Inchcape

Annual Report and Accounts 2009

Industry leader

Uniquely positioned worldwide...

Uniquely positioned industry leader, worldwide

Inchcape is a leading independent global automotive distributor and retailer which owes its unique position to four key factors:

- A resilient business model
- A relentless commitment to superior customer service
- A decentralised and empowered organisation
- Significant growth opportunities for the future

Inchcape is a leader in 14 of the 26 developed and emerging markets where it operates.

Contents

Key

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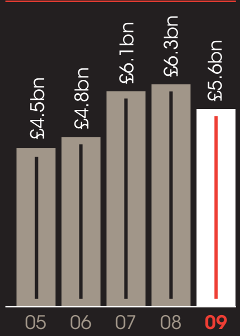
Financial highlights

Inchcape has delivered a resilient financial performance generating record cash flow in 2009 despite the economic downturn.

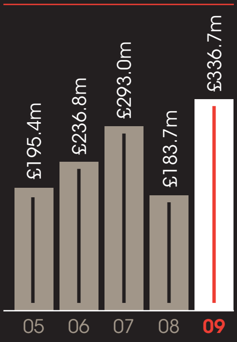
Sales

£5.6bn
-10.8%



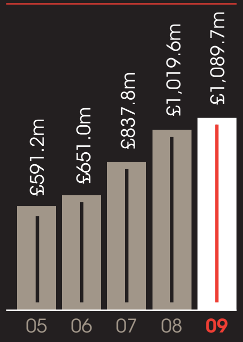
Cash generated from operations

£336.7m
+83.3%



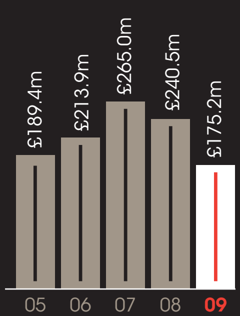
Net assets

£1,089.7m
+6.9%



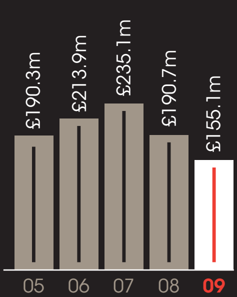
Operating profit
before exceptional items

£175.2m
-27.2%



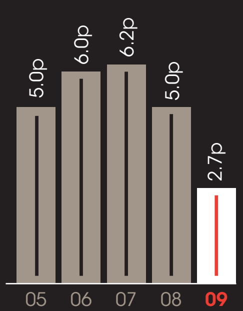
Profit before tax
before exceptional items

£155.1m
-18.7%



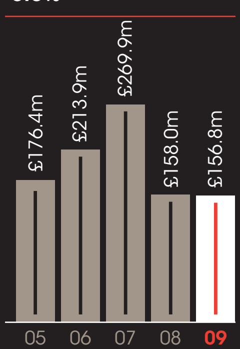
Adjusted earnings per share*
before exceptional items

2.7p
-46.0%



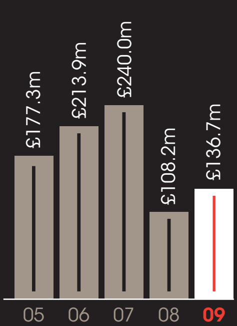
Operating profit

£156.8m
-0.8%



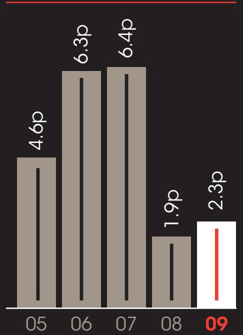
Profit before tax

£136.7m
+26.3%



Earnings per share*

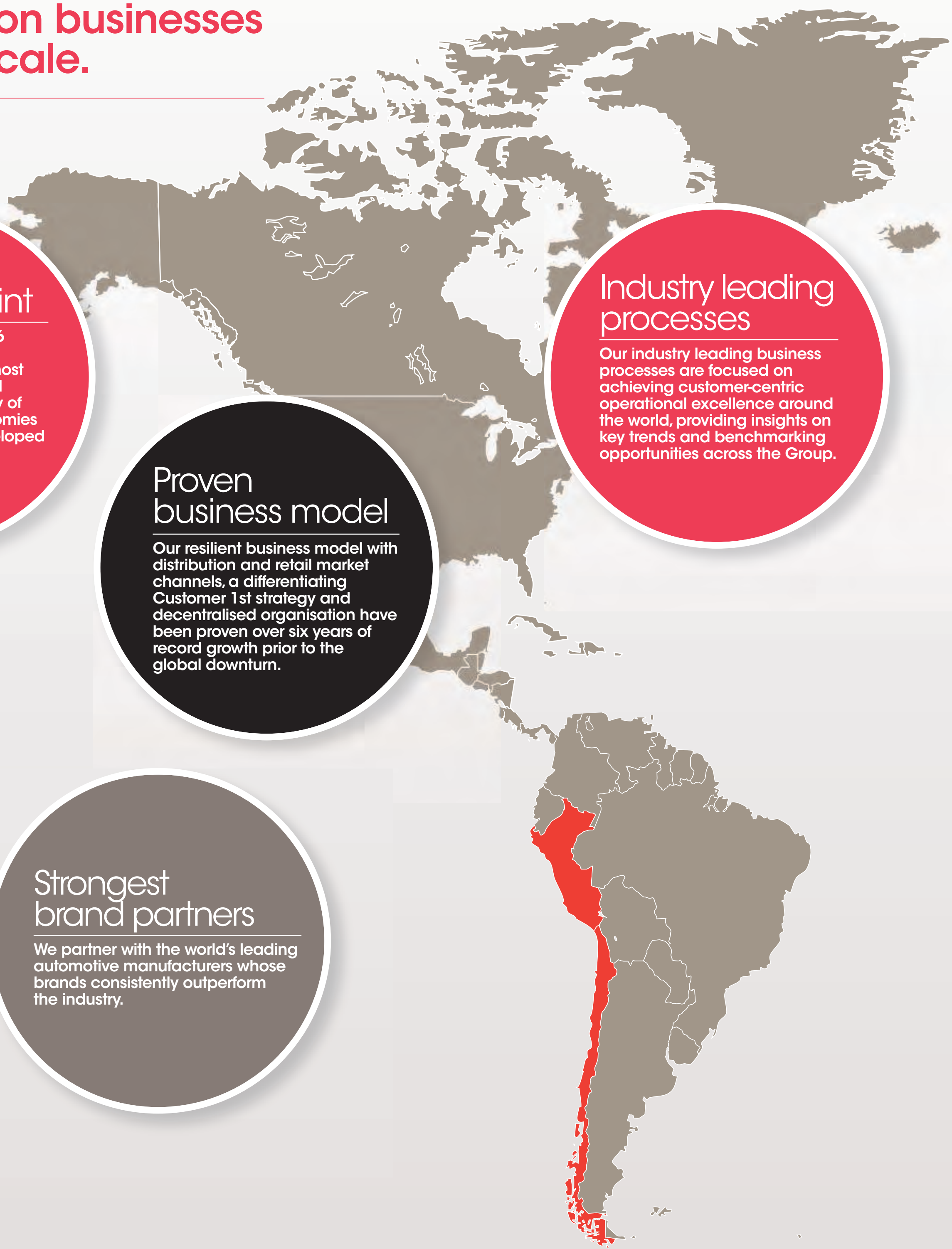
2.3p
+21.1%



* Restated to reflect the bonus element of the Rights Issue

Uniquely positioned worldwide
to take advantage of the global recovery

Inchcape operates retail and distribution businesses on a global scale.



Global footprint

With a scale presence in 26 markets and a leadership position in 14, we are the most international FTSE 350 listed retailer*, operating in many of the world's strongest economies with exposure to both developed and emerging markets.

Proven business model

Our resilient business model with distribution and retail market channels, a differentiating Customer 1st strategy and decentralised organisation have been proven over six years of record growth prior to the global downturn.

