilities on a regional basis. Inchcape's competitive advantage is achieved through exceptional customer service standards delivered globally through our unique Inchcape Advantage programme.

DIRECTORS' REPORT: BUSINESS REVIEW

DIRECTORS' REPORT: GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

More information within Report

More information online

The premium choice in the automotive industry...

OUR SHAREHOLDERS

- Distinct business model, disciplined performance management and a clear strategy delivering profitable, sustainable growth
- Strong earnings growth in the last three years and record profit before tax and profit after tax in 2012
- Leading presence in high-margin, high-growth Asia Pacific and Emerging Markets – strategic partnerships with the world's best luxury and premium automotive brands
- Low fixed cost, cash generative business with considerable growth prospects, set to outperform in a dynamic market place

OUR CUSTOMERS

- Unwavering Customer 1st focus
- Insights gained through 14,000 interviews every month with buyers and non-buyers enable on-going refinement of customer-centric operating standards and value-for-money propositions
- Proprietary operating processes of our unique Inchcape Advantage programme deliver consistently superior customer service, every day, every time, everywhere

+52%

2012 total shareholder return

14,000

monthly customer interviews

...creating sustainable, long-term value for all stakeholders

OUR BRAND PARTNERS

- Focus on six leading premium manufacturer groups ensures deep business understanding, close relationships and a matchless product portfolio
- As their strategic partner, manufacturers value Inchcape as a provider of a comprehensive, financially sound and trusted route to market
- World class retail operating standards, global scale and local agility drive enhanced market share
- Distribution model uniquely embraces the automotive value chain from factory gate through the entire ownership life-cycle
- Expertise to create superior customer value and pricing power for market leading margins

c.90%

of Group's profit from six core manufacturer relationships

OUR PEOPLE

- Every individual is encouraged to be a leader, empowered to make decisions that make a positive difference
- Leadership teams are proactively developed through industry-leading talent review and planning process
- Reward and recognition is focused on differentiating high performers and driving high performance
- Global training and education programmes enable us to share experience and best practices between teams across the world
- We leverage our Group structure to provide our people with outstanding growth opportunities

14,400

employees globally

Delivering sustainable growth...

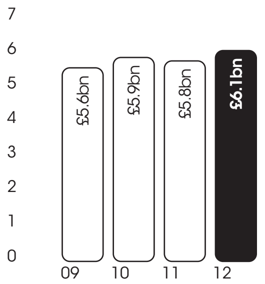
Throughout the most challenging trading conditions that our industry has ever known, Inchcape has consistently outperformed the market place – locally, regionally and globally.

Our performance in 2012 illustrates that we operate in the right markets, work with the right brands, trade in the right categories and deliver the right financials – all driven by our Customer 1st growth strategy, which makes us the premium choice for shareholders, customers, partners and our people.

SALES

£6.1bn

2011: £5.8bn

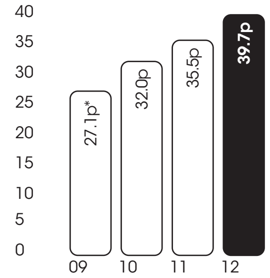


ADJUSTED EARNINGS PER SHARE

(before exceptional items)

39.7p

2011: 35.5p



* adjusted for the Share Consolidation

…through five performance differentiators:

1 Right **Markets**

21 of our 26 markets are in high-growth, high-margin economies of Asia Pacific and the Emerging Markets

See page 6

2 Right **Brands**

Focus on the premium and luxury brands of six world leading vehicle manufacturers, generating c.90% of Group's profits

See page 7

3 Right **Categories**

Category range provides a well balanced profit stream and healthy margins

See page 8

4 Right **Financials**

Low fixed costs and operational discipline deliver sustainable revenue and earnings growth

See page 9

5 Right **Growth strategy**

Unique customer focus enables us to capture growth opportunities in existing and new markets

See page 10

Right Markets

- Growing population and increasing wealth will drive car penetration growth in Asia Pacific and Emerging Markets (APAC/EMs)
- The structural premiumisation of demand for new cars in APAC/EMs positions our premium brand partners to outperform the industry
- APAC/EMs value chain growth opportunities for used cars, service and parts
- Premium brand partners are well positioned to gain share in developed markets with leading fuel efficiency technology

GLOBAL FOOTPRINT UNIQUELY POSITIONS INCHCAPE FOR FUTURE GROWTH

Broad international portfolio of scale operations in 26 markets

26

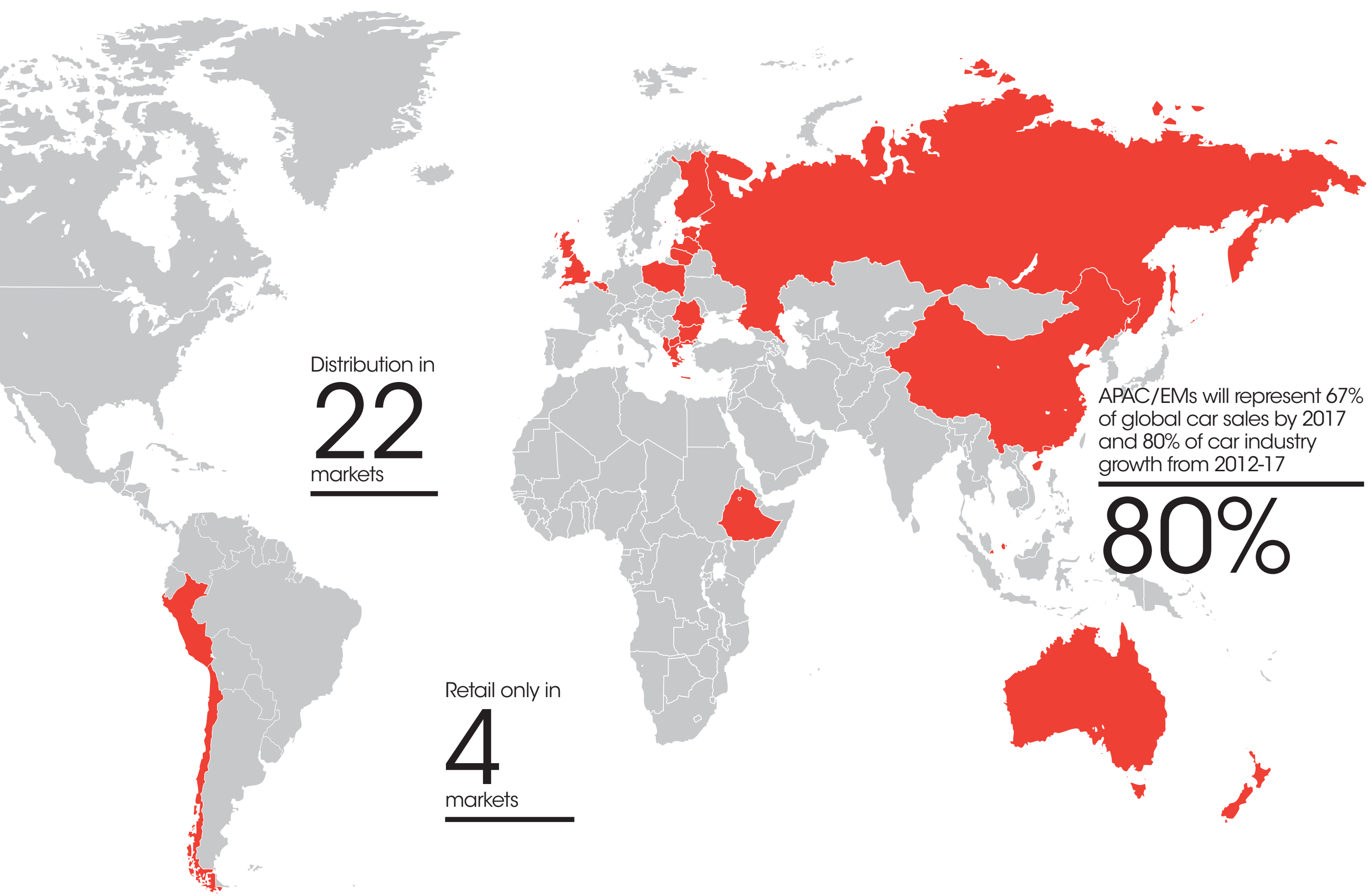
Over

70%

profits from APAC/EMs

94%

APAC/EMs will represent 94% of global population growth from 2012-17 and 69% of GDP growth



Distribution in

22

markets

APAC/EMs will represent 67% of global car sales by 2017 and 80% of car industry growth from 2012-17

80%

Retail only in

4

markets

See Chief Executive's review for more information

2 Right Brands

- Focused portfolio of leading premium and luxury brands enabling deep brand knowledge and strong manufacturer relationships
- c.90% of Group's profits from six leading premium manufacturer groups
- Established relationships with brand partners across multiple continents
- Unparalleled depth of expertise
- Inchcape brand partners have strong R&D capability to lead powertrain and segment innovation
- Premium brands' pricing power deliver superior margins
- Inchcape delivers on market share and customer service excellence – e.g. Toyota Triple Crown Award in Hong Kong for 21 consecutive years

CREATING VALUE WITH THE WORLD'S LEADING AUTOMOTIVE BRANDS

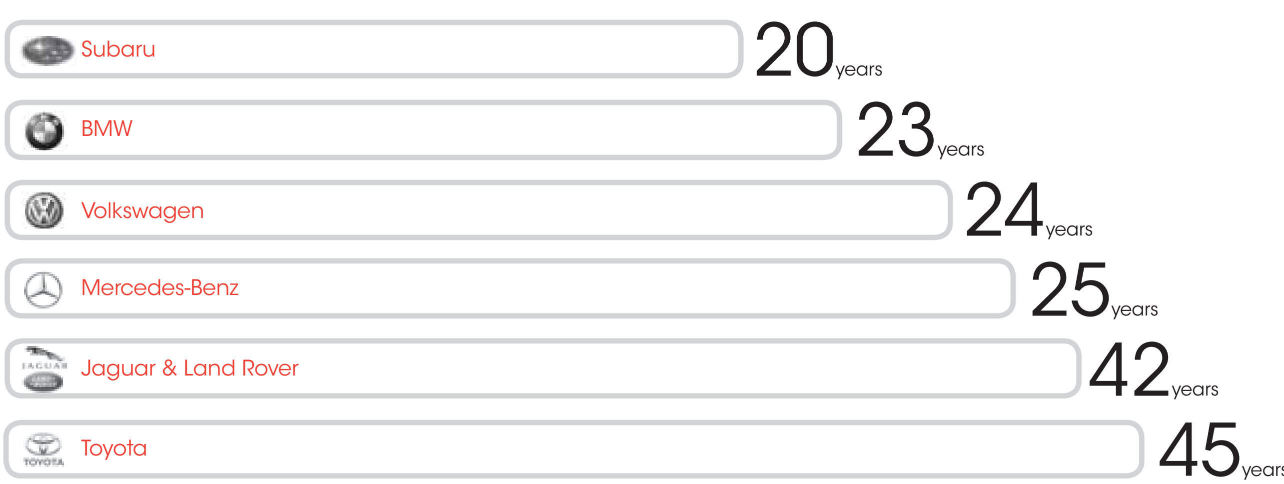
Six core manufacturer relationships deliver

c.90%

of Group's profit

INCHCAPE LENGTH OF BRAND RELATIONSHIPS

Deep and global understanding of our brand partners enables us to deliver best in class performance



See Chief Executive's review for more information

3 Right Categories

- Five distinct revenue streams enable the Group to capture more of the value chain: new vehicle sales, finance & insurance, used vehicle sales, aftersales service and spare parts
- Revenue stream diversity provides a balance of growth and defensive value drivers enabling the Group to deliver a resilient performance across the economic cycle
- Scale presence in new car markets with market leadership in numerous markets provides scale in aftersales

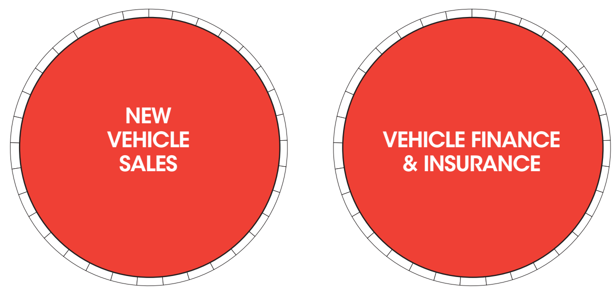
DIVERSITY OF REVENUE STREAMS

Our diversified revenue streams are balanced to deliver healthy margins during all economic cycles

GROWTH VALUE DRIVERS

Our 'growth' value drivers are sales of new vehicles, alongside the finance & insurance products that are associated with them.

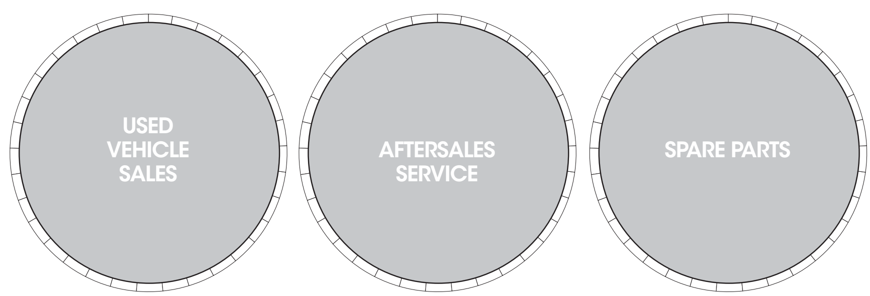
c.40% of gross profit



DEFENSIVE VALUE DRIVERS

Inchcape's 'defensive' value drivers are used vehicle sales, aftersales service and spare parts, which deliver c.60% of our annual gross profit.

c.60% of gross profit



NEW VEHICLE SALES

Inchcape provides high quality brand representation through state of the art retail centres and outstanding levels of customer service through world leading operating and customer facing processes.

VEHICLE FINANCE & INSURANCE (F&I)

Our F&I specialists help customers to find the most efficient way to finance their vehicle. Additionally, we offer motorists the opportunity to purchase ancillary products, such as vehicle service contracts or maintenance programmes, in conjunction with the sale of a vehicle.

USED VEHICLE SALES

Used vehicle sales are significant for Inchcape in our advanced markets like the UK and Australia, where they represent a powerful profit stream. Resilient during a market downturn, this category develops as a market matures and as such, provides a meaningful growth opportunity for the Group in our Emerging Markets.

AFTERSALES SERVICE

The profit potential from this category is a function of the number of cars on the road (car parc). Inchcape has built a strong market share over a number of years in many territories and consequently even small city-state markets like Hong Kong deliver significant profits for us due to their high aftersales throughput, where our well trained technicians and hi-tech facilities give us a unique competitive advantage.

SPARE PARTS

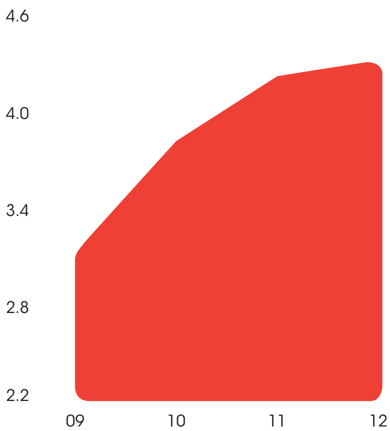
Ensuring customers have immediate access to genuine spare parts from our manufacturer brand partners strengthens our relationship in the automotive value chain and provides a resilient source of revenue.

See Chief Executive's review for more information

4 Right Financials

- Record profit before tax (PBT) and profit after tax (PAT) in 2012
- The Group has delivered substantial earnings growth in the last three years
- The operational discipline and rigorous performance management of the Group deliver best in class profitability, cashflow and return on capital
- The Group has a robust balance sheet and is strongly positioned for profitable growth

INCHCAPE MARGIN PROGRESS

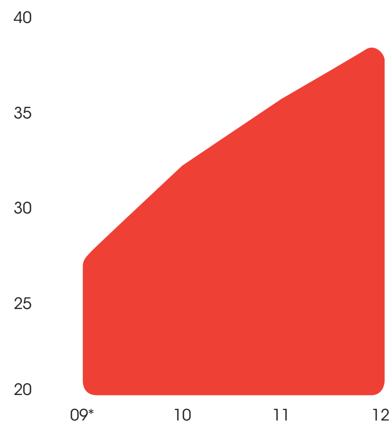


4.3%

The 2012 operating profit margin of 4.3% is 1.2ppt ahead of 2009 and marks another year of improvement. This strong margin performance reflects the operational focus on cost efficiency throughout the Group and the operating leverage driven by revenue growth and margin management.

ADJUSTED EARNINGS PER SHARE

(before exceptional items)



* adjusted for Share Consolidation

39.7p

2012 EPS growth was strong at 11.8%. The three year EPS compound annual growth rate is 13.6% which, against a backdrop of difficult trading conditions in some markets, is testament to the resilience of our business model and the action taken on the Group's cost base.

CASH CONVERSION

(of statutory operating profit)

94.7%

Cash conversion has been consistently strong, reflecting the Group's operational focus on cash initiatives.

Management of working capital has been a key driver of this performance.

HIGH ROCE BUSINESS MODEL

22.3%

Distribution, the core of Inchcape (69% of Group trading profit), has low capital intensity.

Inchcape ROCE compares favourably across industries.

See Chief Executive's review for more information

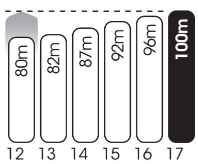
5 Right Growth strategy

- Our Customer 1st strategy is to create differentiation through consistently providing a superior customer experience, which we enable through our unique Inchcape Advantage programme
- This Customer 1st strategy strengthens the performance of existing assets through improved market share, and aftersales service retention
- Through the strong brand partner relationships our Customer 1st strategy creates, Inchcape gains access to expansion opportunities in high margin, high growth areas of the world

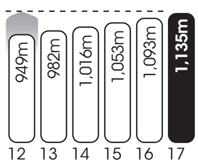
GLOBAL AUTOMOTIVE MARKET POISED FOR GROWTH

Growth opportunities across all categories: new vehicle sales, used cars, aftersales service, spare parts

GLOBAL TIV +26%



GLOBAL CAR PARC +20%



The magnitude of the forecast automotive industry growth is significant. We operate in an industry where global car sales are forecast to grow by 26% over the next five years and the global car parc – the key driver of used cars and aftersales – is expected to grow by 20%.

Our broad geographic spread means we are well positioned to seize these exciting growth opportunities.

See Chief Executive's review for more information

CLEAR VISION AND GROWTH STRATEGY DELIVERING CONSISTENT EARNINGS GROWTH

STRENGTHEN

OUR VISION
Our Customer 1st journey will create incredible growth for our people, our brand partners and our shareholders

EXPAND

CUSTOMER 1ST STRATEGY
Our differentiated Customer 1st strategy is to Strengthen the business through delivering a superior customer value proposition, and Expand through selective investment in high margin, high growth areas

STRONG OPERATIONAL DISCIPLINE ON TOP FIVE PRIORITIES SUPPORTS INCHCAPE'S GROWTH STRATEGY

Balanced focus on two commercial initiatives (increasing market share and aftersales) to grow revenue ahead of our competitors and three cash initiatives (improving margin, controlling working capital and being selective about capital expenditure) to grow profit and operating cash faster than revenue.

1 Customer strategy

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.

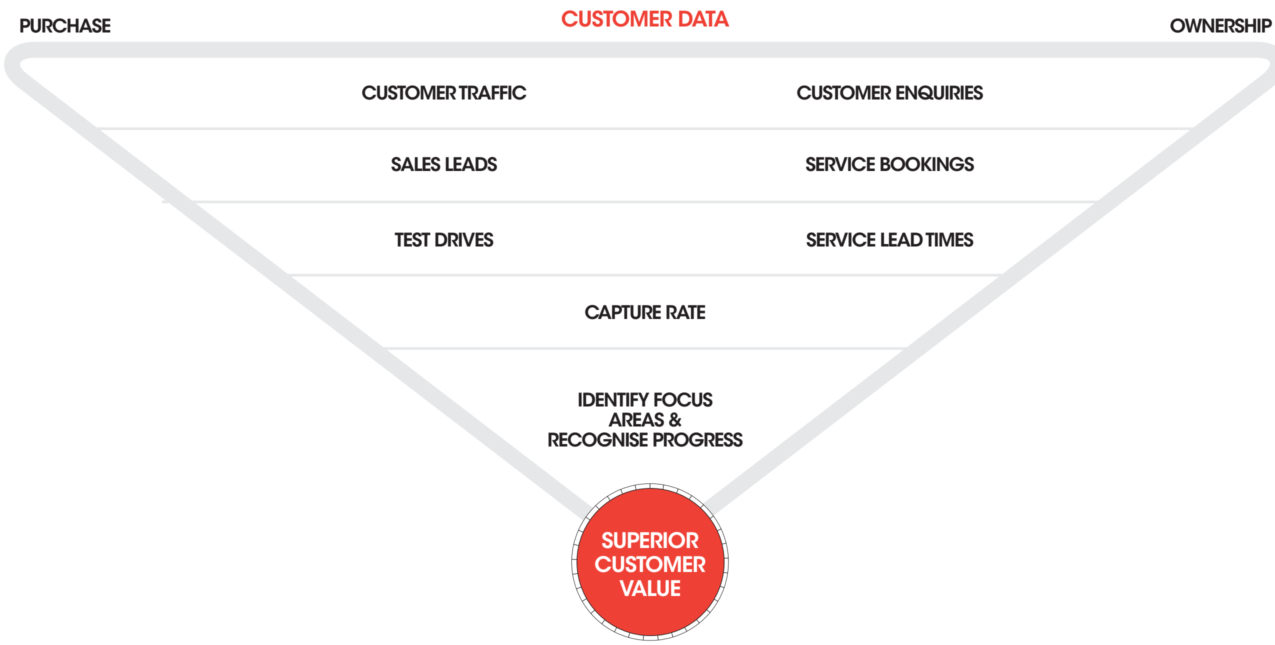
SELECTIVE CAPITAL EXPENDITURE
Disciplined capital investment initiatives to increase capacity in strategic markets.

INCHCAPE ADVANTAGE DRIVING REVENUE AHEAD OF COMPETITION

Delivering differentiated customer service is the over-arching strategic goal for the Group. Underpinned by customer insights and cutting edge retail metrics, Inchcape Advantage, our programme to deliver consistently superior customer service in every centre through our proprietary processes, is driving a sustained and continuous improvement in performance.

INCHCAPE ADVANTAGE IS OUR COMPETITIVE ADVANTAGE

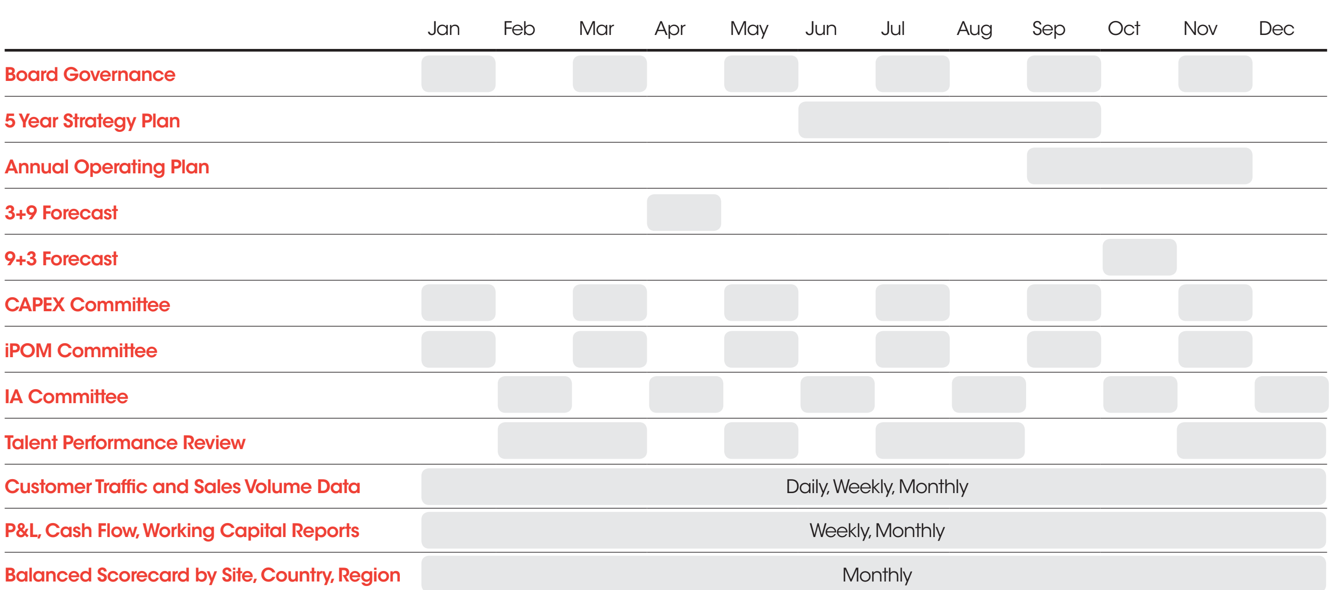
Leading indicators captured in real time though the customer sales and aftersales journey provide metrics for performance management. c14,000 customer satisfaction interviews every month provide valuable insights to drive revenue ahead of our competitors.



RIGOROUS PERFORMANCE MANAGEMENT WITH INDUSTRY LEADING PROCESSES

The Group has a deeply ingrained performance management discipline, in breadth and in depth. Our approach combines strong central governance alongside tools for knowledgeable local management to respond rapidly and effectively to changing market conditions.

INCHCAPE PERFORMANCE MANAGEMENT CYCLE



Chairman's statement

Inchcape has delivered a record profit in 2012.

Ken Hanna
Chairman

PROFIT AFTER TAX

£190.4m +28.8%

2011: £147.8m

DIVIDEND

14.5p per share +32%

2011: 11.0p

I am delighted to report that the strength of Inchcape's differentiated business model, together with our global portfolio, a clear strategy and passionate colleagues, enabled the Group to deliver record results in 2012.

The Group also benefited from normalised supply conditions in Australia and Singapore in 2012, following the disruption caused by the Japanese earthquake and tsunami in March 2011.

In Australia, our Subaru distribution business achieved an excellent performance, selling 18.2% more vehicles than in 2011. In Singapore, where the new vehicle market declined 5.4% in 2012, our South Asia business significantly outperformed with sales up 31.6%. Overall, year on year profit growth in four of our six geographic segments more than offset challenging trading conditions in Europe and the pressure on new vehicle margins in our Russia and Emerging Markets segment.

The Group retains a strong balance sheet, ending the year with net cash of £276.2m. The Group follows a disciplined approach to capital allocation which ensures that the cash which we generate is deployed to drive long-term shareholder value creation. In February 2013, we announced the acquisition of Trivett Automotive Group, Australia's leading premium automotive group.

PERFORMANCE

Group sales increased by 4.4% to £6.1bn for the full year to 31 December 2012. Sales growth was achieved in all of the geographic segments, other than Europe which experienced a decline of 23.5% as trading conditions, particularly those in Greece, continued to be challenging. Many of the markets delivered results ahead of our expectations, including the UK which saw sales grow by 3.6%.

Our 4.6% Group trading margin is a 0.1ppt improvement on last year. The highly focused approach by the Group to managing the cost base has resulted in a reduction in overheads before exceptional items as a percentage of sales to 10.1%, 0.4ppt lower than 2011.

Profit before tax and exceptional items of £250.3m was 10% higher than 2011 and a record for the business. On a statutory basis, profit before tax was £251.5m, 24% above 2011. Adjusted earnings per share rose by 12% to 39.7p, representing a three year compound annual growth rate of 14%.

The three year earnings performance is best viewed in the context of the corresponding three year compound annual sales growth rate of 2.9%, which demonstrates the potential for the Group to deliver significant operational leverage as we continue to grow the top line. We are set to benefit from structural growth in many of our markets and over the medium term will start to see recovery in markets that have remained difficult over the past three years.

Cash generated from operations during the year was £249.2m which represents a 95% conversion of statutory operating profit.

CAPITAL EXPENDITURE

The Group continued to be selective on capital expenditure in 2012, ensuring that cash was allocated to the right growth prospects that meet our high return requirements. We are expanding our capacity in Chile, Peru, Poland, Australia and Russia. We have also made further strategic greenfield investments in China, with our new Porsche site in Nanchang set to open in 2013 and a Mercedes-Benz site in Jiujiang that will be completed later in the year.

BOARD

Following seven years' service, David Scotland retired from the Board on 10 May 2012. Vicky Bindra has taken over the role of Chairman of the Corporate Responsibility Committee from David, who we thank for his tireless commitment to the Group.

DIVIDEND

The Board has decided to increase the dividend payout ratio from 30% to 40% at this year's final dividend and is recommending a final dividend of 10.5p per share giving a total dividend for the year of 14.5p per share (2011: 11.0p), up 32%. The increase on 2011 and in the payout ratio is a reflection of the confidence the Board has in the business and is consistent with our progressive dividend policy. Subject to approval at the Company's Annual General Meeting (AGM) on 16 May 2013, the final dividend will be paid on 19 June 2013 to shareholders of the Company on the register of members at the close of business on 24 May 2013.

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 42 to 49 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 2012 the CR Board Committee, responsible for the strategic direction of the Group's CR programme, continued to develop a global approach to making responsible economic, environmental and social behaviour fundamental to the way we work.

PEOPLE

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 2012.

OUTLOOK

As a leading global premium automotive group, we are set to benefit from the forecast growth in both the global new car market and the global car parc, as we operate in the right markets, represent the right brands, trade in the right categories, deliver the right financials and we are pursuing the right growth strategy. We therefore expect the Group to deliver a robust performance in 2013, notwithstanding the increased competitive pressure on vehicle margin.

Moreover, the Group is extremely well positioned to take advantage of the exciting growth prospects in Asia Pacific and Emerging Markets which are underpinned by population growth, wealth creation, increasing car penetration and industry premiumisation. We are confident that Inchcape will continue to produce sustainable earnings growth and strong returns for our shareholders.

Ken Hanna,
Chairman

ONLINE DRIVER/REPORTING FORMAT

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

SEE ONLINE:
www.inchcape.com/reportingcentre2012
www.inchcape.com/yearinreview2012

Group Chief Executive's strategic review

Delivering sustainable earnings with a high return on capital.

André Lacroix
Group Chief Executive

THE PREMIUM CHOICE IN THE AUTOMOTIVE INDUSTRY

Inchcape is a leading global premium automotive group. Operating in 26 markets worldwide with a portfolio of the world's leading car brands in the fast-growing luxury and premium segments, our differentiated Customer 1st strategy is creating sustainable growth for our people, our brand partners and our shareholders.

Amidst challenging trading conditions, we have delivered robust earnings growth over the last three years and outperformed the industry by growing share in most of our markets.

I am delighted to report that our 2012 profit before tax and exceptional items of £250.3m was a record and up 10% on last year.

Given that many Inchcape new car markets remain below their previous peaks, this is a strong performance and I thank all my colleagues across the Group for their incredible efforts that have helped us achieve this outcome.

Our 2012 results demonstrate the value of our disciplined approach to performance management and re-emphasise that we operate in the right markets, representing the right brands, trading in the right categories which deliver the right financials.

Importantly, our distinct business model is driven by the right growth strategy, our differentiated Customer 1st strategy. Our five differentiators of right markets, right brands, right categories, right financials and right growth strategy make us the premium choice in the automotive industry for our customers, our manufacturer brand partners, our people and our shareholders. So, as I reflect on the year, it is inevitable that I will describe those five strengths that are unique to Inchcape – the strengths that continue to give us a distinct and attractive business model in the global automotive industry.

OUR STRATEGIC ROLE IN THE GLOBAL AUTOMOTIVE INDUSTRY

As the global industry leader, Inchcape provides a trusted, highly professional and well financed route to market for the world's leading car brands, fulfilling an important role as vehicle manufacturers' strategic partner in the automotive value chain: importing, distributing, marketing and retailing premium and luxury vehicles and providing motorists with high-quality, dedicated aftersales services.

We operate as a distributor for our manufacturer brand partners in 22 of our 26 markets across the world. This involves the effective fulfilment of a wide range of critical functions, including many activities that in larger markets would be carried out by the manufacturer themselves. Under a distribution contract, we have the exclusive responsibility for every aspect of marketing and selling their vehicles and spare parts in a particular country. This ranges from specifying market-appropriate vehicles, ordering and distributing vehicle and parts stock and setting prices, to advertising and brand management, public relations and customer database management across the entire national market place.

Critically, it also includes managing the complete retail network, covering all back-office functions and the appointment and management of independent franchised dealerships (although typically, we would also own some 10-20% of the dealer network ourselves).

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

In our four retail only markets – the UK, Russia, China and Poland – our manufacturer partners operate as the national sales and marketing company. Our role here is to provide quality brand representation through our large-scale retail facilities. Our competitive differentiation is that we provide exceptional standards of customer service through the deployment of the proprietary operating processes of our unique Inchcape Advantage programme.

