Inchcape

2019 ANNUAL RESULTS ANNOUNCEMENT

Results for the year ended 31 December 2019

Bringing the best loved automotive brands to the world

Results for the year ended 31 December 2019

Resilience and a year of strategic repositioning

2019 HIGHLIGHTS:

- Reported PBT of £402m up 256% y-o-y, reflecting 2019 gains on disposals and 2018 impairment charges
- Pre-exceptional PBT down 7.4% y-o-y in constant currency; stable y-o-y excluding transactional currency impact
- Underlying resilience of profit reflective of Distribution business model and diversification of operations
- Further strategic progress re-shaping the portfolio towards Distribution; first Daimler distribution contract wins
- Continued disciplined capital allocation; £100m buyback completed in 2019 and new £150m buyback for 2020

KEY FINANCIALS (AUDITED)

Actual Currency Rates	FY 19 [1]	FY 18 (restated) [1]	Actual Currency YoY	Constant Currency YoY
Reported performance measures				
Revenue	**£9,380m**	£9,277m	+1.1%	+1.3%
Operating profit	**£448.6m**	£174.9m	+156%	
Profit before tax	**£401.8m**	£113.0m	+256%	
Basic EPS	**79.0p**	7.8p	+913%	
Dividend per share	**26.8p**	26.8p	0.0%	
Pre-exceptional performance measures [2]				
Operating profit [3,4]	**£373.1m**	£398.6m	(6.4%)	(6.7%)
Profit before tax [5]	**£326.3m**	£350.6m	(6.9%)	(7.4%)
Basic EPS	**59.9p**	63.8p	(6.1%)	
Distribution trading profit [4]	***£354.2m***	*£382.8m*	*(7.5%)*	*(7.8%)*
Retail trading profit	***£36.1m***	*£32.1m*	*+12.5%*	*+12.1%*
Vehicle gross profit	***£772.3m***	*£809.7m*	*(4.6%)*	*(4.8%)*
Aftersales gross profit	***£499.8m***	*£491.6m*	*+1.7%*	*+1.5%*

1. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated within this statement including segmental information. See note 13.
2. These measures are Alternative Performance Measures, see note 14.
3. FY 2019 operating exceptional income is £75.5m driven by gains on disposals, net of restructuring costs, asset write-offs and impairments associated with the disposals, and acquisition costs. FY 2018 operating profit included a primarily non-cash charge of £223.7m, comprising £211.1m of goodwill and asset impairment (UK & Europe; restated due to IFRS16), £5.4m of non-cash pension charge relating to GMP equalisation and £7.2m relating to acquisitions. See note 3.
4. Our Central American acquisition generated £3.5m pre-exceptional trading profit over January to March 2019, i.e. prior to the acquisition's first year consolidation annualisation as part of Inchcape Group.
5. FY 18 adjusted profit before tax excludes a £13.9m exceptional non-cash finance cost relating to fair value adjustments against repayment of US Private Placement loans in 2009.

STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED:

"Our performance in 2019 against the backdrop of challenging dynamics in several markets demonstrates the resilience in Inchcape's business model.

Distribution continues to generate 91% of our trading profits and, setting aside the yen headwind, profit before tax, was flat year on year. Our businesses in Europe reported a strong performance and we saw underlying resilience in Australasia, and Asia growth despite the headwinds in Singapore and Hong Kong, offset by the impact of a contraction in the Chilean market. The supply constraints experienced in Australia and Ethiopia over the first half eased materially in the second half, improving our underlying performance. Our continuing Retail operations delivered a stable performance over the year.

The Ignite strategy has continued to drive growth and we made transformative strategic progress last year. We strengthened our portfolio, acquiring Distribution contracts in Uruguay, Ecuador, Colombia, Kenya and Lithuania and disposing of certain retail-only operations in China, Australia and the UK. The acquisitions in Latin America demonstrate the success of Inchcape's OEM Partner of Choice focus, establishing our first Daimler distribution operations after more than 30 years of retail-only partnership, as well as illustrate Inchcape's regional consolidation strategy. In addition, we achieved both our F&I income and procurement saving targets in 2019 and continued to develop our omnichannel capabilities through our trial in Australia, with the trial ready to be exported to a couple of other markets for further development in 2020.

Inchcape's capital allocation process has remained disciplined, with excess cash returned to shareholders. We have today announced a new £150m buyback to be completed within the next 12 months.

We expect challenging market dynamics to continue through 2020, particularly in Singapore, Hong Kong and Chile, although we are encouraged by the outlook for our European businesses. In addition, we continue to monitor how the Coronavirus situation develops. Against this backdrop, we will continue to focus on near-term opportunities whilst driving our medium-term aspirations.

After five years as CEO I will be leaving Inchcape. This is a strong and sustainable business which I believe is well placed today and for the future. The weighting to markets with good structural growth prospects, focus on optimising performance, seizing investment opportunities, and long history of cash generation are set to continue our long track record of delivering attractive shareholder value."

CEO'S REVIEW

Whilst we continued to experience a range of short-term headwinds and market fluctuations, the story of 2019 was really about the actions taken to position the business for growth.

It is my pleasure to present this review of 2019, a year in which we continued to deliver significant progress towards achieving our strategic objective of transforming the Group around our proven Distribution model.

We entered two brand new markets as a distributor for Daimler and extended our representation with them into a third in January 2020. This represents an exciting development in our platform strategy with a core OEM partner in the high growth potential LatAm region. We sold several sites across Australia, China and the UK that were outside our core focus on Distribution activities, realising value of around £250 million. We also maintained focus on our policy of efficient allocation of capital with the completion of a £100m share buyback in the year.

Overall, the actions taken during the year, in line with our Ignite strategy, have further reinforced the trajectory of the Group, positioning it for sustainable growth over the longer term.

A resilient performance

Group revenue was £9.4 billion (2018: £9.3 billion) including £5.0 billion in our Distribution business. Group Profit Before Tax (pre exceptionals) was £326.3 million (2018: £350.6 million) with Distribution accounting for 91% of trading profits.

Whilst the trading environment was challenging across a number of markets, our 2019 results were in line with the expectations we set at the beginning of the year, once again demonstrating the resilience of our Distribution model.

Against the impact of disruption in the Hong Kong and Chilean markets and the ongoing AUD / JPY headwind, we saw a normalisation of the Subaru supply in Australasia, which impacted the first half of the year, and improved currency availability in Ethiopia.

With a stronger underlying H2 over H1 performance, we delivered flat pre-exceptional profit year-on-year, excluding the AUD / JPY headwind. With the AUD / JPY a drag to profit, we delivered Distribution trading profit of £354.2 million (2018: £382.8 million).

Whilst we expect a number of headwinds to continue into 2020, we remain focused on our Ignite initiatives which will support our medium-term growth aspirations as our Distribution activities drive the performance of the Group.

A unique and sustainable business model

Inchcape has a unique business model; we are the only independent automotive Distributor and Retailer with global scale. Our underlying organisational strength is the foundation of Inchcape's resilience to the effect of cyclical changes in the automotive industry.

The heart of our business, and our core set of competencies, is in automotive Distribution, that is the management of the post-factory value chain for our vehicle manufacturer or 'OEM' (original equipment manufacturer) partners. The Distribution model allows us to capture a greater portion of the value chain and drive higher margins and returns. We have long-standing strategic Distribution partnerships, providing end-to-end routes-to-market for some of the world's leading and most recognisable vehicle manufacturers; our portfolio of these brands is diverse and includes premium, volume and commercial OEMs, which gives us a balanced segmental representation across our operations.

Within that value chain we also operate as a Retailer, giving us true insight into our customers and allowing us to develop world-class customer experience solutions that are globally scalable. In fact, through the full-spectrum Distribution value chain Inchcape manages business partner and customer touchpoints from vehicle product planning right through to servicing customers' cars.

The diversity of our global portfolio of 33 markets and over 30 OEM partners provides a high level of defence against the fluctuating volatility of the automotive industry, and this organisational strength is enhanced by the Ignite strategy.

Ignite-driven portfolio development

Our Ignite strategy is the enabler that drives our inorganic growth objective.

Over the year, we made significant strategic progress on our transformation journey by further optimising our portfolio through selective Retail disposals. This reflects our strategy to focus on businesses that support global Distribution activities and on the optimal deployment of capital.

In the UK, our actions have been centred on optimising our portfolio of Retail sites where we were less able to leverage costs efficiently through a local scale presence. Consequently, we disposed of several Retail centres as well as Inchcape Fleet Solutions (IFS). In the case of IFS, we were able to agree the sale with the European arm of our core OEM partner, Toyota, supporting their ambition to become a leader in the mobility space. Fleet capability remains of importance to Inchcape as we seek to develop the revenue streams of the future, however we see the major opportunity for Inchcape where we control the end-to-end value chain in Distribution markets such as in Singapore and Hong Kong. Additionally, we disposed of our remaining retail sites in China and the majority of our non-Subaru retail businesses in Australia, significantly reducing our exposure where we were less able to leverage a scale retail position.

It is important to note that divesting of retail sites in any territory, does not necessarily mean that we are exiting that market. Indeed, in Australia, we see a market with an exciting future where we can, through optimally deploying our capital, reconfigure our activities there around our Distribution model. We remain excited around the prospects for our Subaru and Peugeot Citroen Distribution contracts and have reconfigured our operations in the market, creating a more efficient and focused business unit.

During the year we were awarded new BMW Distribution businesses in Lithuania and Kenya, consolidating our position with BMW in the Baltics alongside our operations in Estonia and Latvia. We were also pleased to pioneer our partnership with BMW in East Africa, where again we see significant growth potential springing from the platform we have created.

Continuing on the path to develop our core higher-margin, capital-light Distribution business, the Group reinvested some of the proceeds realised through disposals into the acquisition of Autolider, a distributor of Daimler brands, in Uruguay and Ecuador. Subsequently, we have also been awarded the Mercedes-Benz passenger vehicles Distribution contract for Colombia. These acquisitions typify our strategic rationale and approach.

These Daimler acquisitions were a key milestone for Inchcape and for our OEM partner of choice strategy. They saw Inchcape enter new geographies and, more importantly, extended our partnership with a core OEM partner. Until this year, our relationship with Daimler has been focused on the Mercedes-Benz Retail business in the UK, and it is partly due to the strength of that partnership that we have been able to secure these first Distribution contracts with the OEM.

This expansion represented Inchcape's 11th and 12th Distribution business win since 2016, and we have grown from two to eight markets in South and Central America during that time. As we increase our presence across LatAm and add further OEM relationships to an already strong and balanced portfolio, we have an exciting opportunity to generate significant economies of scale, translating a series of acquisitions into a regional platform for growth.

We have an attractive pipeline of growth opportunities which meet our strict criteria and will accelerate the development of major regional presences across key growth markets.

Ignite-driven business optimisation

Ignite is also the powertrain to maximise our potential for efficiency, to share best practice across the Group, and to optimise our existing business and core capabilities.

Of particular note, we saw further progress in our next generation customer experience, significant procurement savings, Aftersales gross profit outperformance and Finance & Insurance profit growth.

We believe that the key to our long-term success lies both in providing end-to-end routes to market for our OEM partners and in owning the life-cycle customer journey, ensuring that we build the capability to answer our key stakeholders' needs, now and for the future. We have made great headway on the Ignite 'lead on customer experience' objective, for example with the omni-channel platform in Subaru Melbourne which is where we are developing and implementing our future model of how we interact with our customers, before deploying it to other markets.

To maximise the potential across all our revenue streams, we have invested in a range of new and innovative initiatives. We plan to extend our trial with Grab, the leading shared mobility services provider in South East Asia, with technology-based solutions for quick turnaround servicing and parts provision, and we continued to partner with Easymile on the autonomous transport trial at the National University of Singapore. Whilst this is not an immediate driver of profits, it is important that we build the internal capabilities to future-proof the business in the face of rapid developments across the automotive industry. We are therefore investing in areas, and seeking out partnerships, where we see profit and growth potential in the future.

Aftersales, Parts Distribution and Used Car sales provide further defence against the effects of cyclicality in the New car market especially in markets where we control more of the value chain ourselves, as in Ethiopia where Aftersales is a key driver. Examples of success here include Russia, where a strong performance in Aftersales, Used and F&I offset the impact of competitor discounting activities; and in the UK, where progress in Aftersales was a contributing factor in stabilising performance. Within distribution we turned Costa Rica's used operation to profitability in our first year of operation and saw improved parts and accessories sales processes support Australasia Aftersales.