Industry leading processes

Our industry leading business processes are focused on achieving customer-centric operational excellence around the world, providing insights on key trends and benchmarking opportunities across the Group.

Strongest brand partners

We partner with the world's leading automotive manufacturers whose brands consistently outperform the industry.

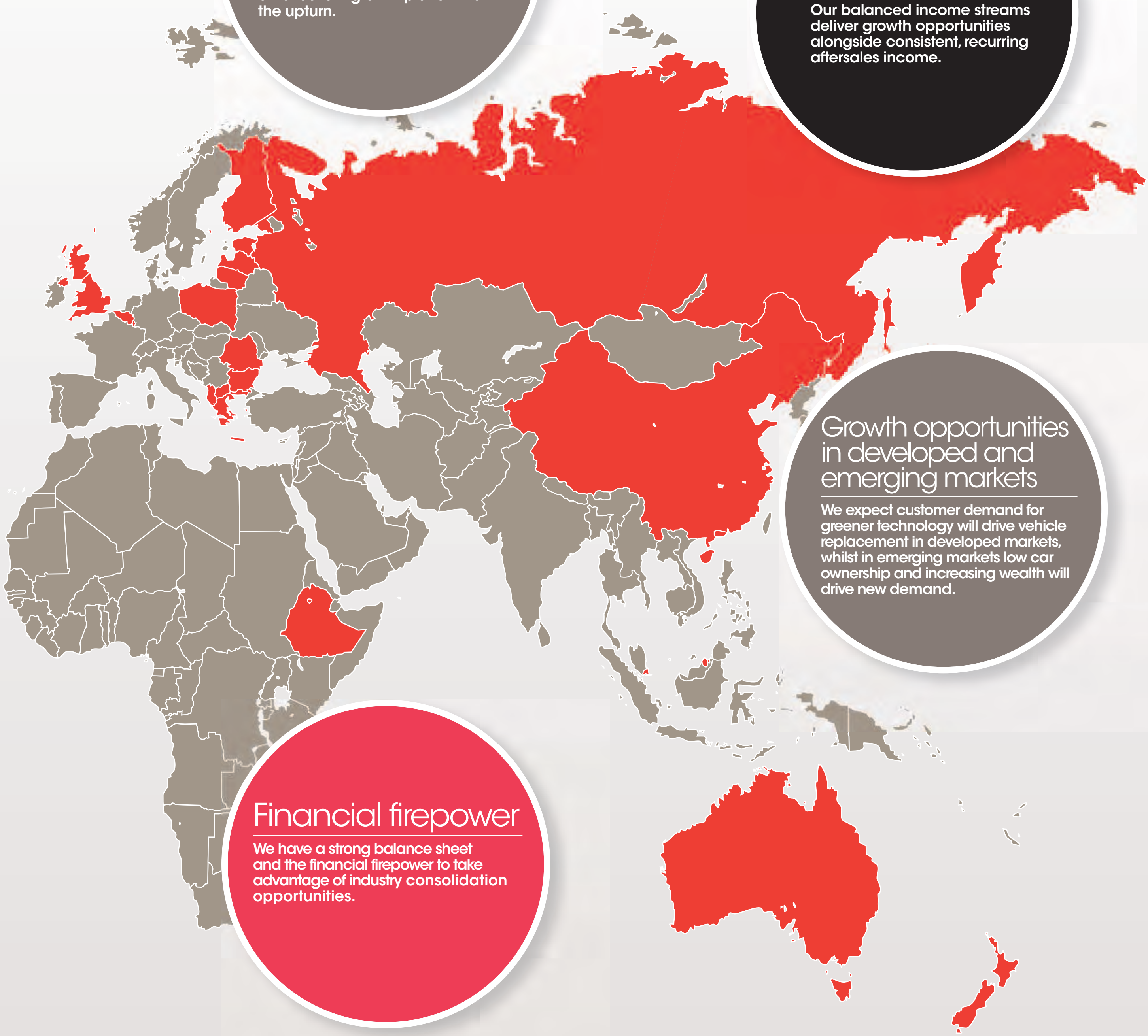
* Between 2003 and 2008 (calendarised), Inchcape has been the most international UK FTSE 350 listed general retailer, based on the percentage of operating profit outside of the UK

Strengthened competitive position

Inchcape's competitive position has grown even stronger during the economic downturn, giving us an excellent growth platform for the upturn.

Diversified revenue streams

Our balanced income streams deliver growth opportunities alongside consistent, recurring aftersales income.



Growth opportunities in developed and emerging markets

We expect customer demand for greener technology will drive vehicle replacement in developed markets, whilst in emerging markets low car ownership and increasing wealth will drive new demand.

Financial firepower

We have a strong balance sheet and the financial firepower to take advantage of industry consolidation opportunities.

Our business
at a glance

We partner with the world's leading automotive brands in 26 developed and emerging markets, generating revenue from four value drivers...

- Vehicle sales
- Finance and insurance products
- Servicing
- Parts

...through distribution, retail and vertically integrated retail (VIR) market channels.

Australasia

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

Brand partners

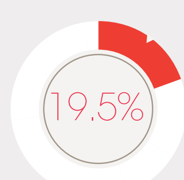
Market channels

Financial highlights

Sales
£762.8m ↗6.0%
2008: £719.3m

Trading profit
£37.9m ↘10.2%
2008: £42.2m

Contribution to Group profit



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Europe

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

Brand partners

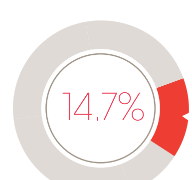
Market channels

Financial highlights

Sales
£1,006.1m ↘18.2%
2008: £1,229.2m

Trading profit
£28.6m ↘29.6%
2008: £40.6m

Contribution to Group profit



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Key

- Distribution
- Retail
- Vertically integrated retail (VIR)

Trading profit: Defined as operating profit excluding the impact of exceptional items and unallocated central costs

North Asia

Inchcape operates a multi brand vertically integrated retail model in Hong Kong, Macau, Guam and Saipan.

Brand partners

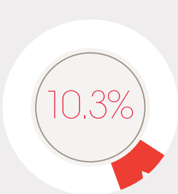
Market channel

Financial highlights

Sales
£312.2m ↓17.5%
2008: £378.5m

Trading profit
£19.9m ↓48.6%
2008: £38.7m

Contribution to Group profit



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South Asia

Inchcape operates a multi brand vertically integrated retail model in Singapore and Brunei.

Brand partners

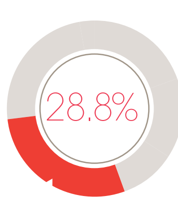
Market channel

Financial highlights

Sales
£548.2m ↑2.3%
2008: £536.0m

Trading profit
£55.9m ↓11.3%
2008: £63.0m

Contribution to Group profit



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United Kingdom

Inchcape operates a scale retail business with premium and premium-volume brand partners in key regions.

Brand partners

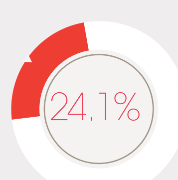
Market channels

Financial highlights

Sales
£2,085.7m ↓10.9%
2008: £2,340.1m

Trading profit
£46.7m ↑102.2%
2008: £23.1m

Contribution to Group profit



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Russia and Emerging Markets

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

Brand partners

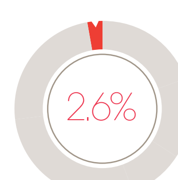
Market channels

Financial highlights

Sales
£868.7m ↓17.8%
2008: £1,056.7m

Trading profit
£5.0m ↓88.2%
2008: £42.5m

Contribution to Group profit



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Chairman's statement

Inchcape has responded swiftly and decisively to an unprecedented global downturn. The Group's focus continues to be on customer service and we have gained share in most of our markets, while cutting costs and reducing inventory. We are well positioned for the future.

Ken Hanna
Chairman

This is my first year as Chairman of Inchcape plc and despite challenging trading conditions in most of our markets around the world I am pleased to report results for 2009 above our expectations with particularly impressive cash generation. This has demonstrated the resilience of Inchcape's business model, the success of our self-help measures and an outstanding level of leadership and commitment from our employees.