Therefore, our role as a strategic partner in the automotive value chain across five continents makes us unique within the global industry. We believe there are five key differentiators that enable us to deliver sustainable growth for our shareholders.

THE RIGHT MARKETS

The first of those five differentiators that set us apart is that we operate with a scale presence in the right markets – in fact, 21 of the 26 markets where we operate are in the fast-growing economies of the Asia Pacific region and Emerging Markets. It is fundamental to Inchcape's success that we operate in so many of the world's most dynamic growth markets. Asia Pacific and Emerging Markets together represent 94% of the forecast global population growth and 69% of GDP growth over the next five years. So it is not surprising that these markets, with their increasingly wealthy and urbanised populations, also represent 80% of projected global car industry growth from 2012 to 2017 – a period during which these regions will also account for two-thirds of global car sales. When you consider that global car sales are set to grow by 26% over the same period and the global car parc (the key driver of aftersales and used car revenue) by 20%, these are clearly significant figures.

We derive around half of Group revenue from these high growth, high margin Asia Pacific and Emerging Market regions, which deliver more than 70% of our profits. This means we are well positioned to continue achieving margin and profit improvement moving forward. The importance of our established presence in these markets cannot be overemphasised and, as such, we continue to make disciplined capital investments to enhance our presence in these regions. In 2012 this included:

- Winning three new distribution contracts – Land Rover in Hong Kong, Ford in Hong Kong and Rolls-Royce in Chile. All are now fully operational, and in Hong Kong we have increased Land Rover volume by 95% after taking responsibility for the brand at the end of 2011;
- Opening a new BMW facility in Wroclaw, south western Poland, which has increased our capacity in the market;
- Commencing construction work to increase car retail capacity in Moscow, Lima and Santiago; and
- Starting to build two new sites in China with Porsche and Mercedes-Benz.

Our access to new distribution, VIR and retail opportunities in high-growth, high-margin territories is the reward for our reputation for professionalism, performance and integrity without compromise. Manufacturers require well-financed and highly experienced partners whom they can trust to represent them effectively and profitably.

THE RIGHT BRAND PARTNERS

We focus on six leading premium vehicle manufacturer groups as our core brand partners, which between them deliver around 90% of our profit. These valued partnerships that form our portfolio of the world's leading premium automotive brands are with Volkswagen/Audi/Porsche; BMW/MINI/Rolls-Royce; Subaru; Mercedes-Benz; Toyota/Lexus; and Jaguar/Land Rover. This focused core allows for a consistently robust product line-up across the Group.

In short, rather than spread our focus, we choose to truly understand the brands we work with and to deliver them in an exceptional way. This is an important strategic decision, which enables us to benefit from ever-deeper relationships and to build best-in-class market share and superior customer service. These are key metrics used to judge an independent distributor and retailer; increasingly, therefore, vehicle manufacturers turn to us to provide a well-financed and trusted route to market.

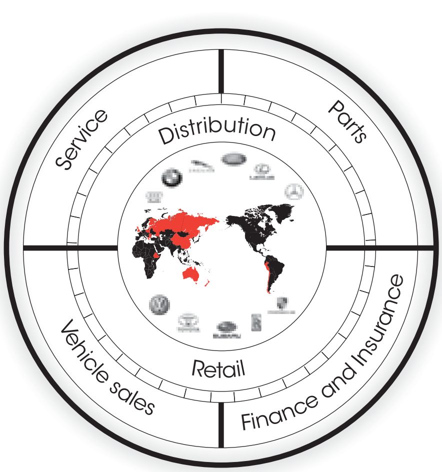
There are also sound business reasons for our chosen brand focus. First, these are the premium brands that are growing ahead of the global automotive market as a whole, due to their luxury appeal to the burgeoning middle classes in emerging

THE INCHCAPE BUSINESS MODEL HAS FIVE DIFFERENTIATORS

Inchcape is distributor and retailer for the world's leading premium and luxury automotive brands with a distinctive and attractive business model.

RIGHT MARKETS
Over 70% profits from Asia Pacific & Emerging Markets

RIGHT BRANDS
90% of profits from six leading premium manufacturer groups



RIGHT CATEGORIES
Five distinct revenue streams offering growth/defensive mix

RIGHT FINANCIALS
Attractive growth prospects, strong cash generation and robust balance sheet

RIGHT GROWTH STRATEGY
Customer 1st strategy to capture growth in existing and new markets

markets. Second, these same manufacturers have the strength to win share by investing ahead of their competition in fuel efficient automotive technology that appeals to customers in more developed markets. And third, the pricing power of these brands helps us to secure and grow our margins, which enable us to achieve strong returns.

In those markets where we are the appointed distributor, an important point of differentiation is our ability to have the appropriate brand positioning in every country – it is our marketing expertise that positions each brand to build a strong pricing power and to grow market share.

We have worked with our core brand partners for many years – in some cases across multiple continents – and have consistently delivered for them. This is how we have retained and built upon these deep and long-standing relationships, enabling manufacturers to trust Inchcape with their brand stewardship on which we build to create superior customer value and outstanding levels of customer service.

A leading example of a key brand relationship is that with Toyota, with whom we have now partnered for 45 years – on multiple levels and across several continents. Of these, our Hong Kong-based distribution business, Crown Motors, was the first company in the world to be appointed distributor of all the Toyota Group's main brands. This is building on a performance that is exceptional by any measurement, and which includes 21 consecutive years of market leadership. In 2012, we yet again increased Toyota's market share in the territory. This contributed to Crown Motors being presented with the Toyota Triple Crown Award for the 21st year in a row, which rewards being number one in passenger cars, in commercial vehicles and in the market as a whole.

THE RIGHT CATEGORIES

The range of categories in which we operate gives us a healthy diversity of profit streams, which we classify into what we call 'growth' and 'defensive' value drivers. This approach means that, no matter the state of health of an individual market place, we have an appropriate balance of offerings to meet its needs and generate profits.

Our two growth streams – which represent some 40% of our gross profit – are new vehicle sales and finance and insurance products (F&I). Clearly, new vehicle sales are the heart of our business, but it is fundamental to our business model that these make up just one of the five important automotive segments that we address. In fact, for the average UK consumer for example, vehicle purchase only represents around a third of lifetime motoring costs, while repairs, servicing, spare parts, accessories, insurance and taxation combined add up to another third (with fuel taking the balance).

Our three defensive value drivers, representing approximately 60% of our gross profit, are used vehicle sales, aftersales servicing and the sale of spare parts.

Illustrating the role of defensive value drivers, demand for used vehicles during the economic downturn proved more resilient in the UK than for new vehicles. In addition, smaller new vehicle volumes have meant that fewer cars have been reaching the used vehicle market, which has driven up our margins in this key category.

This is not to say that used vehicles are exclusively part of a defensive strategy. The evolutionary stage of many of the emerging states where we operate means that there is not yet a scale market for used vehicles. Clearly, such markets will develop and this presents us with a significant future growth opportunity, which we intend to seize.

Another key defensive profit stream is aftersales servicing, which delivers approximately half of the Group's profits. The margins in this area are very attractive, which makes territories where we have built market share over a number of years particularly profitable for us. In Hong Kong, for example, 33% of the existing vehicles on the road are brands we distribute, amounting to close to 140,000 units. This illustrates how a flourishing aftersales business enables even relatively small markets to deliver large profits for us.

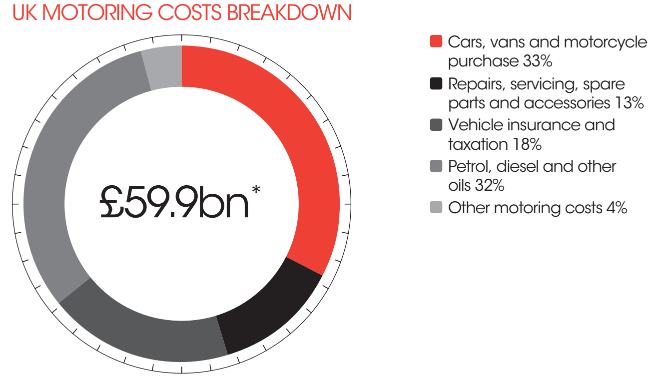
It is for such reasons that our distribution marketing teams continue to focus on customer contact and retention programmes, both up to and beyond warranty expiry. And in our retail operations, rigorous sales processes are constantly enhancing our performance through the daily capture of customer metrics including aftersales bookings, hours sold and workshop productivity. In addition, we run innovative aftersales initiatives and call centre programmes to capture share of the servicing market that is ahead of our competitors, consistently measuring their effectiveness so that we can focus increasingly on the best means of maximising customer retention. Such initiatives contribute strongly to the success of our aftersales activities.

TRADING ACROSS THE RIGHT CATEGORIES PROVIDES WELL DIVERSIFIED PROFIT STREAMS

Inchcape has a number of significant addressable automotive segments beyond new vehicles. The diversity of our profit streams coupled with a disciplined focus on costs has enabled the Group to deliver sustainable earnings growth since 2009.

See online www.inchcape.com/yearinreview2012

UK MOTORING COSTS BREAKDOWN



* ONS data 2009

THE RIGHT FINANCIALS

Inchcape's strong financial success, which has seen consistent and sustainable growth in all key metrics in the last three years, owes much to the agility we gain thanks to our relatively low fixed costs.

I have already referred to the record level of profit before tax we achieved in 2012. This was partially due to several years of strong discipline on costs, which has seen Inchcape maximise the benefits of its flexible cost structure to strip out £124 million in operating costs before inflation since 2008, which represents a reduction of 18%. We have also built on our defensive profit streams since 2007 to deliver a consistently strong operating profit margin that at 4.3% in 2012 is 1.2ppt ahead of 2009, marking yet another year of improvement.

Taking tough decisions early regarding under-performing sites and headcount, along with a strong ongoing focus on day-to-day cash discipline, has been an important part of the Inchcape productivity strategy of recent years. These decisive actions have enabled us to maintain our investment programme in strategic initiatives, which ensures we are well placed to take advantage of future opportunities.

We have also achieved a strong return on capital employed, standing at more than 22%. This is largely due to the comparatively low level of fixed capital tied up in our distribution activities, which deliver around two-thirds of Group profits.

We have delivered strong earnings growth over the last three years, a commendable performance during a time of enormous challenge and turbulence in our market place. In 2012, our basic adjusted earnings per share rose to 39.7p, up 12% on last year.

Importantly, our business model is highly cash-generative. Our balance sheet is therefore very strong, with net cash of £276.2m. At the end of 2012, our net cash position was better than expected as we deferred some capital expenditure to 2013, benefited from favourable phasing in our working capital and maintained our strong controls on cash. Our strong financial position gives us the opportunity to continue our investments to support organic growth as well as consider opportunities to maximise shareholder value creation.

THE RIGHT GROWTH STRATEGY

None of the various initiatives and successes I have outlined here would have been possible without the underpinning strength of our Group-wide Customer 1st strategy, which places the customer right at the heart of our business worldwide, as we both strengthen our existing operations and expand our Group selectively in high margin, high growth areas.

The automotive industry is not widely recognised for the quality of its customer service, so the fact that we are single-mindedly focused on being the world's most customer-centric automotive group is our number one source of competitive advantage. The key tool that we use to ensure that every customer receives consistently superior customer service is our proprietary Inchcape Advantage programme, first launched in 2007 and consistently refined and enhanced every year since then.

In each of our sites worldwide, Inchcape Advantage continues to drive all the performance management disciplines that are vital to the constant year on year improvement that we continue to deliver – unique insights into customer behaviour and trends, for example, that enable us to carry the optimum amount of the right stock at all times.

Inchcape Advantage is a core enabler of our Customer 1st strategy. First, to strengthen the performance of our existing assets by delivering a superior value proposition that helps us constantly to improve market share in both vehicle sales and aftersales. And second, to help us seize expansion opportunities in the premium and luxury segments by leveraging our brand partner relationships based on outstanding service and satisfied customers.

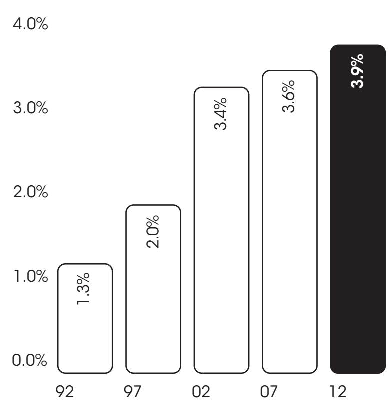
Naturally, the implementation of this strategy is rigorously controlled. To do so, we use the strong operational discipline that results from our focus on what we call Inchcape's Top Five Priorities. We ensure that at all times we have a balanced focus between commercial and cash initiatives.

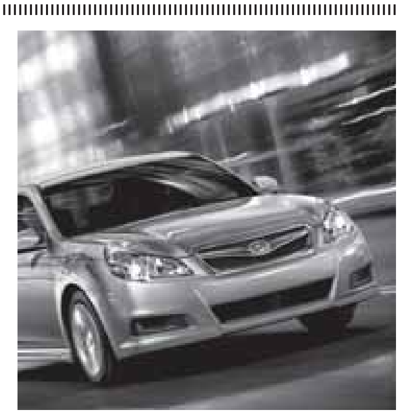
Our two key commercial priorities are to increase market share and aftersales, enabling us to grow our revenues at a rate that is ahead of our competitors. Responsibility for these areas resides chiefly at a local level, where our empowered teams use innovative marketing to drive customers into our showrooms and service centres and once there, to delight them with an outstanding customer experience.

INCHCAPE DELIVERS FOR ITS BRAND PARTNERS

Vehicle manufacturers trust Inchcape with brand stewardship and we build upon this to create superior customer value and outstanding levels of customer service. One such example of the strength of our brand partner relationships is in Australia where Inchcape has been the distributor for Subaru vehicles since 1992. Our expert marketing teams have positioned Subaru as a premium vehicle brand in Australia and we have taken market share from c.1% in 1992 to 3.9% in 2012.

See online www.inchcape.com/yearinreview2012





And our three cash initiatives, which aim to grow our profit and operating cash faster than our revenue, are to improve our margins, to control our working capital and to be highly selective on our capital expenditure investments. Our Top Five Priorities are fully integrated in our Group-wide performance management processes.

Our decentralised organisation plays an important role as our managers across the world have high levels of empowerment that they can wield at a local level. Under this model, a clear set of policies are provided centrally and implemented locally, in a way that takes advantage of high levels of local market understanding paired with our deep knowledge of our manufacturer partners' brands. Our glo-cal operating model provides global scale and local agility.

Our glo-cal organisational model is enabled on a daily basis by our Group-wide focus on performance management with rigorous monitoring across a range of operational and customer metrics. This performance management discipline is deeply ingrained both centrally and locally, in breadth and in depth, and we consider this to be fundamental to the Group's operational efficiency.

We drive performance management with industry leading processes. This gives us the opportunity to make well informed decisions quickly as we leverage both a comprehensive set of performance management processes and the accuracy of our performance management tools.

Against a challenging backdrop, the Group has delivered profitable growth in the last three years, growing revenue ahead of our competitors and growing profit ahead of revenue. During this period, our Group revenue has grown on average by c.3% and operating profit has grown on average by c.14% per annum. Margins are up 1.2ppt over this same three year period.

I believe that this consistent performance demonstrates the strength of our business model, the effectiveness of our Customer 1st strategy and our operational discipline just described. We are confident moving forward in the Group's earnings growth potential as Inchcape is uniquely positioned to take advantage of the exciting growth prospects in the global automotive market.

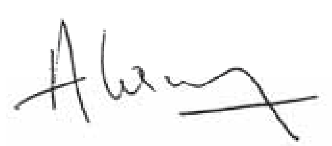
THE RIGHT FUTURE

Inchcape is a company that is focused on profitable growth for its brand partners and shareholders.

We are uniquely placed to fully leverage the opportunities ahead of us as a highly professional and well-financed route to market for the world's best car brands in what I consider to be the world's most exciting and dynamic industry.

We operate with a distinctive and attractive business model in an industry with considerable growth prospects. We have scale operations in the right markets, with more than 70% of our trading profit coming from Asia Pacific and the Emerging Markets. We operate in the right categories, with a healthy balance of five growth and defensive value drivers. We distribute and retail the right brands in the premium and luxury sector, which continues to outperform the industry. We have the right financials with strong cash generation, a robust balance sheet and high returns on capital employed. We are convinced that we pursue the right growth strategy based on a differentiated Customer 1st approach combined with a strong operational discipline.

We therefore believe that Inchcape is indeed the premium choice in the automotive industry – for our people for whom we offer an exciting work environment; for our brand partners for whom we provide trusted brand stewardship and growth; for our customers for whom we provide a superior customer experience; and for our shareholders for whom we provide sustainable earnings growth.



André Lacroix,
Group Chief Executive

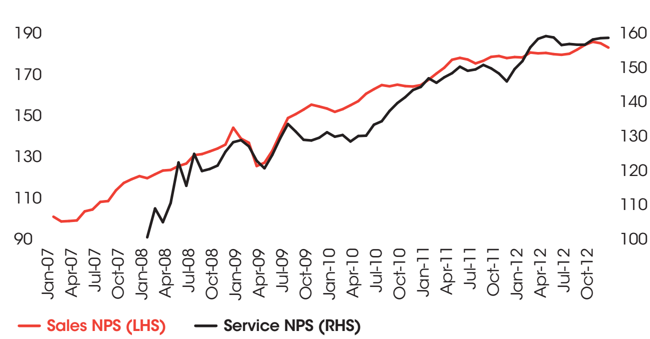
www.inchcape.com/reportingcentre

INCHCAPE ADVANTAGE – OUR COMPETITIVE ADVANTAGE

Customer service is our number one competitive advantage. Not only does it enable the strengthening of our existing assets through improved market share and aftersales service retention, it also facilitates expansion opportunities as we leverage our global brand partner relationships. Inchcape Advantage, our unique Group-wide programme to deliver a consistently superior customer experience at every stage of the customer journey, which is now in its sixth year, lies at the heart of our strategic commitment to customer-centric operational excellence. Its proprietary processes drive the organic growth of our business and create strong relationships with our brand partners.

See online www.inchcape.com/yearinreview2012

NET PROMOTER SCORE (NPS) SALES AND SERVICE*



* Scores re-based to 100

Key performance indicators (KPIs)

THESE KPIS ARE HOW WE MEASURE OUR BUSINESS PERFORMANCE

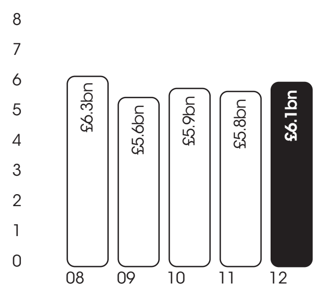
The Inchcape plc Board of Directors and the Group Executive Committee monitor the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Performance is assessed against the strategy, budgets and forecasts. We also measure the quality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

SALES

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 2012
Sales grew by a robust 4.4% with strong growth reported in the entire Group with the exception of Europe, which has continued to experience challenging trading conditions, most notably in Greece.

£6.1bn
2011: £5.8bn



TRADING PROFIT

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

ACHIEVEMENTS IN 2012
A continued focus on cost control and accretive margin growth has meant that trading profit has grown by 7.0% year on year.

£280.1m
2011: £261.8m

TRADING PROFIT CONTRIBUTION

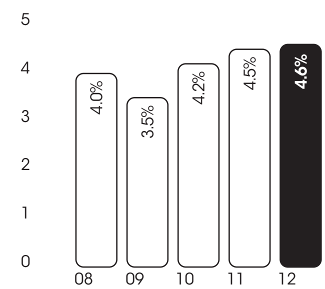
Australasia	24.0%
Europe	6.0%
North Asia	18.9%
South Asia	12.5%
UK	23.3%
Russia and Emerging Markets	15.3%

TRADING MARGIN

DEFINITION
Calculated by dividing trading profit by sales.

ACHIEVEMENTS IN 2012
The Group's trading margin grew to 4.6% (+0.1ppt).

4.6%
2011: 4.5%

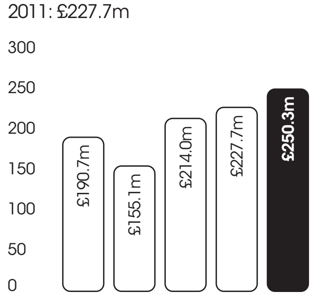


PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS

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

ACHIEVEMENTS IN 2012
Profit before tax and exceptional items increased by 9.9%, to a record £250.3m.

£250.3m
2011: £227.7m

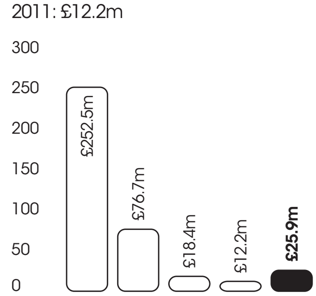


WORKING CAPITAL

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

ACHIEVEMENTS IN 2012
Stock cover is 1.4 months and working capital ended at £25.9m.

£25.9m
2011: £12.2m

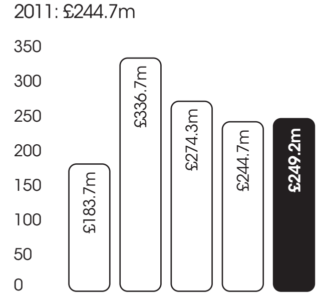


CASH GENERATED FROM OPERATIONS

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

ACHIEVEMENTS IN 2012
The Group has generated an operating cash flow of £249.2m.

£249.2m
2011: £244.7m



LIKE FOR LIKE SALES AND TRADING PROFIT

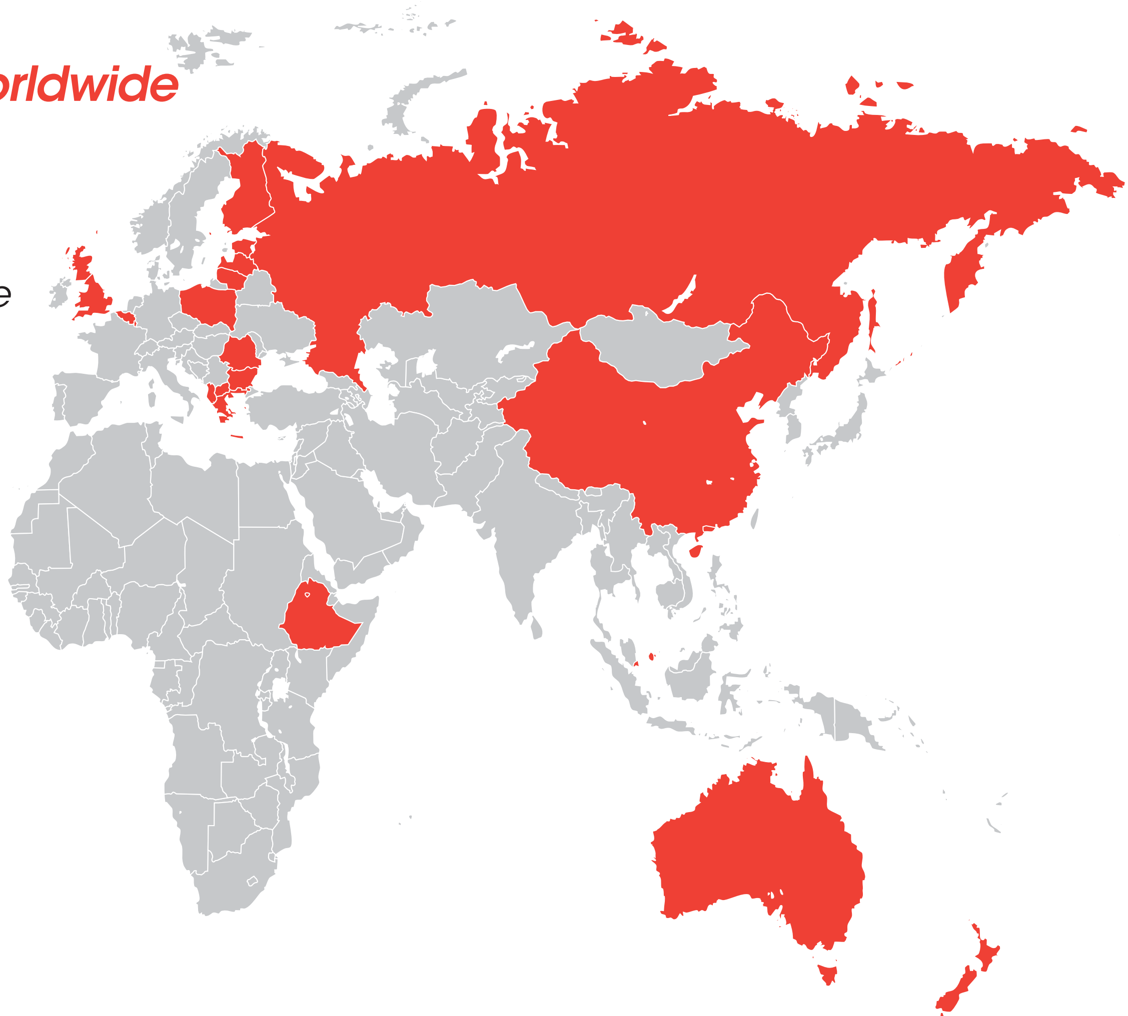
DEFINITION
Excludes the impact of acquisitions from the date of acquisition until the 13th month of ownership and businesses that are sold or closed. It further removes the impact of retail centres that are relocated from the date of opening until the 13th month of trading in the new location. These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

ACHIEVEMENTS IN 2012
Like for like sales increased by 6.0% while like for like trading profit grew by 7.1% as the focus on cost management continued unabated.

+7.1%
Like for like trading profit

Inchcape worldwide

Distribution and Retail businesses on a global scale



Australasia

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

FINANCIAL HIGHLIGHTS

SALES

£1,168.7m
2011: £1,011.0m

TRADING PROFIT

£67.2m
2011: £55.3m

BRAND PARTNERS

ISUZU

MARKET CHANNELS

See page 25

Europe

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

FINANCIAL HIGHLIGHTS

SALES

£616.6m
2011: £806.0m

TRADING PROFIT

£16.8m
2011: £24.0m

BRAND PARTNERS

MARKET CHANNELS

See page 26

North Asia

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

FINANCIAL HIGHLIGHTS

SALES

£518.7m
2011: £433.3m

TRADING PROFIT

£52.8m
2011: £42.0m

BRAND PARTNERS

MARKET CHANNELS

See page 27

Global footprint uniquely positions Inchcape for future growth

KEY

Distribution

Retail

Vertically integrated retail (VIR)

See online www.inchcape.com/yearinreview2012

South Asia

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

FINANCIAL HIGHLIGHTS

SALES

£385.1m
2011: £296.2m

TRADING PROFIT

£35.1m
2011: £26.0m

BRAND PARTNERS

MARKET CHANNELS

See page 28

United Kingdom

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

FINANCIAL HIGHLIGHTS

SALES

£2,133.8m
2011: £2,059.3m

TRADING PROFIT

£65.2m
2011: £60.4m

BRAND PARTNERS

MARKET CHANNELS

See page 29

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.

FINANCIAL HIGHLIGHTS

SALES

£1,262.5m
2011: £1,220.5m

TRADING PROFIT

£43.0m
2011: £54.1m

BRAND PARTNERS

MARKET CHANNELS

See page 30

Operating review

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

John McConnell
Group Finance Director

SALES

£6.1bn

TRADING PROFIT

£280.1m

WORKING CAPITAL

£25.9m

SELECTIVE CAPITAL EXPENDITURE

£87.3m

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 Group has delivered record results, as we continue to benefit from our broad geographic spread and our partnership with the leading OEMs in the premium and luxury segment. The Group strengthened its profitability, its balance sheet and its return on capital employed while continuing to make progress on customer service and market share around the world.

2012 saw a strong rebound in performance in South Asia and Australasia following a challenging 2011. Europe remained weak, with the Greek economy in particular facing continuing challenging conditions while we saw improved customer confidence in the UK. After a strong first quarter, we saw a weakening of consumer demand in Russia and Emerging Markets which, when combined with volume push activities from manufacturers to offset trading weaknesses in Europe, resulted in an over-supply and margin pressure on vehicles.

Group sales at £6.1bn were up 5.8% on last year – driven by strong growth in key markets such as Singapore, Hong Kong and Australia. The UK car market grew by over 5% on last year's levels with our luxury and premium brand partners continuing to outperform the market as a whole.

Continued focus on growth, margins and disciplined cost control enabled the Group to achieve an increase of 7.7% in trading profit to £280.1m. Overheads as a percentage of sales have decreased by 0.4ppt compared to 2011.

Working capital was tightly managed throughout the year and resulted in a year end position of £25.9m, which was better than expected as we benefited from favourable working capital phasing. We had another year of strong cash generation from our operations of £249.2m.

Net capital expenditure of £87.3m was slightly lower than expected as some expenditure was deferred into 2013. We continued to invest in capacity expansion and greenfield sites, mainly in Asia Pacific, Russia and Emerging Markets.

Net cash at the end of the year was £276.2m, up by £32.7m compared to the end of 2011.

PERFORMANCE INDICATORS – RESULTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales	**6,085.4**	5,826.3	4.4	5.8
Trading profit	**280.1**	261.8	7.0	7.7
Trading margin %	**4.6**	4.5	0.1ppt	0.1ppt
Like for like sales	**5,951.5**	5,690.4	4.6	6.0
Like for like trading profit	**277.2**	260.5	6.4	7.1
Like for like sales growth %	**4.6**	0.1	4.5ppt	
Like for like trading profit growth %	**6.4**	5.3	1.1ppt	
Profit before tax before exceptional items	**250.3**	227.7	9.9	10.5
Working capital	**25.9**	12.2	112.3	
Cash generated from operations	**249.2**	244.7	1.8	
Net cash	**276.2**	243.5	13.4	

	2012 Operating profit £m	2012 Exceptional items £m	2012 Trading profit £m	2011 Operating profit £m	2011 Exceptional items £m	2011 Trading profit £m
Australasia	**65.0**	**(2.2)**	**67.2**	54.6	(0.7)	55.3
Europe	**12.1**	**(4.7)**	**16.8**	21.3	(2.7)	24.0
North Asia	**52.7**	**(0.1)**	**52.8**	41.9	(0.1)	42.0
South Asia	**35.1**		**35.1**	26.0		26.0
United Kingdom	**62.3**	**(2.9)**	**65.2**	52.5	(7.9)	60.4
Russia and Emerging Markets	**34.9**	**(8.1)**	**43.0**	53.7	(0.4)	54.1
Central Costs	**1.0**	**19.2**		(19.0)	(1.6)	
Operating Profit	**263.1**	**1.2**		231.0	(13.4)	

BUSINESS ANALYSIS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales				
Retail	**3,573.9**	3,468.9	3.0	4.3
Distribution	**2,511.5**	2,357.4	6.5	8.1
Like for like sales				
Retail	**3,514.8**	3,384.3	3.9	5.1
Distribution	**2,436.7**	2,306.1	5.7	7.3
Trading profit				
Retail	**86.1**	89.8	(4.1)	(3.1)
Distribution	**194.0**	172.0	12.8	13.2
Like for like trading profit				
Retail	**88.6**	90.4	(2.0)	(0.9)
Distribution	**188.6**	170.1	10.9	11.3

RETAIL BUSINESS

Retail sales saw a 4.3% growth year on year at £3.6bn. Trading profit saw a decline of 3.1% mainly due to challenging trading conditions in Europe and Emerging Markets which were partially offset by strong results in the UK and Australia.

The Group's UK retail business grew sales by 3.6%. The UK new car market reached a four year high and we increased our overall market share. Continued focus on margins and overheads has resulted in a year on year growth in trading profit of 8.4% and a record return on sales of 2.8%.

The Australian retail business benefited from growth in the car market as supply constraints following the 2011 Japanese earthquake and flooding in Thailand were resolved. Year on year sales grew by 7.3% and trading profit by 25.8% resulting in a return on sales of 3.8%.

The European region experienced a decline in sales in 2012 but at a slower rate than 2011. Sales declined by 6.0% compared to a decline of 14.5% in 2011. This was primarily due to the continued market contraction in Greece which declined 40% in the year.

The Russia and Emerging Markets region continued to grow in 2012 with sales up by 6.0% to £926.9m. Trading profit was down 45% year on year as we faced challenging trading conditions in a number of markets with a slowing of market growth and volume push activities from OEMs which impacted new car margins.

DISTRIBUTION BUSINESS

Our distribution business grew year on year by 8.1% to £2.5bn and 13.2% to £194.0m in terms of sales and trading profit respectively. The distribution business has continued to perform well in all regions except Europe where we were impacted by the challenging market conditions in Belgium and Greece.

The Australasian business grew sales and trading profit by 19.4%, delivering trading profit of £51.3m. We grew market share by 0.2ppt as we benefited from better supply and the launch of new models.

In South Asia year on year sales grew by 27.4% and trading profit by 32.4%. This was due to a number of successful product launches and improved supply following the 2011 Japanese earthquake and flooding in Thailand.