Additionally, we have achieved our £30m target in Finance and Insurance products, two years after the target was announced, helped by continued expansion of vehicle car products, as well as the implementation of finance retention products in several markets.

We have also achieved our procurement savings target of £50m cumulatively, demonstrating a key Ignite focus of leveraging our scale optimally. We have achieved these savings since 2016 and over 2019 some key milestones include 50% of our global spend being tracked through our global procurement system, with 85% targeted by the end of 2020. More than 20% of 2019's savings were achieved through improved vehicle logistics and storage spending, and we were able to establish a global view of oil spend which has enabled a 30% reduction in LatAm spend on oil in 2019, with Asia's oil spend to be aggregated in 2020.

Investment proposition

Inchcape is well placed to deliver attractive shareholder value both in-year and for the long term through structured earnings growth and cash returns.

Whilst we continued to see a number of anticipated challenges during the year, I absolutely believe that the business will continue its track record of delivering shareholder value. The development of our Distribution activities is core to our investment proposition. This is underpinned by our focus on ensuring that we are deploying our capital effectively towards both existing and new opportunities. Through Inchcape's weighting to markets with greater structural opportunity, our focus on optimising performance, our consolidation activity and our solid cash generation have positioned the business strongly for the future.

We have a disciplined capital allocation policy targeting an optimal allocation of funds to enable both the continued development of the business and the returns we can deliver to our shareholders.

In line with this policy, given the strength of our cash generation and strong balance sheet, we embarked on our £100m share buyback programme, which was successfully completed by the end of 2019. We have also announced a new buyback to return £150m of cash to shareholders over the next 12 months. Inclusive of this buyback, since 2016 we have paid around £500m in dividends, invested around £550m in acquisitions, and distributed around £400m of excess cash through buybacks.

Looking ahead

While 2020 is expected to be challenging, a continued focus on improving operations for the medium-term and enhancing the global footprint through the Ignite strategy, along with ongoing cost controls, will ensure further meaningful strategic progress.

I am confident that when markets improve we will see Inchcape delivering on its real potential for sustainable profitable growth.

This is my last statement as Group CEO. It has been a privilege to lead such a high-quality organisation as Inchcape in this exciting and dynamic sector. I would like to offer my sincere thanks to the many industry-leading vehicle manufacturer brands with whom Inchcape has built strong partnerships based on Trust, the central tenet of the Ignite strategy.

I would like to thank the Board for their support and advice during my tenure, and to acknowledge my Group Executive colleagues whose talent, experience and capability contributes so much to the underlying strength of this business. I would also like to thank all of our employees throughout the Group whose dedication and expertise is what has made Inchcape so successful in the past and I am fully confident will continue to do so for the long term. I wish everyone at Inchcape all the best for the future.

Stefan Bomhard, Group CEO

KEY PERFORMANCE INDICATORS

KPIs provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, as well as directly linking to the key measures for Executive remuneration. KPIs are stated in actual rates of exchange and note 14 provides definitions of Key Performance Indicators and other Alternative Performance Measures.

Key Performance Indicator	Definition	Why we measure it	2019 Highlights
Revenue £9.4bn 2018: £9.3bn	Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.	Top-line growth is a key financial metric of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'.	The Group has delivered £9.4bn, growth of 1.1% vs. last year. This was 3% excluding the impact of announced disposals.
Operating margin 4.0% 2018: 4.3%	Operating profit (before exceptional items) divided by sales.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.	Operating margin at 4.0% is 30bps lower than the operating margin achieved in 2018.
Profit before tax & Exceptional Items £326.3m 2018: £350.6m	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.	In 2019 this decreased by 6.9% to £326.3m. The impact from announced disposals was immaterial to profits over 2019.
Free cash flow £212.9m 2018: £278.9m	Net cash flows from operating activities, before exceptional cash flows, less net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.	The Group delivered free cash flow of £212.9m, a 24% decrease on 2018.
Return on capital employed 22% 2018: 22%	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.	The Group delivered ROCE of 22%.

OPERATING AND FINANCIAL REVIEW

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 translational exchange rate effects. Unless otherwise stated, changes in sales and trading profit in the operating review are at constant currency. The 2020 outlook commentary is also referenced at constant currency. Note that all our financials are now on an IFRS16 basis.

Segmental detail can also be found in Note 2 of the accounts, and our appendix contains the list of markets that fall within each region.

Key Performance Indicators – results

	12 months to 31.12.19 £m	12 months to 31.12.18 (Restated)[2] £m	% change	% change in constant currency
Revenue	**9,379.7**	9,277.0	+1.1%	+1.3%
Operating profit before exceptional items[1]	**373.1**	398.6	(6.4%)	(6.7%)
Operating margin before exceptional items[1]	**4.0%**	4.3%	(0.3ppt)	(0.3ppt)
Profit before tax and exceptional items[1]	**326.3**	350.6	(6.9%)	(7.4%)
Profit before tax	**401.8**	113.0	+256%	
Free Cash Flow[1]	**212.9**	278.9	(23.7%)	
Return on capital employed	**22%**	22%		

1. See note 14 for definition of Key Performance Indicators and other Alternative Performance Measures.

2. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated. See note 13.

Performance review

Our performance in 2019 was in-line with our expectations for the year, with the pre-exceptional profit decline for the Group largely driven by an adverse transactional currency impact. Excluding this currency impact our portfolio of markets delivered a stable profit performance. Over the year Inchcape also made significant strategic progress around reshaping the Inchcape portfolio towards attractive distribution businesses, with the disposal of selective retail operations that were outside of Inchcape's distribution operations. These disposals included exiting China retail, largely exiting non-Subaru and non-Peugeot Citroen retail in Australia, the sale of UK fleet operations and the selective sale of less productive UK retail sites. Given the timing of completion on these disposals they had an immaterial impact on 2019's trading profit, although they have had some impact on 2019 revenue and gross profit.

Group revenue of £9.4bn is up 1.1% year-on-year in actual currency and 1.3% in constant currency, excluding the impact of disposals, revenue grew 3% in constant currency. The driver of this growth was Europe, where there was broad-based growth across markets outside of the UK, and the Emerging markets with Russia's momentum remaining strong for the year although with meaningful margin pressure experienced in the second half. Asia's revenue declined slightly given political instability in Hong Kong and market contraction in Singapore, and Australasia's revenue decline reflected the Subaru supply constraints experienced in the first half of the year, although normalisation from May onwards supported an improved second half revenue performance despite a challenging market.

The Group delivered an operating profit before exceptional items of £373.1m, down 6.4% year-on-year in actual currency and down 6.7% in constant currency. The impact of a material second half-weighted transactional AUD/JPY headwind drove this decline, with the impact falling within Distribution and the Group's Distribution's trading profit correspondingly declining 7.8% at constant currency. Excluding this currency impact Distribution's performance was broadly flat, with the second half's performance materially improved on the first half following normalisation of Subaru supply constraints in Australia and reduced impact of currency-driven supply constraints in Ethiopia. Distribution in Europe saw the strongest growth, with growth broadly based across markets, whilst Asia saw a small growth despite revenue contraction supported by good cost control. Australasia's Distribution profits were also stable excluding the transactional FX impact, despite supply constraints in the first half and a challenging market, similarly with good cost control helping to drive this. Emerging Markets Distribution was much improved in the second half with Ethiopia fulfilling two large orders, but the segment was impacted by the sharp contraction of the Chilean market.

Our Retail trading profit grew 12.1% at constant currency off a low base, to £36.1m, with a reduction of losses in Australia over the year supported by cost savings. However, the business has now largely been sold although given the timing of these disposals the benefit to 2019's profit was immaterial. The UK & Europe business were stable despite continued market pressures, Russia was also stable over the year, with competitor-driven pressure impacting margins in the second half.

Overall, our Group operating margin for 2019 was 4.0% compared with 4.3% in 2018, driven by the yen headwind.

Profit before tax and exceptional items of £326.3m is down 6.9% year-on-year in actual currency and 7.4% in constant currency. Excluding the effect of the AUD/JPY impact, Group profit before tax and exceptionals was stable in comparison to the period last year. Reported profit before tax grew 256% year-on-year in actual currency. In 2019 there is a net positive operating exceptional gain of £75.5m resulting from the profit on announced disposals, offset to an extent by restructuring costs and asset write-offs and impairments relating to the disposals, as well as acquisition costs. In 2018 we saw an operating exceptional charge of £224m largely relating to impairments in our UK and Europe Retail segment. 2018 profit before tax also included a £13.9m exceptional non-cash finance cost relating to fair value adjustments in respect of US Private Placement loans.

The Group delivered Free Cash Flow of £213m, compared with £279m in the prior year. The Free Cash Flow decline year-on-year reflects lower operating profit, a higher working capital outflow, and an £11m exceptional pension cash inflow in 2018. The working capital outflow results from the impact of completing disposals and an acquisition towards year end, as well as higher receivables in Ethiopia, due to the delivery of government orders towards the end of the year. In contrast 2018's working capital had benefited from one-time benefits of improved net working capital management in our Central America businesses. 2019's working capital move was only partially offset through a lower capex spend year-on-year, with reductions in tangible investments in the UK in particular. We achieved a FCF conversion of 57% overall, but excluding the one-off working capital movements described in 2019 our conversion would have been above 60%.

After adopting the new accounting standard IFRS 16 that capitalises leases, we ended the period with net debt of £250m vs. £446m in 2018, reflecting in part the benefit of cash received through our disposal programme. Excluding these leases, net funds of £103m compares to £15m in the prior year. Our ROCE over the period was 22%, on an IFRS 16 basis, compared to 22% in the prior year, with lower profits offset by a lower asset base given impairments at the end of 2018 and disposals over 2019.

Distribution

The Distribution segment delivered year-on-year revenue growth of 1.2%. Trading profit declined 7.8%. Group Distribution trading margin declined 70bps to 7.0%, driven by the impact of AUD / JPY transaction headwind. The impact of announced disposals on 2019 revenue and trading profit was immaterial. Given its modest contribution to Asia's revenue and profit, China retail has historically been consolidated into Asia Distribution.

	12 months to 31.12.19 £m	12 months to 31.12.18 (Restated)[1] £m	% change	% change in constant currency
Revenue				
Asia	1,681.9	1,687.7	(0.3%)	(3.7%)
Australasia	1,036.3	1,198.4	(13.5%)	(11.2%)
UK & Europe	1,329.6	1,145.5	+16.1%	+17.1%
Emerging Markets	993.5	956.5	+3.9%	+6.4%
Total Distribution	**5,041.3**	**4,988.1**	**+1.1%**	**+1.2%**
Trading profit				
Asia	181.9	172.2	+5.6%	+2.0%
Australasia	60.8	89.4	(32.0%)	(30.1%)
UK & Europe	43.7	34.7	+25.9%	+27.1%
Emerging Markets	67.8	86.5	(21.6%)	(19.6%)
Total Distribution	**354.2**	**382.8**	**(7.5%)**	**(7.8%)**
Trading profit margin				
Asia	10.8%	10.2%	0.6ppt	0.6ppt
Australasia	5.9%	7.5%	(1.6ppt)	(1.6ppt)
UK & Europe	3.3%	3.0%	0.3ppt	0.3ppt
Emerging Markets	6.8%	9.0%	(2.2ppt)	(2.2ppt)
Total Distribution	**7.0%**	**7.7%**	**(0.7ppt)**	**(0.7ppt)**

1. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated. See note 13.