Automotive industry

At the start of 2009, the global automotive industry faced a rapid and unprecedented downturn driven by falling consumer confidence and lack of credit availability. However, with the gradual thawing of global credit markets and falling interest rates, assisted by government incentive schemes in several markets, 2009 global car sales outperformed most expectations. Globally, the industry sold just over 63m vehicles in 2009, a 3.9% decline from 2008 and a 5.1% decline from 2007*.

Of particular note, China became the world's largest car market in 2009, surpassing the USA. Car sales in China surged some 50% to 12.9m* vehicles in 2009, driven by government incentives on fuel efficient vehicles and increasing demand for car ownership.

Strategy

We have remained true to our differentiating Customer 1st strategy which has enabled us to both strengthen our market position and to further cement our relationships with our manufacturer brand partners. At the same time, management has remained focused on five self-help measures: growing market share; growing aftersales; reducing costs; managing working capital; and selective capital expenditure investment. These measures have generated a strong cash performance with a cost base and levels of working capital that are well below those at the end of 2008.

Performance

As a result of the unprecedented decline in the global car markets, Group sales have decreased by 10.8% to £5.6bn for the full year to 31 December 2009. On a like for like, constant currency basis, sales fell by 14.6%.

We began our swift response to changing market conditions in the fourth quarter of 2008 when we implemented a number of restructuring measures to reduce our cost base. During the last quarter of 2008 and early 2009 we closed 31 less profitable sites and reduced our workforce by 2,350 people. These actions generated annualised cost savings of approximately £70m.

Profit before tax and exceptional items of £155.1m was 18.7% lower than 2008 and adjusted earnings per share fell 46% to 2.7p (adjusted for the bonus element of the Rights Issue). On a statutory basis, profit before tax was £136.7m, 26.3% above 2008. Cash generated from operations during the year was £336.7m which is the highest

* Source: Global Insight

level generated by the Group since 2000 and represents a 215% conversion of operating profit.

Debt reduction

The Group has historically maintained an appropriate level of borrowings based on a prudent balance sheet strategy. Given the precipitous decline in economic conditions seen at the end of 2008 and the challenging trading environment forecast for 2009, the Board announced an equity raise via a Rights Issue in March 2009 which was completed in April 2009. This enabled us to reduce our debt and strengthen the capital structure of the Group. I would like to thank our shareholders for their support.

The net proceeds of £234.3m raised by this Rights Issue together with the actions we took to restructure our cost base and reduce working capital, together with the benefits of our geographic spread and diversified revenue streams, enabled us to be in a net cash position at year end.

Acquisition and disposals

During 2009 we made an earn out payment of US$35m and a further US$5m will be paid in 2010 in relation to the acquisition of the 75.1% interest in the Musa Motors group, one of Russia's largest car retailers. Whilst the Russian car market has been challenging in 2009 and we expect this environment to continue in 2010, we are confident that due to our scale position and the low levels of car ownership, our investment in Russia has placed us in a strong position to benefit when the market rebounds.

Capital expenditure

Whilst in 2009 we reduced our discretionary capital expenditure in agreement with our brand partners, we have continued to make strategic investments, opening nine greenfield sites across the world.

Board

After 15 years with the Group, Peter Johnson retired as Non-Executive Chairman and I was delighted to be appointed to the role with effect from 14 May 2009. I would like to thank Peter for his years of service and I feel privileged to be working with so many talented colleagues both on the Board and throughout the business.

There have been a number of other changes to the Board. On 14 May 2009 Graham Pimlott was appointed as Chairman of the Audit Committee, with Raymond Ch'ien and Karen Guerra both retiring as Non-Executive Directors.

Following three years with the Group and the successful completion of the Rights Issue, Barbara Richmond, Group Finance Director, left the Group at the end of June. John McConnell was appointed to the position with effect from 1 October 2009 and joined the Board as an Executive Director. John was formerly CEO Inchcape Australasia, before that CFO and has 10 years' experience with the Group.

Also, we were pleased to announce the appointment of two new Non-Executive Directors with effect from 1 July 2009: Alison Cooper, who is currently Chief Operating Officer, Chief Executive Designate and board member of Imperial Tobacco Group plc, joined the Board and has also become a member of the Audit Committee; Nigel Northridge, currently Chairman of Paddy Power plc, Senior Independent Director of Aggreko plc and Chairman of Debenhams plc, joined the Board and has also become a member of the Remuneration and Audit Committees.

Dividend

In line with our disclosure in last year's Annual Report and Accounts and in the Prospectus published at the time of the Rights Issue, the Board is not recommending the payment of an ordinary dividend for the year in light of the challenging trading conditions.

Whilst no decision has been made as yet concerning a dividend in 2010, we intend to return to our stated aim of maintaining a progressive dividend policy as soon as trading conditions allow.

Share consolidation

The Board intends to propose a 1 for 10 consolidation of Inchcape plc ordinary shares. The purpose of the share consolidation is to reduce the total number of shares now in issue following the Rights Issue undertaken in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market. The share consolidation is subject to approval by shareholders at the Annual General Meeting to be held on 13 May 2010. Following the share consolidation there is expected to be approximately 460m Inchcape ordinary shares in issue, reduced from approximately 4.6bn at present.

Approach to governance and corporate responsibility

We continue to focus on the importance of good governance and apply the Combined Code and other relevant guidance for listed companies in our global operations. Integrating socially responsible behaviour into every aspect of how we operate and define ourselves remains high on our agenda. In 2009 we have built on the foundations of a global approach to corporate responsibility that is making responsible economic, environmental and social behaviour intrinsic to the way we work.

People

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their commitment and support throughout the extremely challenging trading conditions in 2009.

Outlook

Inchcape is uniquely positioned in the global car industry and in 2009 the Group has continued to outperform its competitors. Whilst we expect market conditions in 2010 to remain challenging, the Group is well placed to benefit from the market recovery and to take advantage of industry consolidation opportunities in the medium term.

Ken Hanna
Chairman

Official opening of Lexus Shanghai, China

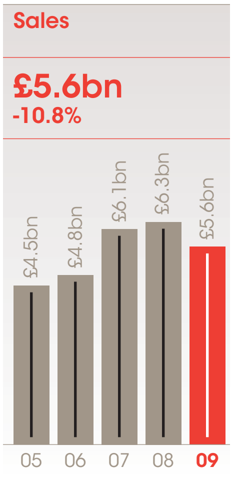
In 2009, we opened nine sites in strategic locations around the world. Our third retail centre in China, Lexus Shanghai, is in one of the most dynamic, flourishing cities in the world. The centre is over 19,000m^2 with an impressive array of customer areas and services.

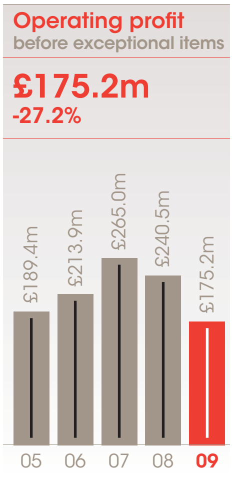
Business review

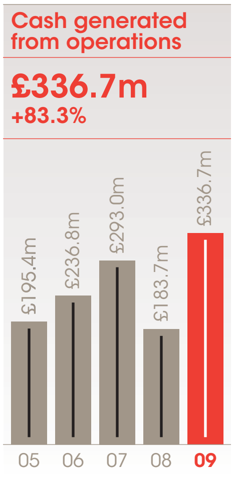
Group Chief Executive's strategic review

Inchcape is uniquely positioned worldwide. We are a leading independent international automotive distributor and retailer who has delivered a record cash performance in the downturn by creating great value from great brands. We are strongly positioned for the global recovery.

André Lacroix
Group Chief Executive







Inchcape is a leading independent, international automotive distributor and retailer, with scale operations in Australia, Belgium, Greece, Hong Kong, Russia, Singapore and the UK as well as operations in 19 other markets. We represent some of the world's leading automotive brands with whom we have long-standing relationships.