In North Asia sales grew by 17.9% and trading profit by 23.6%, which was a record. This was driven by increased market share in all markets in the North Asia region and a strong aftersales performance.

Russia and Emerging Markets continued to grow in 2012 with sales up by 10.4% and trading profit up by 2.3%. Our Ethiopian business delivered another strong year while trading conditions in Eastern Europe and South America were challenging.

Our European region saw a decline in sales of 20.9% mainly due to Greece where challenging economic conditions remain. In Belgium we saw an expected sales decline due to the end of the Government CO_2 incentives in December 2011.

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.

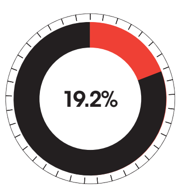
Australasia

Strong revenue and profit growth

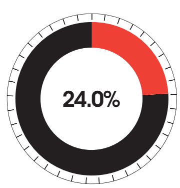
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales	**1,168.7**	1,011.0	15.6	14.8
Retail	**420.9**	389.6	8.0	7.3
Distribution	**747.8**	621.4	20.3	19.4
Like for like sales	**1,168.5**	1,005.9	16.2	15.3
Retail	**420.7**	384.5	9.4	8.7
Distribution	**747.8**	621.4	20.3	19.4
Trading profit	**67.2**	55.3	21.5	20.8
Retail	**15.9**	12.6	26.2	25.8
Distribution	**51.3**	42.7	20.1	19.4
Like for like trading profit	**67.4**	55.9	20.6	19.9
Retail	**16.1**	13.2	22.0	21.7
Distribution	**51.3**	42.7	20.1	19.4
Trading margin %	**5.7**	5.5	0.2ppt	0.3ppt
Retail	**3.8**	3.2	0.6ppt	0.6ppt
Distribution	**6.9**	6.9	-ppt	-ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£1,168.7m +15.6%
(2011: £1,011.0m)*

TRADING PROFIT
£67.2m + 21.5%
(2011: £55.3m)*

* at actual exchange rates

THE MARKET

The Australian economy has performed well in 2012, and the car market continued to grow and was up by 10.3% to 1.1 million units reflecting an improvement of the supply situation and the underlying strengths of the Australian economy.

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. These operations hold franchises for Subaru, Volkswagen, Mitsubishi, Isuzu and Kia. At the end of 2012, we owned 21 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 strategy for our distribution operations is to continue to grow market share through our superior Customer 1st operational processes. Our retail operations are focused on delivering an outstanding customer experience for our brand partners and driving revenue from sales of new and used cars, service and vehicle parts.

OUR OPERATING PERFORMANCE

We have delivered a strong revenue and operating profit performance in Australasia. In a growing market, we were able to gain share as we benefited from improved supply and the successful launches of the new Subaru XV and Impreza.

Our gross margin in our distribution business was impacted, as expected, by the unfavourable Yen exchange rate which was partly mitigated by a strong performance of our parts business. Nevertheless, our distribution trading profit of £51.3m was 19.4% up on the previous year.

The retail business delivered a record trading profit of £15.9m, up 25.8% on 2011. This was driven by increases in both new and used car margins as well as a strong penetration of finance and insurance sales.

ACQUISITION

In February 2013 we announced an important step in the further development of our Asia Pacific presence, having acquired Trivett Automotive Group, the leading premium automotive group in Australia.

OUTLOOK FOR 2013

The Australian car market is expected to continue to grow over 2012 levels and in 2013 we will launch the new Subaru Forester to capitalise on the growing SUV sector. VW is also expected to continue its growth and we will leverage the new VW North Shore showroom.

Our operational focus on our Top Five Priorities of growing market share, improving margins, growing aftersales, controlling working capital and selective capital expenditure remains firmly in place and will further strengthen our business. We continue to expect to deliver a strong performance in 2013.

George Ashford,
Chief Executive Officer, Inchcape Australasia

Operating review continued

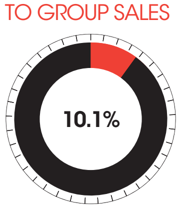
Europe

Resilient performance despite challenging trading conditions

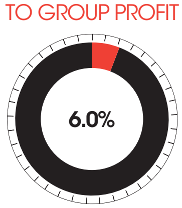
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales	**616.6**	806.0	(23.5)	(18.2)
Retail	**129.7**	147.5	(12.1)	(6.0)
Distribution	**486.9**	658.5	(26.1)	(20.9)
Like for like sales	**614.4**	802.4	(23.4)	(18.1)
Retail	**127.5**	143.9	(11.4)	(5.2)
Distribution	**486.9**	658.5	(26.1)	(20.9)
Trading profit	**16.8**	24.0	(30.0)	(25.2)
Retail	**(0.5)**	(0.3)	(66.7)	(79.5)
Distribution	**17.3**	24.3	(28.8)	(23.9)
Like for like trading profit	**17.0**	24.2	(29.8)	(24.7)
Retail	**(0.3)**	(0.1)	(200.0)	(170.8)
Distribution	**17.3**	24.3	(28.8)	(23.9)
Trading margin %	**2.7**	3.0	(0.3)ppt	(0.3)ppt
Retail	**(0.4)**	(0.2)	(0.2)ppt	(0.2)ppt
Distribution	**3.6**	3.7	(0.1)ppt	(0.1)ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£616.6m -23.5%
(2011: £806.0m)*

TRADING PROFIT
£16.8m -30.0%
(2011: £24.0m)*

* at actual exchange rates

THE MARKET

The Belgian private car market contracted by 14.9% in 2012 and this was primarily driven by the end of the Government's CO_2 incentive scheme.

The Greek market declined by 40.2% year on year reflecting the continued deep economic recession affecting the country.

BUSINESS MODEL & STRATEGY

In Belgium and Luxembourg we distribute Toyota and Lexus and own 10 retail centres with a network of 100 retail centres operated by independent third party retailers and 31 repair outlets. In Luxembourg we also have a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus, owning five retail centres and overseeing a further 43 which are independently owned.

In Finland we are the distributor for Jaguar, Land Rover and Mazda, owning four retail centres and managing a network of 48 independent retailers.

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

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

OUR OPERATING PERFORMANCE

In challenging trading conditions we remained focused on protecting the pricing power of our brands and on leveraging our aftersales activities while reducing our cost base. Our European businesses have delivered a resilient trading profit of £16.8m.

We saw a significant decline of new car volume in both Greece and Belgium which triggered, as expected, an increase of promotional activities from our competitors, affecting new car margin.

OUTLOOK FOR 2013

We expect the trading conditions in Europe to remain challenging in 2013 with a further industry decline given the low level of consumer confidence and the uncertainties in the Eurozone.

Our teams will continue to protect the pricing power of our brands by not pushing volume at the expense of profitability and by making sure we successfully launch the new Toyota Auris, the new RAV4 and the new Lexus IS. We will continue to leverage the strength of our profitable aftersales segments and our control on costs will remain firmly in place.

While our European business will continue to face a challenging trading environment in 2013, we continue to expect to deliver a resilient financial performance.

Bertrand Mallet,
Chief Executive Officer, Toyota Belgium

Aris Aravanis,
Chairman & Managing Director, Toyota Hellas

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

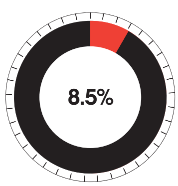
North Asia

Market leadership for 21 years and record profitability

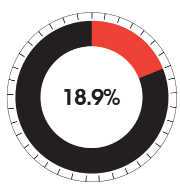
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales				
Distribution	**518.7**	433.3	19.7	17.9
Like for like sales				
Distribution	**445.7**	384.9	15.8	14.0
Trading profit				
Distribution	**52.8**	42.0	25.7	23.6
Like for like trading profit				
Distribution	**47.5**	39.8	19.3	17.3
Trading margin %				
Distribution	**10.2**	9.7	0.5ppt	0.5ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£518.7m +19.7%
(2011: £433.3m)*

TRADING PROFIT
£52.8m +25.7%
(2011: £42.0m)*

* at actual exchange rates

THE MARKET

The Hong Kong market grew by 3.7% compared to 2011, reflecting the underlying strengths of the Hong Kong economy.

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, gaining market share in all our North Asian markets having successfully leveraged a number of new products such as the new Prius C, new Camry and new Lexus GS.

Sales revenue and trading profit for North Asia grew by 17.9% and 23.6% respectively and we have delivered a trading profit of £52.8m, which was a record.

At the end of 2011, we won the distribution contract for Land Rover in Hong Kong and in our first year, performance was ahead of expectations as we increased Land Rover volume by 95%.

Trading margin increased 0.5ppt to 10.2% due to a stronger product mix, the pricing power of our brands and a strong aftersales performance.

In Hong Kong, we have been market leader in the overall market, the passenger car market and the commercial vehicle market for 21 years in a row. Hong Kong is the only Toyota distributor in the world to have received a Triple Crown award for 21 years.

OUTLOOK FOR 2013

We expect the Hong Kong economy to remain strong and the new car market to continue to grow in 2013.

There are a number of product launches planned for in 2013 which we intend to fully leverage, including the Toyota Corolla, RAV4 and Previa Hybrid, the Lexus LS 600h and IS, ES, GS 300h and CT200h.

We continue to expect to deliver a strong performance in North Asia in 2013.

Patrick S Lee,
Chief Executive Officer, Inchcape North Asia and China

Operating review continued

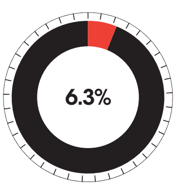
South Asia

Strong revenue and operating profit growth

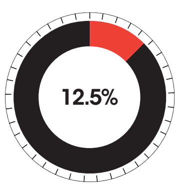
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales				
Distribution	**385.1**	296.2	30.0	27.4
Like for like sales				
Distribution	**385.0**	293.2	31.3	28.7
Trading profit				
Distribution	**35.1**	26.0	35.0	32.4
Like for like trading profit				
Distribution	**35.2**	26.3	33.8	31.3
Trading margin %				
Distribution	**9.1**	8.8	0.3ppt	0.3ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£385.1m +30.0%
(2011: £296.2m)*

TRADING PROFIT
£35.1m +35.0%
(2011: £26.0m)*

* at actual exchange rates

THE MARKET

The car market in Singapore continued to decline in 2012, as expected, and ended the year 5.4% lower than 2011 due to a reduction in the number of government-issued Certificates of Entitlement ("COEs") available.

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

Our businesses in South Asia delivered a strong performance in 2012, where our sales have increased 27.4% to £385.1m as we gained share with a number of successful product launches and benefited from a return to our normal stock supplies following the earthquake in Japan and the floods in Thailand.

South Asia delivered £35.1m trading profit, an increase of 32.4% on 2011 with a higher trading margin of 9.1% up by 0.3ppt on 2011, as we continued to protect the pricing power of our brands despite strong price competition.

Our aftersales operations also continued to perform well through efficient customer contact programmes and high levels of customer service.

OUTLOOK FOR 2013

Trading conditions will remain challenging in 2013 as we expect the industry to decline further due to the reduction of de-registrations in 2012. We will continue to protect the pricing power of our brands by not pushing volume at the expense of profitability and by continuing to leverage our strong aftersales operation with innovative loyalty programmes. We will also successfully launch exciting new models from Toyota, Lexus and Suzuki.

We will continue to have tight control on costs and cash in 2013 and we continue to expect our South Asia business to deliver a resilient performance in 2013.

Koh Ching Hong,
Managing Director, Inchcape South Asia

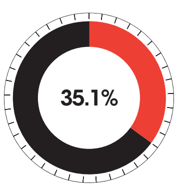
United Kingdom

Record retail operating margin

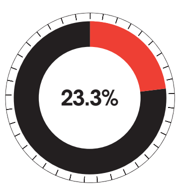
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales	**2,133.8**	2,059.3	3.6	3.6
Retail	**2,096.4**	2,023.2	3.6	3.6
Distribution	**37.4**	36.1	3.6	3.6
Like for like sales	**2,084.8**	1,984.7	5.0	5.0
Retail	**2,047.4**	1,948.6	5.1	5.1
Distribution	**37.4**	36.1	3.6	3.6
Trading profit	**65.2**	60.4	7.9	7.9
Retail	**58.0**	53.5	8.4	8.4
Distribution	**7.2**	6.9	4.3	4.3
Like for like trading profit	**66.1**	60.0	10.2	10.2
Retail	**58.9**	53.1	10.9	10.9
Distribution	**7.2**	6.9	4.3	4.3
Trading margin %	**3.1**	2.9	0.2ppt	0.2ppt
Retail	**2.8**	2.6	0.2ppt	0.2ppt
Distribution	**19.3**	19.1	0.2ppt	0.2ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£2,133.8m +3.6%
(2011: £2,059.3m)

TRADING PROFIT
£65.2m +7.9%
(2011: £60.4m)

THE MARKET

The UK new car market reached a four year high of 2.045 million units in 2012, some 5.3% up on 2011's level. The recovery in the retail market was the key driver of growth, rising by some 13% year on year. Strong consumer demand was driven by increased promotional activities as well as competitive financing.

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 117 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.

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 a combined fleet size of approximately 41,000 vehicles.

OUR OPERATING PERFORMANCE

Our Customer 1st strategy and portfolio of leading luxury and premium brands continued to provide strong results. Our share of the total UK market increased and retail sales were up 3.6% compared to 2011 with trading profit increasing by 8.4% to £58.0m. Through a rigorous focus on costs, our retail trading margin increased by 0.2ppt to reach a record 2.8% in 2012.

Our IFS business delivered a strong £7.2m trading profit, up 4.3% on 2011. The IFS trading margin increased to 19.3%, 0.2ppt ahead of last year.

OUTLOOK FOR 2013

In 2013, we believe the UK car industry will continue its gradual recovery driven by affordable consumer finance and increased level of promotional activities.

We are well positioned to outperform the industry as we stay focused on delivering a superior customer service. We will leverage the exciting pipeline of new models launched by our brand partners, including the new Range Rover, Range Rover Sport, Jaguar F Type, MINI Paceman, Mercedes-Benz A-Class and S-Class relaunches and the Porsche Cayman.

We continue to expect to deliver a solid performance in the UK in 2013.

Connor McCormack,
Chief Executive Officer, Inchcape UK

Operating review continued

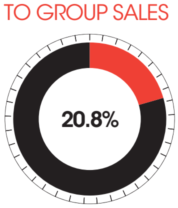
Russia and Emerging Markets

Resilient financial performance despite challenging trading conditions

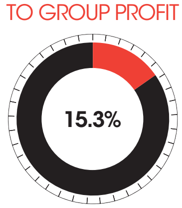
KEY FINANCIAL HIGHLIGHTS

	Year ended 31.12.2012 £m	Year ended 31.12.2011 £m	% change	% change in constant currency
Sales	**1,262.5**	1,220.5	3.4	7.1
Retail	**926.9**	908.6	2.0	6.0
Distribution	**335.6**	311.9	7.6	10.4
Like for like sales	**1,253.1**	1,219.3	2.8	6.5
Retail	**919.2**	907.4	1.3	5.3
Distribution	**333.9**	312.0	7.0	9.9
Trading profit	**43.0**	54.1	(20.5)	(18.2)
Retail	**12.7**	24.0	(47.1)	(44.6)
Distribution	**30.3**	30.1	0.7	2.3
Like for like trading profit	**44.0**	54.3	(19.0)	(16.6)
Retail	**13.9**	24.2	(42.6)	(40.1)
Distribution	**30.1**	30.1	–	1.7
Trading margin %	**3.4**	4.4	(1.0)ppt	(1.1)ppt
Retail	**1.4**	2.6	(1.2)ppt	(1.3)ppt
Distribution	**9.0**	9.7	(0.7)ppt	(0.7)ppt

CONTRIBUTION TO GROUP SALES



CONTRIBUTION TO GROUP PROFIT



SALES
£1,262.5m +3.4%
(2011: £1,220.5m)*

TRADING PROFIT
£43.0m -20.5%
(2011: £54.1m)*

* at actual exchange rates

THE MARKET

Since the second quarter of 2012, there has been a temporary slowdown in demand for premium and luxury cars in all Emerging Markets except Africa, as affluent buyers have been increasingly concerned about the impact on their economies of the Euro crisis and uncertainties in China and North America.

There has been an increased level of promotional activities from manufacturers throughout 2012 as they try to offset weak demand for their vehicles in Europe. This has created significant pressure on margins as the level of supply has been greater than the underlying level of demand.

BUSINESS MODEL & STRATEGY

In Russia we operate 22 scale retail centres in St Petersburg and Moscow representing 12 brands. In November 2012 we completed the buyout of the Independence Toyota joint venture at Vnukovo in Eastern Moscow for a final payment of £17.3m.

In the Balkans 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 we operate VIR for Mitsubishi in Lithuania. Additionally we retail BMW, Ford and MINI in Latvia and Ford and Hyundai in Lithuania. We operate a total of 23 centres across the region.

In Ethiopia we operate VIR for Toyota and in South America as distributor and retailer for BMW. We also distribute Rolls-Royce in Chile.

In China we have four scale retail centres for Toyota, Lexus, Jaguar Land Rover in Shanghai and Shaoxing and we will be opening a new Porsche centre in Nanchang in early 2013.

OUR OPERATING PERFORMANCE

Russia and the Emerging Markets managed to grow sales by 7.1% over 2011, and trading profit declined by 18.2% to £43.0m.

Our Russian business delivered £678.8m of revenue in 2012, and a trading profit of £13.3m,resulting in a return on sales of 2.0%.

Ethiopia performed well as we continued to benefit from a strong aftersales market in an economy that remains robust.

Demand for new cars weakened in Eastern Europe, impacting margins.

Demand for luxury vehicles was lower than expected in South America where we saw an increase of competitive activities.

Our Chinese operations were adversely impacted as of the second quarter by a general weakening in demand and pressure on new car margins and by an anti-Japanese sentiment in the fourth quarter.

OUTLOOK FOR 2013

We expect moderate industry growth in our Russia and Emerging Markets segment in 2013, weighted towards the second half of the year as it will take time for consumer confidence among affluent buyers to return. We see these challenging trading conditions in emerging markets as temporary, with attractive structural growth prospects in the medium and long term given the strong fundamentals of these economies.

Our businesses will remain focused on our Top 5 Priorities with firm controls on cost and cash. We plan to continue to grow our aftersales business with our proven marketing initiatives and we will focus on profitable market share growth. We will benefit from several new product launches from our brand partners and we will continue to protect the pricing power of our brands despite price competition due to over-supply in the market. Our control on costs will remain firmly in place.

Overall, we continue to expect our Russia and Emerging Markets segment to deliver a solid performance in 2013.

Louis Fallenstein,
Managing Director, Emerging Markets

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

Patrick S Lee,
Chief Executive Officer, Inchape North Asia and China

Finance review

The Group has delivered a robust performance in 2012. In addition to the segmental results, detailed below are the financial implications of our operating activities.

CENTRAL COSTS

Unallocated central costs for the full year are £18.2m before exceptional items (2011: £17.4m).

JOINT VENTURES AND ASSOCIATES

The share of profit after tax from joint ventures was a gain of £0.2m (2011: loss of £3.0m) driven by an improvement in the profitability of our operations in Greece and Russia.

OPERATING EXCEPTIONAL ITEMS

We have reported an exceptional operating income of £1.2m for 2012 (2011: a cost of £13.4m). Included within this is a gain of £19.7m arising from the closure to future accrual of some of the Group's UK final salary pension schemes and restructuring costs of £17.3m (2011: £13.4m), which primarily relate to restructuring initiatives conducted in the fourth quarter of 2012. We also incurred a loss on the deemed disposal of our Russian joint venture of £1.2m.

NET FINANCING COSTS

Net financing costs before exceptional items have decreased from £13.7m in 2011 to £11.8m in 2012. Included within this is a gain of £4.8m (2011: a loss of £2.4m) in our mark to market reporting of the hedges for the US loan notes and interest receivable on tax refunds.

Exceptional finance costs in 2011 of £10.9m represented an impairment charge on Greek Government Bonds held by our insurance business in Greece to back warranty liabilities.

TAX

The effective tax rate before exceptional items for the year is 25% compared to 26% in 2011. This is due to the impact of reducing tax rates in a number of our markets and the successful conclusion of overseas territories audits. The rate is expected to be similar for 2013.

NON CONTROLLING INTERESTS

Profits attributable to our non controlling interests were £5.9m, compared to £5.6m in 2011. 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 2012, the Group derived no benefit (2011 benefit: £1.2m) from the translation of its overseas profits before tax into sterling at the 2012 average exchange rate.

DIVIDEND

The Board recommends a final ordinary dividend of 10.5p per ordinary share which is subject to the approval of shareholders at the 2013 Annual General Meeting. This gives a total dividend for the year of 14.5p per ordinary share (2011: 11.0p).

PENSIONS

During the year, and in line with the funding programme agreed with the Trustees, the Group made cash contributions to the UK defined benefit scheme amounting to £27.7m (2011: £24.1m). In addition, the Group commenced a consultation process with members and trustees of two of the UK defined benefit pension schemes on a proposal that both schemes be closed to future accrual with effect from 31 December 2012. The proposal was confirmed by the Group on 21 December 2012 and active members ceased to accrue benefits under the schemes with effect from 31 December 2012. A revision of market and actuarial assumptions for the UK defined benefit schemes, combined with the closure of two schemes to future accrual and amendments to scheme rules, has resulted in a closing surplus on Group schemes of £72.7m, compared to a deficit of £14.9m in 2011.

ACQUISITIONS AND DISPOSALS

In November, the Group acquired the remaining 49% interest which it did not already own in the Inchcape Independence group, a retail business in Moscow, from Independence Holdings Limited for a cash consideration of £17.3m.

During the year, the Group disposed of its interest in a retail centre in Russia at book value, generating disposal proceeds of £2.9m.

Post the period end, we have announced an important step in the further development of our Asia Pacific presence, having acquired Trivett Automotive Group, a scale premium and luxury automotive group in Australia, for a total expected cash consideration of £78m. This transaction adds further scale to our Australian business in the premium and luxury segments.

CAPITAL EXPENDITURE

During the year, the Group invested £87.3m (2011: £88.5m) of net capital expenditure in the development of greenfield sites and the enlargement of existing facilities, primarily in Asia Pacific and the Emerging Markets.

CASHFLOW AND NET FUNDS

The Group's operations have generated strong cashflow in 2012. Working capital ended the year at £25.9m (2011: £12.2m) primarily due to favourable phasing. At the end of 2012, the Group had net funds of £276.2m (2011: £243.5m).

John McConnell,
Group Finance Director

Principal risks

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

Further details of the Group's risk management process can be found on pages 45 to 46. Risk is a part of doing business: the risk management system aims to provide assurance to all stakeholders of the effectiveness of our control framework in managing risk against a background of highly diverse and competitive markets.

The key benefits of the system include maximised resource efficiency through controlled prioritisation of issues, benchmarking between business units, sharing best practice and effective crisis management. The following provides an overview of the principal business risk areas facing the Group, along with the mitigating actions in place.

STRATEGY INCLUDING CUSTOMER AND CONSUMER

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

BRAND PARTNERS, KEY RELATIONSHIPS AND REPUTATION

Description of risk	Impact	Mitigation
Inability to sustain current high quality relationships with brand partners	Impact on our ability to retain existing businesses on contract renewal and to take on new opportunities for growth	• Constant focus on performance and continuous improvement, effective communication and ensuring that our objectives are closely linked to those of our brand partners • Constant focus on improving governance practices and 'the right way of doing business' to enhance and maintain our market leading reputation

SYSTEMS AND TECHNOLOGY

Description of risk	Impact	Mitigation
Execution risk of delivery to twin track SAP/ADP strategy	Inability to support key business processes	• Detailed global and local implementation plans in place, supported by dedicated project management resource • Global and in-market steering committee (including all local executive teams) to continuously monitor implementation • Post implementation reviews to identify future improvements

PEOPLE, INCLUDING EH&S

Description of risk	Impact	Mitigation
Failure to attract, develop and retain talent	Unable to deliver business plans Employees who lack motivation and engagement	• Global annual performance review process • Talent review and planning process • Annual employee engagement survey and action planning • External benchmarking of remuneration • Succession plans in place for key positions
Failure to comply with EH&S standards	Injury to customers/employees	• Local EH&S co-ordinators in place in all markets • Group and Regional EH&S steering committees in place with defined reporting lines to iPOM Committees • Training for all staff • Specific EH&S audit plan

ECONOMIC, POLITICAL AND ENVIRONMENTAL

Description of risk	Impact	Mitigation
European economic instability and failure to recognise the potential contagion risk from a Greek exit from the Euro	Lower purchases of new vehicles Market uncertainty	• Review of strategic plans/joint development of asset and dividend plans • The Group has a multi market strategy with presence in Asia Pacific and Emerging Markets where the potential for strong growth is forecast • The Group has a multi channel business model including used cars and aftersales which reduce dependency on a single revenue stream
Increased demand for greener technologies	Consumers seek alternative vehicles	• The Group works closely with manufacturers who recognise their environmental responsibility

LEGAL AND REGULATORY

Description of risk	Impact	Mitigation
Litigation and regulatory risk in an environment of ever increasing regulatory scrutiny	Litigation or breaching the laws or regulations of the countries in which we operate could have a financial and/or reputational impact	• The Group ensures that it 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 • Policies and procedures in place, including subsidiary governance manual to emphasise compliance with proper process • 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

TAX, PENSIONS AND INSURANCE

Description of risk	Impact	Mitigation
Propensity of highly leveraged governments to seek higher tax from the Group	Increased tax liability	• Ensure adequate tax compliance readiness carried out locally • Maintain accurate and robust tax records • Monitor tax audits

FINANCE AND TREASURY

Description of risk	Impact	Mitigation
Availability of debt funding	Unable to meet obligations with existing committed facilities	• The Group maintains adequate committed facilities to meet forecast debt requirements • Effective cash forecasting • Regular reviews of cash position/location to ensure adequate headroom maintained
Counterparty risk	Credit losses	• Deposits concentrated with counterparties approved in advance by Group Treasury • Cash deposits held locally in line with Group policy • Continuous review of ratings of major banking partners to ensure they maintain investment grade status
Currency risk	Transactional foreign exchange exposures	• A significant proportion of Group trading is denominated in local currency • Where possible, foreign exchange exposures are matched internally before hedging externally • Where businesses are billed in a foreign currency, committed transactional exposures are hedged back to the reporting currency

Corporate Responsibility report

Our Corporate Responsibility mission is to promote 'Mobility with Passion and Care'.

André Lacroix
Group Chief Executive

WE CONTINUED TO DELIVER AGAINST OUR STATED GOALS IN 2012. HIGHLIGHTS INCLUDE:

- The successful global rollout of the 'Green Baton' programme, which highlights local CR activities from across our markets globally
- Creation of a Group EH&S Steering Committee
- Refreshed our Values and Core Purpose
- Strengthened our CR presence on our Group intranet site, The Light
- Developed a new mission for our CR activities to promote 'Mobility with Passion and Care'

As a 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. During the year, we developed a clear Corporate Responsibility (CR) mission to promote 'Mobility with Passion and Care' and we aim to achieve our mission by adopting a global approach to embedding responsible behaviour into the way we operate, growing a sustainable business for the benefit of all our stakeholders – our Communities, Environment, Customers, People and Brand Partners.

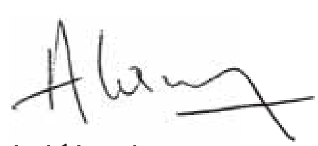
It is the spirit and energy of our people that shapes and defines how we bring CR to life and we celebrate local activities and share CR best practices with the whole organisation through our Green Baton programme. The baton passes from market to market throughout the year, giving each of our businesses the opportunity to showcase the inspirational CR activities they are implementing in their communities. Our Green Baton initiatives are shared with the Group on our intranet site, The Light.

In 2012 we launched 'Incredible Inchcape', our Group-wide engagement programme designed to mobilise our colleagues to take the Company to new heights, which gave us the opportunity to refresh our core purpose and vision in line with our Customer 1st strategy. Following a launch event in Scotland, the programme was rolled out across the Group to engage our colleagues in our Values and to give them new tools designed to help them fulfil their role in shaping the Group's future growth.

We have effectively communicated our refreshed Values across all our businesses through our 'Living Inchcapeness' programme. Our Values act as a backdrop against which we make our decisions on a day to day basis across the Group.

Inchcape Peace of Mind (iPOM), our Group-wide risk management programme, helps to define and encourage the 'right way of doing business' for our people across the globe, and ensures we drive good behaviours across the Group. The iPOM Committee remit covers all risk including non financial risks and is constructed with the Group's Values at its heart. Further information can be found in the Corporate Governance report on page 46.

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 bearing on the lives of our people, our customers and the communities in which we operate, while managing our impact on the environment.



André Lacroix,
Group Chief Executive

OUR FIVE CORE AREAS:

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

Environment
We manage our CO_2 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

GOVERNANCE AND MANAGEMENT

The Board is responsible for the strategic direction of Corporate Responsibility and ensuring that it is integrated into the Group's strategy. The CR Committee is responsible for setting the policy within the framework established by the Board and ensuring that our businesses respond to the opportunities and risks posed by CR issues. The CR Committee report can be found on page 49.

CR working groups and local CR Champions are responsible for the day to day implementation of the CR policy.

OUR VALUES

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.

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.

CORE AREAS AND THEIR RISKS

Core Element	Description and risk	Mitigation
Communities	Lack of engagement with the communities in which we operate leading to a poor reputation and lack of understanding of our customer base	Encourage employees to support local charities and initiatives that directly benefit their community
Environment	Energy can be a significant cost to the Group as well as increasing our CO_2 footprint	By finding ways to cut back on energy usage the Group saves money and also significantly reduces its CO_2 emissions
	Unnecessary business travel can increase the CO_2 footprint of the Group	Manage travel by use of alternative communication tools
	Unmanaged shipments of cars and parts can adversely impact our CO_2 footprint	Ensure co-ordinated shipping programmes to meet supply
Customers	Poor customer service leads to decrease in revenue	Inchcape Advantage embedded in all our sales and aftersales operations
		Net Promoter Score to measure customer satisfaction and identify areas for improvement
People	Employees lack motivation and engagement; unable to attract and retain talent	Differentiated service and customer feedback instills pride and continuous engagement in the workforce. Expansion of business creates good career opportunities for employees
Brand Partners	Unable to deliver on strategy through lack of competitive products	Carefully selecting brand partners that invest in technology
		Support brand partners in seeking positive labour practices including safe working environments and the eradication of child labour

COMMUNITIES
Our people are core to driving our CR strategy by implementing local programmes across our markets. This ensures that we create CR programmes and activities which engage with and have an impact within the communities in which we operate. The Mother and Child Rehabilitation Centre supported by our colleagues in Ethiopia, is just one of the incredible examples of the inspiring work carried out by our employees in their communities, across the Group.

In 2012 these activities were shared at a Group level with the launch of the Green Baton programme. The Green Baton is passed between markets every two weeks and the markets are encouraged to share with colleagues the CR initiatives implemented and the impact this is creating within their communities. This can be found within the CR section of our Group intranet The Light, and has proved highly successful in showcasing specific market CR initiatives from around the Group, providing inspiration and motivation amongst our employees. Further detail of our CR initiatives can be found in the Responsibilty section at www.inchcape.com.

ENVIRONMENT
During 2012, we reviewed our data collection process and the KPIs measured in order to ascertain our CO_2 usage. The Committee agreed that the current KPIs, Energy, Transport and Flights previously identified as the areas having the most impact, remained relevant and will continue to be measured.

CO_2 DATA CAPTURE & REPORTING SYSTEM
The Group is currently developing a secure Intranet based web application that will allow each market to submit monthly CO_2 data and provide the Company with the ability to review and summarise the data. Following the Department for Environment, Food and Rural Affairs (DEFRA) guidance, the system will utilise the standard conversion factors to report environmental KPIs and greenhouse gas emissions in a uniform and concise way, showing trends with year on year variances.

The following measures will be reported for Group and each market:

- Energy consumption from utilities
- Transportation of vehicles (distribution markets)
- Transportation of parts (distribution markets)
- Business travel (not commuting)
- Number of and distance travelled during test drives
- CO_2 per £/revenue

CUSTOMERS
Our Customer 1st 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 1ST IN 2012
- We carried out 2,431 mystery shop exercises in 211 retail centre showrooms across the Group
- We carried out 2,284 mystery shop exercises in 200 service centres across the Group
- We talked to 85,400 customers for our vehicle sales NPS programme
- We talked to 85,634 service customers for our aftersales NPS

The Net Promoter Score (NPS) has improved again across the Group in both Sales and Service.

PEOPLE
We know that it is our people that make all the difference and throughout 2012 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 2012 we launched '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.

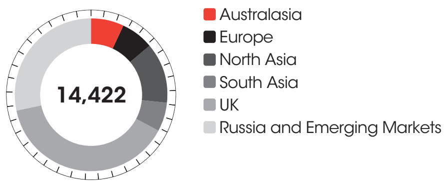
RIGHT LEARNING
We aim to create and promote a rich environment of learning for everyone. Through programmes such as 'Grow with Inchcape' we ensure that internal development happens for everyone. This can be on the job training or through a variety of development options, including job rotation or stretching new roles. By doing this, we are creating a pipeline of talent who have 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 to their current role. Biographies of the Executive Committee can be found on pages 40 to 41.