- **Asia** revenue declined 3.7% and trading profit grew +2.0%. Whilst the Singapore market benefited from a Commercial Vehicle scrappage scheme in the first half of the year, the market overall contracted 5% in 2019 driven by more limited permit availability. However, Inchcape's Passenger Vehicle sales were supported by product launches, including the new Toyota Rav4, which helped to drive market share +70bps. In Hong Kong, although the launch of attractive new products like the Toyota Rav4 and Toyota CHR, as well as new taxis, supported performance, the underlying market was challenging. The Hong Kong market declined 10% over the year, with an already weak market impacted further by civil unrest in H2. However, a strong focus on cost enabled good management of profit in both markets, and the region as a whole benefited from good growth in Guam, Thailand and Brunei where we have driven market share growth. Trading profit margins grew by a 60bps to 10.8%, reflecting the region's focus on margin against weaker revenue. China, which has now been disposed, contributed £9m of trading profit over the period.
- **Australasia** revenue declined by 11.2% and trading profit was down 30.1%. Whilst the weakness in the Australian market persisted over the period, with the market down 8% over 2019, the contraction in profit was driven by the AUD/JPY. Given the AUD/JPY exchange rate and the lag generated by our hedging policy, the impact to profit was £26m. The temporary slowdown in Subaru supply over the January to April period, which materially impacted H1, normalised during the second half, resulting in 2019 Australasia profit, excluding the transactional currency headwind being broadly flat year-on-year. We started to raise prices later in the year, where possible, to partially offset the headwind and we expect this, alongside other mitigating factors such as product mix, to be a greater benefit in 2020. Trading profit margins declined 160bps to 5.9%.
- **UK & Europe** revenue grew 17.1% and trading profit was up 27.1%, with profit growth broad-based across regions. In the Balkans we benefited from strong market growth and market share gains, with Romania's growth particularly strong. Performance in the Baltics was similarly supported by market growth and the inclusion of the new Lithuanian business. The Greek market's recovery continues to support the region, and growth of F&I also provided a tailwind to our performance.
- **Emerging Markets** revenue increased 6.4% but trading profit declined by 19.6%. Within the Emerging Markets division, we saw strong growth in Ethiopia over the second half, with the fulfilment of two large orders and improved currency availability easing supply constraints. Demand remains very strong in Ethiopia in this high margin Aftersales-driven business. Our South American business saw good performance in Peru, following a more challenging 2018. Good performance in the segment was offset by an 11% volume contraction in the Chilean market, driven by a decline in the copper market and civil unrest, after achieving 16% growth in 2018. The Colombian market saw strong growth in Commercial Vehicles, which benefited Hino volumes, but passenger volumes were weaker.
- The **Central America** acquisition made in March 2018 contributed £41m of revenue and £3.5m of trading profit in the January to March 2019 period, prior to its annualisation as part of the Group. We continue to make progress with the business despite the market weakness. We are pleased with the strategic advantage the business has brought Inchcape for the longer term through the scale with Suzuki it has provided and through the market presence in Central America it has established.

Retail

The Retail segment delivered a solid revenue performance, growing by 1.4%, and grew 5% when excluding the impact on 2019 revenue growth from announced disposals. Trading profit increased 12.1% year-on-year, from a low base, with margins up 10bps year-on-year. The impact of disposals on trading profit in 2019 was immaterial.

	12 months to 31.12.19 £m	12 months to 31.12.18 (Restated)[1] £m	% change	% change in constant currency
Revenue				
Australasia	306.7	382.2	(19.8%)	(17.5%)
UK & Europe	3,004.9	3,057.6	(1.7%)	(1.6%)
Emerging Markets	1,026.8	849.1	+20.9%	+20.7%
Total Retail	**4,338.4**	**4,288.9**	**+1.2%**	**+1.4%**
Trading profit				
Australasia	(1.4)	(5.8)	+75.9%	+75.5%
UK & Europe	17.5	17.7	(1.1%)	(0.6%)
Emerging Markets	20.0	20.2	(1.0%)	(1.0%)
Total Retail	**36.1**	**32.1**	**+12.5%**	**+12.1%**
Trading profit margin				
Australasia	(0.5%)	(1.5%)	+1.0ppt	+1.0ppt
UK & Europe	0.6%	0.6%	+0.0ppt	+0.0ppt
Emerging Markets	1.9%	2.4%	(0.5ppt)	(0.5ppt)
Total Retail	**0.8%**	**0.7%**	**+0.1ppt**	**+0.1ppt**

1. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated. See Note 13.

- **UK and Europe** revenue declined 1.6% year-on-year and trading profit declined 0.6% on a small base. Revenue grew 1% when excluding the 2019 impact of the announced disposals. The stabilisation of profit was pleasing considering the declines experienced over 2018 and amidst continuing UK market pressures. The UK market was down 2% over the year, with diesel decreasing by a further 22% leading to a continued oversupply of New Car product in the market. An improved opening inventory position at the start of the year, a focus on driving all value drivers and a focus on costs helped to stabilise performance. Poland Retail performed well over the period. Inchcape Fleet Solutions (UK), which has now been disposed, contributed £9m of trading profit over the period.
- **Emerging Markets**, which for Retail includes only Russia, saw 20.7% revenue growth in the reporting period although trading profit decreased 1.0%. The 50bps decline in margins was largely owing to competitor-discounting activity in New cars, in the second-half, which we expect to be temporary. However, over the year performance in Aftersales, Used and F&I remained strong, offsetting the new car impact.
- **Australasia** will no longer be disclosed as a retail segment as of 2020, following our sale of most of the business in H2 2019, but performance in 2019 was good. Despite revenue declining 17.5% year-on-year, the business reported a significantly smaller loss over the period compared to the prior year.

Value Drivers

Our gross profit is split into Aftersales and Vehicle sales as per the following definition:

- Gross profit attributable to Vehicles - New Vehicles, Used Vehicles and the associated F&I income; and
- Gross profit attributable to Aftersales - Service and Parts.

		Gross profit		% change	% change in constant currency
		12 months to 31.12.19 £m	12 months to 31.12.18 £m		
Group	Vehicles	772.3	809.7	(4.6%)	(4.8%)
	Aftersales	499.8	491.6	+1.7%	+1.5%
	Total	**1,272.1**	**1,301.3**	**(2.2%)**	**(2.4%)**

Over the reporting period we saw a 4.8% decline in Vehicle gross profit and a 1.5% increase in Aftersales gross profit. We operate across the automotive value chain and over 2019 generated 39% of gross profit through Aftersales, compared to 38% in the prior year.

2020 OUTLOOK

We expect profits to be down modestly year on year. This excludes an anticipated transactional AUD/JPY headwind, profit lost following the disposals in 2019, and any impact from coronavirus. Key drivers to this include the market contraction in Singapore, continued political uncertainty in Hong Kong and weakness in the Australian market. Offsetting factors are expected to be the continued strength in Europe and solid growth in Emerging Markets, with support from announced acquisitions. Looking beyond 2020 we expect the declines in Singapore to have a lower impact on the Group.

Whilst we also anticipate a gross £25m AUD/JPY headwind over the year in Australasia we expect to offset this partially through mitigation factors which should reduce the net headwind to £15m on profits. Profit attributable to the announced disposals will reduce trading profit by £18m in 2020.

The effect of coronavirus on demand and supply remains uncertain and we continue to monitor the situation closely. In February we have seen a small impact on our Asia business, with reduced footfall in Hong Kong, Singapore and Macau. Our primary focus remains the health and safety of our employees and our customers. One of the attractive qualities of Inchcape's business model is the diversification of revenue streams and geographies, which provide opportunities to support performance.

We remain focused on improving the efficiency of the business through our Ignite initiatives and controlling costs to manage the headwinds expected over the year.

OTHER FINANCIAL ITEMS

Central costs

Unallocated central costs for the year were £17.2m before exceptional items (FY 18: £16.3m). The small increase in costs reflects continued cost control, despite the reversal of one-off benefits seen in the prior year relating to central insurance operations.

Operating exceptional items

Over 2019, we have benefited from a £75.5m exceptional operating gain which reflects a £108.8m gain largely relating to the disposal of our UK fleet business and China Retail business, offset by some restructuring costs and asset impairments relating to these disposals, as well as acquisition costs. In 2018, the Group recorded exceptional operating costs of £223.7m comprising goodwill and other asset impairments of £211.1m, costs of £7.2m relating to the acquisition and integration of businesses, primarily the Grupo Rudelman business in Central America, and £5.4m as a result of equalising Guaranteed Minimum Pensions in the Group's UK pension schemes following a ruling in the High Court.

Net financing costs

Net financing costs, before exceptional finance costs, were £47.1m (FY 18: £48.1m). The interest charge is stated on an IFRS 16 basis and excluding interest relating to leases our net finance charge was £27.7m vs. £28.1m in the prior year.

In 2018 we incurred an exceptional finance cost of £13.9m. This represented a one-off correction to the fair value basis of assessment of the Group's US$ Private Placement Loan Notes. This amount was reported as an exceptional item in order to provide additional useful information regarding the Group's underlying business performance.

We expect net financing costs in 2020 will amount to c£44m.

Tax

The effective tax rate for the period before exceptional items is 23.2% (FY 18: 22.6%), the increase being primarily due to the recognition of a provision in respect of European Commission's judgment in respect of the UK's controlled foreign company rules.

We expect the effective rate to be 24-25% in 2020 given profit mix and the impact of unrecognised trading losses in certain markets.

Non-controlling interests

Profits attributable to our non-controlling interests were £5.8m (FY 18: 7.0m). The Group's non-controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Foreign currency

The Group benefitted from a gain of £4.5m (FY 18: a loss of £15.5m) from the translation of its overseas profits before tax into sterling at the average exchange rate over the 12 months when compared with the average exchange rates used over the comparable period for translation in 2018.

Dividend

The Board recommends a final ordinary dividend of 17.9p per ordinary share which is subject to the approval of shareholders at the 2020 Annual General Meeting. This gives a total dividend for the year of 26.8p per ordinary share (2018: 26.8p). The dividend will be paid on 19 June 2020 to all shareholders on the register of members on 15 May 2020. A Dividend Reinvestment Plan (DRIP) is available to Ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 29 May 2020.

Pensions

At the end of 2019, the IAS 19 net post-retirement surplus was £9.5m (2018: £81.9m), with the decrease driven largely by changes in financial assumptions which were partially offset by a higher value of plan assets. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £2.8m (2018: £2.7m).

The Trustees of the Inchcape Motors Pension Scheme are currently progressing with the actuarial valuation as at 5 April 2019, and future levels of contributions will be agreed with the Trustees in due course.

During 2018 the trustees of the TKM pension scheme returned £16.8m before tax (£10.9m after tax) to the Group following the wind up of that scheme.

Acquisitions and disposals

During 2019 Inchcape spent a total cash consideration of £41.2m (net of cash acquired) to purchase the BMW business in Lithuania from Modus Group and Autolider, the distributor of certain Daimler brands in Uruguay and Ecuador. The acquisition of Daimler's own Mercedes passenger car and private vans distribution operations in Colombia was announced on 22nd January 2020.

Over 2019 Inchcape disposed of various businesses that fell within our Retail-only business for a total of £249.8m (net of cash within the business).

In March 2018, the Group acquired Grupo Rudelman, a Suzuki focused distribution business with integrated retail assets operating in Costa Rica and Panama. The total cost of this acquisition was £155.5m including cash acquired of £8.5m. During 2018 the Group also entered into a distribution contract with Jaguar Land Rover to distribute the Jaguar and Land Rover brands in Kenya and acquired one Lexus site in the UK. The Group also disposed of its Jaguar Land Rover operations in Shaoxing and a dealership in the UK generating disposal proceeds of £13.4m.

Financing

Driven by upcoming maturities, in February 2019 we refinanced our core Revolving Credit Facility (RCF). This has increased our committed facilities from £620m to £700m at improved rates. The RCF matures in February 2024 and has an option to renew until 2026.

Capital expenditure

During 2019 the Group invested in £53.9m, significantly lower year-on-year given a reduction in tangible investments, particularly in the UK, although our spend on digital investments increased year-on-year. Key 2019 projects included capacity investments in Ethiopia and investments around our development of an omnichannel proposition. During 2018, the Group invested a total of £99.3m of net capital expenditure, although excluding exceptional investments in the UK, capex spend was c.£75m in 2018.

In 2020 we expect capex to resume to a more normalised level of c.£75m.

Cash flow and net debt

The Group generated Free Cash Flow of £212.9m (FY 18: £278.9m) given a meaningful swing in working capital. After the acquisition of businesses in the year as well as disposal proceeds relating to disposals in China, Australia and the UK, the payment of the final dividend for 2018 and £100m of share buybacks, the Group had net debt of £249.9m (FY 18: net debt of £445.9m). Net funds excluding lease liabilities is £102.9m (FY 18: net funds of £14.5m).

RECONCILIATION OF FREE CASH FLOW

	12 months to 31.12.19 £m	**12 months to 31.12.19 £m**	12 months to 31.12.18 (Restated)[1] £m	12 months to 31.12.18 (Restated)[1] £m
Net cash generated from operating activities		**327.2**		436.9
Add back: Payments in respect of exceptional items		**10.5**		10.1
Net cash generated from operating activities, before exceptional items		**337.7**		447.0
Purchase of property, plant and equipment	**(44.9)**		(90.8)	
Purchase of intangible assets	**(24.7)**		(34.4)	
Proceeds from disposal of property, plant and equipment	**15.7**		25.9	
Net capital expenditure		**(53.9)**		(99.3)
Net payment in relation to leases		**(65.1)**		(63.0)
Dividends paid to non-controlling interests		**(5.8)**		(5.8)
Free Cash Flow		**212.9**		278.9

1. Included within Free Cash Flow are movements in restricted cash balances described in note 9.

2. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated. See note 13.