The Inchcape management team has reacted decisively to the unprecedented global slowdown in car sales witnessed in the latter part of 2008 and in early 2009 by focusing on five key operational priorities: to build market share; to grow our aftersales business; to reduce our costs; to manage our working capital by controlling inventory; and to limit capital expenditure to committed strategic investments.

These actions, together with our decision to strengthen our capital structure and reduce debt through a Rights Issue completed in April 2009 with the support of our shareholders, has meant the Group has ended 2009 in a significantly stronger position than we entered it.

Inchcape is in a net cash position, has gained share in many of its key markets, has enjoyed a resilient aftersales performance (approximately 50% of Group gross margin) and has significantly reduced the cost of doing business. Our operating cash flow was the highest achieved since 2000 and was almost twice our operating profit (before exceptional items) as we reduced our stock. Further, we have strengthened our balance sheet which will enable the Group to trade effectively, invest in working capital and to take advantage of the upturn. During the Company's 160 plus year history, Inchcape has invariably emerged from a time of crisis stronger and more resilient.

Although we expect a continuation of difficult trading conditions in many of our markets until well into the second half of 2010, I am confident that we are uniquely positioned as the global industry leader to grasp the opportunities of recovery when they emerge.

In that context, I would like to emphasise why we believe that the medium to long term outlook for Inchcape is very exciting.

Uniquely positioned
Focused strategy

Vision
To be the world's most customer centric automotive retail group

Core Purpose
To create the ultimate customer experience for our brand partners

Strategy
Strengthen
Customer-focused operational excellence in every site

Strategy
Expand
Consolidation in high margin/high growth areas

Key strengths

1 Resilient business model
Our broad geographic spread, scale and diversified activities give us balanced expansive and defensive capabilities, so we can grasp growth opportunities by selling more vehicles, finance and insurance products and draw upon consistent streams of revenue from vehicle servicing and the sale of parts.

More on pages 12-13

2 Unique approach
Our unwavering Customer 1st focus driven by our unique Inchcape Advantage programme succeeds in creating the greatest possible value from the world's leading automotive brands in every market where we operate, constantly strengthening our relationships with our brand partners and our customers.

More on pages 14-15

3 Decentralised and empowered organisation
Our empowered local management teams have a deep understanding of regional trends and customer preferences. The speed and decisiveness with which they responded to the onset of recession through a focus on our five key priorities enabled us to manage the impact of the downturn and emerge from 2009 with improved customer service, a lower cost base and in a net cash position.

More on pages 16-17

4 Uniquely positioned for the future
With our unique business model, long standing brand partner relationships, diverse geographic spread, financial strength, scale operations and engaged people, we believe Inchcape is in a unique position to continue to outperform our competitors and to benefit from the global market recovery.

More on pages 18-19

Group Chief Executive's strategic review continued

Resilient business model

We operate scale retail and distribution businesses in 26 markets across the world and are a leader in 14 of these. Our core brand partners, with whom we have long-standing relationships, have a history of outperforming the market. Inchcape's global scale of operation is unique in our industry.

Our business model is further strengthened by the Group's broad geographic spread, which embraces developed markets (like Australia, the UK and other western European countries together with powerful Asian centres like Hong Kong and Singapore), and emerging markets (such as Russia, China and other central and eastern European states) and is unequalled. Our diversity has spread risk, as decline in some markets has been balanced by strength in others. It also gives us a vital presence in those emerging markets where sales potential is highest and which, in the fullness of time, we believe will deliver the best returns thanks to our efficient retail footprint.

We also match the demands and opportunities in each territory with the appropriate channel strategy.

In small to medium sized markets, we predominantly operate as country distributors, where we become the custodian of brands like Toyota, Lexus and Subaru to manage every step of the journey between the factory and the end customer. This demands our deep involvement with our brand partners, as well as developing local brand, marketing and sales strategies, finance products, aftersales servicing, parts and accessories, plus managing sales via a mix of Inchcape-owned retail centres and third-party independent dealerships.

In larger markets like the UK and Russia, manufacturers use their own national sales companies to distribute and appoint independent dealers. In these markets, we operate a retail service that is increasingly focused on bigger, better sites that deliver an enhanced customer experience and provide scale volume for our sales and aftersales activities, including servicing, parts and accessories.

In the city state markets of Hong Kong and Singapore and a number of central European states, we operate a 'vertically integrated retail' (VIR) model where we are both the distributor and the exclusive retailer, enabling us to deliver heightened efficiencies and strong margins through our management of the entire value chain.

Inchcape has a mix of growth and defensive value drivers, which gives the Group a diversity of revenue streams. Our growth drivers are new and used vehicle sales together with associated finance and insurance products, which are particularly important to facilitate the sales process. Defensive drivers are our resilient parts and aftersales servicing businesses, which in 2009 represented approximately 50% of our Group gross margin.

We are in close partnership with many of the best known and most respected automotive brands in the world. These are strong, innovative brands that outperform and lead the market based on years of investment, to create deep customer relationships through constant technological advance and continuous improvement.

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Resilient business model

Our business model enables growth, spreads risk, and delivers resilience. It is fundamental to our position as a global leader.

The Inchcape business model

Our defensive drivers become increasingly important in times of economic difficulty

Defensive drivers

- Growth and defensive value drivers
- Diversified multi-channel business model

- Broad geographic spread
- Strong brand partnerships

Growth drivers

Our growth drivers give us opportunities to drive our business forward

Growth and defensive value drivers

Vehicle sales
As fewer, better retail centres drive efficiencies, our scale operations present the best performing manufacturer brands with superior operating and customer facing processes.

Finance and insurance products
While credit has been harder for customers to arrange during the downturn, our ability to organise finance has supported sales, reassured customers and provided income.

Service
Strong customer relationships, a high level of customer service, trained technicians and hi-tech resources give us a source of competitive advantage.

Parts
Ensuring customers have immediate access to genuine spare parts from our manufacturer brand partners both strengthens relationships along the value chain and provides a resilient source of revenue.

Strong brand partners

We are proud of our portfolio of winning brands which outperform and lead the market. Our long-standing relationships with the world's leading manufacturers have created strong partnerships at both a national and international level.

Broad geographic spread

We have scale positions across 26 developed and emerging markets. We benefit from a decentralised organisational model which enables us to stay close to changes in the marketplace and react quickly to flex our operational focus.

Multi channel business

Distribution
In markets where Inchcape is the distributor, we effectively become the custodian of the manufacturer's brands, handling every aspect of their operation as the national sales and marketing company.

Retail
As a retailer, Inchcape's strategy is to have scale operations on a regional basis with premium brands and to leverage the benefits of diversified income streams.

Vertically integrated retail (VIR)
In city state markets, where we are both the exclusive distributor and the exclusive retailer, we deliver a seamless brand experience and drive superior returns, leveraging our scale position with leading market shares.

Group Chief Executive's strategic review continued

Unique approach: Inchcape Advantage is our competitive advantage

To extract the greatest value from this unique global infrastructure, we have a clear and simple vision, to be 'the world's most customer-centric automotive retail group'.

Our industry is generally not known for the quality of its customer service and our approach is based on a simple insight: if we look after people and their cars better than the competition, customers are more likely to choose us; and if we perform demonstrably better for our brand partners than our competitors, manufacturers are more likely to expand their global business with us.

By successfully continuing to implement our strategy for improved customer service, based on our unique Inchcape Advantage programme, we increased market share in many of our markets in 2009, despite tough decision-making that led to the closure of underperforming sites and a reduction in headcount.

Through Inchcape Advantage, customer service is truly at the heart of the business, from the top of the company to the sales floor and service workshop. It is intrinsic to the way that every Inchcape person works, ensuring that providing superior service is present and evident at every stage of the customer journey.