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 1st 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.

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.

NUMBER OF EMPLOYEES 2012



Our approach to safety aims to manage risks effectively by ensuring that our employees are fully trained and workplaces comply with safety regulations. We report and monitor accidents to ensure that the safety of our employees and customers remains at the top of our agenda.

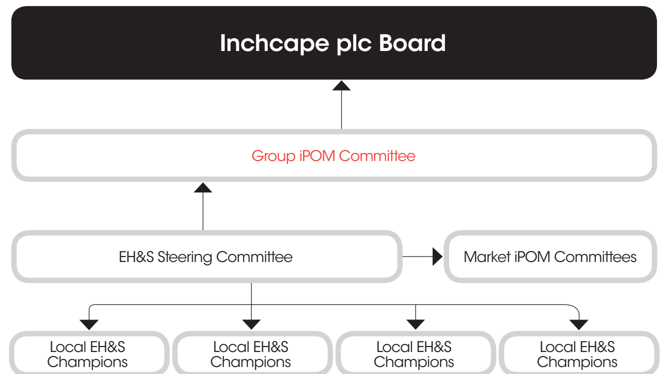
NUMBER OF ACCIDENTS 2012

Location	2012	2011
Australasia	**16**	7
Europe	**19**	9
North Asia	**26**	32
South Asia	**4**	2
UK	**82**	74
Russia & Emerging Markets	**8**	5

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 to provide systematic tools which will allow the Group to significantly and consistently improve its focus and delivery on EH&S.

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 to allocate resource where required to support implementation of the required standards across the Group.

THE EH&S ORGANISATIONAL STRUCTURE



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 in-market EH&S Audits
- Develop and conduct in-market training
- Identify key issues / trends for senior management action

PROGRESS AGAINST GOALS

Objective	2012 progress	What we aim to do in 2013
Raising awareness of local CR activities and employee engagement through the Green Baton	Our intranet, The Light, has been rolled out in all jurisdictions. The Green Baton was launched in the summer and started in the UK. More information about the Green Baton journey can be found at www.inchcape.com/responsibility.	The Green Baton initiative will continue in 2013 and inspire colleagues to develop new local initiatives.
Extending Health & Safety best practice to our operations worldwide	Established a global EH&S Steering Committee.	The EH&S Committee will identify and roll out best practice standards throughout the Group.
CO_2 data collection	The CO_2 data collection process was reviewed during the year.	Prepare and review data in accordance with DEFRA standards in order to analyse global usage and trends.

Board of Directors

KEN HANNA
Chairman

APPOINTMENT TO BOARD:
September 2001

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

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

ANDRÉ LACROIX
Group Chief Executive

APPOINTMENT TO BOARD:
September 2005

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

COMMITTEE MEMBERSHIP
André is a member of the Nominations and CR Committees.

WILL SAMUEL
Deputy Chairman and Senior Independent Non-Executive Director

APPOINTMENT TO BOARD:
January 2005

SKILLS AND EXPERIENCE
Will is Chairman of Howden Joinery Group plc and a Senior Advisor to Lazard & Co Ltd. He is also Chairman of Ecclesiastical Insurance Group plc. He was also appointed a Senior Advisor to the Financial Services Authority (FSA) in January 2012. Prior to this he was a director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H P Bulmer plc. Will stepped down from his position as Non-Executive Director of the Edinburgh Investment Trust plc at the end of 2012 having served his nine year term. Will is a Chartered Accountant.

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

JOHN MCCONNELL
Group Finance Director

APPOINTMENT TO BOARD:
October 2009

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

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 Group in 1999 and has held a number of senior roles including Director of Finance and Planning, Regional Director Western Europe, Corporate Development Director and Chief Operating Officer. Alison is a Chartered Accountant and was previously with Pricewaterhouse Coopers LLP.

COMMITTEE MEMBERSHIP
Alison is a member of the Audit Committee.

SIMON BORROWS
Non-Executive 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 Chairman of Greenhill & Co International LLP and was a founding partner of Greenhill's European business. Before starting Greenhill he was Managing Director of Baring Brothers International Limited.

COMMITTEE MEMBERSHIP
Simon is Chairman of the Audit Committee and a member of the Nominations Committee.

NIGEL NORTHRIDGE
Non-Executive Director

APPOINTMENT TO BOARD:
July 2009

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

COMMITTEE MEMBERSHIP
Nigel is Chairman of the Remuneration Committee.

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.

TILL VESTRING
Non-Executive Director

APPOINTMENT TO BOARD:
September 2011

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

COMMITTEE MEMBERSHIP
Till is a member of the Remuneration Committee.

Executive committee

1 2 3 4 5 6 7

1 ANDRÉ LACROIX
Group Chief Executive

APPOINTMENT TO EXECUTIVE COMMITTEE: February 2006

Please see page 38 for full biography.

2 JOHN MCCONNELL
Group Finance Director

APPOINTMENT TO EXECUTIVE COMMITTEE: February 2006

Please see page 38 for full biography.

3 ARIS ARAVANIS
Chairman & Managing Director, Toyota Hellas

APPOINTMENT TO EXECUTIVE COMMITTEE: July 2009

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

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

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

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

5 KOH CHING HONG
Managing Director, Inchcape South Asia

APPOINTMENT TO EXECUTIVE COMMITTEE: August 2009

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

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 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.

7 LOUIS FALLENSTEIN
Managing Director, Emerging Markets

APPOINTMENT TO EXECUTIVE COMMITTEE: January 2012

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

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

8 TONY GEORGE
Group HR and Business Development Director

APPOINTMENT TO THE 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. He has also worked with ICI in India and Diageo plc where, at the time of the formation of the company, he was the first Global Management Development Director UDV in the UK and latterly was the SVP International HR for the Burger King business. During his career Tony has lived and worked in India, the UK, USA and Australia.

9 KEN LEE
Group Communications Director

APPOINTMENT TO EXECUTIVE COMMITTEE: November 2006

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

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

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. Representing Toyota in all three markets, Toyota has maintained the No.1 position for several years. He is also responsible for Inchcape's operations in China. Before joining Inchcape, Patrick was the Group General Manager, Sales and Marketing of Kerry Beverages Ltd from 1998 to 2006. Kerry Beverages owned and operated 11 Coca-Cola bottling plants in China. Patrick's experience in auto retailing came from a Toronto Honda dealership where he worked for three years and was awarded the highest honour 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 previously the Group Strategy Director.

Before joining the Group in 2008, Bertrand spent over six years with Euro Disney in both strategy and sales roles, 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 US. 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 Inchcape as Finance Director, UK Retail. Connor has led the business through the acquisitions and integrations of the Lind Automotive Group and European Motor Holdings, as well as playing an instrumental part in the right sizing of the UK business in the second half of 2008, as the global economy entered the downturn. Connor was appointed Chief Executive Officer of the UK business in November 2009.

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

13 JEAN VAN DER HASSELT
Chief Executive Officer, Russia and the Nordics

APPOINTMENT TO EXECUTIVE COMMITTEE: June 2009

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

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

Corporate governance report

Governance is at the heart of everything we do.

Ken Hanna
Chairman

IN THIS SECTION

ONLINE DRIVER/REPORTING FORMAT
We continue to minimise the environmental impact of our printed report by reducing the print run, length and weight of paper used, while aiming to raise the quality of report

SEE ONLINE:
www.inchcape.com/reportingcentre2012
www.inchcape.com/annualreport2012
www.inchcape.com/yearinreview2012

DEAR SHAREHOLDER

The Board is responsible for promoting the long-term success of the Company and we meet regularly to discuss, debate and review the Company's current and future strategy as well as its financial performance and how to mitigate any risks the Company may face. The decisions made by the Board aim to strengthen the Group's position as the premium choice in the automotive industry, located in the right markets, with the right brands, in the right categories with the right financials and the right growth strategy.

During the year the Board visited several of the Group's retail and service centres to gain a deeper understanding of how the business operates and to experience our unique Customer 1st strategy around the world. In October we travelled to Hong Kong and China. In Hong Kong we visited the Land Rover, Jaguar, Lexus and Toyota retail centres and a large service centre. In Shanghai we visited the Inchcape Lexus retail centre. The site visits included an update from the management teams on performance to date and achievements specific to their business as well as a review of the Inchcape Advantage programme. In the UK, we held a board meeting at the new Porsche retail centre in Portsmouth where we discussed the market update presented by the Chief Executive Officer of Inchcape UK and had a tour of the centre. In addition to these visits, we also received market updates during the year from the Chairman and Managing Director of Greece and the Chief Executive Officer of Australasia.

We have continued our focus on the composition of the Board to ensure that the Board has the right mix of members to contribute effectively to the development of the Group's strategy and business model. We will continue to review the composition of the Board annually to ensure that it remains effective, and through our succession planning process, this remains a key priority in 2013.

I hope that the following information will give some clarity as to how the Board and its Committees have discharged their duties throughout the year. The Board and I are proud of the way the Group has performed during the year and are looking forward to serving your Company in 2013.

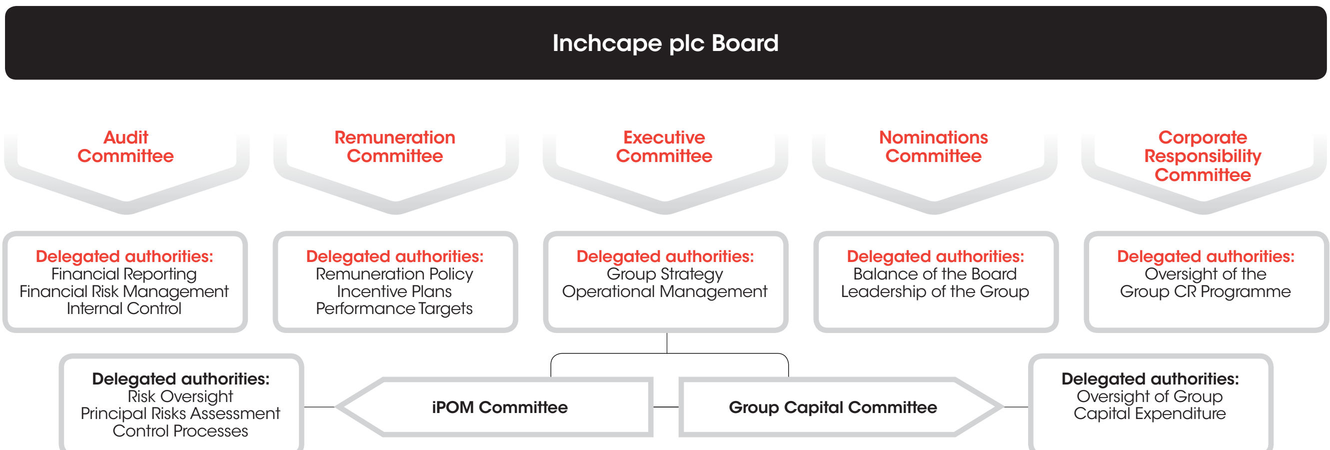
STATEMENT OF CODE COMPLIANCE

The Board has been fully compliant with the 2010 UK Corporate Governance Code (the Code) during 2012.

The information required under DTR 7.2.6 is given on pages 62 to 64 and forms part of the Corporate Governance Report.

Ken Hanna,
Chairman

LEADERSHIP
THE BOARD



Name of Director	Board Meetings Scheduled	Board Meetings Attended
Chairman		
Ken Hanna	6	6
Deputy Chairman & Senior Independent Non-Executive Director		
Will Samuel	6	6
Group Chief Executive		
André Lacroix	6	6
Group Finance Director		
John McConnell	6	6
Non-Executive Directors		
Vicky Bindra	6	6
Simon Borrows	6	6
Alison Cooper	6	6
Nigel Northridge	6	6
David Scotland*	3	3
Till Vestring	6	6

* David Scotland left on 10 May 2012

Biographies of the Directors can be found on page 38 to 39.

STATEMENT OF HOW THE BOARD OPERATES

The Board is collectively responsible for the long-term success of the Group and aims to achieve this by developing strategy, monitoring financial performance, maintaining an effective system of internal controls and establishing the Group's risk appetite. To facilitate this, the Board regularly meets to discuss and review:

- Strategy – contributes to the development of the Group's strategy by holding a two day strategy meeting and receiving updates on progress to date throughout the year;
- Composition – to ensure that the Board comprises competent individuals with a breadth of knowledge and experience which brings independent views to the decisions being made;
- Senior Management – to ensure that the Executive Committee have the skills to deliver the strategy and a suitable succession plan is in place;
- Internal Controls – to ensure that the systems of controls remain sound and relevant;
- Risk – regularly reviewing the risk management programme and internal control processes;
- Performance of the Group – by regular updates throughout the year;
- Evaluation – reviewing the performance of the Board and its Committees to ensure that they remain effective; and
- Information, training and development – by ensuring the Board has the right information, knowledge and skills to facilitate open, transparent and constructive debate.

To help the Board discharge its duties, a formal schedule of Matters Reserved for the Board sets out the decisions it is responsible for and can be found on our website www.inchcape.com. If a Director has any concerns about the running of the Company, his or her concerns would be recorded in the Board minutes. No concerns were raised in 2012.

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

DIVISION OF RESPONSIBILITIES

ROLE OF THE CHAIRMAN	ROLE OF THE CHIEF EXECUTIVE
Leads the Board by setting the agenda, agreeing strategy and risk appetite of the Group	Leads the Executive Committee, develops and implements strategy, manages risk and the internal control framework
Ensures that Non-Executive Directors receive information that is accurate, relevant and timely to enable effective and open discussion	Responsible for the day to day operations of the Group, providing information to the Board to aid the decision making process
Responsible for the composition of the Board by ensuring that it has the right mix of skills, knowledge and experience	Reports to the Board on performance, the implementation of strategy and significant developments
Leads the Board evaluation process	Regularly engages with shareholders on the Group's activities and progress

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors, as members of the Board and its Committees, are responsible for ensuring the Company has sound systems of internal controls and an effective risk management process. They are also responsible for monitoring financial performance, the performance of the Executive Committee and for determining suitable levels of remuneration. They do this by attending Board and Committee meetings throughout the year and using their collective knowledge, skills and experience to contribute to the decisions being made.

All Committee Chairmen report to the Board on the Committee's activities at each Board meeting. Will Samuel is the Deputy Chairman and Senior Independent Director and in this role he acts as a sounding board for the Chairman and, should the need arise, is available to shareholders whose concerns have not been resolved by the Chairman or the Executive Directors or should such contact not be appropriate.

A meeting was held in May 2012, in which Ken Hanna met with the Non-Executive Directors without the Executive Directors present. In addition, Will Samuel also met with the Non-Executive Directors without Ken Hanna or the Executive Directors present.

EFFECTIVENESS

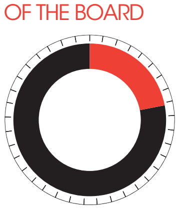
The Board reviewed its effectiveness within the context of the principles and provisions of section B of the Code.

APPOINTMENTS TO THE BOARD

The Nominations Committee has responsibility for referring potential appointments to the Board for approval and is assisted by external search consultants. No appointments were made in 2012. Further information on its activities can be found in the Nominations Committee report on page 48.

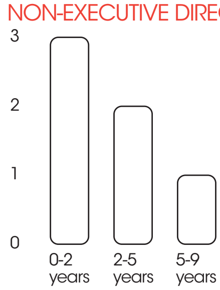
COMPOSITION

THE GEOGRAPHIC MAKE-UP OF THE BOARD

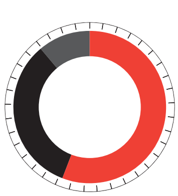


- Asia 22%
- UK 78%

LENGTH OF SERVICE OF NON-EXECUTIVE DIRECTORS

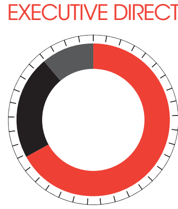


INDUSTRY BACKGROUND



- Financial 56%
- Retail 33%
- Consultancy 11%

BALANCE OF NON-EXECUTIVE DIRECTORS



- Non-Executive Directors 67%
- Executive Directors 22%
- Chairman 11%

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

Will Samuel completed seven years service in 2012. His length of service was taken into account when considering the composition of the Board and it was felt that his knowledge and understanding of the Group remained crucial to the effectiveness of the Board during the year.

COMMITMENT

The time commitment required by Non-Executive Directors is set out in their Letter of Appointment and is reviewed annually by the Nominations Committee to ensure that it remains appropriate. The Company recognises that its Board members may be invited to become directors of other companies and that this additional experience is likely to benefit the deliberations of the Board. Details of other directorships held by the Executive and Non-Executive Directors are given in their biographies on page 38 to 39. The Executive Directors are generally permitted to take one Non-Executive Directorship as long as it does not lead to conflicts of interest or undue time commitment. André Lacroix holds two such positions: Non-Executive Director for Reckitt Benckiser Group plc for which he received a fee of £85,000 and as Non-Executive Chairman of Good Restaurants AG for which he does not receive a fee.

DEVELOPMENT

New Directors receive a tailored induction programme designed to give a comprehensive understanding of the Values, operations and strategy of the Group. The induction programme is split into two parts: operational and head office. A typical operational induction would consist of visits to retail centres and service facilities and meetings with regional executives. The head office induction would comprise meetings with functional heads to cover all aspects of plc operations and Directors' duties under the UK Governance and Compliance regulations. The induction programme is reviewed prior to any new Directors joining the Group and tailored to their specific needs.

INFORMATION AND SUPPORT

The information received by the Board is vital to ensure that members are able to contribute fully to discussions. The Chairman and the Group Company Secretary ensure that the information received by Directors encourages open debate and enables the Board to make well informed decisions.

All Directors receive Committee papers regardless of whether they are members of that Committee to ensure that each member has access to all available information. All Directors have access to the advice and services of the Group Company Secretary.

The Board also receives regular financial and governance updates to enable the Directors to keep informed of progress to date and best practice developments between Board meetings. Independent professional advice and support are available to all Directors should they request it.

BOARD EVALUATION

In 2012 the Board carried out an internal evaluation facilitated by the Chairman. The evaluation reviewed the results from the action plan arising from the external evaluation in 2011 and each Board member discussed any areas of concern in 2012. The evaluation was carried out as a structured one on one interview with each Board member. Overall the Board were happy with the progress made during the year and felt the Board and its Committees continue to function well.

FOCUS FOR 2012	2012 ACHIEVEMENTS
Continue to focus on strategy and processes for measuring performance to date against objectives	Regular updates on performance against strategic objectives have been added to the Board calendar.
Enhance the process for succession planning at Board and Executive Committee level	A succession planning strategy session facilitated by the Group HR Director was carried out in 2012.
Review composition of the Board and its Committees	David Scotland stepped down from the Board after 7 years' service. The subsequent changes to the Committees are set out in the Nominations Committee Report on page 48.

The results of the evaluation were presented to the Board and as a result of the evaluation there will be a continued focus on Board composition and succession planning for the Board and senior management during 2013.

Ken Hanna also discussed with each Board member his or her performance during the year and identified any training or development areas which may be required.

Will Samuel also met with the Non-Executive Directors to evaluate the performance of Ken Hanna.

RE-ELECTION

In accordance with the UK Corporate Governance Code all Directors will stand for re-election at the 2013 Annual General Meeting.

ACCOUNTABILITY

FINANCIAL & BUSINESS REPORTING

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

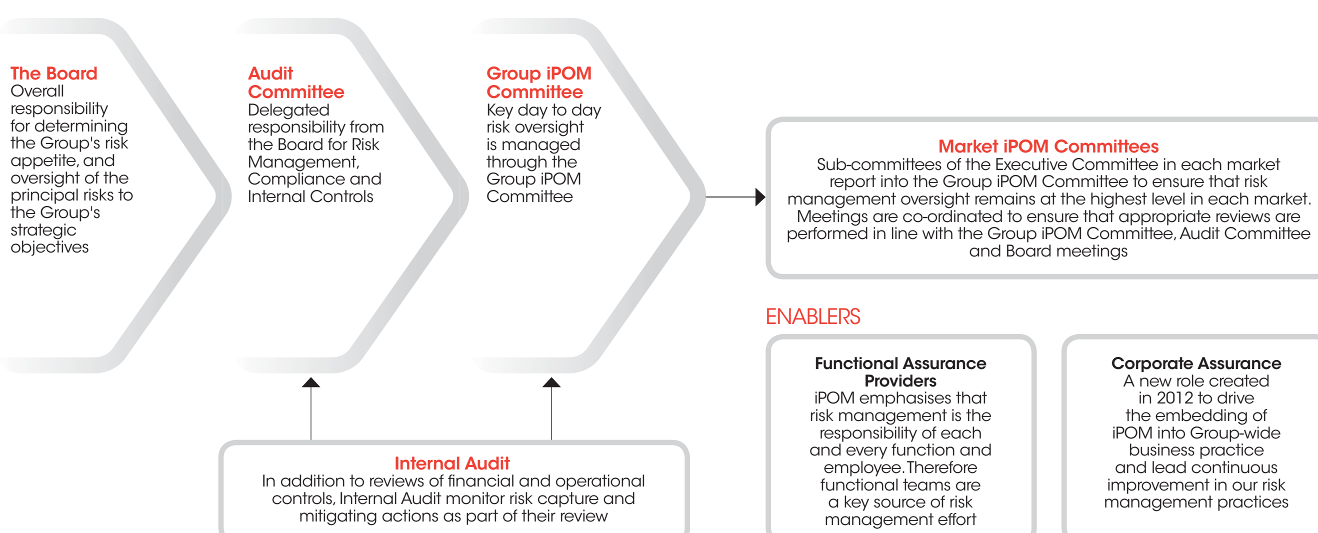
Internal controls over this financial reporting framework are designed to provide reasonable assurance regarding the reliability of regular internal financial reporting as well as the preparation of Financial Statements in accordance with IFRS. Management and Internal Audit conduct regular assessments of the effectiveness of internal controls over financial reporting based on the framework contained in the Turnbull Guidance. There have been no significant changes in internal controls over financial reporting during 2012 that have, or are likely to have, materially affected the Group's internal controls over financial reporting.

Based on these statements, the Board concludes that as at 31 December 2012, the Group's internal system of control over financial reporting was effective.

RISK MANAGEMENT

The Group has in place comprehensive processes to manage risk across its businesses, which are regularly subject to audit and the results reported to the Audit Committee and the Board for their review. Inchcape Peace of Mind (iPOM) is the Group-wide risk management programme which has as its objective to drive risk management and risk aware behaviours across the Group.

RISK MANAGEMENT PROCESS



iPOM emphasises 'the right way to do business' and is constructed with the Company's Values at its heart to ensure we drive the right behaviours across the business and embed compliance and the principles of risk management in everything that we do.

Whilst the ultimate accountability for risk oversight lies with the Board, it has formally delegated the responsibility for risk management to the Audit Committee under the terms of reference and reporting framework. Through these, the Board is advised of key risks facing the Group on a rolling basis over each 12 month period, with a formal review of the most significant risks at least twice annually or more frequently if required.

GROUP iPOM COMMITTEE

Responsibility for the day to day management of risk oversight is further delegated to the Group iPOM Committee. The Committee is chaired by the Group Chief Executive and its constituent members are the Group Finance Director, Group HR Director, Group General Counsel, Group Audit Director and Group Head of Corporate Assurance.

The Group iPOM 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; and
- Appropriate defences are in place to mitigate exposure to, or effect a response to, any risk that may crystallise.

The Group iPOM Committee develops and manages the Group's Principal Risk Register, which summarises the Group's risk exposure and associated mitigation or response plan based on risks identified at Group level and at market or regional level.

The Group uses an online risk management and reporting solution, FlexEye, to record and monitor its risk profile and the corresponding mitigation and response plans. The Group iPOM Committee uses FlexEye reports as a key tool at each meeting to formally review the risk profile at Group and market level to allow:

- Better cross market or region trend analysis;
- Better cross risk analysis; and
- Full visibility of actions and mitigation plans progress.

Executive sub committees (Market iPOM Committees) exist in each of the Group's markets and have a similar seniority of membership. Each Market iPOM Committee operates through a standard terms of reference to ensure a consistent approach to identifying and managing systemic and dynamic risks.

Additionally, the meeting dates are co-ordinated throughout the Group to ensure that appropriate risk reviews are performed in alignment with the schedules of the Group iPOM Committee, the Audit Committee and the Board.

To ensure consistency and transparency across risk reporting, risks are reported under eight principal risk categories:

- Strategic, including customer and consumer;
- Brand Partners, key relationships and reputation;
- Systems and Technology;
- People, including EH&S;
- Economic, Political and Environmental;
- Legal and Regulatory;
- Tax, Pensions and Insurance; and
- Finance and Treasury.

Risks are further categorised as either;

- systemic risks – known risks which are largely unchanging or which apply Group-wide and can be managed through standard policies and procedures; or
- dynamic risks – forward looking risks which are specific to a market, region or function, which change in nature constantly and which must be managed through bespoke mitigation or response plans.

AUDIT COMMITTEE AND AUDITORS

The Board has delegated responsibility for risk management and internal controls to the Audit Committee. Details of the Committee's activities during the year can be found in the Audit Committee Report on pages 47 to 48. A statement of the Directors' responsibility for reporting the Financial Statements is set out on page 63.

REMUNERATION

The Board has delegated responsibility for setting the level and components of remuneration and for developing the remuneration policy to the Remuneration Committee. Details of the Committee's activities during the year can be found in the Directors' report on remuneration on page 55.

RELATIONS WITH SHAREHOLDERS

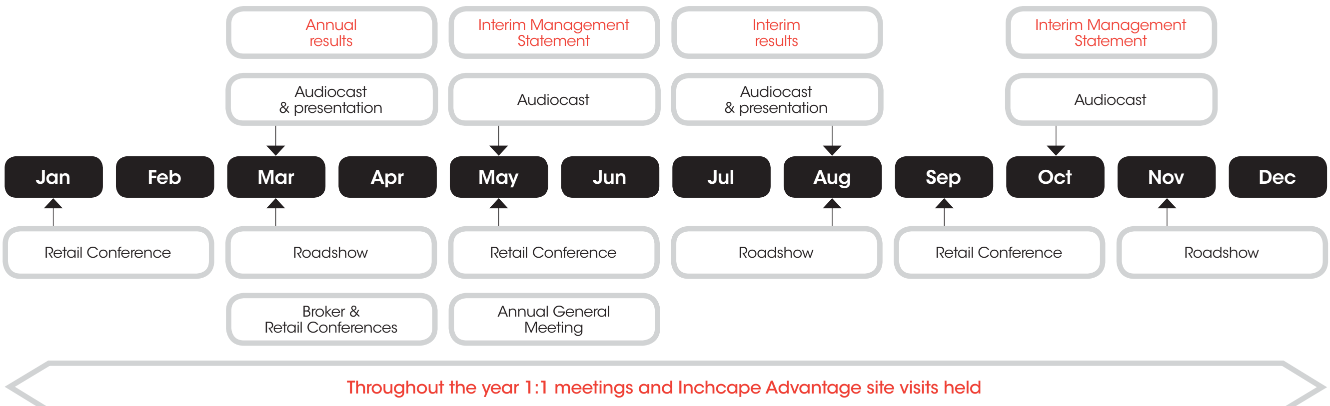
The Group Chief Executive and Group Finance Director met with institutional investors throughout the year. Three investor days were held at the Cooper Croydon retail centre to which institutional investors were invited to receive an update on strategy, performance to date and future expectations. The Company's Investor Relations programme is an important part of investor interaction providing perspective and feedback from investors. Further detail of the Investor Relations events held throughout the year can be found on page 47.

In the past year the proactive programme has included site visits, roadshows and regular financial calendar linked conference calls and presentations. During the year approximately 250 existing or prospective shareholders or their representatives attended such meetings.

The Board recognises that maintaining good communications with all shareholders is essential to understanding the Group's performance and strategy. The Annual General Meeting (AGM) gives institutional and private shareholders an opportunity to meet the Board and ask any questions they may have regarding the Group. Each year we send shareholders a prepaid reply form which gives any shareholders unable to attend the AGM an opportunity to give their views.

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

INVESTOR RELATIONS CALENDAR



Audit Committee Report

Simon Borrows
Chairman

KEY RESPONSIBILITIES

- Monitor the integrity of Financial Statements and formal announcements
- Review and approve the Annual Report and Accounts
- Review Group accounting policies, disclosures in the Annual Report and Accounts and significant financial reporting issues
- Review internal controls and risk management
- Internal and external audit function
- Re-appointment of the external auditors
- Whistleblowing

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

COMMITTEE MEETINGS

Member	Member throughout 2012	Meetings Held	Meetings Attended
Simon Borrows	✓	4	4
Alison Cooper	✓	4	4
Will Samuel	✓	4	4

Only members of the Committee have the right to attend Committee meetings however, other individuals such as the Chairman, Group Chief Executive, Group Finance Director, Group Audit Director and external auditors attend by invitation. Membership and meetings held in 2012 are shown in the table.

COMMITTEE ACTIVITIES DURING THE YEAR:

- Review and approval of the interim and year end results – The Committee met with the external auditors to review the interim and year end results. The Committee considered the appropriate accounting treatment and disclosures of any matters identified in the review process and recommended the results be approved by the Board.
- External auditors – PricewaterhouseCoopers LLP, as part of their assurance process, confirmed that they are considered to be independent and objective. The Committee agreed with their assessment and no matters of concern were raised. During the year the external auditors presented the plan for the interim review and year end audit and the Committee approved the scope of the work to be undertaken. PricewaterhouseCoopers presented its report on Internal Controls to the Committee during the year which provided a benchmark for additional efficiencies improvement.
- Effectiveness of external audit process – An assessment of the 2011 audit process was carried out through completion of a Client Satisfaction Survey, to obtain the views of senior finance management globally along with Group Finance, Tax, Legal and Audit. The results were presented to management and the Committee to assist in the review of the effectiveness of the audit process for the prior year. Based on the results of this process the key areas for improvement were agreed for the 2012 audit process.

- Non-audit services – The Committee reviewed the level of audit and non-audit services provided by PricewaterhouseCoopers LLP during the year. A breakdown of the fees paid to the external auditors can be found in note 3d on page 90 of the Financial Statements. A policy is in place in respect of non-audit services provided to the Group with a guideline of a 1:1 fee ratio. The purpose of the policy is to ensure that the auditors remain objective and independent, and as such the services are limited to assignments that are closely related to the annual audit or where work is of such a nature that detailed knowledge of the Group's activities is necessary. The Audit Committee is responsible for authorising any non-audit services before they commence.
- Internal Audit – The Committee reviewed progress against the internal audit plan for 2012. Audits carried out covered a range of operational, financial and IT processes in the Group's businesses and were prioritised according to risk. The results from the audits were reported to management and the Audit Committee during the year and no significant issues were identified as a result of risk management and internal control reviews in 2012. The Committee reviewed and approved the internal audit plan for 2013, and approved the updated Internal Audit Charter. During the year the Group Audit Director and his team met with the Audit Committee Chairman without the presence of management to discuss the results of audits carried out during the year.
- Review of the whistleblowing arrangements – The Committee considered the whistleblowing procedure which has been in operation during the year to allow staff to confidentially raise any concerns about business practices. The Committee agreed the whistleblowing procedures are appropriate for the Group.
- Tax update – The Committee received regular updates from the Group Tax Director on tax matters including strategic tax risks.
- Litigation update – The Committee received regular reports on current litigation matters and any future litigation risks likely to affect the Group.
- The Committee discussed the performance and reviewed the effectiveness of the external auditor without the auditor being present.

GOVERNANCE:
- The Committee 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.
- The Committee confirmed that it had complied with its terms of reference throughout the year.
- The Committee reviewed its membership and confirmed that it complied with the Code and approved the recommendation for Simon Borrows to continue as Chairman of the Committee.
- The Committee confirmed that, in accordance with the provisions of the Code, Will Samuel and Alison Cooper had recent and relevant financial experience.

Nominations Committee Report

Ken Hanna
Chairman

KEY RESPONSIBILITIES
- Evaluate the balance of skills, knowledge and experience on the Board
- Agree skills profile for candidates to fill vacant Board positions
- Nominate suitable candidates to the Board for approval
- Succession planning for Executive Directors and Senior Management
- Review 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.

COMMITTEE MEETINGS

Member	Member throughout 2012	Meetings Scheduled	Meetings Attended
Ken Hanna	✓	3	3
Will Samuel	✓	3	3
André Lacroix	✓	3	3
Simon Borrows	Joined May 2012	1	1
David Scotland	Left May 2012	2	2

Only members of the Committee have the right to attend Committee meetings however other individuals such as the Group HR Director and external consultants attend by invitation. During 2012, David Scotland stepped down from the Committee and was replaced by Simon Borrows. Membership and meetings held in 2012 are shown in the table above.