CLARIFYING OUR FINANCIAL METRICS

The following table shows the key profit measures that we use throughout this report to most accurately describe underlying operating performance and how they relate to statutory measures.

Metric	12 months to 31.12.19 £m	Use of Metric
Gross Profit	**1,272.1**	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Less: Segment operating expenses	(881.8)	
Trading Profit	**390.3**	Underlying profit generated by our Segments
Less: Central Costs	(17.2)	
Operating Profit (pre-exceptional Items)	**373.1**	Underlying profit generated by the Group
Less: Exceptional Items	75.5	
Operating Profit	**448.6**	Statutory measure of Operating Profit
Less: Net Finance Costs and JV profit (inc exceptional items)	(46.8)	
Profit before Tax	**401.8**	Statutory measure of profit after the costs of financing the Group
Add back: Exceptional Items	(75.5)	
Profit Before Tax & Exceptional Items	**326.3**	One of the Group's KPIs

APPENDIX – BUSINESS MODELS

ASIA

At the heart of the Asia region, we are the Distributor and exclusive Retailer for Toyota, Lexus, Hino and Suzuki and operate Distribution and exclusive Retail for Jaguar, Land Rover and Ford in Hong Kong with additional Distribution and Retail franchises across the region.

Country	Route to market	Brands
Hong Kong Macau	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Daihatsu, Jaguar, Land Rover, Ford, Maxus
Singapore	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Suzuki
Brunei	Distribution & Exclusive Retail	Toyota, Lexus
Guam	Distribution & Exclusive Retail	Toyota, Lexus, BMW, Chevrolet
Saipan	Distribution & Exclusive Retail	Toyota
Thailand	Distribution & Exclusive Retail	Jaguar, Land Rover
China	Retail [1]	Porsche, Lexus, Mercedes

AUSTRALASIA

We are the Distributor for Subaru in both Australia and New Zealand, in addition to Peugeot and Citroen in Australia. We also operate multi-franchise Retail operations in Sydney, Melbourne and Brisbane.

Country	Route to market	Brands
Australia	Distribution & Retail	Subaru, Peugeot, Citroen
	Retail [1]	BMW, Jaguar, Land Rover, VW, MINI, Isuzu, Kia, Aston Martin, Bentley, McLaren, Rolls-Royce, Mitsubishi
New Zealand	Distribution	Subaru

UK AND EUROPE

We have scale Retail operations across the core regions of the UK focused on premium and luxury brands. Our European operations are centred on Toyota and Lexus Distribution in Belgium, Greece and the Balkans, BMW Retail in Poland and a number of fast-growing businesses in the Baltic region focused on Jaguar Land Rover, Mazda and other brands.

Country	Business Model	Brands
UK	Retail[1]	Toyota, Lexus, Audi, BMW, MINI, Jaguar, Land Rover, Mercedes, VW, Porsche, Smart
Belgium Luxembourg Greece Romania Bulgaria Macedonia Albania	Distribution & Retail	Toyota, Lexus
Finland	Distribution	Jaguar, Land Rover, Mazda
Estonia	Distribution & Retail	Jaguar, Land Rover, Mazda, BMW, MINI, Kia
Latvia	Retail	BMW, MINI, Ford, Jaguar, Land Rover, Mazda,
Lithuania	Distribution & Retail	Mitsubishi, Jaguar, Land Rover, Mazda, Ford, Hyundai, BMW, MINI, Rolls Royce
Poland	Retail	BMW, MINI

EMERGING MARKETS

In South America, we have BMW Distribution businesses in Chile and Peru as well as Subaru and Hino operations across these markets, Colombia and Argentina. Our business in Ethiopia is centred on Distribution and exclusive Retail for Toyota. In Russia we operate 22 retail centres in Moscow and St Petersburg representing a number of our global OEM brand partners.

Country	Business Model	Brands
Ethiopia & Djibouti	Distribution & Exclusive Retail	Toyota, Daihatsu, Komatsu, New Holland, Hino
Kenya	Distribution & Retail	Jaguar, Land Rover, BMW
Russia	Retail	Toyota, Audi, BMW, Jaguar, Land Rover, Lexus, MINI, Rolls Royce, Volvo
Chile	Distribution & Retail	BMW, Subaru, Rolls Royce, Hino, DFSK, Kia
Peru	Distribution & Retail	BMW, Subaru, DFSK, BYD
Colombia	Distribution & Retail	Subaru, Hino, DFSK, Mack, Jaguar, Land Rover, Daihatsu, BAIC, Mercedes-Benz[2]
Argentina	Distribution & Retail	Subaru, Suzuki
Costa Rica	Distribution & Retail	Suzuki, BAIC, JAC, Changan, Kubota
Panama	Distribution & Retail	Suzuki, JAC, Changan, Great Wall
Uruguay	Distribution & Retail	Mercedes-Benz, Freightliner and Fuso
Ecuador	Distribution & Retail	Mercedes-Benz

1. The sale of retail operations in China completed on 12th December 2019, whilst the majority disposal of Australia retail operations completed at various dates over H2 2019 but with the largest component completing on 2nd December 2019. The UK's Fleet Solutions business disposal completed on 31st December 2019.

2. The acquisition of Mercedes-Benz distribution in Colombia has been announced and is yet to complete.

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AMERICAN DEPOSITORY RECEIPTS

Inchcape American Depositary Receipts are traded in the US on the OTC Pink market: (OTC Pink: INCPY)
http://www.otcmarkets.com/stock/INCPY/quote

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	**Before exceptional items 2019 £m**	**Exceptional items (note 3) 2019 £m**	**Total 2019 £m**	Before exceptional items 2018 (Restated)[1] £m	Exceptional items (note 3) 2018 (Restated)[1] £m	Total 2018 (Restated)[1] £m
Revenue	2	**9,379.7**	**–**	**9,379.7**	9,277.0	–	9,277.0
Cost of sales		**(8,107.6)**	**–**	**(8,107.6)**	(7,975.7)	–	(7,975.7)
Gross profit		**1,272.1**	**–**	**1,272.1**	1,301.3	–	1,301.3
Net operating expenses		**(899.0)**	**75.5**	**(823.5)**	(902.7)	(223.7)	(1,126.4)
Operating profit	2,3	**373.1**	**75.5**	**448.6**	398.6	(223.7)	174.9
Share of profit after tax of joint ventures and associates		**0.3**	**–**	**0.3**	0.1	–	0.1
Profit before finance and tax		**373.4**	**75.5**	**448.9**	398.7	(223.7)	175.0
Finance income	4	**24.1**	**–**	**24.1**	20.1	–	20.1
Finance costs	5	**(71.2)**	**–**	**(71.2)**	(68.2)	(13.9)	(82.1)
Profit before tax		**326.3**	**75.5**	**401.8**	350.6	(237.6)	113.0
Tax	6	**(75.6)**	**2.5**	**(73.1)**	(79.1)	5.5	(73.6)
Profit for the year		**250.7**	**78.0**	**328.7**	271.5	(232.1)	39.4
Profit attributable to:							
• Owners of the parent				**322.9**			32.4
• Non-controlling interests				**5.8**			7.0
				328.7			39.4
Basic earnings per share (pence)	7			**79.0p**			7.8p
Diluted earnings per share (pence)	7			**78.4p**			7.8p

1. See note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 £m	2018 (Restated)[1] £m
Profit for the year	**328.7**	39.4
Other comprehensive (loss) / income:		
Items that will not be reclassified to the consolidated income statement		
Defined benefit pension scheme remeasurements	**(71.7)**	36.4
Current tax recognised in consolidated statement of comprehensive income	**–**	(6.1)
Deferred tax recognised in consolidated statement of comprehensive income	**10.1**	(0.1)
	(61.6)	30.2
Items that may be or have been reclassified subsequently to the consolidated income statement		
Cash flow hedges	**(25.9)**	25.4
Exchange differences on translation of foreign operations	**(98.6)**	(9.6)
Current tax recognised in consolidated statement of comprehensive income	**–**	(0.6)
Deferred tax recognised in consolidated statement of comprehensive income	**7.0**	(5.8)
	(117.5)	9.4
Other comprehensive (loss) / income for the year, net of tax	**(179.1)**	39.6
Total comprehensive income for the year	**149.6**	79.0
Total comprehensive income attributable to:		
• Owners of the parent	**146.8**	70.3
• Non-controlling interests	**2.8**	8.7
	149.6	79.0

1. See note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 £m	2018 (Restated)[1] £m	1 January 2018 (Restated)[1] £m
Non-current assets				
Intangible assets		**577.9**	606.0	639.5
Property, plant and equipment		**695.1**	821.7	787.5
Right-of-use assets		**313.3**	415.2	393.2
Investments in joint ventures and associates		**4.3**	4.3	4.2
Financial assets at fair value through other comprehensive income		**6.9**	6.6	7.3
Trade and other receivables		**38.7**	52.4	42.3
Deferred tax assets		**58.3**	33.3	39.9
Retirement benefit asset		**78.7**	116.5	105.9
		1,773.2	2,056.0	2,019.8
Current assets				
Inventories		**1,566.9**	1,851.9	1,768.6
Trade and other receivables		**512.3**	512.6	462.8
Financial assets at fair value through other comprehensive income		**0.2**	0.8	0.2
Derivative financial instruments		**16.2**	92.1	52.4
Current tax assets		**21.6**	22.6	10.1
Cash and cash equivalents	9	**423.0**	589.3	926.9
		2,540.2	3,069.3	3,221.0
Assets held for sale and disposal group		**149.4**	8.9	13.8
		2,689.6	3,078.2	3,234.8
Total assets		**4,462.8**	5,134.2	5,254.6
Current liabilities				
Trade and other payables		**(1,996.4)**	(2,356.6)	(2,234.9)
Derivative financial instruments		**(27.4)**	(13.3)	(21.6)
Current tax liabilities		**(82.4)**	(86.4)	(73.7)
Provisions		**(23.0)**	(20.3)	(22.2)
Lease liabilities		**(56.8)**	(66.3)	(56.4)
Borrowings		**(50.1)**	(417.0)	(532.8)
		(2,236.1)	(2,959.9)	(2,941.6)
Liabilities directly associated with the disposal group		**(106.1)**	–	–
		(2,342.2)	(2,959.9)	(2,941.6)
Non-current liabilities				
Trade and other payables		**(77.2)**	(67.3)	(58.9)
Provisions		**(12.9)**	(14.3)	(11.2)
Deferred tax liabilities		**(96.7)**	(92.3)	(73.8)
Lease liabilities		**(296.0)**	(394.1)	(365.9)
Borrowings		**(270.0)**	(210.0)	(360.5)
Retirement benefit liability		**(69.2)**	(34.6)	(33.6)
		(822.0)	(812.6)	(903.9)
Total liabilities		**(3,164.2)**	(3,772.5)	(3,845.5)
Net assets		**1,298.6**	1,361.7	1,409.1
Equity				
Share capital		**40.0**	41.6	41.6
Share premium		**146.7**	146.7	146.7
Capital redemption reserve		**140.6**	139.0	139.0
Other reserves		**(190.4)**	(75.9)	(83.6)
Retained earnings		**1,141.4**	1,087.0	1,145.0
Equity attributable to owners of the parent		**1,278.3**	1,338.4	1,388.7
Non-controlling interests		**20.3**	23.3	20.4
Total equity		**1,298.6**	1,361.7	1,409.1