As a result, we believe we are the most advanced company in our industry in implementing cutting edge retail techniques and technologies. Among other initiatives we manage a continuous mystery shopper programme to maintain the highest standards of in-centre service; we interview around 12,000 customers every month to identify precisely what we do well and what we should do better; and we constantly track a wide range of customer metrics – from footfall and test drives to leads and conversion rates.

Our global online portal (winner of a Microsoft Innovation Award) is used to interrogate this data, enabling local performance management and the sharing of information across the Group to learn on a daily basis from the experience of our businesses across the world. These leading indicators and a real time view of our customers provide us with valuable insights into changing consumer preferences and behaviours, effectively accelerating our response and enabling us to grasp new opportunities as they emerge.

These proprietary retail processes are truly unique in the automotive sector. They are a vital point of differentiation across our business and the foundation stone of the operational excellence that gives us a key advantage as we expand into emerging markets.

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2

Unique approach

Through our superior customer processes, we deliver the ultimate customer experience and create maximum value for our brand partners across the world.

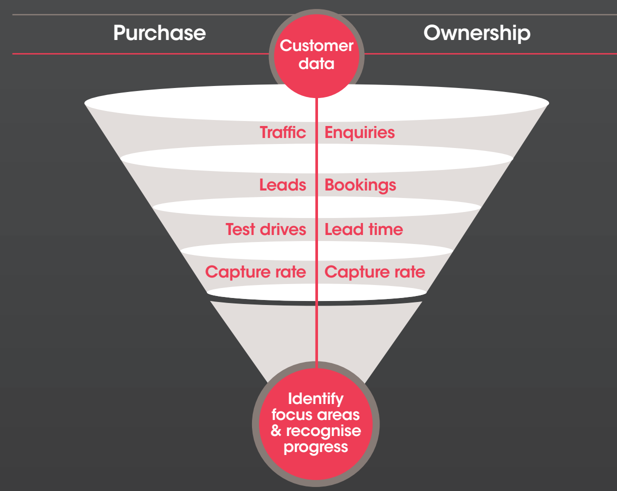
The Inchcape Advantage

Inchcape Advantage is a systematic, Group wide continuous improvement programme that is at the heart of our strategic commitment to strengthening our business through customer-centric operational excellence.

The outstanding quality of service it drives is proven to set us apart from our competitors, building tangible customer loyalty that makes potential buyers more likely to deal with us than with anybody else.

In an industry not renowned for putting the customer first, Inchcape Advantage is our competitive advantage.

The customer funnel



Service excellence

Group wide Customer 1st processes, staff training and retail systems drive quality.

Inchcape Advantage portal

Portal allows rigorous daily performance management, recording data from all retail centres to identify areas for focus and the sharing of best practice.

Customer management

Targeted retention programmes help us to take care of our customers as well as their cars.

Mystery shopper

Our global mystery shopper programme helps drive service improvement in every retail centre.

Net Promoter Score (NPS) customer feedback programme

We interview around 12,000 buyers and non-buyers each month across both sales and aftersales to measure satisfaction and provide customer insight to drive performance.

Innovation sharing

Leveraging the benefits of the Inchcape Advantage portal to quickly share innovation.

Superior customer service

We are convinced that the real differentiator is, increasingly, the customer experience. Superior customer service is a sustainable competitive advantage for us through our metrics and proprietary Inchcape Advantage processes, delivered consistently through all of our retail centres across the globe.

Customer
Our Journey

We interview over 140,000 customers per year

Group Chief Executive's strategic review continued

Decentralised and empowered organisation

I believe that this unique position also extends to the quality of our global and regional management teams, on whose personal judgement and freedom to make decisions so much depends.

It is our people across the world who have enabled us to deliver a performance in 2009 that was ahead of our own expectations and which improved as the year progressed. Revenues declined year on year but due to our committed operational focus, we ended 2009 with a robust gross margin performance, strong cash flows, improved customer service globally and increased market share in many territories across the world.

This performance was due, in no small part, to the tight management of our five key priorities – growing market share, growing aftersales, reducing costs, managing working capital, and selective capital expenditure investment – augmented by the in depth personal knowledge that our local management teams have of their markets. Our decentralised structure enables management to act swiftly with relevant, local, innovative propositions to meet the particular needs and preferences of their customer base, ensuring that a localised customer focus builds on our global strategy.

High quality people are vital to ensure that the business model works, and I would like to thank all our employees for playing a fundamental role in delivering a record operating cash flow in 2009.

3

Decentralised and empowered organisation

The unprecendented economic crisis brought out the best in our organisation, achieving success through a balanced approach to cost and cash initiatives as well as superior customer service and strong market share performance.

Five Key Priorities

Global experience

The decline in new car sales that we saw begin in late 2008 was unprecedented. We immediately narrowed our management focus across the world to five key priorities.

The speed and decisiveness with which we responded was the result of the many years collective industry experience and a deep personal understanding shared by our local managers of what really matters in their markets.

As a result of actions taken at the end of 2008 and during 2009, we ended the year in a far stronger competitive and financial position than we entered it.

Inchcape Group Executive Committee

Outperforming the downturn – our Five Key Priorities

1 Growing market share

We have succeeded in improving customer service in all of our operations and gaining share in most of our key markets.

Market leader

Number 1
in 14 markets

2 Growing aftersales

Despite the downturn, our aftersales business has remained resilient thanks to the quality of our customer service, effective marketing campaigns and our approach to customer retention.

Share of gross margin

c.50%
Group gross margin

3 Reducing costs

We reduced like for like costs by c.£70m at constant currency during 2009, having taken the difficult decision to close 31 less profitable sites and reduce our workforce by 2,350 people.

Annualised benefit

c.£70m
Like for like

4 Managing working capital

In reducing our inventory by 28.7% in comparison with the end of 2008, we were able to destock faster than we expected and release cash from working capital.

Inventory reduction

-28.7%
Year on year

5 Controlling capital expenditure

Our investment activities have been selective and have focused on the opening of nine new strategic greenfield sites in key markets to reach large and valuable customer clusters.

Capital expenditure

-57.5%
Year on year

Group Chief Executive's strategic review continued

Uniquely positioned for the future

I believe that the future for Inchcape, its employees, brand partners and shareholders is very exciting.

While we remain cautious about the timing of the market recovery, we certainly believe that no competitor is better placed than Inchcape, both to weather any continuing impact of the downturn and to grasp the opportunities that recovery will bring. We consider Inchcape to be uniquely positioned worldwide to take advantage of the global upturn for a number of reasons.

We are one of the most international of FTSE 350 listed retailers, having delivered 83% of trading profit outside of the UK in the last six years. Our diversified geographic portfolio has scale businesses in 26 developed and emerging markets and we are a leader in 14 of these.

Our resilient business model, with distribution and retail channels, differentiating Customer 1st strategy and empowered management has a proven track record.

Our portfolio of the world's strongest automotive brands consistently outperforms the industry.

Our balance of revenue streams provides us with both growth opportunities and recurring aftermarket income.

Our leading, customer-centric operational processes introduced with our Inchcape Advantage programme, have improved our competitive position globally.

Our competitive position has grown stronger over the last year, both in terms of customer service and market share, providing us with an excellent growth platform for the future.

We expect customer demand for greener technology to drive vehicle replacement in developed markets and we are partnered with manufacturers committed to investing in the newest technology and greener vehicles. In the emerging markets, where we have scale operations and the car ownership levels are relatively low, the increase in wealth will grow demand.

We believe consolidation of a fragmented market to be inevitable. Inchcape will benefit from increased market share and the desire of manufacturers to seek new retail or distribution partners with the strongest companies. We have the financial firepower to invest in the best strategic opportunities to give us and our brand partners access to markets with strong future wealth and growth potential.

We outperformed the market in 2009. I believe that we will continue to outperform our competitors in 2010 and that Inchcape is uniquely positioned worldwide to benefit from the global market recovery in 2011 and beyond.

André Lacroix
Group Chief Executive

4

Uniquely positioned for the future

We are well placed to take advantage of the economic upturn.