ACTIVITIES DURING THE YEAR:
- Composition of the Board and its Committees – The Committee reviewed the composition of the Board, including gender and geographic diversity, required by the Company to support its strategy. As a result of the review it was recommended that after seven years' service, David Scotland retire at the 2012 AGM. The Committee reviewed the composition of the Board committees and discussed the skills and experience needed on each, particularly in light of David Scotland's retirement. It was agreed to recommend to the Board that:
  - – Vicky Bindra become Chairman of the CR Committee;
  - – Ken Hanna become a member of the CR Committee;

– Till Vestring become a member of the Remuneration Committee; and

– Simon Borrows become a member of the Nominations Committee.

- Renewal of Chairman's engagement letter – Ken Hanna's initial term as Chairman expired on 1 May 2012. The Board reviewed his tenure and the Directors supported the renewal of his tenure for a further three year term. Ken Hanna was not involved in the discussions regarding the renewal of his tenure.
- Report to shareholders in the 2011 Annual Report – The Committee reviewed the report to shareholders for the year ended 31 December 2011 and recommended it for approval by the Board.
- 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.
- Review of time served on the Board – 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.
- Review of time commitments – 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.
- Policy on multiple board appointments – The Committee reviewed its policy on multiple board appointments and confirmed that the Directors had complied with the policy during the year.

GOVERNANCE:
- 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.
- The Committee concluded that, in accordance with the UK Corporate Governance Code, at least half the Board, excluding the Chairman, comprised independent Non-Executive Directors.
- The Committee reviewed its terms of reference and confirmed that it had been fully compliant throughout the year.
- The Committee reviewed the job description of the Senior Independent Director and agreed that Will Samuel should continue in this role.
- The Committee reviewed its membership and confirmed that it complied with the Code and approved the recommendation for Ken Hanna to continue as Chairman of the Committee.

CR Committee Report

Vicky Bindra
Chairman

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

The terms of reference for the CR Committee can be found on the website www.inchcape.com/about us/governance.

COMMITTEE MEETINGS

Member	Member throughout 2012	Meetings Scheduled	Meetings Attended
David Scotland	Left May 2012	2	2
Vicky Bindra	✓	3	3
André Lacroix	✓	3	3
Ken Hanna	Joined May 2012	2	2
Tony George	✓	3	3
Claire Chapman	Left July 2012	1	1

Only members of the Committee have the right to attend Committee meetings however other individuals such as the Group Communications Director and external consultants attend by invitation. During 2012, David Scotland stepped down as Chairman of the Committee and was replaced by Vicky Bindra. Ken Hanna also joined the Committee. Membership and meetings held in 2012 are shown in the table above.

ACTIVITIES DURING THE YEAR:
- 2011 Corporate Responsibility Report – The Committee reviewed and approved the Corporate Responsibility Report for the year ended 31 December 2011.
- CR strategy and communication – The Committee reviewed the Green Baton initiative which was rolled out during the year and assessed how employees were engaging with CR in their day to day activities. The Committee agreed that a simple over-arching statement should be developed which would unite the five core CR areas and inspire employees. The statement was developed during the year and is included in the 2012 Corporate Responsibility Report on pages 34 to 37.

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

Directors' report on remuneration

Our remuneration policy is designed to ensure that it attracts, retains and motivates our people whilst providing an appropriate alignment between reward and performance to protect the long-term interests of the Company's stakeholders.

Nigel Northridge
Chairman

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.

DEAR SHAREHOLDER

I am pleased to introduce the Directors' report on remuneration for the year ended 31 December 2012, which has been prepared by the Remuneration Committee and approved by the Board.

The Group delivered a strong performance in 2012. Sales increased by 4.4%, profit before tax and exceptional items were up 9.9% to a record for the business of £250.3m. Adjusted earnings per share rose by 11.8%.

The UK Government Department of Business Innovation & Skills (BIS) is currently proposing changes to the structure and content of the Directors' report on remuneration. The Committee has decided to adopt the majority of these changes early and as such this report is divided into three sections. The first is the Policy Report 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 Implementation Report, which focuses on the remuneration arrangements and outcomes for the year under review including the total actual remuneration paid to each Director and details of performance against targets. There were no changes to the remuneration policy during the year. The final section contains any additional information required this year under the existing regulations.

Other than the closure of our UK final salary pension plan to future accrual, we are not proposing any changes to executive remuneration in 2013. Details of the new pension scheme are given on page 52.

The Report complies with Regulation 11 and Schedule 8 of the Large and Medium–Sized Companies and Groups (Accounts and Reports) Regulations 2008 and other relevant requirements of the FSA Listing Rules. The 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.

At such time as we are legally required to do so, we will be putting the Policy Report to a binding shareholder vote. For the time being though, and in compliance with our existing legal obligations, the vote remains advisory only. A resolution will therefore be put to shareholders at the Annual General Meeting on Thursday 16 May 2013 asking them to approve this report.

Nigel Northridge

Nigel Northridge,
Chairman of the Remuneration Committee

PART 1 – POLICY REPORT

EXECUTIVE REMUNERATION POLICY

The elements of the remuneration policy for Executive Directors for 2013 are set out below. There are no changes to the remuneration policy compared to 2012 apart from the pension plan. The Group formally closed the UK final salary pension plan to future accrual on 31 December 2012. The Executive Directors will be offered membership of the Group's new pension arrangement (on the same basis as all other colleagues) from 1 January 2013 in line with auto-enrolment.

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Base salary	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 Reviews take account of: • 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	From 1 April 2013 salaries will be £810,140 and £426,123 for the Group Chief Executive and Group Finance Director respectively. These represent increases of 2% for the Group Chief Executive and 4% for the Group Finance Director on 2012 salaries, compared to an average increase across the Group of 2.84%
Annual bonus	Motivate outstanding performance; specifically, reward sustainable growth in profits, i.e. growth that comes from the top line as well as from improving margins. The matrix is intended to provide a balanced focus between commercial and cash initiatives; Net Promoter Score (NPS) multiplier is applied to the outcome to reinforce our Customer 1st strategy and maintain exceptional levels of customer service	Matrix structure rewarding growth in revenue and operating profit, heavily weighted towards delivery of profit growth Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the co-investment plan NPS that falls below target levels of performance reduces bonus earned by up to 20%	60% of salary payable for target performance 150% of salary maximum payable for achieving stretch performance against all measures
Co-investment plan (CIP)	Encourage executive share ownership Ensure balance between growth and returns Reward performance against EPS and ROCE targets; EPS growth is a good measure of profitable growth while ROCE supports our cash initiatives of controlling working capital and capital expenditure	Offers Executive Directors a voluntary share investment opportunity in return for a performance based match 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 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 Vesting of matching awards based 75% on three year EPS growth and 25% on three year average ROCE performance	Executive Directors may invest up to an overall maximum of 50% of post-tax salary Maximum match of 2:1, threshold of 0.5:1 Maximum matching award is therefore 100% of salary in any year

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Performance share plan (PSP)	Provide a meaningful reward to senior executives linked to the long-term success of the business 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 Ensure balance between growth and returns as above Strengthen alignment with shareholders by defining award sizes as a number of shares	Annual awards of 'normal' performance shares, vesting 75% on three year EPS growth, and 25% on three year average ROCE Annual awards of 'enhanced' performance shares, vesting on stretch EPS targets, over and above those attached to 'normal' performance shares Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest The Committee can reduce or prevent vesting in the event of a material restatement of the Group Financial Statements or gross misconduct	Award levels are expressed as a number of shares, subject to an individual limit of 300% of salary However, the Committee will review award sizes prior to each grant to ensure that they are appropriate in light of market data and individual and Group performance Subject to this review, and the individual salary limit, for 2013 the Group Chief Executive will receive 304,170 normal awards and 101,390 enhanced awards, and the Group Finance Director will receive 130,760 normal awards and 26,150 enhanced awards
Save as you earn (SAYE)	To encourage share ownership across the organisation	Participants make monthly savings, over a three year period. At the end of the savings period the funds are used to purchase shares under option 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	Maximum savings of £250 per month
Share ownership guidelines	To encourage share ownership and ensure alignment of executive interests with those of shareholders	Requirement to hold a fixed number of shares. Executives are required to make progress in achieving these targets with their personal, after tax, funds regardless of the extent to which long-term incentives vest, if at all	Equivalent to 200% of base salary for Executive Directors Each Executive Director has five years from 2007, or date of appointment if later, to reach this shareholding target
Pension	To provide market competitive pension benefits where it is cost effective and tax efficient to do so	The Group's new 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. Members are required to contribute 7% of pensionable salary	André Lacroix receives a cash supplement of 40% of his base salary and is eligible to join the Cash+ scheme John McConnell receives a supplement of 30% of base salary and is eligible to join the Cash+ scheme
Other benefits	To provide market competitive benefits where it is cost effective and tax efficient to do so	Includes: • company cars • medical care • life assurance premiums All benefits are non-pensionable	André Lacroix: £18,400 John McConnell: £6,200
Non-Executive Directors fees	To provide fair remuneration, reflecting the time commitment and responsibilities of the roles	Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits	From 1 May 2013 the standard Non-Executive Director fee is £55,000 with an additional fee for a Chairmanship of a Committee of £10,000. The Deputy Chairman is paid a single fee of £76,000 and the Chairman a single fee of £300,000

SELECTION OF LONG-TERM INCENTIVE PERFORMANCE MEASURES

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

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 is 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.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

In 2013, the average salary increase across the Group was 2.84% compared to 2% for the Group Chief Executive and 4% for the Group Finance Director.

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.

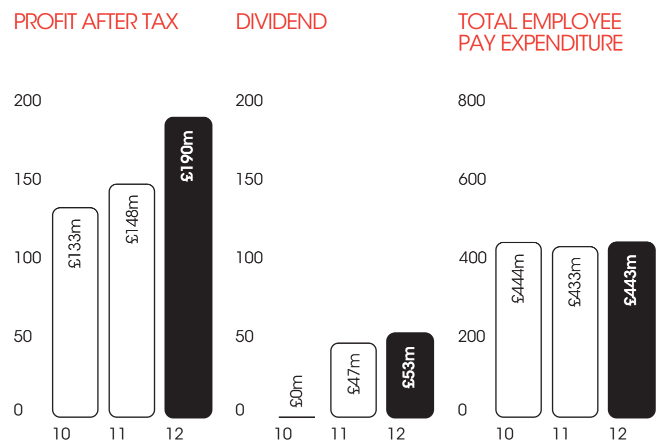
Although the Company has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. In light of the high level of support for the 2011 Directors' report on remuneration, the extensive consultation that was carried out in 2010/11 following the last remuneration review, and the fact that no changes to remuneration policy are being proposed for 2013, the Committee did not carry out a formal shareholder consultation exercise in 2012. However, the Committee is always open to feedback from shareholders on remuneration policy and arrangements, and commits to undergoing shareholder consultation in advance of any changes to remuneration policy. The votes received on the 2011 Directors' report on remuneration are provided in the Implementation Report.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in profit after tax, dividends, and total employee compensation spend from the financial year ended 31 December 2010 to the financial year ended 31 December 2012.



SERVICE CONTRACTS

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months.

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 contract by paying the Executive Director a sum equal to his basic salary and, in certain circumstances, benefits including pension and life assurance, car and entitlement to holiday pay for the 12 month period. In the event that an Executive Director is not required to work their full notice period, the Company may also, in certain circumstances, exercise discretion to pay the Executive Director a proportion of the annual bonus that they would otherwise have received.

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

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

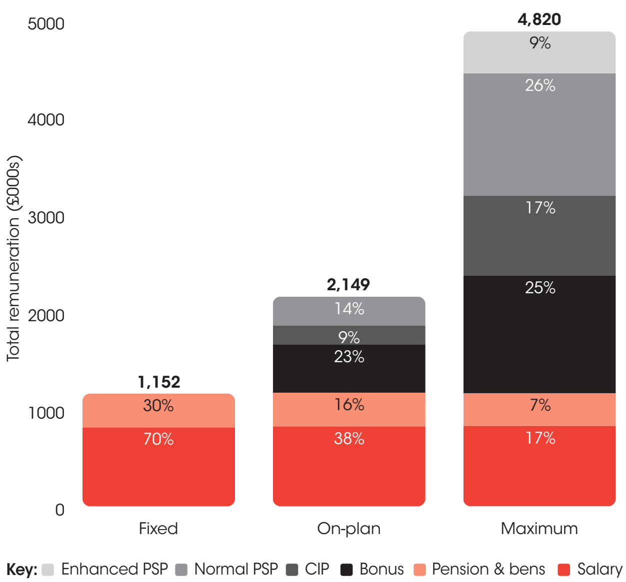
Name	Date of Appointment	Expiry of current term
Ken Hanna (Chairman)	14 May 2009	14 May 2015
Vicky Bindra	1 July 2011	20 June 2014
Simon Borrows	1 October 2010	20 September 2013
Alison Cooper	1 July 2009	30 June 2015
Nigel Northridge	1 July 2009	30 June 2015
Will Samuel	26 January 2005	25 January 2014
Till Vestring	1 September 2011	31 August 2014

PERFORMANCE SCENARIOS

The charts below show the remuneration that Executive Directors could be expected to obtain based on varying performance scenarios.

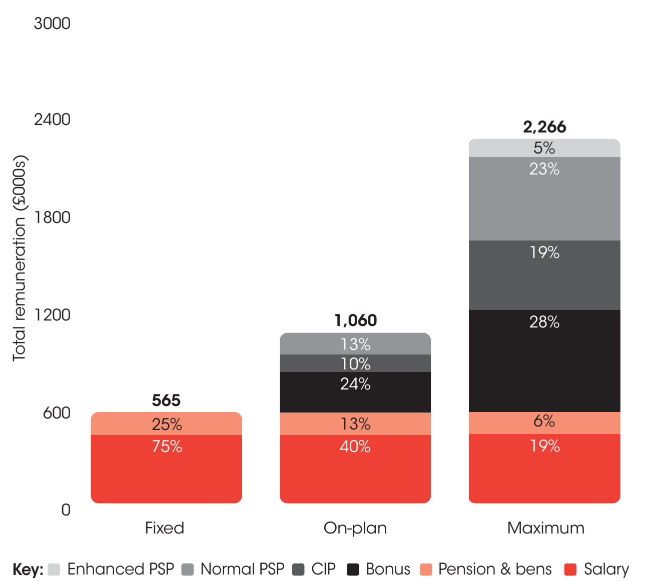
In order to achieve maximum vesting of all incentives, as illustrated in the 'maximum' scenario below, the Executive Directors would need to deliver EPS growth in excess of 20% p.a. over the next three years. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting period of awards.

GROUP CHIEF EXECUTIVE



Base salary	Annual base salary: £810k		
Pension	40% of salary		
Benefits	Taxable value of annual benefits provided: £18k		
Annual Bonus	No incentives included	60% of salary	150% of salary
CIP	No incentives included	25% of salary i.e. 50% of salary invested matched 2:1 vesting 25% at threshold	100% of salary i.e. 50% of salary invested matched 2:1 vesting 100% at max
Normal PSP	No incentives included	£308k i.e. 304.170 shares at £4.05, vesting 25% at threshold	£1,232k i.e. 304.170 shares at £4.05, vesting 100% at max
Enhanced PSP	No incentives included	£0k No vesting – rewards superior performance only	£411k i.e. 101.390 shares at £4.05, vesting 100% at max

GROUP FINANCE DIRECTOR



Base salary	Annual base salary: £426k		
Pension	30% of salary		
Benefits	Taxable value of annual benefits provided: £6k		
Annual Bonus	No incentives included	60% of salary	150% of salary
CIP	No incentives included	25% of salary i.e. 50% of salary invested matched 2:1 vesting 25% at threshold	100% of salary i.e. 50% of salary invested matched 2:1 vesting 100% at max
Normal PSP	No incentives included	£132k i.e. 130.760 shares at £4.05, vesting 25% at threshold	£530k i.e. 130.760 shares at £4.05, vesting 100% at max
Enhanced PSP	No incentives included	£0k No vesting – rewards superior performance only	£106k i.e. 26.150 shares at £4.05, vesting 100% at max

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 2013.

For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2013. For the CIP, the award opportunities assume full voluntary investment in Inchcape shares. It should be noted that any awards granted under the CIP and PSP in a year do not normally vest until the third anniversary of the date of grant. The projected value of CIP and PSP amounts excludes the impact of share price growth and dividend accrual. PSP values are based on the average share price from 1 October 2012 to 31 December 2012 of £4.05.

EXIT PAYMENT POLICY

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. 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.

Under normal circumstances, Executive Directors receive termination payments in lieu of notice equal to pay and benefits for the length of their contractual notice period.

In the event an Executive Director leaves for reasons of death, ill-health, redundancy, retirement (CIP only), or any other reason which the Remuneration Committee may, in its absolute discretion, permit, any outstanding long-term incentive (LTI) awards will be pro-rated for time and performance and will either vest at the end of the performance period or immediately, at the Committee's discretion. Upon a change of control of the Company, awards will be pro-rated for time and vest immediately based on the extent to which the Committee determines that the performance conditions have been met or are likely to be met. For all other leavers, outstanding LTI awards will lapse.

The Committee retains discretion to alter these provisions on a case-by-case basis following a review of circumstances and to ensure fairness for both shareholders and participants.

PART 2 – IMPLEMENTATION REPORT

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/aboutus/governance.

COMMITTEE MEETINGS

Member	Member throughout 2012	Meetings Held	Meetings Attended
Nigel Northridge	✓	2	2
Ken Hanna	✓	2	2
Will Samuel	✓	2	2
Till Vestring	Joined May 2012	1	1

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. Membership and attendance at meetings are shown in the table above. No Director takes part in any decision affecting his own remuneration.

COMMITTEE ACTIVITIES DURING THE YEAR:

Directors' report on remuneration – The Committee approved the 2011 Directors' report on remuneration and recommended to the Board that the Report be approved by shareholders at the AGM. Kepler Associates (Kepler) gave the Committee an update on the Department of Business, Innovation & Skills ('BIS') proposals to be adopted by companies from 2013. The Committee reviewed each element and agreed to adopt the majority of the proposals early.

Bonus – The Committee reviewed and agreed the achievement of the performance targets for the 2011 bonus (payable in 2012). The Committee also discussed the performance targets for the 2012 bonus (payable in 2013) and agreed that these were both relevant and satisfactory in light of the Group strategy. Details of the 2012 bonus paid to the Executive Directors can be found on page 59.

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 on page 56.

Chairman's fee – The Committee reviewed the Chairman's fee and agreed that it remained appropriate; therefore Ken Hanna did not receive an increase in 2012. His fee has remained unchanged since his appointment in 2009. The Chairman's fee was reviewed in March 2013. Details are given on page 52.

Share plans – The Committee agreed the vesting level of the 2009 Executive Share Option Plan, reviewed the performance targets of the 2010 Executive Share Option Plan and the 2011 Performance Share Plan and reviewed and approved the performance targets and grant level of the 2012 Performance Share Plan, the 2012 Share Matching Plan and the 2012 SAYE grant. Details of the awards made to Executive Directors can be found on pages 60 to 61. The Committee also monitored headroom limits in accordance with ABI 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.

GOVERNANCE

- The Committee reviewed its terms of reference and confirmed that it had been fully compliant throughout the year.
- The Committee reviewed its membership and confirmed that it complied with the Code.

ADVISORS TO THE COMMITTEE

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 on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and complies with the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com).

Kepler provides no other services to the Company. 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 £35,733 for their services during the year including expenses and VAT.

TOTAL ACTUAL REMUNERATION

To aid transparency for our shareholders, the table below sets out the total actual remuneration received by each Director for the year to 31 December 2012.

Executive Director	1. Base salary £'000	2. Benefits £'000	3. Pension £'000	4. Annual bonus £'000	5. Long-term incentives £'000	Total remuneration £'000
André Lacroix	790	18	311	815	232	2,166
John McConnell	408	10	168	420	120	1,126

Director	1. Fee £'000	2. Benefits £'000	3. Pension £'000	4. Annual bonus £'000	5. Long-term incentives £'000	Total remuneration £'000
Ken Hanna	275	7	–	–	–	282
Vicky Bindra	57	–	–	–	–	57
Simon Borrows	60	–	–	–	–	60
Alison Cooper	50	–	–	–	–	50
Nigel Northridge	60	–	–	–	–	60
Will Samuel	76	–	–	–	–	76
David Scotland	23	–	–	–	–	23
Till Vestring	50	–	–	–	–	50

The figures have been calculated as follows:

1. Base salary/fee: amount earned for the year. Non-Executive Directors received a fee of £50,000 p.a. plus an additional £10,000 for Committee Chair. The Deputy Chairman received a fee of £76,000 p.a.
2. Benefits: the taxable value of annual benefits received in the year
3. Pension: the value of the Company's contribution during the year
4. Annual bonus: the value at grant of the annual incentive payable for performance over 2012, including amounts paid in shares
5. Long-term incentives: Includes any CIP, PSP and options based on the value at vesting of shares or options vesting on performance over the three year period ending 31 December 2012. Value stated relates to the vesting of 2010 option grants, valued based on the average share price from 1 October to 31 December 2012 of £4.05.

BASE SALARY

Salaries are reviewed annually and typically take effect from 1 April of each year. The Committee reviews base salary for the Executive Directors and Executive Committee against organisations of similar size, complexity and type, and also takes into account pay and conditions elsewhere in the Group. 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.

The salaries for 2011, 2012 and 2013 are set out in the table below, together with the average increases across the Group.

Name	1 April 2011	1 April 2012	1 April 2013
André Lacroix	£778,680 (3% increase)	£794,254 (2% increase)	£810,140 (2% increase)
John McConnell	£401,700 (3% increase)	£409,734 (2% increase)	£426,123 (4% increase)
Average increase across the Group		3.16% increase	2.84% increase

ANNUAL BONUS

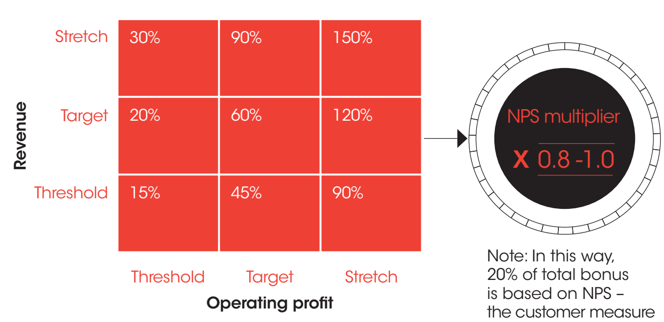
In 2012, as for 2011, the Executive Directors' annual bonuses were assessed against a financial performance matrix. This matrix was designed to reward stretching targets of revenue and operating profit, whilst maintaining exceptional levels of customer service.

During the year, the Group delivered revenue above target and operating profit between target and maximum. The Group met the NPS targets. The Committee reviewed performance against the targets and rules of the scheme and, taking into account all relevant factors, has determined that both the Group Chief Executive and the Group Finance Director receive a bonus of 102.6% of salary for 2012.

As the 2012 bonuses were more than 100% of salary the Executive Directors will have 2.6% of salary automatically invested in Company shares through the co-investment plan. Executive Directors will also be able to make voluntary investments up to 47.4% of salary into the scheme to make a maximum investment of 50% of salary.

ILLUSTRATION OF BONUS STRUCTURE FOR EXECUTIVE DIRECTORS

Financial performance matrix (% of salary)



PERFORMANCE SHARE PLAN

AWARDS MADE DURING THE YEAR

The performance share plan (PSP) was approved by shareholders at the 2011 AGM, and awards of normal and enhanced awards were made to Executive Directors and other senior executives under this plan in 2011 and 2012. Awards in 2011 were based on a percentage of salary, but were then fixed as a number of shares for 2012. The Committee feels that fixing the award sizes as a number of shares provides strong alignment with shareholders, as the face value of awards will fall if the share price falls and vice versa.

Awards made in 2012 to Executive Directors are summarised below:

Type of award	'Normal' performance shares	'Enhanced' performance shares
Basis of award	Absolute number of shares calculated on the basis of shares granted in 2011	
Face value of awards made during 2012*	Group Chief Executive: £1,077,674 (304,170 shares) Group Finance Director: £463,283 (130,760 shares)	Group Chief Executive: £359,225 (101,390 shares) Group Finance Director: £92,649 (26,150 shares)
Performance period	3 years (i.e. 1 January 2012 – 31 December 2014)	
Performance conditions	75% on EPS growth 25% on average ROCE	100% on EPS growth
% vesting at threshold	25% of award	0% of award

* Calculated using the share price of £3.543 which was the closing price on date of grant 10 April 2012.

Performance conditions are as follows:

NORMAL AWARDS

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

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

ENHANCED AWARDS

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

Targets were set taking into account a range of reference points including the Group's strategic plan and broker forecasts for both the Group and other sector peers. The Committee believes that these targets are very stretching, and that the maximum will only be available for truly outstanding performance.

AWARDS VESTING DURING THE YEAR

No award under the PSP is due to vest for Executive Directors until 2014 (subject to performance).

CO-INVESTMENT PLAN

AWARDS MADE DURING THE YEAR

The renewal of the Co-investment plan (CIP) was approved by shareholders in 2011. During 2012, both Executive Directors made investments, and therefore were granted matching awards as detailed below:

Type of award	Matching award
Basis of award	2:1 match on invested amounts
Face value of awards made during 2012*	Group Chief Executive: £398,357(117,164 shares) Group Finance Director: £408,051 (120,015 shares)
Performance period	3 years (i.e. 1 January 2012 – 31 December 2014)
Performance conditions	75% on EPS growth 25% on average ROCE
% vesting at threshold	25% of award

* Calculated using the share price of £3.40 which was the closing price on date of grant 22 June 2012.

For simplicity and alignment, the performance targets for the CIP awards are the same as the normal PSP award made in 2012.

AWARDS VESTING DURING THE YEAR

No award under the CIP is due to vest for either individual until 2014 (subject to performance).

EXECUTIVE SHARE OPTIONS

AWARDS VESTING DURING THE YEAR

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

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

There will be no retesting.

These options will vest in full based on performance to 31 December 2012. Details of awards vesting to Executive Directors are shown in the table below.

	Options held	Exercise price	Performance period	Vesting date	EPS growth p.a.[1]	% vesting	Share price at vesting[2]	Value (£000)
André Lacroix	243,870	£3.10	1 Jan 2010 – 31 Dec 2012	8 April 2013	RPI+9.35%	100%	£4.05	232
John McConnell	125,806	£3.10	1 Jan 2010 – 31 Dec 2012	8 April 2013	RPI+9.35%	100%	£4.05	120

1. Based on 2012 EPS of 39.7p, 2009 EPS of 27.1p, and RPI growth of 4.22%.
2. Based on the average share price from 1 October 2012 – 31 December 2012.

EXECUTIVE SHARE OWNERSHIP

As at 31 December 2012, the Directors held the following shares:

			Nil cost awards		Options held	
	Shares held	Guideline met	Subject to performance conditions	Subject to deferral	Subject to performance conditions	Vested but not yet exercised
André Lacroix	536,148	Y	1,123,607	N	243,870	961,467
John McConnell	210,676	Y	537,076	N	125,806	337,465

Details of the shares held by the Non-Executive Directors are given on page 62.

The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. The share price as at 31 December 2012 was 430.9p.

DILUTION LIMITS

Options granted under the executive share option scheme, the SAYE scheme and awards granted under the performance share plan are met by the issue of new shares or treasury shares.

All other plans are satisfied on exercise by market purchase shares. Dilution limits are monitored throughout the year by the Remuneration Committee and the Company complies with the limits set by the Association of British Insurers.

Issued share capital as at 31 December 2012	468m
All schemes – 10% over 10 year rolling period	46.8m
Remaining headroom for all schemes	18.7m
Executive schemes – 5% over a 10 year rolling period	23.4m
Remaining headroom for executive schemes	2.4m

SHAREHOLDER CONTEXT

The table below shows the advisory vote on the 2011 Directors' report on remuneration at the 2012 AGM. It is the policy of the Committee to consult with major shareholders prior to any major changes to the Remuneration Policy.

	For	Against	Abstentions*
Votes	91.72%	4.46%	3.82%

* Abstain votes are not included in the final proxy figures as they are not recognised as a vote in law. The figures above are for illustration purposes, consistent with what is required under the BIS recommendations.

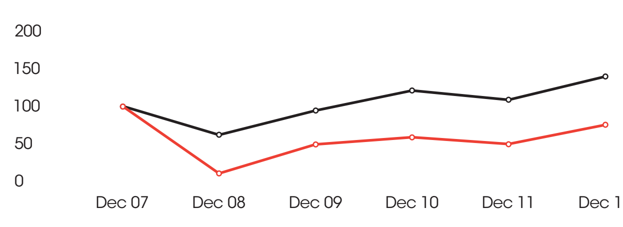
EXIT PAYMENTS MADE IN YEAR

There were no exit payments made in 2012.

TOTAL SHAREHOLDER RETURNS (TSR)

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

HISTORICAL TSR PERFORMANCE



PART 3 – ADDITIONAL INFORMATION [AUDITED]

This section contains information that is required under current regulations, but which will no longer be required for the 2013 Directors' report on remuneration.

INDIVIDUAL EMOLUMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Base salary/fees		Bonus		Taxable and other benefits (e)		Company contributions paid in year in respect of pension arrangements		Termination payment		Total remuneration	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Chairman												
Ken Hanna	**275.0**	275.0	**–**	–	**6.8**	22.1	**–**	–	**–**	–	**281.8**	297.1
Peter Johnson (left 14 May 2009) (a)	**–**	–	**–**	–	**–**	0.6	**–**	–	**–**	–	**–**	0.6
Executive Directors												
André Lacroix (b)	**790.4**	773.0	**814.9**	607.4	**18.4**	18.4	**311.5**	309.2	**–**	–	**1,935.2**	1,708.0
John McConnell (c)	**407.7**	398.8	**420.4**	313.3	**9.9**	49.4	**81.7**	81.2	**–**	–	**919.7**	842.7
Non-Executive Directors (d)												
Vicky Bindra	**56.7**	25.0									**56.7**	25.0
Simon Borrows	**60.0**	55.3	**–**	–	**–**	–	**–**	–	**–**	–	**60.0**	55.3
Alison Cooper	**50.0**	46.7	**–**	–	**–**	–	**–**	–	**–**	–	**50.0**	46.7
Nigel Northridge	**60.0**	56.7	**–**	–	**–**	–	**–**	–	**–**	–	**60.0**	56.7
Will Samuel	**76.0**	74.0	**–**	–	**–**	–	**–**	–	**–**	–	**76.0**	74.0
David Scotland (left 10 May 2012)	**22.5**	59.3	**–**	–	**–**	–	**–**	–	**–**	–	**22.5**	59.3
Till Vestring	**50.0**	16.7									**50.0**	16.7
Michael Wemms (left 11 May 2010)	**–**	19.0	**–**	–	**–**	–	**–**	–	**–**	–	**–**	19.0
Total	**1,848.3**	1,799.5	**1,235.3**	920.7	**35.1**	90.5	**393.2**	390.4	**–**	–	**3,511.9**	3,201.1

Notes on Directors' emoluments

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

(b) The payment of £311,472 (2011 – £309,204) was paid directly to André Lacroix to allow him to make his own pension arrangements outside of the Company's pension plan. This payment was subject to tax.

(c) The payment of £81,676 (2011 – £81,202) was paid to John McConnell to allow him to make his own pension arrangements outside the Company's pension plan. This payment was subject to tax.

(d) The Non-Executive Directors receive a fee of £50,000 p.a. with an additional £10,000 for chairmanship of a committee. The Deputy Chairman receives a fee of £76,000.

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

No Directors waived emoluments in respect of the year ended 31 December 2012 (2011 – none).

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 scheme specific ceiling of £137,400 in the 2012/13 tax year, subject to completion of between 20 and 40 years' service. Members who joined after March 2005 contributed 7% of pensionable salary. The Group Chief Executive did not participate in the plan and received a cash supplement of 40% of base salary in lieu of a final pension provision. The Group Finance Director received a cash supplement above the cap in 2012. Details are given in the emoluments table on page 59.

DIRECTORS' PENSION ENTITLEMENTS

	Increase in accrued pension during the year £'000	Increase in accrued pension during the year (net of inflation)	Accumulated total of accrued pension at 31.12.11	Accumulated total of accrued pension at 31.12.12	Transfer value (less Director's contributions) of the increase in accrued benefit net of inflation	Transfer value of accrued benefits at 31.12.12	Transfer value of accrued benefits at 01.01.12	Difference in transfer value less any contributions made in the year
John McConnell	5.1	4.7	9.6	14.7	88.7	284.3	194.7	80.1

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

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

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

DIRECTORS' SHARE OPTIONS

	Held at 31.12.12	Lapsed during year	Exercised during the year	Granted during the year	Held at 01.01.12	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 (b)	–	–	–	4,390 (b)	£2.05	Nov 2013 – Apr 2014
John McConnell	17,746 (a)	–	–	–	17,746 (a)	£2.140	Mar 2006 – Mar 2013
	28,428 (a)	–	–	–	28,428 (a)	£4.416	May 2007 – May 2014
	21,644 (a)	–	–	–	21,644 (a)	£5.776	Mar 2008 – Mar 2015
	222,772 (a)	–	–	–	222,772 (a)	£2.00	May 2012 – May 2019
	46,875 (a)	–	–	–	46,875 (a)	£3.20	Nov 2012 – Nov 2019
	125,806 (a)	–	–	–	125,806 (a)	£3.10	Apr 2013 – Apr 2020
	3,703 (b)	–	–	–	3,703 (b)	£2.43	Nov 2014 – Apr 2015

Notes on share options

(a) Under the Inchcape 1999 Share Option Plan.

- Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company.
- Such options are normally exercisable between three and ten years of grant.
- Details of performance targets are given on page 58.

(b) Under the Inchcape SAYE Share Option Scheme.

- There were no option exercises by Executive Directors during 2012.
- The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months' service.
- Participants make monthly savings for a three year period. At the end of the savings period options become exercisable within a six month period.

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

- All options were granted for nil consideration
- The table shows Executive Directors' options over ordinary shares of 10.0p at 1 January 2012 and 31 December 2012.
- The mid market price for shares at the close of business on 31 December 2012 was 430.9p. The price range during 2012 was 292.6p to 446.4p.

PERFORMANCE SHARE PLAN

	Share awards as at 31.12.12	Share awards lapsed during the year	Share awards exercised during the year	Share awards granted during the year	Share awards as at 01.01.12	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 (b)	–	–	101,390 (b)	–	10-Apr-12	April 2015 – April 2016
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

Notes on the Performance Share Plan

- Awards under the Inchcape Performance Share Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company.

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

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

- Details of the performance targets are given on page 57.
- All awards were granted for nil consideration.
- The table shows Executive Directors' awards over ordinary shares of 10.0p at 1 January 2012 and 31 December 2012.
- The mid market price for shares at the close of business on 31 December 2012 was 430.9p. The price range during 2012 was 292.6p to 446.4p.

CO-INVESTMENT PLAN

	Awarded ordinary shares 31.12.12	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded ordinary shares 01.01.12	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
John McConnell	103,238	–	–	–	103,238	02-Jun-11	Jun 2014 – Dec 2014
	120,015	–	–	120,015	–	22-Jun-12	Jun 2015 – Dec 2015

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.
- Details of the performance targets are given on page 57.

Other statutory information

The information that fulfils the requirements of the business review can be found in the Operating Review on pages 22 to 30, which is incorporated into this Report by reference. Information on the environment, employees, community and social issues is given in the Corporate Responsibility Report on pages 34 to 37.

DIRECTORS

The names of the Directors, plus brief biographical details are given on page 38 to 39. Each Director held office throughout the year except David Scotland who retired from the Board on 10 May 2012.

In accordance with the UK Corporate Governance Code all of the Directors will stand for re-election at the Annual General Meeting (AGM) on 16 May 2013.

PRINCIPAL ACTIVITIES

A description of the principal activities of the Group and likely future developments and important events occurring since the end of the year are given in the Operating Review on pages 22 to 30.

RESULTS AND DIVIDENDS

The Group's audited Financial Statements for the year ended 31 December 2012 are shown on pages 66 to 134. The Board recommends a final ordinary dividend of 10.5p per ordinary share. If approved at the 2013 AGM, the final ordinary dividend will be paid on 19 June 2013 to shareholders registered in the books of the Company at the close of business on 24 May 2013. Together with the interim dividend of 4.0p per ordinary share paid on 4 September 2012, this makes a total ordinary dividend for the year of 14.5p per ordinary share (2011 – 11.0p).

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 2012.

Name	31 December 2012	1 January 2012
Ken Hanna	70,000	70,000
André Lacroix	536,148	507,124
John McConnell	210,676	181,038
Simon Borrows	1,000,000	1,000,000
Alison Cooper	2,500	2,500
Nigel Northridge	25,000	25,000
Will Samuel	12,000	12,000
Till Vestring	30,000	30,000

There have been no changes to the number of shares held by Directors between 31 December 2012 and 11 March 2013.

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 2012, the Trust's shareholding totalled 1,692,848 ordinary shares. Between 1 January 2013 and 11 March 2013 the Trust transferred 8,610 ordinary shares to satisfy the exercise of awards under employee share plans.

SIGNIFICANT SHAREHOLDINGS

As at 11 March 2013, the Company had been notified of the following significant interests:

Holding	percentage notified
Prudential plc	10.94%
Mr George Horesh	7.99%
Standard Life	6.05%
Schroders plc	5.07%
Legal & General	3.99%
The Capital Group Companies, Inc	3.12%

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

SHARE CAPITAL

As at 31 December 2012, the Company's issued share capital of £46,810,820.20 comprised 468,108,202 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 10 May 2012, the Company was authorised to make market purchases of up to 46,139,276 ordinary shares (representing approximately 10.0% of its issued share capital). No such purchases were made during 2012.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

DIRECTORS' INDEMNITY

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

GOING CONCERN

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Operating and Financial Reviews on pages 22 to 31 and in the notes to the accounts on pages 80 to 124.

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

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

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' report on remuneration and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company Financial Statements respectively;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' report on remuneration comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating Review contained on pages 22 to 30 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Other statutory information continued

CHARITABLE AND POLITICAL DONATIONS

The Company made a charitable donation to Kids Company of £13,616.39 during 2012. In 2011, the Company donated £19,290 to Chase Shooting Star Children's Hospice. No political donations were made during 2012.

PRINCIPAL FINANCIAL RISK FACTORS

These risks are shown on pages 32 to 33.

EVENTS AFTER THE BALANCE SHEET DATE

The Group acquired the Trivett Automotive Group on 1 March 2013.

CREDITOR PAYMENT POLICY

The Company has no trade creditors (2011 – nil). The Group is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. Whilst the Group does not follow any single external code or standard, in line with Group policy, payments to suppliers are made in accordance with agreed terms and conditions.

EMPLOYEES

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

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

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 required to be disclosed in terms of the Companies Act 2006 and IAS 24 'Related Parties' was outstanding at 31 December 2012, or was entered into during the year for any Director and/or connected person (2011 – none).

ANNUAL GENERAL MEETING

The AGM will be held at 11.30 a.m. on Thursday 16 May 2013 at MWB Business Exchange, 1st Floor, 55 Old Broad Street, London, EC2M 1RX. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

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

By order of the Board

Tamsin Waterhouse
Group Company Secretary

Financial statements

Consolidated income statement
For the year ended 31 December 2012

	Notes	**Before exceptional items 2012 £m**	**Exceptional items (note 2) 2012 £m**	**Total 2012 £m**	Before exceptional items 2011 £m	Exceptional items (note 2) 2011 £m	Total 2011 £m
Revenue	1, 3	**6,085.4**	**–**	**6,085.4**	5,826.3	–	5,826.3
Cost of sales		**(5,210.7)**	**(0.4)**	**(5,211.1)**	(4,970.2)	–	(4,970.2)
Gross profit		**874.7**	**(0.4)**	**874.3**	856.1	–	856.1
Net operating expenses	3	**(612.8)**	**1.6**	**(611.2)**	(611.7)	(13.4)	(625.1)
Operating profit		**261.9**	**1.2**	**263.1**	244.4	(13.4)	231.0
Share of profit / (loss) after tax of joint ventures and associates	13	**0.2**	**–**	**0.2**	(3.0)	–	(3.0)
Profit before finance and tax		**262.1**	**1.2**	**263.3**	241.4	(13.4)	228.0
Finance income	6	**56.8**	**–**	**56.8**	57.3	–	57.3
Finance costs	7	**(68.6)**	**–**	**(68.6)**	(71.0)	(10.9)	(81.9)
Profit before tax		**250.3**	**1.2**	**251.5**	227.7	(24.3)	203.4
Tax	8	**(61.5)**	**0.4**	**(61.1)**	(59.2)	3.6	(55.6)
Profit for the year		**188.8**	**1.6**	**190.4**	168.5	(20.7)	147.8
Profit attributable to:							
– Owners of the parent				**184.5**			142.2
– Non controlling interests				**5.9**			5.6
				190.4			147.8
Basic earnings per share (pence)	9			**40.0p**			31.0p
Diluted earnings per share (pence)	9			**39.4p**			30.5p

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	**2012 £m**	2011 £m
Profit for the year		**190.4**	147.8
Other comprehensive income:			
Cash flow hedges		**(46.1)**	5.7
Fair value gains / (losses) on available for sale financial assets	14	**0.1**	(6.5)
Impairment losses on available for sale financial assets transferred to consolidated income statement		**1.0**	10.9
Effect of foreign exchange rate changes		**(12.3)**	(26.5)
Net actuarial (losses) / gains on defined benefit pension schemes	5	**(39.3)**	18.0
Recoverable / (irrecoverable) element of pension surplus	5	**72.9**	(36.7)
Current tax recognised directly in shareholders' equity		**–**	7.0
Deferred tax recognised directly in shareholders' equity	16	**22.6**	(8.4)
Other comprehensive income for the year, net of tax		**(1.1)**	(36.5)
Total comprehensive income for the year		**189.3**	111.3
Total comprehensive income attributable to:			
– Owners of the parent		**186.8**	105.7
– Non controlling interests		**2.5**	5.6
Total comprehensive income for the year		**189.3**	111.3

Consolidated statement of financial position

As at 31 December 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Intangible assets	11	**559.5**	542.6
Property, plant and equipment	12	**693.1**	647.6
Investments in joint ventures and associates	13	**13.8**	29.5
Available for sale financial assets	14	**4.0**	5.6
Trade and other receivables	15	**31.2**	34.4
Deferred tax assets	16	**40.4**	43.0
Retirement benefit asset	5	**100.6**	47.3
		1,442.6	1,350.0
Current assets			
Inventories	17	**928.9**	905.5
Trade and other receivables	15	**258.4**	251.5
Available for sale financial assets	14	**2.7**	0.5
Derivative financial instruments	23	**116.1**	139.7
Current tax assets		**3.0**	2.2
Cash and cash equivalents	18	**597.9**	558.9
		1,907.0	1,858.3
Assets held for sale and disposal group	19	**31.3**	5.7
		1,938.3	1,864.0
Total assets		**3,380.9**	3,214.0
Current liabilities			
Trade and other payables	20	**(1,150.7)**	(1,140.6)
Derivative financial instruments	23	**(62.6)**	(7.4)
Current tax liabilities		**(47.5)**	(45.1)
Provisions	21	**(41.9)**	(36.8)
Borrowings	22	**(113.5)**	(101.9)
		(1,416.2)	(1,331.8)
Non-current liabilities			
Trade and other payables	20	**(22.4)**	(29.6)
Provisions	21	**(43.0)**	(54.1)
Deferred tax liabilities	16	**(24.9)**	(40.2)
Borrowings	22	**(320.0)**	(338.6)
Retirement benefit liability	5	**(27.9)**	(62.2)
		(438.2)	(524.7)
Liabilities directly associated with the disposal group	19	**(19.1)**	–
Total liabilities		**(1,873.5)**	(1,856.5)
Net assets		**1,507.4**	1,357.5
Shareholders' equity			
Share capital	24	**46.9**	46.4
Share premium		**136.5**	126.9
Capital redemption reserve		**133.3**	133.3
Other reserves	25	**86.7**	126.8
Retained earnings	26	**1,078.2**	895.7
Equity attributable to owners of the parent		**1,481.6**	1,329.1
Non controlling interests		**25.8**	28.4
Total shareholders' equity		**1,507.4**	1,357.5

The consolidated Financial Statements on pages 66 to 124 were approved by the Board of Directors on 11 March 2013 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 2012

	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 2011		46.4	126.3	133.3	145.2	811.9	1,263.1	26.2	1,289.3
Profit for the year		–	–	–	–	142.2	142.2	5.6	147.8
Other comprehensive income for the year		–	–	–	(18.4)	(18.1)	(36.5)	–	(36.5)
Total comprehensive income for the year		–	–	–	(18.4)	124.1	105.7	5.6	111.3
Share-based payments, net of tax	4,16	–	–	–	–	6.7	6.7	–	6.7
Net purchase of own shares by ESOP Trust		–	–	–	–	(0.2)	(0.2)	–	(0.2)
Issue of ordinary share capital		–	0.6	–	–	–	0.6	–	0.6
Dividends:									
– Owners of the parent	10	–	–	–	–	(46.8)	(46.8)	–	(46.8)
– Non controlling interests		–	–	–	–	–	–	(3.4)	(3.4)
At 1 January 2012		**46.4**	**126.9**	**133.3**	**126.8**	**895.7**	**1,329.1**	**28.4**	**1,357.5**
Profit for the year		**–**	**–**	**–**	**–**	**184.5**	**184.5**	**5.9**	**190.4**
Other comprehensive income for the year		**–**	**–**	**–**	**(40.1)**	**42.4**	**2.3**	**(3.4)**	**(1.1)**
Total comprehensive income for the year		**–**	**–**	**–**	**(40.1)**	**226.9**	**186.8**	**2.5**	**189.3**
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		**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 31 December 2012		**46.9**	**136.5**	**133.3**	**86.7**	**1,078.2**	**1,481.6**	**25.8**	**1,507.4**

Share-based payments have been stated net of a tax credit of £3.6m (2011 – charge of £0.6m).

Cumulative goodwill of £108.1m (2011 – £108.1m) has been written off against the retained earnings reserve.

Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	**2012 £m**	2011 £m
Cash flows from operating activities			
Cash generated from operations	27a	**249.2**	244.7
Tax paid		**(47.2)**	(45.2)
Interest received		**14.7**	10.9
Interest paid		**(32.3)**	(20.4)
Net cash generated from operating activities		**184.4**	190.0
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	28a	**(15.8)**	(20.2)
Net cash inflow from sale of businesses	28b	**2.9**	5.5
Purchase of property, plant and equipment		**(83.8)**	(80.7)
Purchase of intangible assets		**(13.9)**	(14.3)
Proceeds from disposal of property, plant and equipment		**10.4**	6.5
Net (purchase) / disposal of available for sale financial assets		**(0.8)**	2.4
Net cash used in investing activities		**(101.0)**	(100.8)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**10.1**	0.6
Net purchase of own shares by ESOP Trust		**(2.3)**	(0.2)
Net cash (outflow) / inflow from borrowings		**(3.5)**	1.5
Payment of capital element of finance leases		**(0.4)**	(0.8)
Loans (granted to) / received from joint ventures	13	**(3.2)**	0.3
Settlement of derivatives		**(0.8)**	4.7
Equity dividends paid	10	**(52.5)**	(46.8)
Dividends paid to non controlling interests		**(3.3)**	(3.4)
Net cash used in financing activities		**(55.9)**	(44.1)
Net increase in cash and cash equivalents	27b	**27.5**	45.1
Cash and cash equivalents at the beginning of the year		**461.3**	419.6
Effect of foreign exchange rate changes		**(3.9)**	(3.4)
Cash and cash equivalents at the end of the year		**484.9**	461.3
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents	18	**324.4**	385.6
– Short-term deposits	18	**273.5**	173.3
– Bank overdrafts	22	**(113.0)**	(97.6)
		484.9	461.3

Accounting policies

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

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

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

The following new standards are effective for accounting periods beginning 1 January 2012 but have not had a material impact on the results or financial position of the Group:

– IAS 12, 'Amendment to IAS 12, Income Taxes: Deferred taxes'

– IFRS 7, 'Amendment to IFRS 7, Financial Instruments: Transfers of financial assets'.

At the reporting date, IAS 19 (revised), 'Employee benefits', was in issue but was not yet effective. It was amended in June 2011, and will be applied for the financial year commencing on 1 January 2013. The revised standard is expected to impact the way the Group accounts for pensions and other post-retirement benefits as follows:

– the interest cost and expected return on plan assets will be replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit liability. Under the existing 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, should be recognised as a period cost when incurred. Under the existing standard, expenses incurred in connection with running the pension schemes have formed part of the defined benefit obligation.

Under the current accounting policy, the Group recognises actuarial gains and losses directly in other comprehensive income as required by the new standard.

Had the revised standard been applied to these Financial Statements, the effect would have been a decrease in operating profit for the year of approximately £2.1m, a decrease in profit before tax for the year of approximately £2.8m and an increase in net assets as at the end of the year of approximately £20.7m.

The following standards were also in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group and will be applied for the Group's financial years commencing on or after 1 January 2013:

– IAS 1, 'Amendment to IAS 1, Presentation of financial statements: Other comprehensive income'

– IAS 27 (revised), 'Separate financial statements'

– IAS 28 (revised), 'Associates and joint ventures'

– IAS 32, 'Amendment to IAS 32, Financial Instruments: Presentation'

– IFRS 7, 'Amendment to IFRS 7, Financial Instruments: Disclosures'

– IFRS 9, 'Financial instruments'

– IFRS 10, 'Consolidated financial statements'

– IFRS 11, 'Joint arrangements'

– IFRS 12, 'Disclosure of interests in other entities'

– IFRS 13, 'Fair value measurement'.

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

BASIS OF CONSOLIDATION

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

Transactions included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements are presented in Sterling, which is the functional currency of the parent company, Inchcape plc, and the 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' on the consolidated statement of financial position at cost, and are depreciated to their residual value over the life of the lease. Total revenue on a leased vehicle comprises the difference between consideration received and residual value. This sits as deferred revenue on the consolidated statement of financial position and is released to the consolidated income statement on a straight line basis over the life of the lease. The residual value commitment, which reflects the price at which the vehicle will be bought back, is held within 'trade and other payables', according to the date of the commitment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is 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.

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. The expected return on assets of funded defined benefit pension plans and the imputed interest on pension plan liabilities comprise the post-retirement benefit element of finance costs and finance income in the consolidated income statement.

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

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

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

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

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

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 on the consolidated statement of financial position as a disposal group. Assets are classified as assets held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Both disposal groups and assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CASH FLOW HEDGE
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised 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.

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

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

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

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

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

Held to maturity financial assets are carried at amortised cost.

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

JUDGEMENTS

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

REVENUE RECOGNITION ON VEHICLES SUBJECT TO RESIDUAL VALUE COMMITMENTS

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

CONSIGNMENT STOCK

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

ESTIMATES

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

PRODUCT WARRANTY PROVISION

The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims (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 for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised (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.

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).

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.

RESIDUAL VALUE COMMITMENTS

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

Notes to the accounts

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

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and 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.

	Distribution						
2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue							
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**
Results							
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 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 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

	Retail							
2012	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
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
Results								
Segment result	15.9	(0.5)	58.0	12.7	86.1	280.1	(18.2)	261.9
Operating exceptional items	(1.4)	(1.1)	(2.9)	(7.9)	(13.3)	(18.0)	19.2	1.2
Operating profit after exceptional items	14.5	(1.6)	55.1	4.8	72.8	262.1	1.0	263.1
Share of profit / (loss) after tax of joint ventures and associates	–	–	–	0.3	0.3	0.2	–	0.2
Profit before finance and tax	14.5	(1.6)	55.1	5.1	73.1	262.3	1.0	263.3
Finance income								56.8
Finance costs								(68.6)
Profit before tax								251.5
Tax								(61.1)
Profit for the year								190.4

Net finance costs of £11.8m are not allocated to individual segments.

1 SEGMENTAL ANALYSIS CONTINUED

2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	**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							
Net assets							

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

2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**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 £m
Segment assets and liabilities						
Segment assets	85.0	18.5	389.2	218.0	710.7	1,214.3
Other current assets						755.4
Non-current assets						1,411.2
Segment liabilities	(87.8)	(11.3)	(391.3)	(138.2)	(628.6)	(1,279.8)
Other liabilities						(593.7)
Net assets						1,507.4

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

2012	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
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.

1 SEGMENTAL ANALYSIS CONTINUED

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

1 SEGMENTAL ANALYSIS CONTINUED

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

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

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

1 SEGMENTAL ANALYSIS CONTINUED

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

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

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

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

1 SEGMENTAL ANALYSIS CONTINUED

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

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

2011	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	1.2	0.4	22.0	42.6	66.2	80.7	0.5	81.2
– Interest in leased vehicles	–	0.4	–	0.3	0.7	38.9	–	38.9
– Intangible assets	–	–	3.3	1.8	5.1	7.8	5.3	13.1
Depreciation:								
– Property, plant and equipment	0.6	1.0	9.4	7.3	18.3	28.5	0.5	29.0
– Interest in leased vehicles	–	0.1	–	0.1	0.2	16.3	–	16.3
Amortisation of intangible assets	–	–	2.3	1.3	3.6	4.3	0.2	4.5
Impairment of intangible assets	–	–	7.1	–	7.1	7.1	–	7.1
Net provisions charged / (released) to the consolidated income statement	3.9	1.0	21.6	0.8	27.3	58.2	–	58.2

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

2 EXCEPTIONAL ITEMS

	2012 £m	2011 £m
Restructuring costs	**(17.3)**	(13.4)
Closure of defined benefit pension schemes to future accrual	**19.7**	–
Loss on deemed disposal of joint venture (note 28)	**(1.2)**	–
Operating exceptional items	**1.2**	(13.4)
Impairment of available for sale financial assets (note 7)	**–**	(10.9)
Finance exceptional items	**–**	(10.9)
Total exceptional items before tax	**1.2**	(24.3)
Exceptional tax credit	**0.4**	3.6
Total exceptional items	**1.6**	(20.7)

The restructuring costs of £17.3m represent 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 maintains an organisational structure and efficient cost base across the Group. Included within this is an impairment charge of £0.8m in respect of property, plant and equipment and £2.1m in respect of goodwill and other intangible assets.

During the year, the Group closed two of its UK defined benefit pension schemes to future accrual. The net gain to the Group of £19.7m comprises a curtailment gain of £26.0m (see note 5) net of costs of £6.3m associated with implementing the changes including the harmonisation of pension arrangements.

The Group has 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 exceptional tax credit of £0.4m represents 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 arising on pension scheme curtailment gains (£4.4m charge).

In 2011, the restructuring costs of £13.4m represented the cost of a global restructuring exercise to improve the efficiency of the Group's operations as well as improving the cost effectiveness of the Group's global IT strategy. Included within the restructuring costs was a £7.1m impairment of computer software costs in the UK.

The £10.9m charge on the impairment of available for sale financial assets related to the impairment losses on Greek Government Bonds to reflect the difficult market conditions.

The exceptional tax credit of £3.6m represented relief on restructuring costs and impairment of software costs. No relief was available for the impairment of available for sale financial assets.

3 REVENUE AND EXPENSES

A. REVENUE

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

	2012 £m	2011 £m
Sale of goods	**5,579.7**	5,317.1
Provision of services	**505.7**	509.2
	6,085.4	5,826.3

B. ANALYSIS OF NET OPERATING EXPENSES

	Net operating expenses before exceptional items 2012 £m	**Exceptional items 2012 £m**	**Net operating expenses 2012 £m**	Net operating expenses before exceptional items 2011 £m	Exceptional items 2011 £m	Net operating expenses 2011 £m
Distribution costs	**330.5**	**3.1**	**333.6**	329.7	0.4	330.1
Administrative expenses / (income)	**286.7**	**(5.9)**	**280.8**	291.0	13.0	304.0
Other operating (income) / expenses	**(4.4)**	**1.2**	**(3.2)**	(9.0)	–	(9.0)
	612.8	**(1.6)**	**611.2**	611.7	13.4	625.1

In 2011, other operating (income) / expenses included a £6.1m gain in relation to post-retirement settlements.

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

	2012 £m	2011 £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	**29.7**	29.0
– Interest in leased vehicles	**13.7**	16.3
Amortisation of intangible assets	**3.7**	4.5
Impairment of intangible assets	**1.9**	7.1
Impairment of goodwill	**0.2**	–
Impairment of property, plant and equipment	**0.8**	–
Impairment of trade receivables	**2.1**	1.2
Profit on sale of property, plant and equipment	**(0.2)**	(0.1)
Operating lease rentals	**47.8**	48.3

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:

	2012 £m	2011 £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	**0.6**	0.6
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries	**1.4**	1.4
– Audit related assurance services	**0.1**	0.1
– Tax advisory services	**0.6**	0.8
– Tax compliance services	**0.3**	0.3
– All other services	**0.3**	0.2
Total fees payable to PricewaterhouseCoopers LLP	**3.3**	3.4
Audit fees – firms other than PricewaterhouseCoopers LLP	**0.2**	0.2

E. STAFF COSTS

	2012 £m	2011 £m
Wages and salaries	**381.3**	370.5
Social security costs	**43.3**	43.2
Other pension costs	**12.0**	12.2
Share-based payment charge	**6.8**	7.3
	443.4	433.2

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 50 to 61 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	
	2012 Number	2011 Number	2012 Number	2011 Number	2012 Number	2011 Number
Australasia	**536**	455	**699**	679	**1,235**	1,134
Europe	**287**	321	**359**	391	**646**	712
North Asia	**1,404**	1,398	**–**	–	**1,404**	1,398
South Asia	**878**	842	**–**	–	**878**	842
United Kingdom	**179**	166	**4,805**	4,819	**4,984**	4,985
Russia and Emerging Markets	**1,412**	1,346	**3,421**	3,290	**4,833**	4,636
Total operational	**4,696**	4,528	**9,284**	9,179	**13,980**	13,707
Central					**140**	147
					14,120	13,854

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 £6.8m (2011 – £7.3m), of which £6.8m (2011 – £7.3m) is equity-settled and £nil (2011 – £nil) is cash-settled.

The Other Share Plans disclosures below include other share-based incentive plans for senior executives and employees.

The following table sets out the movements in the number of share options and awards during the year:

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)**
Outstanding at 31 December	**£2.71**	**4,843,082**	**6,150,383**	**2,632,474**	**1,545,923**
Exercisable at 31 December	**£2.63**	**–**	**4,319,659**	**108,129**	**–**

2011	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£3.01	–	11,711,713	3,721,983	1,101,278
Granted	£2.43	2,670,797	–	758,105	936,460
Exercised	£2.06	(930)	(229,198)	(52,690)	(153,347)
Lapsed	£5.29	(116,214)	(2,055,990)	(690,910)	(574,814)
Outstanding at 31 December	£2.52	2,553,653	9,426,525	3,736,488	1,309,577
Exercisable at 31 December	£4.94	–	1,084,758	97,598	–

* The weighted average exercise price excludes awards made under the Performance Share Plan and Other Share Plans as there is no exercise price attached to these share awards.

Included in the table above are nil (2011 – 18,171) share options outstanding at 31 December 2012 granted before 7 November 2002 which have been excluded from the share-based payments charge in accordance with the IFRS 2 transitional provisions.

The weighted average remaining contractual life for the share options outstanding at 31 December 2012 is 3.7 years (2011 – 5.0 years).

The range of exercise prices for options outstanding at the end of the year was £2.00 to £6.03 (2011 – £1.93 to £7.43). 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 2012 and 31 December 2011:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2012	2011	**2012**	2011	**2012**	2011
Weighted average share price at grant date	**£3.55**	£3.84	**£3.70**	£2.96	**£3.62**	£3.74
Weighted average exercise price	**n/a**	n/a	**£3.07**	£2.43	**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	**40.6%**	48.5%	**n/a**	n/a
Expected life of award	**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	**0.4%**	1.0%	**n/a**	n/a
Expected dividend yield	**n/a**	n/a	**3.1%**	3.5%	**n/a**	n/a
Weighted average fair value per option	**£3.55**	£3.84	**£1.07**	£0.99	**£3.62**	£3.74

No options were granted under the Executive Share Option Plan in 2012 and 2011.

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.

A. UK SCHEMES
The Group operates five main defined benefit pension schemes in the UK, namely the Inchcape Group (UK) Pension Scheme, the Inchcape Motors Pension Scheme, the Inchcape Cash+ Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. These schemes, further details of which are provided below, have assets held in trust in separately administered funds. 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.

During the year, the Group commenced a consultation process with members and trustees of the Inchcape Group (UK) Pension Scheme and the Inchcape Motors Pension Scheme on a proposal that both schemes be closed to future accrual with effect from 31 December 2012. The proposal was confirmed by the Group on 21 December 2012 and active members ceased to accrue benefits under the schemes with effect from 31 December 2012. This change gave rise to an exceptional item in the Group's income statement for the year ended 31 December 2012 (see note 2).

At the same time, the Group introduced a new defined benefit pension scheme in the UK under which members accrue a percentage of their earnings each year, a sum which then grows to provide a lump sum payment on retirement. Members accrue benefits under this scheme with effect from 1 January 2013.

During the year, amendments were also made to certain scheme rules which clarified the Group's right to any surplus. This resulted in a previously unrecognised surplus of £72.9m being recognised in the year.

INCHCAPE GROUP (UK) PENSION SCHEME (CLOSED SCHEME)
The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2012 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme was closed to future accrual with effect from 31 December 2012. The investment strategy is to hold a broadly balanced portfolio of diversified growth funds and bonds.

INCHCAPE MOTORS PENSION SCHEME (CLOSED SCHEME)
The latest triennial actuarial valuation for this scheme was carried out as at 5 April 2012 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme was closed to future accrual with effect from 31 December 2012. The investment strategy is to hold a broadly balanced portfolio of equities, diversified growth funds and bonds.

INCHCAPE CASH+ PENSION SCHEME
This scheme is a new defined benefit scheme under which members accrue benefits with effect from 1 January 2013.

INCHCAPE OVERSEAS PENSION SCHEME
This scheme is managed from Guernsey and is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2012 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. A significant majority of the scheme's members are pensioners and deferred pensioners. 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 2010 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme has a prudent investment strategy and the majority of the assets are invested in bonds, cash or gilts. Approximately half the members are pensioners and half are deferred pensioners and as such no further pension accrual arises.

B. OVERSEAS SCHEMES
There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee and assets 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 £4.8m (2011 – £5.0m). There are no outstanding contributions to the defined contribution schemes at the year end (2011 – £nil).

D. DEFINED BENEFIT PLANS
As the Group's principal defined benefit schemes are in the UK, these have been reported separately to the overseas schemes. For the purposes of reporting, actuarial updates have been obtained for the Group's material schemes and these updates are reflected in the amounts reported in the following tables.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

THE PRINCIPAL WEIGHTED AVERAGE ASSUMPTIONS USED BY THE ACTUARIES WERE:

	United Kingdom		Overseas	
	2012 %	2011 %	**2012 %**	2011 %
Rate of increase in salaries	**4.5**	4.5	**3.6**	4.9
Rate of increase in pensions	**3.0**	3.0	**0.2**	–
Discount rate	**4.3**	4.7	**1.3**	2.7
Rate of inflation:				
– Retail price index	**3.0**	3.0	**0.4**	0.4
– Consumer price index	**2.3**	2.3	**n/a**	n/a
Expected return on plan assets	**4.3**	5.2	**6.7**	7.0

The rate of increase in healthcare costs is 6.1% (2011 – 5.2%) 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 23.0 years (2011 – 22.9 years) for current pensioners and 25.4 years (2011 – 25.3 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The expected return on plan assets is based on the weighted average expected return on each type of asset (principally equities, bonds and diversified growth funds). The overall expected return on plan assets is determined based on the expected real rates of return on equities, expected yields on bonds and expected returns on the diversified growth funds applicable to the period over which the obligation is to be settled.

THE ASSET / (LIABILITY) RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION IS DETERMINED AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Present value of funded obligations	**(864.8)**	(837.3)	**(44.2)**	(44.0)	**(909.0)**	(881.3)
Fair value of plan assets	**947.0**	906.5	**37.5**	35.9	**984.5**	942.4
Surplus / (deficit) in funded obligations	**82.2**	69.2	**(6.7)**	(8.1)	**75.5**	61.1
Irrecoverable element of pension surplus	**–**	(72.9)	**(0.4)**	(0.4)	**(0.4)**	(73.3)
Net surplus / (deficit) in funded obligations	**82.2**	(3.7)	**(7.1)**	(8.5)	**75.1**	(12.2)
Present value of unfunded obligations	**(1.2)**	(1.2)	**(1.2)**	(1.5)	**(2.4)**	(2.7)
	81.0	(4.9)	**(8.3)**	(10.0)	**72.7**	(14.9)
The net pension asset is analysed as follows:						
Schemes in surplus	**100.4**	47.0	**0.2**	0.3	**100.6**	47.3
Schemes in deficit	**(19.4)**	(51.9)	**(8.5)**	(10.3)	**(27.9)**	(62.2)
	81.0	(4.9)	**(8.3)**	(10.0)	**72.7**	(14.9)

THE AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Current service cost	**(4.8)**	(5.1)	**(2.4)**	(2.1)	**(7.2)**	(7.2)
Interest expense on plan liabilities	**(38.3)**	(42.5)	**(0.8)**	(1.2)	**(39.1)**	(43.7)
Expected return on plan assets	**39.1**	42.8	**2.1**	2.3	**41.2**	45.1
Plan settlements	**3.0**	6.1	**–**	–	**3.0**	6.1
Plan curtailments	**26.0**	–	**0.1**	–	**26.1**	–
	25.0	1.3	**(1.0)**	(1.0)	**24.0**	0.3

The actual gain on plan assets amounts to £62.9m (2011 – £94.1m).