1. See note 13.

STEFAN BOMHARD,
Group Chief Executive

GIJSBERT DE ZOETEN,
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2018		41.6	146.7	139.0	(83.5)	1,183.5	1,427.3	20.6	1,447.9
Adjustment for IFRS 16	13	–	–	–	(0.1)	(38.5)	(38.6)	(0.2)	(38.8)
At 1 January 2018 (restated)[1]		41.6	146.7	139.0	(83.6)	1,145.0	1,388.7	20.4	1,409.1
Profit for the year (restated)[1]		–	–	–	–	32.4	32.4	7.0	39.4
Other comprehensive income for the year (restated)[1]		–	–	–	7.7	30.2	37.9	1.7	39.6
Total comprehensive income for the year (restated)[1]		–	–	–	7.7	62.6	70.3	8.7	79.0
Share-based payments, net of tax		–	–	–	–	7.2	7.2	–	7.2
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(12.6)	(12.6)	–	(12.6)
Dividends:									
– Owners of the parent	8	–	–	–	–	(115.2)	(115.2)	–	(115.2)
– Non-controlling interests		–	–	–	–	–	–	(5.8)	(5.8)
At 1 January 2019 (restated)[1]		**41.6**	**146.7**	**139.0**	**(75.9)**	**1,087.0**	**1,338.4**	**23.3**	**1,361.7**
Adjustment for IFRIC 23[2]		**–**	**–**	**–**	**–**	**6.1**	**6.1**	**–**	**6.1**
Profit for the year		**–**	**–**	**–**	**–**	**322.9**	**322.9**	**5.8**	**328.7**
Other comprehensive loss for the year		**–**	**–**	**–**	**(114.5)**	**(61.6)**	**(176.1)**	**(3.0)**	**(179.1)**
Total comprehensive (loss) / income for the year		**–**	**–**	**–**	**(114.5)**	**261.3**	**146.8**	**2.8**	**149.6**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**6.8**	**6.8**	**–**	**6.8**
Share buyback programme		**(1.6)**	**–**	**1.6**	**–**	**(100.0)**	**(100.0)**	**–**	**(100.0)**
Net purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**–**	**(9.3)**	**(9.3)**	**–**	**(9.3)**
Dividends:									
– Owners of the parent	8	**–**	**–**	**–**	**–**	**(110.5)**	**(110.5)**	**–**	**(110.5)**
– Non-controlling interests		**–**	**–**	**–**	**–**	–	–	**(5.8)**	**(5.8)**
At 31 December 2019		**40.0**	**146.7**	**140.6**	**(190.4)**	**1,141.4**	**1,278.3**	**20.3**	**1,298.6**

1. See note 13.

2. See note 1.

Share-based payments include a net tax credit of £0.7m (current tax charge of £nil and a deferred tax credit of £0.7m) (2018 – net tax charge of £0.3m (current tax charge of £0.1m and a deferred tax charge of £0.2m)).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**2019 £m**	2018 (Restated)[1] £m
Cash generated from operating activities			
Cash generated from operations	9a	**445.9**	581.8
Tax paid		**(74.1)**	(98.7)
Interest received		**22.0**	17.9
Interest paid		**(66.6)**	(64.1)
Net cash generated from operating activities		**327.2**	436.9
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10	**(41.2)**	(152.7)
Net cash inflow from sale of businesses	10	**230.4**	13.4
Net cash inflow from disposal of investments in joint ventures and associates		**0.1**	–
Purchase of property, plant and equipment		**(44.9)**	(90.8)
Purchase of intangible assets		**(24.7)**	(34.4)
Proceeds from disposal of property, plant and equipment		**15.7**	25.9
Purchase of financial assets at fair value through other comprehensive income		**–**	(0.6)
Proceeds from sale of financial assets at fair value through other comprehensive income		**–**	0.5
Receipt from sub-lease receivables		**0.6**	1.0
Net cash generated from / (used in) investing activities		**136.0**	(237.7)
Cash flows from financing activities			
Share buyback programme		**(99.3)**	–
Net purchase of own shares by the Inchcape Employee Trust		**(9.3)**	(12.6)
Repayment of Private Placement loan notes		**(75.4)**	–
Net cash (outflow) / inflow from other borrowings		**(122.0)**	35.6
Payment of capital element of lease liabilities		**(65.7)**	(64.0)
Equity dividends paid	8	**(110.5)**	(115.2)
Dividends paid to non-controlling interests		**(5.8)**	(5.8)
Net cash used in financing activities		**(488.0)**	(162.0)
Net (decrease) / increase in cash and cash equivalents		**(24.8)**	37.2
Cash and cash equivalents at beginning of the period		**463.4**	416.6
Effect of foreign exchange rate changes		**(59.4)**	9.6
Cash and cash equivalents at the end of the year		**379.2**	463.4
Cash and cash equivalents consist of:			
• Cash at bank and cash equivalents	9	**321.5**	370.3
• Short-term deposits	9	**101.5**	219.0
• Bank overdrafts		**(43.8)**	(125.9)
		379.2	463.4

1. See note 13.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and 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.

The condensed set of financial information presented for the years ended 31 December 2017, 2018 and 2019 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2018 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The financial information for the year ended 31 December 2019 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2019 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated financial statements for 2019 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The condensed set of consolidated financial information have been prepared on a going concern basis and have adopted accounting policies consistent with those of the Group's Annual Report and Accounts 2018 except for the following standards which have been newly adopted from 1 January 2019.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 superseded the previous guidance on leases including IAS 17 *Leases* and the related interpretations when it became effective for the Group's financial year commencing 1 January 2019.

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases are on balance sheet except for short-term leases and leases of low value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss as the Group has elected to apply the transition exemptions available. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation. Lease liabilities are initially measured at the present value of the lease payments. Subsequently, lease liabilities are adjusted for interest and lease payments. Consequently, earnings before interest, tax, depreciation and amortisation (EBITDA) has increased because operating lease expenses previously included in EBITDA are now recognised instead as depreciation of the right-of-use asset and interest expense on the lease liability. However, there is an overall reduction in profit before tax in the early years of a lease because the depreciation and interest charges will exceed the previous straight-line expense incurred under IAS 17. In addition, the classification of cash flows has also been affected because operating lease payments under IAS 17 were presented within operating cash flows, whereas under IFRS 16 the payments are split into a principal and interest portion which are presented as financing and operating cash flows respectively.

For leases in which the Group is a lessor, the Group has reassessed the classification of sub-leases in which the Group is a lessor. When the Group is an intermediary lessor it will account for its interests in the head lease and sub-lease separately. It will assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. Cash flows received from the principal and interest on finance lease receivables will be classified as cash flows from investing activities. As required by IFRS 9 an allowance for expected credit losses will be recognised on finance lease receivables where appropriate.

The Group has elected to apply the new standard on a fully retrospective basis to each prior reporting period and has accordingly restated the comparative information for the immediately preceding periods in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Further details of the restatement can be seen in Note 13.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as `operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

1 Basis of preparation and accounting policies continued

As at 31 December 2018, the Group had non-cancellable operating lease commitments of £430.2m. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using incremental borrowing rates applicable at the date of initial application. Differences between the discounted operating lease commitment figure and total lease liabilities recognised relate to transition exemptions available for short-term and low-value leases recognised on a straight-line basis as an expense as well as adjustments as a result of a different treatment of extension and termination options. Additionally, finance lease liabilities of £1.8m recognised as at 31 December 2018 have been reclassified and included in total lease liabilities of £460.4m as at 31 December 2018.

	£m
Operating lease commitments disclosed as at 31 December 2018	430.2
Add: adjustments as a result of a different treatment of extension and termination options and additional lease arrangements identified	188.9
(Less): short-term and low-value leases recognised on a straight-line basis as expense	(3.7)
Discounted using the lessee's incremental borrowing rate at the date of initial application	(156.8)
Add: finance lease liabilities recognised as at 31 December 2018	1.8
Lease liability recognised as at 1 January 2019	**460.4**

IFRIC 23 Uncertainty over income tax treatments

The Group adopted IFRIC 23 with effect from 1 January 2019 and has applied the interpretation retrospectively with the cumulative effect of adoption being recognised as an adjustment to the opening balance of retained earnings. Comparatives have not been restated. The standard clarifies the accounting for income tax when it is unclear whether a taxing authority accepts the tax treatment. On adoption, the group derecognised liabilities totalling £6.1m.

Standards not effective at the balance sheet date

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2020:

Amendments to IAS 1 and IAS 8 – Definition of Material;

Amendments to IFRS 3 – Definition of a Business;

Amendments to IAS 1 – Classification of liabilities;

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; and

IFRS 17, Insurance contracts

Management are currently reviewing the new standards to assess the impact that they may have on the Group's reported position and performance. Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group.

Significant accounting judgements

Goodwill

The Group's policy is that goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. 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.

In 2018, the Board reassessed its short and medium-term forecasts for the UK Retail CGU group following a 29.6% decline in the sale of diesel vehicles and an overall decline in the UK New car market of 6.8% (source: SMMT). The impairment test for the UK Retail CGU group was updated and the review indicated that the value in use calculation was less than the carrying value of the assets attributable to the UK Retail CGU group. Consequently, an impairment charge of £175m was recognised.

In 2019, the UK New car market declined by a further 2.4% (source: SMMT) broadly in line with previous forecasts. During the year, the UK Retail business also made meaningful progress in reshaping its retail footprint through the selective sale of less productive UK Retail sites. In light of the reduction in the UK Retail footprint, the Board has revisited its short and medium-term forecast for the UK Retail CGU group and updated the value-in use calculations. The key assumptions for these forecasts remain those relating to volumes, gross margins, the level of working capital required to support trading and capital expenditure. Due to the uncertainty regarding the terms of the UK/EU relationship after 31 December 2020, the forecasts assume that an orderly process for a trade agreement will be agreed between the UK government and the EU.

The results of the impairment review indicated that the value in use calculation now exceeded the carrying value of the assets attributable to the UK Retail CGU group by c£70m.

1 Basis of preparation and accounting policies continued

The forecasts are however sensitive to changes in the key assumptions used. The table below shows the sensitivity of the value in use calculations for the UK Retail CGU group to possible changes in the more sensitive assumptions while holding all other assumptions constant.

	Increase / (decrease) in assumption	Effect on value-in-use calculation £m
New vehicle margins	+/-20bps	+/-£31m
Used vehicle margins	+/-20bps	+/-£29m
Aftersales gross margins	+/-150bps	+/-£26m
Overheads	+/-50bps	-/+£16m

2 Segmental analysis

The Group has eight reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision-maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The following summary describes the operations of each of the Group's reportable segments:

Distribution	Australasia	Distribution of new vehicles and parts in Australia and New Zealand together with associated marketing and logistics operations. Sale of New and Used vehicles in Australia where the Group is also the Distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Distribution of New vehicles and parts, together with associated marketing activities, in European markets. Sale of New and Used vehicles in Europe where the Group is also the Distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	Asia	Exclusive distribution and sale of New vehicles and parts in Asian markets, together with associated Aftersales activities of service and bodyshop repairs.
	Emerging Markets	Distribution of New vehicles and parts in growing markets, together with associated Aftersales activities of service and bodyshop repairs.
Retail	Australasia	Sale of New and Used vehicles in Australia together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Sale of primarily New and Used premium vehicles in European markets, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	Emerging Markets	Sale of New and Used vehicles in growing markets together with associated Aftersales activities of service, bodyshop repairs and parts sales.
Central		Comprises the Group's head office function and includes all central activities including the Board, finance, human resources, marketing, governance and global information services.

	Distribution				
2019	**Australasia £m**	**UK and Europe £m**	**Asia £m**	**Emerging Markets £m**	**Total Distribution £m**
Revenue					
Total revenue	**1,036.3**	**1,329.6**	**1,681.9**	**993.5**	**5,041.3**
Results					
Trading profit / (loss)	**60.8**	**43.7**	**181.9**	**67.8**	**354.2**
Operating exceptional items	**–**	**–**	**24.2**	**(0.5)**	**23.7**
Operating profit / (loss) after exceptional items	**60.8**	**43.7**	**206.1**	**67.3**	**377.9**
Share of profit after tax of joint ventures and associates					
Profit before finance and tax					
Finance income					
Finance costs					
Profit before tax					
Tax					
Profit for the year					

2 Segmental analysis continued

2019	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
Total revenue	**306.7**	**3,004.9**	**1,026.8**	**4,338.4**	**9,379.7**	**–**	**9,379.7**
Results							
Trading profit / (loss)	**(1.4)**	**17.5**	**20.0**	**36.1**	**390.3**	**(17.2)**	**373.1**
Operating exceptional items	**(18.0)**	**72.7**	**–**	**54.7**	**78.4**	**(2.9)**	**75.5**
Operating profit / (loss) after exceptional items	**(19.4)**	**90.2**	**20.0**	**90.8**	**468.7**	**(20.1)**	**448.6**
Share of profit after tax of joint ventures and associates							**0.3**
Profit before finance and tax							**448.9**
Finance income							**24.1**
Finance costs							**(71.2)**
Profit before tax							**401.8**
Tax							**(73.1)**
Profit for the year							**328.7**

Net finance costs of £47.1m are not allocated to individual segments.