Our unique business model, long-standing brand partner relationships, diverse geographic presence, financial strength, scale operations, decentralised and empowered organisation are our key strategic assets.

Superior customer service driving growth in sales and aftersales

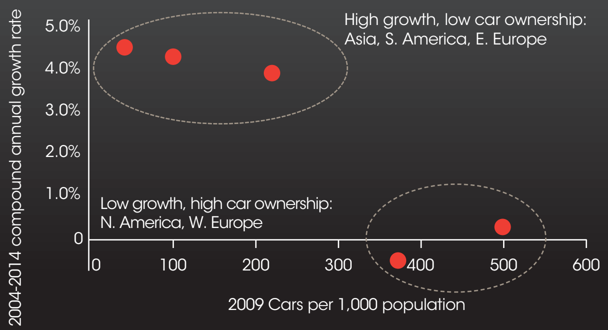
Inchcape Advantage processes deliver consistent, superior customer experience to drive growth in vehicle sales and aftersales.

Growth opportunities in mature markets

Increase in demand for greener / low cost of usage vehicles will accelerate the replacement cycle in mature markets.

Growth opportunities in emerging markets*

Wealth increase and low levels of car ownership will grow demand in emerging markets



*Source Global Insight

Financial firepower to take advantage of consolidation

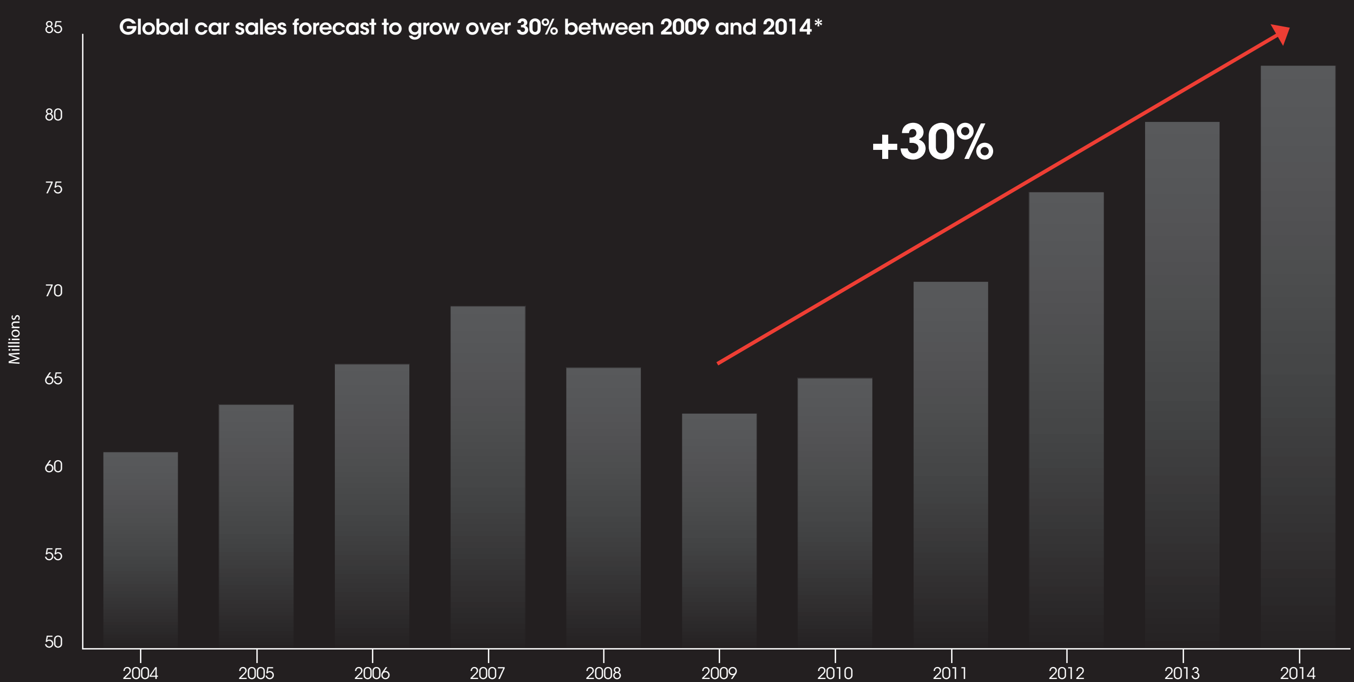
Inchcape is in a unique position as a well financed global operator with a strong track record to take advantage of scale expansion opportunities at the right time in the right markets.

Committed facilities

£980m*

*At swap foreign exchange rates

Forecast global sales



*Source Global Insight

Key Performance Indicators (KPIs)

These KPIs are how we measure the success of our business

Key performance indicators

The Inchcape plc Board of Directors and the Group Executive Committee monitor the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Performance is assessed against the strategy, budgets and forecasts.

We also measure the quality of revenues through the mix of revenue streams, and the flow through of value from sales revenue to trading profit.

Sales

Definition

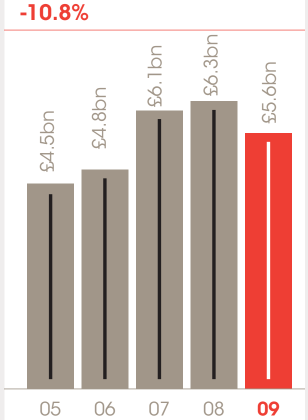
Defined as the consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts and excludes sales related taxes.

Achievements in 2009

Thanks to the growth in our market share, our sales decline was limited to 10.8% despite the severity of the global economic downturn.

Sales

£5.6bn
-10.8%



Trading profit

Definition

Defined as operating profit excluding the impact of exceptional items and unallocated central costs.

Achievements in 2009

Trading profit declined by 22.4% in 2009 driven by the significant market declines across the Group's regions.

Trading profit

Australasia	**19.5%**
Europe	**14.7%**
North Asia	**10.3%**
South Asia	**28.8%**
UK	**24.1%**
Russia and Emerging Markets	**2.6%**

Trading margin

Definition

Calculated by dividing trading profit by sales.

Achievements in 2009

Resilient trading margin of 3.5% achieved in challenging trading conditions, offset by significant cost savings.

Trading margin

Like for like sales and trading profit

Definition

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

Achievements in 2009

Like for like sales and trading profit declined as anticipated in 2009 due to the significant fall in the majority of our markets.

Like for like sales and trading profit

Like for like sales
£5.2bn
↘14.6%

Like for like trading profit
£194.8m
↘29.0%

Profit before tax and exceptional items

Definition

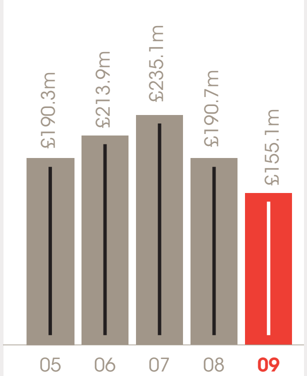
Represents the profit made after operating and interest expense but before tax is charged excluding the impact of exceptional items.

Achievements in 2009

Profit before tax and exceptional items decreased by 19% in 2009 due to the global market downturn.

Profit before tax and exceptional items

£155.1m
-18.7%



Working capital

Definition

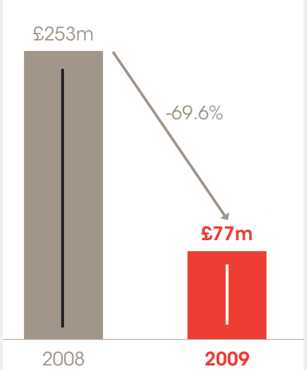
Defined as inventory, receivables, payables, and supplier related credit.

Achievements in 2009

Our stock cover target was achieved seven months ahead of plan. Total working capital reduced by £176m in 2009, a 69.6% reduction on 2008.