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

THE TOTALS IN THE PREVIOUS TABLE ARE ANALYSED AS FOLLOWS:

	Cost of sales		Distribution costs		Administrative expenses		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Current service cost	**(0.5)**	(0.4)	**(2.3)**	(1.1)	**(4.4)**	(5.7)	**(7.2)**	(7.2)
Interest expense on plan liabilities							**(39.1)**	(43.7)
Expected return on plan assets							**41.2**	45.1
Plan settlements							**3.0**	6.1
Plan curtailments							**26.1**	–
							24.0	0.3

THE AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains and losses	**2.8**	(0.4)	**(2.0)**	(0.6)	**0.8**	(1.0)
– Changes in assumptions	**(62.1)**	(25.5)	**0.3**	(4.5)	**(61.8)**	(30.0)
Actuarial gains / (losses) on assets:						
– Experience gains and losses	**19.6**	53.0	**2.1**	(4.0)	**21.7**	49.0
Recoverable / (irrecoverable) element of pension surplus	**72.9**	(36.7)	**–**	–	**72.9**	(36.7)
	33.2	(9.6)	**0.4**	(9.1)	**33.6**	(18.7)

ANALYSIS OF THE MOVEMENT IN THE NET ASSET / (LIABILITY):

	United Kingdom		Overseas		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
At 1 January	**(4.9)**	(20.7)	**(10.0)**	(1.5)	**(14.9)**	(22.2)
Amount recognised in the consolidated income statement	**25.0**	1.3	**(1.0)**	(1.0)	**24.0**	0.3
Contributions by employer	**27.7**	24.1	**1.9**	1.9	**29.6**	26.0
Actuarial (losses) / gains recognised in the year	**(39.7)**	27.1	**0.4**	(9.1)	**(39.3)**	18.0
Recoverable / (irrecoverable) surplus recognised in the year	**72.9**	(36.7)	**–**	–	**72.9**	(36.7)
Effect of foreign exchange rates	**–**	–	**0.4**	(0.3)	**0.4**	(0.3)
At 31 December	**81.0**	(4.9)	**(8.3)**	(10.0)	**72.7**	(14.9)

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION ARE AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
At 1 January	**(838.5)**	(826.1)	**(45.5)**	(39.2)	**(884.0)**	(865.3)
Current service cost	**(4.8)**	(5.1)	**(2.4)**	(2.1)	**(7.2)**	(7.2)
Interest expense on plan liabilities	**(38.3)**	(42.5)	**(0.8)**	(1.2)	**(39.1)**	(43.7)
Actuarial gains / (losses):						
– Experience gains and losses	**2.8**	(0.4)	**(2.0)**	(0.6)	**0.8**	(1.0)
– Changes in assumptions	**(62.1)**	(25.5)	**0.3**	(4.5)	**(61.8)**	(30.0)
Contributions by employees	**(0.4)**	(0.3)	**(0.1)**	(0.1)	**(0.5)**	(0.4)
Benefits paid	**40.0**	39.6	**3.2**	2.6	**43.2**	42.2
Plan settlements	**9.3**	21.8	**–**	–	**9.3**	21.8
Plan curtailments	**26.0**	–	**0.1**	–	**26.1**	–
Effect of foreign exchange rate changes	**–**	–	**1.8**	(0.4)	**1.8**	(0.4)
At 31 December	**(866.0)**	(838.5)	**(45.4)**	(45.5)	**(911.4)**	(884.0)

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	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
At 1 January	**906.5**	841.6	**35.9**	38.1	**942.4**	879.7
Expected return on plan assets	**39.1**	42.8	**2.1**	2.3	**41.2**	45.1
Actuarial gains / (losses):						
– Experience gains and losses	**19.6**	53.0	**2.1**	(4.0)	**21.7**	49.0
Contributions by employer	**27.7**	24.1	**1.9**	1.9	**29.6**	26.0
Contributions by employees	**0.4**	0.3	**0.1**	0.1	**0.5**	0.4
Benefits paid	**(40.0)**	(39.6)	**(3.2)**	(2.6)	**(43.2)**	(42.2)
Plan settlements	**(6.3)**	(15.7)	**–**	–	**(6.3)**	(15.7)
Effect of foreign exchange rate changes	**–**	–	**(1.4)**	0.1	**(1.4)**	0.1
At 31 December	**947.0**	906.5	**37.5**	35.9	**984.5**	942.4
Irrecoverable element of pension surplus	**–**	(72.9)	**(0.4)**	(0.4)	**(0.4)**	(73.3)
Revised value at 31 December	**947.0**	833.6	**37.1**	35.5	**984.1**	869.1

AT THE END OF THE REPORTING PERIOD, THE PERCENTAGE OF THE PLAN ASSETS BY CATEGORY HAD BEEN INVESTED AS FOLLOWS:

	United Kingdom		Overseas		Total	
	2012	2011	**2012**	2011	**2012**	2011
Equities	**6.4%**	8.4%	**65.9%**	65.5%	**8.6%**	10.6%
Corporate bonds	**33.5%**	32.3%	**26.8%**	25.5%	**33.3%**	32.0%
Government bonds	**29.8%**	26.3%	**–**	–	**28.7%**	25.3%
Diversified growth funds	**24.0%**	24.5%	**–**	–	**23.0%**	23.5%
Other	**6.3%**	8.5%	**7.3%**	9.0%	**6.4%**	8.6%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

THE HISTORY OF THE PLANS FOR THE CURRENT AND PREVIOUS YEARS IS AS FOLLOWS:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligation	**(911.4)**	(884.0)	(865.3)	(845.3)	(677.4)
Fair value of plan assets	**984.5**	942.4	879.7	770.8	727.3
Surplus / (deficit)	**73.1**	58.4	14.4	(74.5)	49.9
Irrecoverable element of pension surplus	**(0.4)**	(73.3)	(36.6)	(0.3)	(43.9)
Revised surplus / (deficit)	**72.7**	(14.9)	(22.2)	(74.8)	6.0
Experience adjustments on plan liabilities	**0.8**	(1.0)	4.3	5.2	16.7
Experience adjustments on plan assets	**21.7**	49.0	72.8	4.3	(117.0)

The cumulative actuarial gains and losses arising since 1 January 2004 recognised in shareholders' equity amounted to a £105.4m loss at 31 December 2012 (2011 – £139.0m loss).

The Group has agreed to pay approximately £32.5m to its defined benefit plans in 2013.

6 FINANCE INCOME

	2012 £m	2011 £m
Bank and other interest receivable	**3.7**	5.6
Expected return on post-retirement plan assets	**41.2**	45.1
Other finance income	**11.9**	6.6
Total finance income	**56.8**	57.3

During the period, the Group recognised £3.7m of interest relating to tax refunds which is included within 'other finance income' (2011 – £nil).

7 FINANCE COSTS

	2012 £m	2011 £m
Interest payable on bank borrowings	**0.6**	2.0
Interest payable on Private Placement	**4.4**	3.9
Interest payable on other borrowings	**0.2**	0.3
Fair value adjustment on Private Placement	**(18.0)**	18.5
Fair value loss / (gain) on cross currency interest rate swaps	**13.2**	(16.1)
Stock holding interest	**18.0**	13.6
Interest expense on post-retirement plan liabilities	**39.1**	43.7
Other finance costs	**11.7**	5.8
Capitalised borrowing costs	**(0.6)**	(0.7)
Total finance costs before exceptional items	**68.6**	71.0
Exceptional items:		
– Impairment of available for sale financial assets (note 2)	**–**	10.9
Total finance costs	**68.6**	81.9

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% (2011 – 2.0%).

8 INCOME TAX

	2012 £m	2011 £m
Current tax:		
– UK corporation tax	**2.4**	7.0
	2.4	7.0
Overseas tax	**54.0**	49.0
	56.4	56.0
Adjustments to prior year liabilities:		
– UK	**–**	(0.3)
– Overseas	**(0.9)**	(0.9)
Current tax	**55.5**	54.8
Deferred tax (note 16)	**6.0**	4.4
Tax before exceptional tax	**61.5**	59.2
Exceptional tax – current tax	**(4.6)**	(1.0)
Exceptional tax – deferred tax (note 16)	**4.2**	(2.6)
Exceptional tax (note 2)	**(0.4)**	(3.6)
Total tax charge	**61.1**	55.6

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 24.6% (2011 – 26%) is higher than the standard blended rate of tax of 23.4% (2011 – 23.8%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2012 £m	2011 £m
Profit before tax	**251.5**	203.4
Profit before tax multiplied by the standard rate of tax of 23.4% (2011 – 23.8%)	**58.9**	48.4
Effects of:		
– Amortisation and impairment	**0.1**	2.9
– Non-tax deductible items	**4.9**	4.5
– Unrecognised tax losses	**(0.3)**	(0.8)
– Overseas tax levies and austerity taxes	**1.7**	2.1
– Prior year items	**(6.1)**	(2.0)
– Withholding tax on overseas dividends	**2.7**	–
– Profit on disposal of joint ventures	**0.4**	–
– Other items	**(1.2)**	0.5
Total tax charge	**61.1**	55.6

9 EARNINGS PER SHARE

	2012 £m	2011 £m
Profit for the year	**190.4**	147.8
Non controlling interests	**(5.9)**	(5.6)
Basic earnings	**184.5**	142.2
Exceptional items	**(1.6)**	20.7
Adjusted earnings	**182.9**	162.9
Basic earnings per share	**40.0p**	31.0p
Diluted earnings per share	**39.4p**	30.5p
Basic Adjusted earnings per share	**39.7p**	35.5p
Diluted Adjusted earnings per share	**39.1p**	34.9p

	2012 number	2011 number
Weighted average number of fully paid ordinary shares in issue during the year	**465,120,309**	463,324,543
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,552,107)**	(1,372,654)
– Repurchased as part of the share buy back programme	**(2,687,560)**	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**460,880,642**	459,264,329
Dilutive effect of potential ordinary shares	**7,318,204**	7,193,499
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**468,198,846**	466,457,828

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

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

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

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

10 DIVIDENDS

The following dividends were paid by the Group:

	2012 £m	2011 £m
Interim dividend for the six months ended 30 June 2012 of 4.0p per share (2011 – 3.6p per share)	**18.5**	16.5
Final dividend for the year ended 31 December 2011 of 7.4p per share (2010 – 6.6p per share)	**34.0**	30.3
	52.5	46.8

A final dividend for the year ended 31 December 2012 of 10.5p per share amounting to £48.9m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2012.

11 INTANGIBLE ASSETS

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2011	576.7	68.3	7.1	652.1
Businesses acquired	0.2	–	–	0.2
Businesses sold	(2.3)	–	–	(2.3)
Additions	–	13.1	–	13.1
Retirement of fully amortised assets not in use	–	(3.9)	(7.1)	(11.0)
Effect of foreign exchange rate changes	(10.6)	(0.9)	–	(11.5)
At 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 31 December 2012	**570.3**	**90.4**	**0.1**	**660.8**
Accumulated amortisation and impairment				
At 1 January 2011	(64.6)	(29.2)	(7.1)	(100.9)
Businesses sold	2.3	–	–	2.3
Amortisation charge for the year	–	(4.5)	–	(4.5)
Impairment charge for the year	–	(7.1)	–	(7.1)
Retirement of fully amortised assets not in use	–	3.9	7.1	11.0
Effect of foreign exchange rate changes	0.6	0.6	–	1.2
At 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 31 December 2012	**(60.6)**	**(40.7)**	**–**	**(101.3)**
Net book value at 31 December 2012	**509.7**	**49.7**	**0.1**	**559.5**
Net book value at 31 December 2011	502.3	40.3	–	542.6

As at 31 December 2012, capitalised borrowing costs of £1.5m (2011 – £1.5m) were included within 'computer software', £nil of which was capitalised in 2012 (2011 – £nil).

11 INTANGIBLE ASSETS CONTINUED

A. GOODWILL

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. These are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. This may be at country, regional or brand level.

Following the acquisition of the non-controlling interest in the Musa Motors group in 2011, the Inchcape Olimp and Musa Motors businesses have been integrated under a single management structure. As a consequence, the lowest level at which goodwill is now monitored for management purposes is at the total Russia level.

The carrying amount of goodwill has been allocated to the following operating segments:

	2012 £m	2011 £m
United Kingdom	**262.1**	262.3
Russia and Emerging Markets	**217.6**	210.0
South Asia	**20.5**	20.2
Australasia	**9.5**	9.8
	509.7	502.3

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGUs during the year ended 31 December 2012.

The recoverable amounts of all CGUs were determined based on value in use calculations. These calculations use cash flow projections based on five year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to revenue growth / decline, operating margins and the level of working capital required to support trading, which have been based on past experience, recent trading and expectations of future changes in the relevant markets. They also reflect expectations about continuing relationships with key brand partners.

Cash flows after the five year period are extrapolated at an estimated average long-term growth rate for each market. These growth rates reflect the long-term growth prospects of the markets in which the CGUs operate. The growth rates used vary between 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 rate assumptions are based on an estimate of the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant CGU. The pre-tax discount rates used vary between 10% and 13%, 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 segments with material goodwill balances were as follows:

	Discount rate	Long-term growth rate
United Kingdom	**10%**	**2%**
Russia and Emerging Markets	**11% to 13%**	**5%**
South Asia	**10%**	**2%**
Australasia	**12%**	**2%**

IMPAIRMENT

An impairment charge of £0.2m has been recognised in the year ended 31 December 2012 (2011 – £nil) relating to sites that are to be sold or closed.

SENSITIVITIES

The Group's value in use calculations are sensitive to a change in the key assumptions used, most notably the discount rates and the long-term growth rates. With the exception of the 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 CGUs.

The Group's goodwill in the Russia and Emerging Markets segment at 31 December 2012 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Russia	**194.1**	**–**	**194.1**
Latvia	**43.2**	**(43.2)**	**–**
Lithuania	**21.0**	**–**	**21.0**
Other	**2.7**	**(0.2)**	**2.5**
At 31 December 2012	**261.0**	**(43.4)**	**217.6**

The value in use calculations for the Group's business in Russia currently exceed the carrying value by approximately 20%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would reduce the headroom available to approximately 10% of the carrying value.

The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 10%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would reduce the headroom available to approximately 5% of the carrying value.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2011	591.5	188.1	779.6	120.9	900.5
Additions	51.2	30.0	81.2	38.9	120.1
Disposals	(3.1)	(9.9)	(13.0)	(0.1)	(13.1)
Transferred to inventory	–	(2.4)	(2.4)	(64.2)	(66.6)
Retirement of fully depreciated assets not in use	(0.6)	(18.3)	(18.9)	–	(18.9)
Reclassified to assets held for sale (note 19)	(3.6)	–	(3.6)	–	(3.6)
Effect of foreign exchange rate changes	(7.7)	(2.3)	(10.0)	(0.6)	(10.6)
At 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)**
At 31 December 2012	**675.7**	**194.3**	**870.0**	**83.9**	**953.9**
Accumulated depreciation and impairment					
At 1 January 2011	(100.2)	(125.8)	(226.0)	(42.2)	(268.2)
Depreciation charge for the year	(10.4)	(18.6)	(29.0)	(16.3)	(45.3)
Disposals	1.5	5.1	6.6	0.1	6.7
Transferred to inventory	–	0.8	0.8	23.6	24.4
Retirement of fully depreciated assets not in use	0.6	18.3	18.9	–	18.9
Reclassified to assets held for sale (note 19)	0.7	–	0.7	–	0.7
Effect of foreign exchange rate changes	0.9	1.4	2.3	0.3	2.6
At 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**
At 31 December 2012	**(110.9)**	**(119.8)**	**(230.7)**	**(30.1)**	**(260.8)**
Net book value at 31 December 2012	**564.8**	**74.5**	**639.3**	**53.8**	**693.1**
Net book value at 31 December 2011	520.8	66.4	587.2	60.4	647.6

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:

	2012 £m	2011 £m
Leasehold buildings	**2.0**	2.3
Plant, machinery and equipment	**0.5**	1.2
	2.5	3.5

The book value of land and buildings is analysed between:

	2012 £m	2011 £m
Freehold	**410.5**	384.3
Leasehold with over fifty years unexpired	**37.0**	35.5
Short leasehold	**117.3**	101.0
	564.8	520.8

As at 31 December 2012, £4.4m (2011 – £4.0m) of capitalised borrowing costs were included within 'land and buildings', £0.6m of which was capitalised in 2012 (2011 – £0.7m).

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2012 £m	2011 £m
At 1 January	**29.5**	33.1
Additions	**–**	0.1
Disposals	**(18.7)**	–
Share of profit / (loss) after tax of joint ventures and associates	**0.2**	(3.0)
Loan advances / (repayment)	**3.2**	(0.3)
Effect of foreign exchange rate changes	**(0.4)**	(0.4)
At 31 December	**13.8**	29.5

GROUP'S SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES

	Joint ventures		Associates		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Non-current assets	**–**	26.7	**0.1**	0.1	**0.1**	26.8
Current assets	**6.4**	12.4	**26.1**	34.4	**32.5**	46.8
Group's share of gross assets	**6.4**	39.1	**26.2**	34.5	**32.6**	73.6
Current liabilities	**(0.6)**	(11.0)	**(11.6)**	(24.3)	**(12.2)**	(35.3)
Non-current liabilities	**–**	(6.9)	**(6.6)**	(1.9)	**(6.6)**	(8.8)
Group's share of gross liabilities	**(0.6)**	(17.9)	**(18.2)**	(26.2)	**(18.8)**	(44.1)
Group's share of net assets	**5.8**	21.2	**8.0**	8.3	**13.8**	29.5
GROUP'S SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES						
Revenue	**1.7**	3.6	**1.7**	2.4	**3.4**	6.0
Expenses	**(1.6)**	(6.6)	**(1.7)**	(2.0)	**(3.3)**	(8.6)
Profit / (loss) before tax	**0.1**	(3.0)	**–**	0.4	**0.1**	(2.6)
Tax	**0.1**	(0.3)	**–**	(0.1)	**0.1**	(0.4)
Share of profit / (loss) after tax of joint ventures and associates	**0.2**	(3.3)	**–**	0.3	**0.2**	(3.0)

As at 31 December 2012, no guarantees were provided in respect of joint ventures and associates borrowings (2011 – £nil).

Principal joint ventures and associates are disclosed in note 31 of this report.

14 AVAILABLE FOR SALE FINANCIAL ASSETS

	2012 £m	2011 £m
At 1 January	**6.1**	14.1
Additions	**1.9**	–
Disposals	**(1.1)**	(1.5)
Fair value movement transferred to shareholders' equity	**0.1**	(6.5)
Fair value movement charged to consolidated income statement	**(0.1)**	–
Effect of foreign exchange rate changes	**(0.2)**	–
At 31 December	**6.7**	6.1

Analysed as:

	2012 £m	2011 £m
Non-current	**4.0**	5.6
Current	**2.7**	0.5
	6.7	6.1

Assets held are analysed as follows:

	2012 £m	2011 £m
Equity securities	**0.2**	0.2
Bonds	**3.6**	3.7
Other	**2.9**	2.2
	6.7	6.1

In 2011, the Group recycled impairment losses relating to Greek Government Bonds of £10.9m from equity into the consolidated income statement. The impairment loss represented the difference between the fair value of the bonds at 31 December 2011 and historical cost. The charge was recognised as exceptional finance costs (see note 7).

At 31 December 2012, the bonds attracted a weighted average fixed interest rate of 0.4% (2011 – 5.1%). The bonds are traded on active markets with coupons generally paid on an annual basis.

Other includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

Available for sale financial assets, which are valued based on active markets' prices, are reported under Level 1 in note 23 on financial instruments.

Available for sale financial assets subject to fixed interest rates are aged by maturity date as follows:

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
2012	**2.6**	**1.0**	**–**	**–**	**–**	**–**	**3.6**
2011	0.4	0.5	0.3	0.8	–	1.7	3.7

In certain jurisdictions management holds bonds to offset future vehicle warranty obligations. To meet this requirement, management purchases and sells bonds regularly and does not usually hold the bonds to maturity. Accordingly, the maturity profile of the bonds is not necessarily an indication of when management intends to realise the associated future cash flows.

The maximum exposure to credit risk at the reporting date is the fair value of the bonds classified as available for sale.

15 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Trade receivables	**148.3**	152.7	**0.1**	0.2
Less: provision for impairment of trade receivables	**(8.5)**	(7.7)	**–**	–
Net trade receivables	**139.8**	145.0	**0.1**	0.2
Amounts receivable from related parties	**0.1**	0.4	**–**	–
Prepayments and accrued income	**76.7**	70.2	**14.3**	14.3
Other receivables	**41.8**	35.9	**16.8**	19.9
	258.4	251.5	**31.2**	34.4

Movements in the provision for impairment of receivables were as follows:

	2012 £m	2011 £m
At 1 January	**(7.7)**	(7.8)
Charge for the year	**(2.1)**	(1.2)
Amounts written off	**0.6**	0.6
Unused amounts reversed	**0.5**	0.5
Effect of foreign exchange rate changes	**0.2**	0.2
At 31 December	**(8.5)**	(7.7)

At 31 December, the analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £m	Neither past due nor impaired £m	0 < 30 days £m	30 – 90 days £m	> 90 days £m	Impaired £m
2012	**148.4**	**101.9**	**22.3**	**9.3**	**6.4**	**8.5**
2011	152.9	111.0	19.3	8.2	6.7	7.7

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables have been discounted where the time value of money is considered to be material.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions.

16 DEFERRED TAX

Net deferred tax asset / (liability)	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Total £m
At 1 January 2012	**(3.5)**	**(0.8)**	**2.7**	**8.5**	**8.6**	**(12.7)**	**2.8**
(Charged) / credited to the consolidated income statement	**(9.0)**	**–**	**(0.5)**	**2.1**	**(4.9)**	**2.1**	**(10.2)**
Credited to shareholders' equity	**8.8**	**13.8**	**2.9**	**–**	**–**	**–**	**25.5**
Businesses acquired	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Effect of foreign exchange rate changes	**–**	**–**	**–**	**(0.1)**	**–**	**(1.1)**	**(1.2)**
At 31 December 2012	**(3.7)**	**13.0**	**5.1**	**10.5**	**3.7**	**(13.1)**	**15.5**

Analysed as:

	2012 £m	2011 £m
Deferred tax assets	**40.4**	43.0
Deferred tax liabilities	**(24.9)**	(40.2)
	15.5	2.8

The Group has unrecognised deferred tax assets of £27m (2011 – £34m) relating to tax relief on trading losses. The asset represents £115m (2011 – £144m) of losses at the standard blended rate of 23.4%. The asset is not recognised, as £115m (2011 – £144m) 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 £10.5m (2011 – £8.5m) in respect of tax losses relates to trading losses in Russia (£5.5m), Belgium (£3.5m) and other territories (£1.5m) where future profits are anticipated with reasonable certainty.

The Group has unrecognised deferred tax assets of £30m (2011 – £33m) relating to capital losses. The asset represents £133m (2011 – £131m) of losses at the UK standard rate of 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, no tax charge (2011 – £nil) would be payable.

The £13.1m (2011 – £12.7m) deferred tax liability for 'provisions and other timing differences' consists of a £31.1m (2011 – £32.0m) liability in respect of the net book value of property, plant and equipment that do not qualify for tax allowances and property revaluations, and a £18.0m (2011 – £19.3m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are £15.0m for Australia, £2.0m for South America and £1.0m in other territories (2011 – £14.0m for Australia, £3.0m for the UK and £2.3m in other territories).

17 INVENTORIES

	2012 £m	2011 £m
Raw materials and work in progress	**11.5**	13.2
Finished goods and merchandise	**917.4**	892.3
	928.9	905.5

Vehicles held on consignment which are in substance assets of the Group amount to £128.1m (2011 – £124.5m). 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 £28.0m (2011 – £33.0m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £4,926.6m (2011 restated* – £4,711.4m). The write down of inventory to net realisable value recognised as an expense during the year was £30.5m (2011 – £34.6m). All of these items have been included within 'cost of sales' in the consolidated income statement.

* The basis of allocation has been revised and the prior year figure has been amended accordingly (2011 previously reported: £4,271.0m).

18 CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m
Cash at bank and cash equivalents	**324.4**	385.6
Short-term deposits	**273.5**	173.3
	597.9	558.9

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 2012, the weighted average floating rate was 0.9% (2011 – 1.5%).

£20.9m (2011 – £20.3m) 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 2012, short-term deposits have a weighted average period to maturity of 19 days (2011 – 45 days).

19 ASSETS HELD FOR SALE AND DISPOSAL GROUP

	2012 £m	2011 £m
Assets directly associated with the disposal group	**22.7**	2.8
Assets held for sale	**8.6**	2.9
Assets held for sale and disposal group	**31.3**	5.7
Liabilities directly associated with the disposal group	**(19.1)**	–

The assets and liabilities in the disposal group comprise the following:

	2012 £m	2011 £m
Property, plant and equipment	**3.6**	2.8
Inventories	**17.1**	–
Trade and other receivables	**2.0**	–
Assets directly associated with the disposal group	**22.7**	2.8
Trade and other payables	**(19.1)**	–
Liabilities directly associated with the disposal group	**(19.1)**	–

Assets held for sale relate to surplus properties within the UK being actively marketed with a view to sale.

The disposal group corresponds 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	
		2012 £m	2011 £m	2012 £m	2011 £m
Trade payables:	payments received on account	**57.7**	55.8	**0.2**	0.2
	vehicle funding agreements	**157.4**	144.9	**–**	–
	other trade payables	**722.9**	722.4	**9.4**	14.8
Other taxation and social security payable		**19.0**	25.8	**–**	–
Accruals and deferred income		**176.1**	175.4	**12.8**	14.6
Amounts payable to related parties		**0.2**	0.2	**–**	–
Other payables		**17.4**	16.1	**–**	–
		1,150.7	1,140.6	**22.4**	29.6

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 interest charged under this agreement is included within stock holding interest.

At 31 December 2012 current other trade payables includes £325.8m (2011 – £386.8m) of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 2.6% (2011 – 2.0%). 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 2012	**61.1**	**8.1**	**10.5**	**11.2**	**90.9**
Charged to the consolidated income statement	**19.6**	**–**	**2.0**	**14.0**	**35.6**
Released to the consolidated income statement	**(9.8)**	**(1.0)**	**(1.3)**	**(2.8)**	**(14.9)**
Effect of unwinding of discount factor	**1.7**	**0.1**	**–**	**–**	**1.8**
Utilised during the year	**(20.4)**	**(1.5)**	**(3.2)**	**(1.9)**	**(27.0)**
Effect of foreign exchange rate changes	**(1.2)**	**–**	**(0.1)**	**(0.2)**	**(1.5)**
At 31 December 2012	**51.0**	**5.7**	**7.9**	**20.3**	**84.9**

Analysed as:	**2012 £m**	2011 £m
Current	**41.9**	36.8
Non-current	**43.0**	54.1
	84.9	90.9

PRODUCT WARRANTY
Certain Group companies provide self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. These are not separable products. The warranty periods covered are up to six years and / or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

VACANT LEASEHOLD
The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK. Provision has been made to the extent of the estimated future net cost. This includes taking into account existing subtenant arrangements. The expected utilisation period of these provisions is generally over the next 10 years.

LITIGATION
This includes a number of litigation provisions in respect of the exit of certain motors and non-motors businesses. The majority of these relate to the exit of our former South American bottling business and shipping business. The cases are largely historical claims and are generally expected to be concluded within the next three to five years.

OTHER
This category principally includes provisions relating to residual values on leased vehicles and provisions relating to restructuring activities. These provisions are expected to be utilised within three years.

22 BORROWINGS

2012	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2012 Total £m
Current							
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**
Non-current							
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**
Total borrowings	**428.1**	**1.6**	**2.9**	**7.1**	**431.0**	**2.5**	**433.5**

2011	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2011 Total £m
Current							
Bank overdrafts	97.5	0.1	–	–	97.5	0.1	97.6
Bank loans	2.3	7.1	1.0	4.2	3.3	–	3.3
Other loans	0.3	0.1	–	–	0.3	–	0.3
Finance leases	0.2	3.3	0.5	7.1	0.7	–	0.7
	100.3	0.3	1.5	5.2	101.8	0.1	101.9
Non-current							
Private Placement	335.8	2.2	–	–	335.8	–	335.8
Finance leases	–	–	2.8	7.1	2.8	–	2.8
	335.8	2.2	2.8	7.1	338.6	–	338.6
Total borrowings	436.1	1.8	4.3	6.4	440.4	0.1	440.5

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 £49.0 m (2011 – £54.9m).

The Group's borrowings are unsecured.

At 31 December 2012, the committed funding facilities of the Group comprised syndicated bank facilities of £450m (2011 – £500m), a bi-lateral facility of €65m (2011 – €nil) and Private Placement loan notes totalling US$436m (2011 – US$436m).

At 31 December 2012, none (2011 – 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 five years, and US$161m in seven 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 US$436m of the Private Placement.

2012	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Finance leases	**0.5**	**0.1**	**0.1**	**0.1**	**0.1**	**2.0**	**2.9**
Floating rate							
Bank overdrafts	**110.5**	**–**	**–**	**–**	**–**	**–**	**110.5**
Private Placement	**–**	**–**	**–**	**–**	**200.4**	**117.2**	**317.6**

2011	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Other loans	1.0	–	–	–	–	–	1.0
Finance leases	0.5	0.4	–	–	–	2.4	3.3
Floating rate							
Bank overdrafts	97.5	–	–	–	–	–	97.5
Bank loans	2.3	–	–	–	–	–	2.3
Other loans	0.3	–	–	–	–	–	0.3
Private Placement	–	–	–	–	–	335.8	335.8
Finance leases	0.2	–	–	–	–	–	0.2

23 FINANCIAL INSTRUMENTS

The Group's financial liabilities, other than derivatives, comprise bank loans and overdrafts, loan notes, finance leases and trade and other payables. The main purpose of these instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade and other receivables, cash and short-term deposits which arise from its trading operations.

The Group's primary derivative transactions are forward and swap currency contracts, and cross currency interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

A. CLASSES OF FINANCIAL INSTRUMENTS

2012	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
Financial assets						
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**
Total financial assets	**209.6**	**6.7**	**116.1**	**–**	**597.9**	**930.3**
Financial liabilities						
Trade and other payables	**–**	**–**	**–**	**(1,041.8)**	**–**	**(1,041.8)**
Derivative financial instruments	**–**	**–**	**(62.6)**	**–**	**–**	**(62.6)**
Borrowings	**–**	**–**	**–**	**(433.5)**	**–**	**(433.5)**
Total financial liabilities	**–**	**–**	**(62.6)**	**(1,475.3)**	**–**	**(1,537.9)**
	209.6	**6.7**	**53.5**	**(1,475.3)**	**597.9**	**(607.6)**

23 FINANCIAL INSTRUMENTS CONTINUED

2011	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
Financial assets						
Available for sale financial assets	–	6.1	–	–	–	6.1
Trade and other receivables	213.1	–	–	–	–	213.1
Derivative financial instruments	–	–	139.7	–	–	139.7
Cash and cash equivalents	–	–	–	–	558.9	558.9
Total financial assets	213.1	6.1	139.7	–	558.9	917.8
Financial liabilities						
Trade and other payables	–	–	–	(1,038.7)	–	(1,038.7)
Derivative financial instruments	–	–	(7.4)	–	–	(7.4)
Borrowings	–	–	–	(440.5)	–	(440.5)
Total financial liabilities	–	–	(7.4)	(1,479.2)	–	(1,486.6)
	213.1	6.1	132.3	(1,479.2)	558.9	(568.8)

B. MARKET RISK AND SENSITIVITY ANALYSIS

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Australian Dollar to Japanese Yen exchange rate.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments designated as net investment hedges from movements in the US Dollar to Sterling exchange rate are recorded directly in equity;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

C. INTEREST RATE RISK AND SENSITIVITY ANALYSIS

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2012 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
2012		
Sterling	**75**	**(3.1)**
Euro	**50**	**0.1**
Russian Ruble	**50**	**(0.2)**
Australian Dollar	**100**	**(1.2)**
2011		
Sterling	75	(3.9)
Euro	50	0.1
Russian Ruble	50	(0.1)
Australian Dollar	100	(1.1)

23 FINANCIAL INSTRUMENTS CONTINUED

D. FOREIGN CURRENCY RISK

The Group publishes its consolidated Financial Statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

TRANSACTION EXPOSURE HEDGING

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than that unit's reporting currency. For a significant proportion of the Group these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australia which purchases vehicles in Japanese Yen.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39 hedges are documented and tested for hedge effectiveness on an ongoing basis.

HEDGE OF FOREIGN CURRENCY DEBT

The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with the US$436m Private Placement. The effective portion of the gain or loss on the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement.