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. Revenue is further analysed as follows:

2019	£m
UK	**2,808.8**
Rest of the world	**6,570.9**
Group	**9,379.7**

2019	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities					
Segment assets	**215.4**	**332.5**	**288.9**	**413.2**	**1,250.0**
Other current assets					
Other non-current assets					
Segment liabilities	**(368.1)**	**(305.3)**	**(378.8)**	**(297.9)**	**(1,350.1)**
Other liabilities					
Net assets					

2 Segmental analysis continued

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

2019	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items					
Capital expenditure:					
• Property, plant and equipment	**2.6**	**4.2**	**3.7**	**10.3**	**20.8**
• Interest in leased vehicles	**–**	**0.3**	**7.5**	**0.5**	**8.3**
• Right-of-use assets	**0.6**	**–**	**9.6**	**4.7**	**14.9**
• Intangible assets	**1.5**	**2.6**	**1.9**	**3.0**	**9.0**
Depreciation:					
• Property, plant and equipment	**4.1**	**3.4**	**8.8**	**8.5**	**24.8**
• Interest in leased vehicles	**0.2**	**–**	**3.9**	**1.4**	**5.5**
• Right-of-use assets	**9.7**	**4.5**	**25.3**	**11.8**	**51.3**
Amortisation of intangible assets	**3.2**	**2.0**	**2.5**	**1.4**	**9.1**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**
Impairment of other intangible assets	**–**	**–**	**–**	**–**	**–**
Impairment of Property, plant and equipment	**1.8**	**–**	**–**	**–**	**1.8**
Impairment of right-of-use assets	**3.8**	**–**	**–**	**–**	**3.8**
Impairment of disposal group	**–**	**–**	**–**	**–**	**–**
Net provisions charged / (credited) to the consolidated income statement	**0.7**	**4.6**	**(2.4)**	**0.6**	**3.5**

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

2019	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities					
Segment assets	**30.0**	**647.2**	**163.7**	**840.9**	**2,090.9**
Other current assets					**636.8**
Other non-current assets					**1,735.1**
Segment liabilities	**(17.8)**	**(623.6)**	**(93.0)**	**(734.4)**	**(2,084.5)**
Other liabilities					**(1,079.7)**
Net assets					**1,298.6**

2 Segmental analysis continued

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

				Retail			
2019	**Australasia £m**	**UK and Europe £m**	**Emerging Markets £m**	**Total Retail £m**	**Total pre Central £m**	**Central £m**	**Total £m**
Other segment items							
Capital expenditure:							
• Property, plant and equipment	**–**	**16.9**	**5.4**	**22.3**	**43.1**	**0.2**	**43.3**
• Interest in leased vehicles	**–**	**0.8**	**–**	**0.8**	**9.1**	**–**	**9.1**
• Right-of-use assets	**–**	**4.5**	**5.1**	**9.6**	**24.5**	**1.8**	**26.3**
• Intangible assets	**2.3**	**0.6**	**0.2**	**3.1**	**12.1**	**13.1**	**25.2**
Depreciation:							
• Property, plant and equipment	**1.3**	**12.3**	**4.1**	**17.7**	**42.5**	**0.1**	**42.6**
• Interest in leased vehicles	**–**	**1.4**	**–**	**1.4**	**6.9**	**–**	**6.9**
• Right-of-use assets	**3.2**	**9.0**	**2.3**	**14.5**	**65.8**	**0.5**	**66.3**
Amortisation of intangible assets	**–**	**3.4**	**1.4**	**4.8**	**13.9**	**2.1**	**16.0**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of other intangible assets	**0.7**	**–**	**–**	**0.7**	**0.7**	**–**	**0.7**
Impairment of property, plant and equipment	**–**	**3.0**	**–**	**3.0**	**4.8**	**–**	**4.8**
Impairment of right-of-use assets	**4.9**	**–**	**–**	**4.9**	**8.7**	**–**	**8.7**
Impairment of disposal group	**–**	**2.8**	**–**	**2.8**	**2.8**	**–**	**2.8**
Net provisions charged / (credited) to the consolidated income statement	**(1.4)**	**24.6**	**1.3**	**24.5**	**28.0**	**0.4**	**28.4**

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

					Distribution
2018 (Restated)[1]	**Australasia £m**	**UK and Europe £m**	**Asia £m**	**Emerging Markets £m**	**Total Distribution £m**
Revenue					
Total revenue	1,198.4	1,145.5	1,687.7	956.5	4,988.1
Results					
Trading profit / (loss)	89.4	34.7	172.2	86.5	382.8
Operating exceptional items	–	(4.5)	–	(1.8)	(6.3)
Operating profit / (loss) after exceptional items	89.4	30.2	172.2	84.7	376.5
Share of profit after tax of joint ventures and associates					
Profit before finance and tax					
Finance income					
Finance costs					
Profit before tax					
Tax					
Profit for the year					

1. See note 13.

2 Segmental analysis continued

2018 (Restated)[1]	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
Total revenue	382.2	3,057.6	849.1	4,288.9	9,277.0	–	9,277.0
Results							
Trading profit / (loss)	(5.8)	17.7	20.2	32.1	414.9	(16.3)	398.6
Operating exceptional items	–	(206.6)	–	(206.6)	(212.9)	(10.8)	(223.7)
Operating profit / (loss) after exceptional items	(5.8)	(188.9)	20.2	(174.5)	202.0	(27.1)	174.9
Share of profit after tax of joint ventures and associates							0.1
Profit before finance and tax							175.0
Finance income							20.1
Finance costs							(82.1)
Profit before tax							113.0
Tax							(73.6)
Profit for the year							39.4

1. See note 13.

Net finance costs of £62.0m are not allocated to individual segments and include an exceptional charge of £13.9m which represents a non-recurring correction to the fair value basis of assessment of the Group's Private Placement Loan notes relating to prior periods.

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. Revenue is further analysed as follows:

2018	£m
UK	2,892.5
Rest of the world	6,384.5
Group	9,277.0

2018 (Restated)[1]	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities					
Segment assets	299.1	335.6	359.2	380.2	1,374.1
Other current assets					
Other non-current assets					
Segment liabilities	(427.9)	(282.5)	(430.0)	(296.6)	(1,437.0)
Other liabilities					
Net assets					

1. See note 13.

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

2 Segmental analysis continued

2018 (Restated)[1]	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
	Distribution				
Other segment items					
Capital expenditure:					
• Property, plant and equipment	8.7	6.3	8.6	14.0	37.6
• Interest in leased vehicles	1.9	0.1	8.0	2.4	12.4
• Right-of-use assets	23.2	0.7	12.2	15.5	51.6
• Intangible assets	3.0	4.4	2.5	3.6	13.5
Depreciation:					
• Property, plant and equipment	3.6	3.1	8.6	8.0	23.3
• Interest in leased vehicles	–	0.1	3.6	0.8	4.5
• Right-of-use assets	8.5	4.0	25.1	11.3	48.9
Amortisation of intangible assets	2.9	1.8	2.0	1.5	8.2
Impairment of goodwill	–	–	–	–	–
Impairment of other intangible assets	–	–	–	–	–
Impairment of Property, plant and equipment	–	4.5	–	–	4.5
Impairment of right-of-use assets	–	–	–	–	–
Net provisions charged / (credited) to the consolidated income statement	2.1	4.5	1.6	0.6	8.8

1. See note 13.

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

2018 (Restated)[1]	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
	Retail				
Segment assets and liabilities					
Segment assets	119.3	818.0	131.0	1,068.3	2,442.4
Other current assets					635.8
Other non-current assets					2,056.0
Segment liabilities	(114.4)	(793.2)	(83.8)	(991.4)	(2,428.4)
Other liabilities					(1,344.1)
Net assets					1,361.7

1. See note 13.

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

2 Segmental analysis continued

2018 (Restated)[1]	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items							
Capital expenditure:							
Property, plant and equipment	0.4	48.5	3.6	52.5	90.1	–	90.1
Interest in leased vehicles	–	6.0	–	6.0	18.4	–	18.4
Right-of-use assets	–	22.6	5.2	27.8	79.4	–	79.4
Intangible assets	–	3.1	0.4	3.5	17.0	16.7	33.7
Depreciation:							
Property, plant and equipment	1.0	15.8	3.7	20.5	43.8	0.1	43.9
Interest in leased vehicles	–	2.7	–	2.7	7.2	–	7.2
Right-of-use assets	4.7	10.2	2.2	17.1	66.0	0.9	66.9
Amortisation of intangible assets	0.7	3.2	1.3	5.2	13.4	0.8	14.2
Impairment of goodwill	–	175.0	–	175.0	175.0	–	175.0
Impairment of other intangible assets	–	–	–	–	–	–	–
Impairment of property, plant and equipment	–	18.7	–	18.7	23.2	–	23.2
Impairment of right-of-use assets	1.3	12.9	–	14.2	14.2	–	14.2
Net provisions charged / (credited) to the consolidated income statement	1.5	54.1	0.7	56.3	65.1	(2.2)	62.9

1. See note 13.

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

3 Exceptional items

	2019 £m	2018 (Restated)[1] £m
Goodwill impairment	**–**	(175.0)
Disposal of businesses (see note 10)	**108.8**	–
Other asset write-offs and impairments	**(21.9)**	(36.1)
Restructuring costs	**(8.9)**	–
Acquisition of businesses	**(2.5)**	(7.2)
Other operating exceptional items	**–**	(5.4)
Total exceptional operating items	**75.5**	(223.7)
Exceptional finance costs (see note 5)	**–**	(13.9)
Total exceptional items before tax	**75.5**	(237.6)
Exceptional tax (see note 6)	**2.5**	5.5
Total exceptional items	**78.0**	(232.1)

1. Restated, following adoption of IFRS16, to include a £12.9m impairment of right-of-use assets.

An exceptional operating profit of £108.8m has been recognised related to the disposal of the Group's retail operations in China and the Fleet Solutions business in the UK, together with several retail sites in Australia and the UK.

As a direct result of the Group's optimisation of its retail market portfolio, asset write-offs of £4.9m and impairments of £17.0m, including leasehold improvements and right-of-use assets, and £8.9m of restructuring costs have been incurred, principally following the disposal of several retail sites in the UK and Australia. The restructuring costs incurred comprised headcount reduction and costs associated with exiting certain properties.

During the year exceptional operating costs of £2.5m have been incurred in connection with the acquisition and integration of business, primarily the Krasta Auto business in Lithuania and the Autolider business in South America.

In 2018, a goodwill impairment charge of £175.0m was recognised relating to the UK Retail CGU group. Exceptional items also include asset impairments of £36.1m following an impairment review of certain site-based assets, including right-of-use assets, in the UK and Europe. Exceptional operating costs of £7.2m were incurred in connection with the acquisition and integration of businesses, primarily the Grupo Rudelman business in Central America. Other operating exceptional items of £5.4m represents the cost of equalising Guaranteed Minimum Pensions in the Group's UK pension schemes following a ruling in the High Court in October 2018.

4 Finance income

	2019 £m	2018 (Restated)[1] £m
Bank and other interest receivable	**17.2**	12.7
Net interest income on post-retirement plan assets and liabilities	**2.7**	1.7
Sub-lease finance income	**0.6**	0.8
Other finance income	**3.6**	4.9
Total finance income	**24.1**	20.1

1. See note 13.

5 Finance costs

	2019 £m	2018 (Restated)[1] £m
Interest payable on bank borrowings	**12.9**	11.5
Interest payable on Private Placement	**6.9**	7.1
Interest payable on other borrowings	**–**	0.2
Fair value adjustment on Private Placement	**3.3**	17.1
Fair value gain on cross currency interest rate swaps	**(3.4)**	(2.6)
Lease finance costs	**20.0**	20.8
Stock holding interest	**27.6**	25.2
Other finance costs	**4.0**	3.3
Capitalised borrowing costs	**(0.1)**	(0.5)
Total finance costs	**71.2**	82.1
Total finance costs are analysed as follows:		
Finance costs before exceptional finance costs	**71.2**	68.2
Exceptional finance costs	**–**	13.9
Total finance costs	**71.2**	82.1

1. See note 13.

Included within finance costs, in 2018, is a fair value adjustment in relation to the Group's Private Placement Loan Notes of £14.5m. Included within this is £13.9m which represents a non-recurring correction to the fair value basis of assessment relating to prior periods. This amount has been reported as an exceptional item in order to provide additional useful information regarding the Group's underlying business performance.