Working capital

£77m
-69.6%



Cash generated from operations

Definition

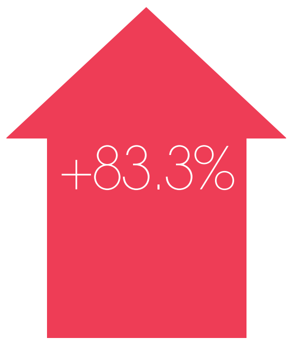
Defined as trading profit adjusted for depreciation, amortisation and other non cash items plus the change in working capital and provisions.

Achievements in 2009

As a result of cost saving and working capital reductions, operating cash flow grew by 83.3% to £336.7m in 2009.

Cash generated from operations

£336.7m



Operating review
Group

Our resilient global business model and proven strategy has delivered a solid financial performance in the face of an unprecedented downturn.

John McConnell
Group Finance Director

The unprecedented downturn which began in the second half of 2008 and continued throughout 2009 has significantly impacted the global demand for new and used vehicles. We faced extremely challenging trading conditions in all of our markets across the world and although we saw improvements in a few markets in the second half of 2009, particularly the UK and Australia, overall, total registrations in all of our markets were considerably down compared with 2008 for the full year.

Despite these significant market declines, the Group has delivered resilient results with sales of £5.6bn, a decline of 16.6% at constant currency for the year. Our swift response to market challenges, with a focus on our five key operational priorities of growing market share, growing aftersales, reducing costs, managing working capital and selective capital expenditure has been reflected in a Group operating profit of £175.2m before exceptional items, down from £240.5m in 2008.

The restructuring carried out at the end of 2008 and in the second quarter of 2009 has resulted in annualised like for like cost savings of c.£70m. This has resulted in a trading margin of 3.5%, down from 4.0% in 2008.

The Group has reduced working capital by £176m in 2009 and our stock target of 1.5 months was achieved earlier than expected. This, together with our other self help measures has enabled the Group to deliver cash generated from operations significantly ahead of expectations, generating £336.7m, 83.3% better than 2008 (at actual rate).

The strong cash generation from operations combined with the proceeds from the Rights Issue enabled the Group to repay a significant portion of its borrowings. The Group ended the year with £0.8m of net cash compared to a net debt of £407.8m in 2008.

Distribution business

Our distribution businesses have been resilient despite the global decline in car markets resulting in sales of £2.4bn, a decline of 19.7% and a robust 5.7% trading margin, resulting in a trading profit of £137.6m, a decline of 37.7% on 2008.

Across Europe, we delivered resilient margin in distribution despite the continued downturn. In Greece, where the market declined by 18.8%, our Toyota and Lexus business retained its market leadership position. Although the Belgian market fell by 12.6% we maintained our market share under very competitive circumstances.

Although the market in Hong Kong improved in the fourth quarter of 2009, it was down 28.3% for the full year and we remained market leader despite strong pricing activity from our competitors. In Singapore the market slowed down further in the second half as new car quota sizes were reduced by the government. However, our strong marketing campaigns and lower parallel imports led to a 3.7ppts gain in market share to 21.4%.

In a year that saw the car market in Australia decline by 7.4% we improved our market share by 0.1ppts.

While our Russia and Emerging Markets segment has been significantly affected by the continued downturn, it remains profitable and the Group gained market share in the Baltics and the Balkans.

Retail business

Although sales declined by 14.1% versus 2008, trading margins improved by 0.2ppts delivering a trading margin of 1.8% as a result of our self help measures put in place at the start of the year to deliver a trading profit of £56.4m.

In the UK we delivered solid results, outperforming the market which fell by 6.4%, to deliver a like for like sales decline of 3.9%. With the beneficial impact of the scrappage scheme and a significantly reduced cost base, we generated a growth in trading profit of 48.6% and 34.6% on a like for like basis.

Our Australasian retail business delivered a strong trading profit 15.2% higher than the prior year and a trading margin of 3.9%, an improvement of 0.6ppts.

Across Europe we have continued to focus on delivering excellent customer service in very challenging trading environments.

In our Russia and Emerging Markets businesses, sales decreased by 1.6%. Trading conditions remained extremely challenging, however we finished the year with a trading profit of £4.0m.

Regional analysis

For the year ended 31 December 2009, the Group adopted IFRS 8 'Operating Segments'. IFRS 8 replaces IAS 14 'Segment Reporting' and is effective for reporting periods beginning on or after 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. In contrast, the predecessor standard required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach.

Under IFRS 8, Group businesses previously reported within the Rest of World segment under IAS 14 are reported within the other segments that best match the characteristics of each individual business. As a result, the Group's reportable segments for 2009 are as below.

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

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

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

Performance indicators – Results

	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales	**5,583.7**	6,259.8	(10.8)	(16.6)
Trading profit	**194.0**	250.1	(22.4)	(30.0)
Trading margins (%)	**3.5**	4.0	(0.5)ppt	(0.7)ppt
Like for like sales	**5,223.1**	5,713.1	(8.6)	(14.6)
Like for like trading profit	**194.8**	248.1	(21.5)	(29.0)
Like for like sales (decline)/growth (%)	**(8.6)**	2.6	(11.2)ppt	
Like for like trading profit (decline) (%)	**(21.5)**	(16.1)	(5.4)ppt	
Working capital	**76.7**	252.5	(69.6)	
Cash generated from operations	**336.7**	183.7	83.3	

Business analysis

	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Distribution	**2,427.0**	2,654.7	(8.6)	(19.7)
Retail	**3,156.7**	3,605.1	(12.4)	(14.1)
Trading profit				
Distribution	**137.6**	192.9	(28.7)	(37.7)
Retail	**56.4**	57.2	(1.4)	0.2

Regional analysis

	2009 Operating profit £m	2009 Exceptional items £m	2009 Trading profit £m	2008 Operating profit £m	2008 Exceptional items £m	2008 Trading profit £m
Australasia	**37.9**	**–**	**37.9**	40.9	(1.3)	42.2
Europe	**26.8**	**(1.8)**	**28.6**	33.6	(7.0)	40.6
North Asia	**19.9**	**–**	**19.9**	38.6	(0.1)	38.7
South Asia	**55.9**	**–**	**55.9**	63.0	–	63.0
United Kingdom	**43.7**	**(3.0)**	**46.7**	–	(23.1)	23.1
Russia and Emerging Markets	**(7.1)**	**(12.1)**	**5.0**	(7.1)	(49.6)	42.5
Central costs	**(20.3)**	**(1.5)**		(11.0)	(1.4)	
Operating profit	**156.8**	**(18.4)**		158.0	(82.5)	

Operating review continued

Australasia

Spencer Lock
Chief Executive Officer
Inchcape Australasia

Brand partners

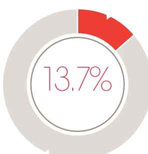
Our Australasian segment encompasses our businesses in Australia and New Zealand.

Financial highlights

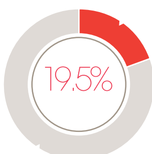
	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Retail	**284.4**	263.2	8.1%	(1.8)%
Distribution	**478.4**	456.1	4.9%	(4.4)%
Like for like sales				
Retail	**270.5**	252.1	7.3%	(2.5)%
Distribution	**478.4**	456.1	4.9%	(4.4)%
Trading profit				
Retail	**11.2**	8.9	25.8%	15.2%
Distribution	**26.7**	33.3	(19.8)%	(27.2)%
Like for like trading profit				
Retail	**10.6**	8.8	20.5%	10.1%
Distribution	**26.7**	33.3	(19.8)%	(27.2)%
Trading margin				
Retail	**3.9%**	3.4%	0.5ppt	0.6ppt
Distribution	**5.6%**	7.3%	(1.7)ppt	(1.7)ppt
Cash generated from operations				
Retail	**17.8**	5.9	201.7%	
Distribution	**29.6**	39.3	(24.7)%	

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales
£762.8m ↗6.0%*
2008: £719.3m

Trading profit
£37.9m ↘10.2%*
2008: £42.2m

Operational highlights for the year

- Record Subaru market share
- Strong aftersales performance
- Record retail operating profit
- Successful launch of new Subaru Liberty and Outback. Forester leader in its segment

*at actual exchange rates

More online at www.inchcape.com/ourbusinessmodel/regions

Franchised retail centres

18

The market

The Australian market declined by 7.4% compared to 2008, despite government stimulus packages aimed at the business consumer that ended in December 2009. These stimulus packages supported the light commercial vehicles market in particular, which was down 1.5% compared to a decline of 7.9% in the passenger car segment.