NET INVESTMENT HEDGING

Consideration is given to the currency mix of debt with the primary objective that interest on such borrowings acts as a hedge on foreign currency earnings.

FOREIGN CURRENCY RISK TABLE

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese Yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/ (decrease) in exchange rate	Effect on equity £m
2012		
Yen	**+10%**	**0.9**
Yen	**-10%**	**(0.9)**
2011		
Yen	+10%	1.1
Yen	-10%	(1.0)

23 FINANCIAL INSTRUMENTS CONTINUED
E. CREDIT RISK
The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit limits are reviewed regularly.

The table below analyses the Group's short-term deposits and derivative assets by credit exposure excluding bank balances and cash in hand:

	2012		2011	
Credit rating of counterparty[1]	**Derivative assets £m**	**Short-term deposits £m**	Derivative assets £m	Short-term deposits £m
AAA	**–**	**68.4**	–	–
AA-	**0.1**	**54.6**	2.7	72.9
A+	**59.4**	**47.3**	73.8	21.6
A	**55.6**	**35.9**	–	38.0
A-	**1.0**	**41.2**	63.2	14.9
BBB+[2]	**–**	**8.5**	–	–
CCC[2]	**–**	**0.2**	–	9.0
No rating[3]	**–**	**17.4**	–	16.9
	116.1	**273.5**	139.7	173.3

1 Standard & Poor's equivalent rating shown as a reference for the lowest credit rating of the counterparty from either Standard & Poor's or Moody's.

2 Exposure to a counterparty approved as an exception to Group policy.

3 Counterparties in certain markets in which the Group operates do not have a credit rating.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for cash at bank, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £324.4m (2011 – £385.6m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly. Title to the vehicles sold on finance resides with the Group until cleared funds are received from the finance house in respect of a given vehicle.

23 FINANCIAL INSTRUMENTS CONTINUED

F. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Refer to the Business Review on page 33 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 2012 and 2011 based on expected contractual undiscounted cash flows:

2012	**Less than 3 months £m**	**Between 3 to 12 months £m**	**Between 1 to 5 years £m**	**Greater than 5 years £m**	**Total £m**
Financial assets					
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**
	771.0	**57.9**	**242.5**	**164.2**	**1,235.6**
Financial liabilities					
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)**
	(1,107.9)	**(113.4)**	**(436.8)**	**(260.1)**	**(1,918.2)**
Net outflows	**(336.9)**	**(55.5)**	**(194.3)**	**(95.9)**	**(682.6)**

2011	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	516.6	42.3	–	–	558.9
Trade and other receivables	193.3	13.5	5.8	0.5	213.1
Available for sale financial assets	0.3	0.4	1.6	3.8	6.1
Derivative financial instruments	10.9	22.8	76.8	358.7	469.2
	721.1	79.0	84.2	363.0	1,247.3
Financial liabilities					
Interest bearing loans and borrowings	(100.8)	(18.1)	(68.6)	(305.9)	(493.4)
Trade and other payables	(990.3)	(28.0)	(20.4)	–	(1,038.7)
Derivative financial instruments	(6.5)	(7.8)	(27.1)	(275.4)	(316.8)
	(1,097.6)	(53.9)	(116.1)	(581.3)	(1,848.9)
Net outflows	(376.5)	25.1	(31.9)	(218.3)	(601.6)

23 FINANCIAL INSTRUMENTS CONTINUED
G. HEDGING ACTIVITIES
In accordance with IFRS 7 disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

			2012			2011
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Assets						
Derivatives used for hedging	**–**	**116.1**	**116.1**	–	139.7	139.7
Available for sale financial assets	**6.7**	**–**	**6.7**	6.1	–	6.1
	6.7	**116.1**	**122.8**	6.1	139.7	145.8
Liabilities						
Derivatives used for hedging	**–**	**(62.6)**	**(62.6)**	–	(7.4)	(7.4)

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 2012.

The Group's derivative financial instruments comprise the following:

		Assets		Liabilities
	2012 £m	2011 £m	**2012 £m**	2011 £m
Cross currency interest rate swap	**111.8**	125.1	**–**	–
Forward foreign exchange contracts	**4.3**	14.6	**(62.6)**	(7.4)
	116.1	139.7	**(62.6)**	(7.4)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to a gain of £4.8m (2011 – loss of £2.4m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of £nil (2011 – £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 (2011 – 12 months).

The nominal principal amounts of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2012 was £955.9m (2011 – £520.1m).

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 2012 are expected to be released to the consolidated income statement within 15 months of the end of the reporting period (2011 – 12 months).

FAIR VALUE HEDGE

At 31 December 2012, the Group had in place five cross currency interest rate swaps. Four of these total US$475m which hedge changes in the fair value of the Group's 10 and 12 year loan notes. Under these swaps the Group receives fixed rate US Dollar interest of 5.94% on US$275m and 6.04% on US$200m and pays LIBOR +85bps and LIBOR +90bps for the 10 and 12 year notes respectively. An additional US$39.2m cross currency interest rate swap was put in place after debt reduction in 2009 to offset the non-required portion of the original US$475m swaps. Under this swap the Group pays US Dollar interest of 6.04% on US$39.2m and receives LIBOR +214bps for the 12 year notes only. The loan notes and cross currency interest rate swaps have the same critical terms.

H. CAPITAL MANAGEMENT

The 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.

	2012	2011
Adjusted EBITA interest cover (times) *	**116.0**	227.2
Net debt to EBITDA (times) **	**n/a**	n/a
Net debt / market capitalisation (percentage) ***	**n/a**	n/a

* Calculated as Adjusted EBITA / interest on consolidated borrowings.

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation.

*** Calculated as net debt / market capitalisation as at 31 December.

24 SHARE CAPITAL

A. ALLOTTED, CALLED UP AND FULLY PAID UP

	2012 Number	2011 Number	**2012 £m**	2011 £m
Ordinary shares (nominal value of 10.0p each)				
At 1 January	**463,473,216**	463,192,297	**46.4**	46.4
Allotted under share option schemes	**4,634,986**	280,919	**0.5**	–
At 31 December	**468,108,202**	463,473,216	**46.9**	46.4

B. SHARE BUY BACK PROGRAMME

At 31 December 2012, the Company held 2,687,560 treasury shares (2011 – 2,687,560) with a total book value of £99.4m (2011 – £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2012 (2011 – nil). The market value of treasury shares at 31 December 2012 was £11.6m (2011 – £7.9m).

24 SHARE CAPITAL CONTINUED

C. SUBSTANTIAL SHAREHOLDINGS

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 11 March 2013 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Other statutory information section on page 62.

D. SHARE OPTIONS

At 31 December 2012, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan		
– approved (Part II – UK)		
8,674	31 August 2013	3.46
36,266	20 May 2014	4.42
13,729	29 September 2014	4.37
47,548	6 March 2015	5.78
19,866	11 September 2015	6.03
89,078	19 May 2019	2.00
9,375	22 November 2019	3.20
157,342	7 April 2020	3.10
– unapproved (Part I – UK)		
5,780	31 August 2013	3.46
39,656	20 May 2014	4.42
2,288	29 September 2014	4.37
82,714	6 March 2015	5.78
218,727	11 September 2015	6.03
2,029,971	19 May 2019	2.00
37,500	22 November 2019	3.20
941,789	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
29,549	19 March 2013	2.14
126,397	20 May 2014	4.42
182,199	6 March 2015	5.78
1,340,342	19 May 2019	2.00
711,061	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme		
– approved		
7,460	1 May 2012	3.42
100,669	1 May 2013	2.30
831,221	1 May 2014	2.05
577,797	1 May 2015	2.43
1,115,327	1 May 2016	3.07

Included within the retained earnings reserve are 1,692,848 (2011 – 1,370,916) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2012 was £4.0m (2011 – £2.5m). The market values of these shares at 31 December 2012 and at 11 March 2013 were £7.3m and £9.0m respectively (31 December 2011 – £4.0m, 12 March 2012 – £5.2m).

25 OTHER RESERVES

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2011	(3.6)	157.8	(9.0)	145.2
Cash flow hedges:				
– Fair value movements	–	–	7.1	7.1
– Reclassified and reported in inventories	–	–	(1.7)	(1.7)
– Tax on cash flow hedges	–	–	(2.0)	(2.0)
Transfer of impairment losses to consolidated income statement (note 7)	10.9	–	–	10.9
Fair value movement transferred from available for sale financial assets	(6.5)	–	–	(6.5)
Effect of foreign exchange rate changes	–	(26.2)	–	(26.2)
At 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 31 December 2012	**1.9**	**119.5**	**(34.7)**	**86.7**

AVAILABLE FOR SALE RESERVE
Gains and losses on available for sale financial assets are recognised in the 'available for sale reserve' until the asset is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the consolidated income statement. In 2011, impairment losses of £10.9m on Greek Government Bonds were recognised in the consolidated income statement.

TRANSLATION RESERVE
The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

HEDGING RESERVE
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

26 RETAINED EARNINGS

	2012 £m	2011 £m
At 1 January	**895.7**	811.9
Total comprehensive income attributable to owners of the parent for the year:		
– Profit for the year	**184.5**	142.2
– Actuarial gains / (losses) on defined pension benefits (note 5)	**33.6**	(18.7)
– Tax charged to reserves	**8.8**	0.6
Total comprehensive income for the year	**226.9**	124.1
Share-based payments, net of tax	**10.4**	6.7
Net purchase of own shares by ESOP Trust	**(2.3)**	(0.2)
Dividends paid (note 10)	**(52.5)**	(46.8)
At 31 December	**1,078.2**	895.7

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
A. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

	2012 £m	2011 £m
Cash flows from operating activities		
Operating profit	**263.1**	231.0
Operating exceptional items	**(1.2)**	13.4
Amortisation of intangible assets	**3.7**	4.5
Depreciation of property, plant and equipment	**29.7**	29.0
Profit on disposal of property, plant and equipment	**(0.2)**	(0.1)
Share-based payments charge	**6.8**	7.3
Increase in inventories	**(42.5)**	(61.0)
Increase in trade and other receivables	**(9.5)**	(24.0)
Increase in trade and other payables	**47.3**	79.0
Decrease in provisions	**(16.5)**	(1.1)
Pension contributions in excess of the pension charge for the year*	**(25.4)**	(24.8)
Increase / (decrease) in interest in leased vehicles	**2.1**	(1.1)
Payment in respect of operating exceptional items	**(8.2)**	(6.5)
Other items	**–**	(0.9)
Cash generated from operations	**249.2**	244.7

* Includes additional payments of £23.3m (2011 – £19.2m).

B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £m	2011 £m
Net increase in cash and cash equivalents	**27.5**	45.1
Net cash outflow / (inflow) from borrowings and finance leases	**3.9**	(0.7)
Change in net cash and debt resulting from cash flows	**31.4**	44.4
Effect of foreign exchange rate changes on net cash and debt	**(3.8)**	(3.5)
New finance leases	**–**	(0.8)
Net movement in fair value	**4.8**	(2.4)
Net loans and finance leases relating to acquisitions and disposals	**0.3**	–
Movement in net funds	**32.7**	37.7
Opening net funds	**243.5**	205.8
Closing net funds	**276.2**	243.5

Net funds is analysed as follows:

	2012 £m	2011 £m
Cash at bank and cash equivalents	**324.4**	385.6
Short-term deposits	**273.5**	173.3
Bank overdrafts	**(113.0)**	(97.6)
Cash and cash equivalents	**484.9**	461.3
Bank loans	**(317.6)**	(339.1)
Other loans	**–**	(0.3)
Finance leases	**(2.9)**	(3.5)
	164.4	118.4
Fair value of cross currency interest rate swap	**111.8**	125.1
Net funds	**276.2**	243.5

28 ACQUISITIONS AND DISPOSALS

A. ACQUISITIONS

On 21 November 2012, the Group acquired the remaining 49% interest which it did not already own in the Inchcape Independence group, a retail business in Moscow, from Independence Holdings Limited for a cash consideration of US$27m. Prior to this date, the Group owned a 51% share in Inchcape Independence but did not have overall control and had therefore equity accounted for its interest in the Inchcape Independence group. The acquisition took the Group's interest in the Inchcape Independence group to 100% and the acquisition has been accounted for as a business combination following the change in control.

Details of the provisional fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	2012 £m
Assets and liabilities acquired, at fair value	
Intangible assets (note 11)	**0.1**
Property, plant and equipment (note 12)	**22.2**
Tax assets	**0.2**
Inventory	**5.1**
Trade and other receivables	**2.2**
Cash and cash equivalents	**1.5**
Trade and other payables	**(3.1)**
Tax liabilities	**(1.4)**
Net assets acquired	**26.8**
Provisional goodwill (note 11)	**8.3**
Consideration	**35.1**

Satisfied by	
Cash paid	**17.3**
Fair value of existing interest in the Inchcape Independence group	**17.8**
Total purchase consideration	**35.1**

The provisional values of assets and liabilities recognised on acquisition are their estimated fair values at the date of acquisition. The Group is in the process of finalising its review of the fair value of assets and liabilities recognised at the date of acquisition and such reviews may include third party valuations where appropriate. Accounting standards permit up to 12 months for provisional accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the acquisition date.

Goodwill of £8.3m represents, amongst other things, property, plant and equipment and intangible assets yet to be recognised separately from goodwill as the fair value valuations are still in progress.

The Group has recognised a loss of £1.2m as a result of measuring at fair value its 51% equity interest in the Inchcape Independence group held before the business combination. The loss is included within 'Other operating expenses' in the Group's consolidated income statement for the year ended 31 December 2012 and has been reported as an exceptional item (see note 2).

In 2011, the Group completed the purchase of the Musa Motors group. Under the terms of the original acquisition agreement, contingent deferred consideration dependent on 2010 EBITA was due in respect of 24.9% of the group. In the first half of 2011, the amount of the deferred consideration was determined and a payment of US$32m (£19.6m) was made to the vendor.

B. DISPOSALS

During the year, the Group disposed of its interest in a dealership in Russia at book value, generating disposal proceeds of £2.9m.

In 2011, the Group disposed of a small number of dealerships and operations at book value, generating disposal proceeds of £5.5m.

29 GUARANTEES AND CONTINGENCIES

	2012 £m	2011 £m
Guarantees, performance bonds and contingent liabilities	**15.6**	19.5

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

30 COMMITMENTS

A. CAPITAL COMMITMENTS

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2012 £m	2011 £m
Property, plant and equipment	**15.8**	24.8
Vehicles subject to residual value commitments*	**91.3**	75.7

* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £27.0m (2011 – £29.8m) has been included within 'trade and other payables'. These commitments are largely expected to be settled within the next 12 months, with a minority to be settled within three years.

B. LEASE COMMITMENTS

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2012 £m	2011 £m
Within one year	**43.8**	43.3
Between one and five years	**104.2**	107.2
After five years	**154.0**	156.4
	302.0	306.9

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:

	2012 £m	2011 £m
Within one year	**3.7**	4.3
Between one and five years	**6.1**	6.0
After five years	**7.3**	8.3
	17.1	18.6

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:

	2012 £m	2011 £m
Minimum lease payments:		
– Within one year	**0.7**	0.8
– Between one and five years	**0.9**	1.4
– After five years	**3.9**	3.8
Total minimum lease payments	**5.5**	6.0
Less: future finance charges	**(2.6)**	(2.5)
Present value of finance lease liabilities	**2.9**	3.5

31 RELATED PARTY DISCLOSURES
A. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES
The consolidated Financial Statements include the principal subsidiaries and joint ventures listed below:

	Country of incorporation	Shareholding	Description
Subsidiaries			
Directly held:			
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Indirectly held:			
Subaru (Australia) Pty Limited	Australia	90.0%	Distribution
Toyota Belgium NV/SA	Belgium	100.0%	Distribution
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94.1%	Distribution
Inchcape Motors Finland OY	Finland	100.0%	Distribution
Toyota Hellas SA	Greece	100.0%	Distribution
Crown Motors Limited	Hong Kong	100.0%	Distribution
Inchcape Olimp OOO	Russia	100.0%	Retail
Inchcape Moscow Motors BV	Netherlands	100.0%	Intermediate holding company(1)
Inchcape T BV	Netherlands	100.0%	Intermediate holding company(2)
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Distribution
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services(3)
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
Joint ventures			
Unitfin SA	Greece	60.0%	Financial services
Tefin SA	Greece	50.0%	Financial services
Associates			
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 will be included in the Company's annual return.

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	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Vehicles purchased from joint ventures and associates	**0.1**	0.1	**–**	–
Vehicles sold to joint ventures and associates	**61.2**	315.2	**0.1**	–
Other income paid to joint ventures and associates	**0.9**	1.3	**0.2**	0.2
Other income received from joint ventures and associates	**0.1**	0.4	**–**	0.4

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 (2011 – £nil).

C. COMPENSATION OF KEY MANAGEMENT PERSONNEL
The remuneration of the Board of Directors and the Executive Committee was as follows:

	2012 £m	2011 £m
Wages and salaries	**8.9**	8.0
Post-retirement benefits	**1.1**	1.1
Share-based payments	**2.1**	1.9
Compensation for loss of office	**0.2**	0.7
	12.3	11.7

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	
	2012	2011	**2012**	2011
Australian Dollar	**1.53**	1.54	**1.56**	1.52
Euro	**1.23**	1.15	**1.23**	1.20
Hong Kong Dollar	**12.33**	12.53	**12.59**	12.07
Singapore Dollar	**1.98**	2.02	**1.98**	2.01
Russian Ruble	**49.43**	47.11	**49.53**	49.88

33 EVENTS AFTER THE REPORTING PERIOD
The Group acquired the Trivett Automotive Group on 1 March 2013, to extend its presence in Australia. The total cash consideration for the business is expected to be c. £78m.

Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	**2012 £m**	2011 £m	2010 £m	2009 £m	2008 £m
Revenue	**6,085.4**	5,826.3	5,885.4	5,583.7	6,259.8
Operating profit before exceptional items	**261.9**	244.4	225.5	175.2	240.5
Operating exceptional items	**1.2**	(13.4)	(21.9)	(18.4)	(82.5)
Operating profit	**263.1**	231.0	203.6	156.8	158.0
Share of profit / (loss) after tax of joint ventures and associates	**0.2**	(3.0)	(1.7)	0.7	2.2
Profit before finance and tax	**263.3**	228.0	201.9	157.5	160.2
Net finance costs before exceptional items	**(11.8)**	(13.7)	(9.8)	(20.8)	(52.0)
Finance costs exceptional items	**–**	(10.9)	–	–	–
Profit before tax	**251.5**	203.4	192.1	136.7	108.2
Tax before exceptional tax	**(61.5)**	(59.2)	(62.2)	(43.5)	(49.3)
Exceptional tax	**0.4**	3.6	3.1	1.8	(3.6)
Profit after tax	**190.4**	147.8	133.0	95.0	55.3
Non controlling interests	**(5.9)**	(5.6)	(5.1)	(3.0)	(3.9)
Profit for the year	**184.5**	142.2	127.9	92.0	51.4
Basic:					
– Profit before tax	**251.5**	203.4	192.1	136.7	108.2
– Earnings per share (pence)	**40.0p**	31.0p	27.9p	22.9p	18.9p
Adjusted (before exceptional items):					
– Profit before tax	**250.3**	227.7	214.0	155.1	190.7
– Earnings per share (pence)	**39.7p**	35.5p	32.0p	27.1p	50.5p
Dividends per share – interim paid and final proposed (pence)	**14.5p**	11.0p	6.6p	–	5.5p
Consolidated statement of financial position					
Non-current assets	**1,442.6**	1,350.0	1,311.2	1,306.1	1,372.1
Other assets less (liabilities) excluding net funds / (debt)	**(211.4)**	(236.0)	(227.7)	(217.2)	55.3
	1,231.2	1,114.0	1,083.5	1,088.9	1,427.4
Net funds / (debt)	**276.2**	243.5	205.8	0.8	(407.8)
Net assets	**1,507.4**	1,357.5	1,289.3	1,089.7	1,019.6
Equity attributable to owners of the parent	**1,481.6**	1,329.1	1,263.1	1,067.7	995.5
Non controlling interests	**25.8**	28.4	26.2	22.0	24.1
Total shareholders' equity	**1,507.4**	1,357.5	1,289.3	1,089.7	1,019.6

Report of the independent auditors to the members of Inchcape plc

We have audited the Group Financial Statements of Inchcape plc for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As explained more fully in the statement of the Directors' responsibilities set out on page 63, the Directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS
In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion:

- the information given in the Directors' report for the financial year for which the Group Financial Statements are prepared is consistent with the Group Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER
We have reported separately on the parent company Financial Statements of Inchcape plc for the year ended 31 December 2012 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
11 March 2013

Company balance sheet

As at 31 December 2012

	Notes	**2012 £m**	2011 £m
Fixed assets			
Investment in subsidiaries	3	**1,623.6**	1,622.0
Current assets			
Debtors:			
– Amounts due within one year	4	**363.2**	347.0
– Amounts due after more than one year	4	**903.2**	916.1
Cash at bank and in hand	5	**10.2**	16.7
		1,276.6	1,279.8
Creditors – amounts falling due within one year	6	**(4.5)**	(24.5)
Net current assets		**1,272.1**	1,255.3
Total assets less current liabilities		**2,895.7**	2,877.3
Creditors – amounts falling due after more than one year	7	**(1,770.7)**	(1,811.0)
Provisions for liabilities	9	**(4.6)**	(4.6)
Net assets		**1,120.4**	1,061.7
Capital and reserves			
Share capital	11, 13	**46.9**	46.4
Share premium	13	**136.5**	126.9
Capital redemption reserve	13	**133.3**	133.3
Profit and loss account	13	**803.7**	755.1
Total shareholders' funds		**1,120.4**	1,061.7

The Financial Statements on pages 127 to 134 were approved by the Board of Directors on 11 March 2013 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 2012. 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 are taken to the profit and loss account.

FINANCE COSTS
Finance costs consist of interest payable on 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. In accordance with the transitional provisions of FRS 20, 'Share-based payment', no charge had been recognised for grants of equity instruments made before 7 November 2002. The Company adopts Amendments to FRS 20 in line with the Group's adoption of Amendments to IFRS 2.

FINANCIAL INSTRUMENTS
The adoption by the Company of FRS 29, 'Financial Instruments: Disclosures' has had no impact as the Company has taken advantage of the exemption not to apply FRS 29 in its own Financial Statements. The Group's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are set out in the Group's accounting policies on pages 71 to 79.

Notes to the accounts

1 AUDITORS' REMUNERATION

The Company incurred £0.1m (2011 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2012.

2 DIRECTORS' REMUNERATION

	2012 £m	2011 £m
Wages and salaries	**3.8**	2.8
Social security costs	**0.4**	0.4
Pension costs	**0.4**	0.4
	4.6	3.6

Further information on Executive Directors' emoluments and interests is given in the Directors' report on remuneration which can be found on pages 50 to 61.

3 INVESTMENT IN SUBSIDIARIES

	2012 £m	2011 £m
Cost		
At 1 January	**1,661.8**	1,632.2
Additions	**1.6**	40.8
Disposals	**–**	(11.2)
At 31 December	**1,663.4**	1,661.8
Provisions		
At 1 January	**(39.8)**	(24.2)
Provisions for impairment	**–**	(15.6)
At 31 December	**(39.8)**	(39.8)
Net book value	**1,623.6**	1,622.0

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

In 2012, the Company paid a capital injection of £1.6m to Inchcape Financial Holdings Cooperatief W.A.

4 DEBTORS

	2012 £m	2011 £m
Amounts due within one year		
Amounts owed by Group undertakings	**363.2**	347.0
	363.2	347.0
Amounts due after more than one year		
Deferred tax asset (note 8)	**2.5**	2.4
Amounts owed by Group undertakings	**900.7**	913.7
	903.2	916.1

Amounts owed by Group undertakings bear interest at rates linked to LIBOR.

5 CASH AT BANK AND IN HAND

	2012 £m	2011 £m
Cash at bank and in hand	**10.2**	16.7

6 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £m	2011 £m
Amounts owed to Group undertakings	**–**	20.3
Other taxation and social security payable	**1.5**	0.8
Other loans	**–**	0.4
Other creditors	**3.0**	3.0
	4.5	24.5

7 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £m	2011 £m
Amounts owed to Group undertakings	**1,502.1**	1,530.2
Private Placement	**268.6**	280.8
	1,770.7	1,811.0

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 2014 and bear interest at rates linked to LIBOR.

8 DEFERRED TAX

	Share-based payments £m	Other timing differences £m	Total £m
At 1 January 2012	**1.3**	**1.1**	**2.4**
Credited / (charged) to the profit and loss account	**0.2**	**(0.1)**	**0.1**
At 31 December 2012	**1.5**	**1.0**	**2.5**

9 PROVISIONS FOR LIABILITIES

	2012 £m	2011 £m
At 1 January	**4.6**	4.6
Released to the profit and loss account	**–**	–
At 31 December	**4.6**	4.6

Provision has been made for warranties, indemnities and other litigation issues in relation to motors and non-motors business exits, based on expected outcomes. These provisions are expected to be settled within the next three to five years.

10 GUARANTEES AND CONTINGENCIES

	2012 £m	2011 £m
Guarantees of various subsidiaries' borrowings (against which £nil has been drawn at 31 December 2012 (2011 – £nil))	**502.8**	500.0

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2012 was £10.2m (2011 – £16.7m).

11 SHARE CAPITAL
A. ALLOTTED, CALLED UP AND FULLY PAID UP

	2012 Number	2011 Number	2012 £m	2011 £m
Ordinary shares				
At 1 January	**463,473,216**	463,192,297	**46.4**	46.4
Allotted under share option schemes	**4,634,986**	280,919	**0.5**	–
At 31 December	**468,108,202**	463,473,216	**46.9**	46.4

B. SHARE BUY BACK PROGRAMME
At 31 December 2012, the Company held 2,687,560 treasury shares (2011 – 2,687,560) with a total book value of £99.4m (2011 – £99.4m). These shares may be either cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2012 (2011 – nil). The market value of treasury shares at 31 December 2012 was £11.6m (2011 – £7.9m).

C. SUBSTANTIAL SHAREHOLDINGS
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 11 March 2013 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Other statutory information section on page 62.

11 SHARE CAPITAL CONTINUED

D. SHARE OPTIONS

At 31 December 2012, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan – approved (Part II – UK)		
8,674	31 August 2013	3.46
36,266	20 May 2014	4.42
13,729	29 September 2014	4.37
47,548	6 March 2015	5.78
19,866	11 September 2015	6.03
89,078	19 May 2019	2.00
9,375	22 November 2019	3.20
157,342	7 April 2020	3.10
– unapproved (Part I – UK)		
5,780	31 August 2013	3.46
39,656	20 May 2014	4.42
2,288	29 September 2014	4.37
82,714	6 March 2015	5.78
218,727	11 September 2015	6.03
2,029,971	19 May 2019	2.00
37,500	22 November 2019	3.20
941,789	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
29,549	19 March 2013	2.14
126,397	20 May 2014	4.42
182,199	6 March 2015	5.78
1,340,342	19 May 2019	2.00
711,061	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
7,460	1 May 2012	3.42
100,669	1 May 2013	2.30
831,221	1 May 2014	2.05
577,797	1 May 2015	2.43
1,115,327	1 May 2016	3.07

Included within the retained earnings reserve are 1,692,848 (2011 – 1,370,916) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2012 was £4.0m (2011 – £2.5m). The market values of these shares at 31 December 2012 and at 11 March 2013 were £7.3m and £9.0m respectively (31 December 2011 – £4.0m, 12 March 2012 – £5.2m).

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 £1.4m (2011 – £0.7m), of which £1.4m (2011 – £0.7m) is equity-settled and £nil (2011 – £nil) is cash-settled.

The following table sets out the movements in the number of share options and awards during the year:

2012 Share Option Plan	Grant Date	**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**
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**	**£2.49**
	10 April 2012	**–**	**562,470**	**–**	**–**	**562,470**	**£2.08**
Other Share Plans	03 June 2011	**298,560**	**–**	**–**	**–**	**298,560**	**£2.52**
	22 June 2012	**–**	**237,179**	**–**	**–**	**237,179**	**£2.00**
Weighted Average Exercise Price		**£2.86**	**–**	**–**	**–**	**£2.86**	

2011 Share Option Plan	Grant Date	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
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
	08 April 2008	258,519	–	(258,519)	–	–	£1.41
	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	£2.49
Other Share Plans	01 January 2008	220,193	–	(220,193)	–	–	£1.25
	03 June 2011	–	298,560	–	–	298,560	£2.52
Weighted Average Exercise Price		£3.45	£2.43	£7.21	–	£2.86	

The weighted average remaining contractual life for the share options outstanding at 31 December 2012 is 4.0 years (2011 – 5.8 years) and the range of exercise prices for options outstanding at the end of the year was £2.00 to £6.03 (2011 – £2.00 to £6.03).

12 DIVIDENDS
The following dividends were paid by the Company:

	2012 £m	2011 £m
Interim dividend for the six months ended 30 June 2012 of 4.0p per share (2011 – 3.6p per share)	**18.5**	16.5
Final dividend for the year ended 31 December 2011 of 7.4p per share (2010 – 6.6p per share)	**34.0**	30.3
	52.5	46.8

A final proposed dividend for the year ended 31 December 2012 of 10.5p per share amounting to £48.9m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2012.

13 RESERVES

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2011	46.4	126.3	133.3	468.2	774.2
Profit for the financial year	–	–	–	326.6	326.6
Dividends	–	–	–	(46.8)	(46.8)
Issue of ordinary share capital	–	0.6	–	–	0.6
Net purchase of own shares by ESOP Trust	–	–	–	(0.2)	(0.2)
Share-based payments charge	–	–	–	7.3	7.3
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 31 December 2012	**46.9**	**136.5**	**133.3**	**803.7**	**1,120.4**

14 PRINCIPAL SUBSIDIARIES AT 31 DECEMBER 2012
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

We have audited the parent company Financial Statements of Inchcape plc for the year ended 31 December 2012 which comprise the Company balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities set out on page 63, the Directors are responsible for the preparation of the parent company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company Financial Statements are prepared is consistent with the parent company Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements and the part of the Directors' report on remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group Financial Statements of Inchcape plc for the year ended 31 December 2012.

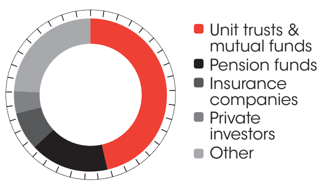
MARK GILL,
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 March 2013

Shareholder information

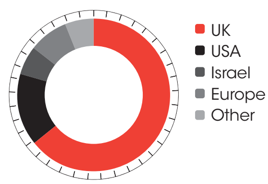
SHAREHOLDER PROFILE

As at 31 December 2012, the Company had 6,979 holdings on its register of ordinary shareholders (2011 – 7,282). 71% 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 (2011 – 68%). The majority of funds are managed from the UK, with the USA representing 15%.

REGISTER ANALYSIS BY HOLDER



REGISTER ANALYSIS BY GEOGRAPHY



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 or call Computershare Investor Services on +44 (0) 870 707 1076.

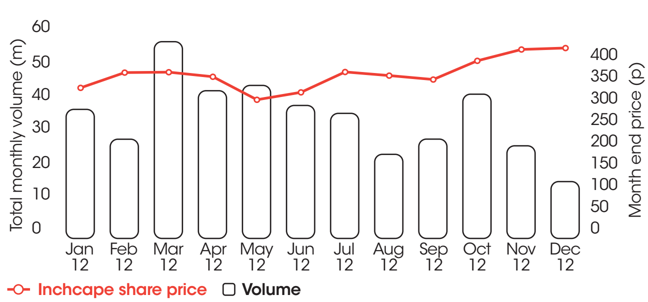
The Company's shares trade within the FTSE 250 index and at the year end it was ranked no. 130 by market capitalisation in the FTSE 350 (2011 -152).

The Company's market capitalisation at 31 December 2012 was £1,995.8m (2011 – £1,351.9m).

The average daily number of shares traded on the London Stock Exchange was 1.16m (2011 – 1.47m). This represents an average of 0.25% of the Company's shares traded each day (2011 – 0.32%).

The share price by volume graph shows the movement in the share price, closing at 430.9p as at 31 December 2012.

SHARE PRICE BY VOLUME DURING 2012



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AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

SHARE REGISTRARS

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Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Tel: +44 (0) 870 707 1076

SOLICITORS

Slaughter and May

CORPORATE BROKERS

Investec

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

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING

16 May 2013

ANNOUNCEMENT OF 2013 INTERIM RESULTS

August 2013

Explore our Reporting Centre for access to our latest Annual Report and more.

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- 2012 Annual Report – a searchable PDF of the Annual Report
- Inchcape Videos – watch and learn more about Inchcape and what we do
- Electronic Communications – a quick and easy guide to help you access investor information, sign up for e-comms, link to financial calendar and much more

www.inchcape.com/reportingcentre2012

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