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.9% (2018 – 2.0%).

6 Tax

	2019 £m	2018 (Restated)[1] £m
Current tax:		
• UK corporation tax	**0.1**	0.1
• Overseas tax	**78.6**	80.5
	78.7	80.6
Adjustments to prior year liabilities:		
• UK	**4.4**	0.2
• Overseas	**(2.6)**	(1.4)
Current tax	**80.5**	79.4
Deferred tax	**(7.4)**	(5.8)
Total tax charge	**73.1**	73.6
The total tax charge is analysed as follows:		
• Tax charge on profit before exceptional items	**75.6**	79.1
• Tax credit on exceptional items	**(2.5)**	(5.5)
Total tax charge	**73.1**	73.6

1. See note 13.

Details of the exceptional items for the year can be found in note 3. Not all of the exceptional items will be taxable/allowable for tax purposes. Therefore, the tax credit on exceptional items represents the total of the current and deferred tax on only those elements that are assessed as taxable/allowable.

6 Tax continued

Factors affecting the tax expense for the year

The effective tax rate for the year after exceptional items is 18.2% (2018 – 65.1% restated). The underlying effective tax rate before the impact of exceptional items is 23.2% (2018 – 22.6% restated). The weighted average tax rate is 20.6% (2018 – 31.0% restated). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

The table below explains the differences between the expected tax expense at the weighted average tax rate and the Group's total tax expense.

	2019 £m	2018 (Restated)[1] £m
Profit before tax	**401.8**	113.0
Profit before tax multiplied by the weighted average tax rate of 20.6% (2018 – 31.0%)	**82.8**	35.0
Non-exceptional items		
• Permanent differences	**5.4**	8.4
• Non-taxable income	**(2.6)**	(4.7)
• Prior year items	**(5.5)**	(1.5)
• Recognition of deferred tax assets	**(0.4)**	(2.5)
• Tax audits and settlements	**6.5**	(3.6)
• Taxes on undistributed earnings	**2.0**	2.5
• Other items (including tax rate differentials and changes)	**0.4**	0.5
Exceptional items		
• Goodwill impairment	**–**	33.3
• Acquisition and disposals of businesses	**(20.5)**	1.1
• Exceptional finance costs (see note 5)	**–**	2.1
• Other asset write-offs and impairment	**5.0**	3.0
Total tax charge	**73.1**	73.6

1. See note 13.

Factors affecting the tax expense of future years

The Group's future tax expense, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, consequences of the European Commission's state aid investigations, changes in tax laws or tax rates, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact the Group's future tax expense.

On 25 April 2019, the European Commission published its full decision in relation to its investigation into the "group financing exemption" ('GFE') in the UK's controlled foreign company rules and whether the GFE constituted unlawful State Aid. The Commission concluded that the legislation up until December 2018 does partially represent State Aid. On 12 June 2019 the UK Government brought an action against the Commission to have the judgment annulled. Subsequently a number of UK multi-national groups, including Inchcape, applied on their own behalf to have the decision annulled. In view of HMRC's recent statement concerning the European Commission decision published in December 2019 and the assessment subsequently received, the Group has recognised a provision of £5.4m plus interest.

The utilisation of brought forward tax losses or the recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, the Group's future tax expense and effective tax rate could be affected.

The Group has published its approach to tax on inchcape.com covering its tax strategy and governance framework.

7 Earnings per share

	2019 £m	2018 (Restated)[1] £m
Profit for the year	**328.7**	39.4
Non-controlling interests	**(5.8)**	(7.0)
Basic earnings	**322.9**	32.4
Exceptional items	**(78.0)**	232.1
Adjusted earnings	**244.9**	264.5
Basic earnings per share	**79.0p**	7.8p
Diluted earnings per share	**78.4p**	7.8p
Basic Adjusted earnings per share	**59.9p**	63.8p
Diluted Adjusted earnings per share	**59.5p**	63.4p

1. See note 13.

	2019 number	2018 number
Weighted average number of fully paid ordinary shares in issue during the year	**409,513,387**	415,090,366
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(763,509)**	(611,860)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**408,749,878**	414,478,506
Dilutive effect of potential ordinary shares	**2,988,393**	2,883,558
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**411,738,271**	417,362,064

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 Inchcape Employee Trust.

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

Basic Adjusted earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Basic 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 Inchcape Employee Trust.

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.

8 Dividends

The following dividends were paid by the Group:

	2019 £m	2018 £m
Interim dividend for the six months ended 30 June 2019 of 8.9p per share (30 June 2018 of 8.9p per share)	**36.3**	36.9
Final dividend for the year ended 31 December 2018 of 17.9p per share (31 December 2017 of 18.9p per share)	**74.2**	78.3
	110.5	115.2

A final proposed dividend for the year ended 31 December 2019 of 17.9p per share amounting to £71.4m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2019.

The Group has sufficient distributable reserves to pay dividends to its ultimate shareholders. Distributable reserves are calculated on an individual legal entity basis and the ultimate parent company, Inchcape plc, currently has adequate levels of realised profits within its retained earnings to support dividend payments.

9 Notes to the consolidated statement of cash flows

a. Reconciliation of cash generated from operations

	2019 £m	2018 (Restated)[1] £m
Cash flows from operating activities		
Operating profit	**448.6**	174.9
Exceptional items (see note 3)	**(75.5)**	223.7
Amortisation of intangible assets	**16.0**	14.2
Depreciation of property, plant and equipment	**42.6**	43.9
Depreciation of right-of-use assets	**66.3**	66.9
Impairment of right-of-use assets (non-exceptional)	**–**	1.3
Profit on disposal of property, plant and equipment	**(4.4)**	(2.1)
Gain on disposal of right-of-use assets	**(0.1)**	–
Share-based payments charge	**6.1**	7.5
Decrease / (increase) in inventories	**94.8**	(41.5)
Increase in trade and other receivables	**(29.4)**	(15.4)
(Decrease) / increase in trade and other payables	**(121.5)**	94.6
Increase in provisions	**1.7**	1.0
Pension contributions less than the pension charge for the year[2]	**2.3**	21.3
Decrease in interest in leased vehicles	**7.3**	2.9
Payments in respect of operating exceptional items	**(10.5)**	(10.1)
Other non-cash items	**1.6**	(1.3)
Cash generated from operations	**445.9**	581.8

1. See note 13.

2. Includes additional payments of £2.8m (2018 – £2.7m) and a return of surplus of £nil (2018 – £16.8m).

b. Net debt reconciliation

	Liabilities from financing activities			Assets	
	Borrowings £m	Leases £m	Sub-total £m	Cash / bank overdrafts £m	Total net debt £m
Net debt at 1 January 2018 (restated)[1]	(333.3)	(422.3)	(755.6)	416.6	(339.0)
Cash flows	(35.6)	64.0	28.4	176.5	204.9
Acquisitions	(61.2)	(12.1)	(73.3)	(152.7)	(226.0)
Disposals	–	–	–	13.4	13.4
New lease liabilities	–	(93.5)	(93.5)	–	(93.5)
Foreign exchange adjustments	(4.3)	3.5	(0.8)	9.6	8.8
Net movement in fair value	(14.5)	–	(14.5)	–	(14.5)
Net debt at 1 January 2019 (restated)[1]	**(448.9)**	**(460.4)**	**(909.3)**	**463.4**	**(445.9)**
Cash flows	**197.4**	**65.7**	**263.1**	**(214.0)**	**49.1**
Acquisitions	**(22.9)**	**(12.5)**	**(35.4)**	**(41.2)**	**(76.6)**
Disposals	**–**	**41.8**	**41.8**	**230.4**	**272.2**
New lease liabilities	**–**	**(30.2)**	**(30.2)**	**–**	**(30.2)**
Transferred to liabilities held for sale	**–**	**30.1**	**30.1**	**–**	**30.1**
Foreign exchange adjustments	**(1.8)**	**12.7**	**10.9**	**(59.4)**	**(48.5)**
Net movement in fair value	**(0.1)**	**–**	**(0.1)**	**–**	**(0.1)**
Net debt at 31 December 2019	**(276.3)**	**(352.8)**	**(629.1)**	**379.2**	**(249.9)**

1. See note 13.

9 Notes to the consolidated statement of cash flows continued

Net debt is analysed as follows:

	2019 £m	2018 (Restated)[1] £m
Cash and cash equivalents as per the statement of financial position	**423.0**	589.3
Borrowings – disclosed as current liabilities	**(50.1)**	(417.0)
Add back: amounts treated as debt financing (see below)	**6.3**	291.1
Cash and cash equivalents as per the statement of cash flows	**379.2**	463.4
Debt financing		
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	**(6.3)**	(291.1)
Borrowings – disclosed as non-current liabilities	**(270.0)**	(210.0)
Lease liabilities	**(352.8)**	(460.4)
Fair value of cross currency interest rate swaps	**–**	52.2
Debt financing	**(629.1)**	(909.3)
Net debt	**(249.9)**	(445.9)

1. See note 13.

Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and cash equivalents	**321.5**	370.3
Short-term deposits	**101.5**	219.0
	423.0	589.3

£88.0m (2018 – £100.1m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

10 Acquisitions and disposals

a. Acquisitions

On 31 January 2019, the Group acquired the full share capital of Krasta Auto in Lithuania, an authorised dealer of BMW Group, from Modus Group for a total cash consideration of £16.3m (net of cash acquired). The business was acquired to strengthen the Group's partnership with BMW in Northern Europe. A distribution agreement with a fair value of £19.0m has been recognised at the date of acquisition. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the premium paid to complete the Group's consolidation of BMW's representation across the Baltic region. None of the goodwill is expected to be deductible for tax purposes.

On 2 December 2019, the Group acquired the full share capital of Autolider, a distributor of Mercedes-Benz passenger and commercial vehicles in both Uruguay and Ecuador, for cash consideration of £24.9m (net of cash acquired) and contingent consideration with a fair value of £3.9m. A distribution agreement with a provisional fair value of £14.2m has been recognised at the date of acquisition. This business builds further on the Group's presence in Latin America, adding two new markets, and is consistent with the focus on core Distribution capabilities. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the Group strengthening its Latin American platform. None of the goodwill is expected to be deductible for tax purposes.

	Krasta Auto £m	Autolider[1] £m	Total £m
Assets and liabilities acquired			
Intangible assets	**–**	**0.3**	**0.3**
Distribution agreements recognised on acquisition	**19.0**	**14.2**	**33.2**
Property, plant and equipment	**0.3**	**9.9**	**10.2**
Right-of-Use assets	**6.9**	**4.8**	**11.7**
Tax assets	**0.3**	**1.2**	**1.5**
Inventory	**8.2**	**27.4**	**35.6**
Trade and other receivables	**5.9**	**18.7**	**24.6**
Cash and cash equivalents	**1.1**	**1.1**	**2.2**
Trade and other payables	**(10.4)**	**(24.7)**	**(35.1)**
Lease liabilities	**(7.7)**	**(4.8)**	**(12.5)**
Provisions	**(1.7)**	**(2.6)**	**(4.3)**
Borrowings	**(7.0)**	**(15.9)**	**(22.9)**
Tax liabilities	**(3.6)**	**(3.7)**	**(7.3)**
Net identifiable assets	**11.3**	**25.9**	**37.2**
Goodwill	**6.1**	**4.0**	**10.1**
Net assets acquired	**17.4**	**29.9**	**47.3**
Consideration comprises			
Cash consideration	**17.4**	**26.0**	**43.4**
Contingent consideration	**–**	**3.9**	**3.9**
Total consideration	**17.4**	**29.9**	**47.3**

1. The fair values of acquired assets and liabilities are provisional.

10 Acquisitions and disposals continued

Income statement items	Total £m
Revenue recognised since the acquisition date in the consolidated income statement	**55.9**
Profit after tax since the acquisition date in the consolidated income statement	**0.9**

If the acquisitions had occurred on 1 January 2019, the Group's approximate revenue and operating profit before exceptional items for the year ended 31 December 2019 would have been £9,469.5m and £376.9m respectively.

	2019 £m	2018 £m
Cash outflow to acquire businesses, net of cash and overdrafts acquired		
Cash consideration	**43.4**	161.2
Less: Cash acquired	**(2.2)**	(8.5)
Net cash outflow	**41.2**	152.7

b. Disposals

	Australia Retail £m	UK Retail £m	Inchcape Fleet Solutions £m	China £m	Total £m
Assets and liabilities disposed of					
Goodwill	**29.0**	**5.1**	**–**	**–**	**34.1**
Intangible assets	**–**	**–**	**0.3**	**0.1**	**0.4**
Property, plant and equipment	**33.2**	**14.8**	**5.1**	**12.9**	**66.0**
Right-of-use assets	**1.5**	**20.7**	**–**	**14.1**	**36.3**
Tax assets	**0.4**	**–**	**0.8**	**1.3**	**2.5**
Inventory	**41.6**	**17.3**	**19.8**	**15.6**	**94.3**
Trade and other receivables	**–**	**–**	**30.6**	**15.4**	**46.0**
Cash and cash equivalents	**–**	**–**	**5.8**	**32.9**	**38.7**
Trade and other payables	**(37.1)**	**(14.9)**	**(43.2)**	**(10.7)**	**(105.9)**
Provisions	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Lease liabilities	**(1.5)**	**(22.2)**	**–**	**(18.1)**	**(41.8)**
Net assets disposed of	**67.1**	**20.8**	**17.2**	**63.5**	**168.6**
Consideration received and receivable	**72.0**	**24.6**	**100.0**	**91.9**	**288.5**
Disposal costs incurred	**(1.4)**	**(3.6)**	**(1.9)**	**(6.9)**	**(13.8)**
Gain on disposal before reclassification of foreign currency translation reserve	**3.5**	**0.2**	**80.9**	**21.5**	**106.1**
Recycling of foreign currency translation reserve	**–**	**–**	**–**	**2.7**	**2.7**
Gain on disposal	**3.5**	**0.2**	**80.9**	**24.2**	**108.8**

Consistent with our focus on optimal deployment of our capital and maximising returns, the Group agreed the sale of a number of underperforming sites within our Australian retail business. Three retail sites in Australia were sold in December 2019 following on from the sale of three further sites completed in June and August 2019.

In the UK, the Group has optimised its portfolio of retail centres in regions where the Group has a less concentrated presence and is less able to leverage costs efficiently. As a result, seven Volkswagen and Audi sites in the UK were sold in July 2019.

On 12 December 2019, the Group sold its three retail sites in China to Yongda Automobiles Services Holdings Limited for total proceeds of £91.9m, out of which £8.1m is deferred for payment over 12 months.

On 31 December 2019, the Inchcape Fleet Solutions business was sold for cash proceeds of £100m to Toyota Fleet Mobility GmbH.

None of these disposals are material enough to be shown as discontinued operations on the face of the consolidated income statement as they do not represent a separate major line of business or geographical area of operations.

c. 2018 acquisitions and disposals

In 2018 the Group acquired the full share capital of Grupo Rudelman, an automotive distribution business in Central America focused on Suzuki, for a total cash consideration of £155.5m. The business was acquired to establish the Group's presence in markets with structural growth potential and to expand the partnership with Suzuki in a strategically important region, adjacent to existing South American operations. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the premium paid to establish the Group's presence in Panama and Costa Rica in order to provide a platform to deliver growth and returns far quicker than would otherwise have been achievable. None of the goodwill is expected to be deductible for tax purposes.

During the year, the Group also entered into a distribution contract with Jaguar Land Rover to distribute the Jaguar and Land Rover brands in Kenya, acquired one Lexus site in the UK and made a completion payment in relation to the acquisition of BMW operations in Estonia. The total cost of these acquisitions was £5.7m with total goodwill arising on the transactions of £1.5m.

The Group also disposed of its Jaguar Land Rover operations in Shaoxing, China, and a dealership in the UK, generating disposal proceeds of £13.4m.

11 Foreign currency translation

The main exchange rates used for translation purposes are as follows:

	Average rates		Year end rates	
	2019	2018	**2019**	2018
Australian dollar	**1.84**	1.79	**1.89**	1.81
Chilean peso	**908.04**	853.58	**996.59**	885.33
Ethiopian birr	**37.39**	36.92	**42.42**	36.06
Euro	**1.14**	1.13	**1.18**	1.11
Hong Kong dollar	**10.01**	10.45	**10.34**	9.99
Russian rouble	**82.96**	83.14	**82.13**	88.48
Singapore dollar	**1.74**	1.80	**1.78**	1.74
US dollar	**1.28**	1.33	**1.33**	1.28

12 Events after the reporting period

The Group has agreed to acquire Daimler's Mercedes-Benz passenger car and private vans distribution operations in Colombia, currently operated by Daimler Colombia S.A.

The Group disposed of two retail sites in the UK in January 2020 and two retail sites in Australia in February 2020.

13 Restatement on initial adoption of IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Provisions for onerous lease contracts have been derecognised and operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities. The principal restatements as a result of the initial adoption of IFRS 16 *Leases* are set out in the following tables. The tables show the adjustments recognised for each individual line item as at 31 December 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

The impacts on the consolidated income statement are:

	Year to 31 Dec 2018 £m	IFRS 16 £m	**Year to 31 Dec 2018 Restated £m**
Net operating expenses	(1,127.0)	0.6	**(1,126.4)**
Operating profit	174.3	0.6	**174.9**
Finance income	19.3	0.8	**20.1**
Finance costs	(61.6)	(20.5)	**(82.1)**
Profit before tax	132.1	(19.1)	**113.0**
Tax	(76.9)	3.3	**(73.6)**
Profit for the year	55.2	(15.8)	**39.4**

13 Restatement on initial adoption of IFRS 16 continued

The impacts on the consolidated statement of financial position are:

	As at 1 Jan 2018 £m	IFRS 16 £m	**As at 1 Jan 2018 Restated £m**	As at 31 Dec 2018 £m	IFRS 16 £m	**As at 31 Dec 2018 Restated £m**
Non-current assets						
Property, plant and equipment	788.4	(0.9)	**787.5**	822.9	(1.2)	**821.7**
Right-of-use assets	–	393.2	**393.2**	–	415.2	**415.2**
Trade and other receivables	59.0	(16.7)	**42.3**	70.9	(18.5)	**52.4**
Deferred tax assets	36.7	3.2	**39.9**	30.8	2.5	**33.3**
Current assets						
Trade and other receivables	465.0	(2.2)	**462.8**	512.8	(0.2)	**512.6**
Total assets	4,878.0	376.6	**5,254.6**	4,736.4	397.8	**5,134.2**
Current liabilities						
Trade and other payables	(2,234.6)	(0.3)	**(2,234.9)**	(2,356.5)	(0.1)	**(2,356.6)**
Provisions	(21.2)	(1.0)	**(22.2)**	(18.5)	(1.8)	**(20.3)**
Lease liabilities	–	(56.4)	**(56.4)**	–	(66.3)	**(66.3)**
Borrowings	(534.5)	1.7	**(532.8)**	(417.1)	0.1	**(417.0)**
Non-current liabilities						
Provisions	(11.5)	0.3	**(11.2)**	(14.5)	0.2	**(14.3)**
Lease liabilities	–	(365.9)	**(365.9)**	–	(394.1)	**(394.1)**
Deferred tax liabilities	(78.6)	4.8	**(73.8)**	(100.7)	8.4	**(92.3)**
Borrowings	(361.9)	1.4	**(360.5)**	(211.7)	1.7	**(210.0)**
Total liabilities	(3,430.1)	(415.4)	**(3,845.5)**	(3,320.6)	(451.9)	**(3,772.5)**
Net assets	1,447.9	(38.8)	**1,409.1**	1,415.8	(54.1)	**1,361.7**
Equity						
Other reserves	(83.5)	(0.1)	**(83.6)**	(76.3)	0.4	**(75.9)**
Retained earnings	1,183.5	(38.5)	**1,145.0**	1,141.3	(54.3)	**1,087.0**
Equity attributable to owners of the parent	1,427.3	(38.6)	**1,388.7**	1,392.3	(53.9)	**1,338.4**
Non-controlling interests	20.6	(0.2)	**20.4**	23.5	(0.2)	**23.3**
Total equity	1,447.9	(38.8)	**1,409.1**	1,415.8	(54.1)	**1,361.7**

The impacts on the consolidated statement of cash flows are:

	Year to 31 Dec 2018 £m	IFRS 16 £m	**Year to 31 Dec 2018 Restated £m**
Cash generated from operations	501.5	80.3	**581.8**
Interest received	17.1	0.8	**17.9**
Interest paid	(44.2)	(19.9)	**(64.1)**
Net cash generated from operating activities	375.7	61.2	**436.9**
Receipt of sub-lease receivables	–	1.0	**1.0**
Net cash used in investing activities	(238.7)	1.0	**(237.7)**
Payment of capital element of finance leases	(1.8)	(62.2)	**(64.0)**
Net cash generated used in financing activities	(99.8)	(62.2)	**(162.0)**
Net increase in cash and cash equivalents	37.2	–	**37.2**

Refer to Note 1 for details of the change in accounting policies arising from the adoption of IFRS 16.

14 Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under International Financial Reporting Standards. These provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, and provide useful information on the underlying trends, performance and position of the Group.

Performance measure	Definition	Why we measure it
Trading profit	Operating profit (before exceptional items) and unallocated central costs. Refer to note 2.	A measure of the contribution of the Group's segmental performance.
Operating profit before Exceptional items	Operating profit before exceptional items. Refer to the consolidated income statement.	A key metric of the Group's underlying business performance.
Operating margin	Operating profit (before exceptional items) divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Profit before tax & exceptional items	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Exceptional items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 3.	The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Free cash flow	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.
Return on capital employed (ROCE)	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.
Net funds / (debt)	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 9.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Net capital expenditure	Cash outflows from the purchase of property, plant, equipment and intangible assets less the proceeds from the disposal of property, plant, equipment and intangible assets.	A measure of the net amount invested in operational facilities in the period.
Constant currency	Presentation of reported results translated using constant rates of exchange.	A measure of underlying business performance which excludes the impact of changes in exchange rates used for translation.

MANAGING OUR RISKS IN A PROFESSIONAL AND CONSISTENT WAY ALLOWS US TO OPERATE WITH 'PEACE OF MIND'.

Inchcape Peace of Mind (iPOM) is our Group-wide risk management and governance framework which focuses on empowering each and every one of our colleagues to consider the risks associated with the decisions they take.

As a Group, we continue to experience an ever-changing, dynamic risk environment where economic, political, environmental, social, legal and technological changes present a complex risk landscape which threatens our ability to achieve our strategic objectives. However, we believe that our diversity of brand portfolio and geographic spread, combined with our strong balance sheet, cost control and risk-aware decision-making processes, make us resilient to all but the most significant and persistent risks.

Principal risks

The principal risks to achievement of our strategy are:

Key risks

- Loss of one or more distribution contracts, which individually, or together, account for a material part of the Group's revenue or profits.
- Significant retrenchment of credit available to customers, and/or our independent dealers leads to a reduction in demand for new vehicles.
- Material damage to OEM brand or product reputation, or a major interruption to OEM operations or product supply, negatively impacts vehicle sales.
- Major loss or misappropriation of confidential or sensitive data results in financial penalty and/or reputational damage.
- Failure to achieve sufficient return on investment through our acquisition strategy leads to higher leverage, reduced EPS and/or deterioration of our relationship with our brand partners.
- Growth in new mobility solutions leads to reduction in personal vehicle ownership and reduces overall UIO through greater vehicle utilisation.
- Increased digitisation of the customer relationship threatens our position in the value chain as new entrants, OEMs and/or existing competitors provide alternative, digitally based, routes to market.
- Fluctuations in exchange rates with negative impact on financial performance.
- Major systems failure or other service interruption impacts our ability to service customers and/or operational efficiency.
- Failure to safeguard our customers and employees by not consistently applying EH&S standards across the Group.
- Fraud or error of sufficient scale to materially affect financial performance or reputation.
- Major cyber incident leads to fraud, business interruption or compromise of data.
- Political and social instability leads to economic uncertainty, market interruption and/or threat to safety.
- Changes in legislation, or the way that legislation is applied, directly affect customer demand for certain vehicle types or our ability to generate income from after sales.
- Failure to comply with laws and regulations leads to material financial penalty or reputational damage.
- Failure to attract, retain and develop our people leading to knowledge drain and operational inefficiency.
- Failure to optimise our existing portfolio leads to impact on profitability and inefficient capital allocation.
- Increasing electrification of the drive train reduces demand for our OEM partners product leading to a reduction in revenue.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of 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.

The Directors are also responsible for safeguarding the assets of 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Inchcape plc Annual Report and Accounts confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating and Financial Review in this announcement 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.