However the market rebounded in the second half in line with the improving Australian economy.

In New Zealand, the total market declined 28.0% with commercial vehicles most affected and the passenger car market down 25.9%.

Business model and strategy

We are the distributor for Subaru in both Australia and New Zealand. We have represented Subaru in Australia since1973.

In addition, we have multi-franchise retail operations based in Sydney, Melbourne and Brisbane. These operations hold franchises for Subaru, Volkswagen, Hyundai, Mitsubishi and Kia.

To support these operations, we have a logistics business called AutoNexus, which is responsible for managing vehicle and parts inventory, distribution and vehicle refurbishment on behalf of Subaru Australia, and our retail business as well as other independent dealers.

Our strategy for our distribution operations is to continue to grow market share through our superior Customer 1st business processes.

Revenue is principally generated from vehicle sales, with aftersales a significant source of both revenue and gross margin.

This strategy is supported by the development of market specific special editions and new product specification in conjunction with Subaru.

Our retail operations are focused on delivering an outstanding customer experience for our brand partners and driving revenue from sales of new cars and vehicle parts. In addition, we generate revenue from used cars and through the sales of finance and insurance products.

Our operating performance

In both of our Australasian distribution businesses, we have continued to outperform the market and have grown share. Sales were down 4.4% in a market which was down by 7.9% and trading profit was 27.2% below 2008 at £26.7m, due primarily to a stronger Japanese Yen (JPY), with a solid trading margin of 5.6%.

In retail, the business benefited significantly in 2009 from improved used car margins as a result of strong demand and lower inventory levels. In addition, a strong contribution from aftersales resulted in a trading profit 15.2% better than 2008 and a record trading margin of 3.9%.

This strong trading profit performance and our continued focus on working capital across the segment resulted in cash generated from operations of £17.8m in retail and £29.6m in distribution.

Outlook for 2010

The market in Australia was one of the more resilient in 2009 and we expect that the positive momentum in the fourth quarter together with improving economic conditions and market sentiment will lead to a small growth overall in the market in 2010.

We expect Subaru to achieve market share improvements in both Australia and New Zealand as the benefit of a full year of new Outback, Liberty, Exiga and Outback diesel models is realised.

We expect to see fluctuations in currency rates. However we have already put in place currency hedging to manage our JPY/AUD exposure on vehicle and parts purchases through to the end of the third quarter of 2010 and will implement coverage for the fourth quarter at the appropriate time.

Operating review continued

Europe

George Ashford
Chief Executive Officer
Toyota Belgium

Aris Aravanis
Chairman and Managing
Director Toyota Hellas

Jean Van der Hasselt
Managing Director Nordics,
South America and Africa

The Europe segment includes Belgium, Luxembourg, Greece and Finland.

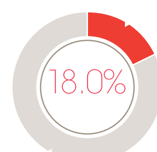
Financial highlights

	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Retail	**204.3**	391.3	(47.8)%	(54.0)%
Distribution	**801.8**	837.9	(4.3)%	(15.6)%
Like for like sales				
Retail	**187.6**	262.9	(28.6)%	(37.1)%
Distribution	**801.8**	837.9	(4.3)%	(15.6)%
Trading (loss)/profit				
Retail	**(1.6)**	0.7	(328.6)%	(299.9)%
Distribution	**30.2**	39.9	(24.3)%	(33.1)%
Like for like trading (loss)/profit				
Retail	**(1.2)**	1.0	(220.0)%	(210.3)%
Distribution	**30.2**	39.8	(24.1)%	(33.1)%
Trading margin				
Retail	**(0.8)%**	0.2%	(1.0)ppt	(1.0)ppt
Distribution	**3.8%**	4.8%	(1.0)ppt	(1.0)ppt
Cash generated from operations				
Retail	**7.6**	10.3	(26.2)%	
Distribution	**76.6**	(27.3)	380.6%	

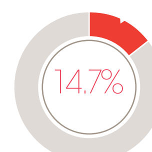
Brand partners

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales
£1,006.1m ↘18.2%*
2008: £1,229.2m

Trading profit
£28.6m ↘29.6%*
2008: £40.6m

Operational highlights for the year

- Market share growth in Belgium in the second half following successful new model launches
- Greece maintained clear market leadership position through effective marketing and new products
- Successfully restructured operations in Finland

*at actual exchange rates

More online at www.inchcape.com/ourbusinessmodel/regions

The market

In Belgium, in the absence of the biannual Motor Show last held in 2008 and with no stimulus package for the motor industry, the market declined by 12.6%. In Greece the overall market declined by 18.8% despite a small recovery mid year as a result of several government stimuli including a tax incentive and a short lived scrappage scheme. In Finland the market declined by 35.2%.

Business model and strategy

In Belgium, we are the distributor for Toyota and Lexus. We own and operate eight Toyota and Lexus retail centres, with the remaining network of 85 retail centres operated by independent third party retailers.

In Luxembourg, we are the distributor and retailer of Jaguar, Toyota and Lexus, with one retail centre for each brand.

In Greece, we are the distributor for Toyota and Lexus. We operate six retail centres with the remaining network of 35 Toyota and Lexus retail centres and 40 authorised repairers independently owned.

In Finland, we are the distributor for Jaguar, Land Rover and Mazda with four retail centres in Helsinki.

We aim to drive growth in market share in our distribution business and to continue our turnaround plan for retail. In distribution, growth will be driven by strong marketing programmes increasing traffic into the dealer network, with new model launches and a focus on operational excellence, all supported by tight overhead cost control. In retail, our plan continues to focus on customer-centric operational excellence and improvements in footfall conversion.

Our operating performance

Trading conditions across our European markets remained extremely difficult throughout the year resulting in trading profits in our distribution business declining by 33.1% to £30.2m and a trading loss in our retail business of £1.6m.

In Belgium the overall market decline led to strong price competition which resulted in a broadly flat Toyota market share. However the new hybrid Prius was launched in quarter three and we gained share in the second half of the year.

In the retail business lower new vehicle sales have been partly mitigated by sales growth in used vehicles and strong aftersales performance.

In Greece we maintained clear market leadership achieving 10.1% share through effective marketing campaigns and successfully leveraging new products and technologies on car models.

In Finland we successfully restructured our retail operations.

Our focus on working capital and in particular inventory management has resulted in strong cash generated from operations of £7.6m for the retail business, and £76.6m for distribution, well ahead of last year.

Outlook for 2010

As a whole we expect the markets in Europe to continue to face challenging trading conditions throughout 2010.

In Greece the significant economic challenges faced by the new government are expected to lead to a contraction in the economy and further declines in the market. We will focus on effective marketing, model differentiation and price competitiveness in vehicle sales and aftersales.

In Belgium with the biannual Motor Show in January and an improving economic climate we expect the market to remain broadly stable. A continued focus on driving customer traffic, superior customer service and a growth in aftersales will be our aim.

In both Greece and Belgium we will capitalise on the launch of the upgraded Toyota Rav4, the Auris and the Yaris. We will continue to grow aftersales through service reminder programmes and vehicle health checks.

In Finland we expect an improving economy and therefore the industry to stabilise. We intend to leverage the new Mazda model launches and current model extensions to improve our competitive position.

Franchised retail centres

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Operating review continued

North Asia

Patrick Lee
Managing Director
Inchcape North Asia

Brand partners

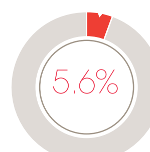
Our North Asia segment contains the Group's vertically integrated retail (VIR) operations in Hong Kong, Macau, Guam and Saipan.

Financial highlights

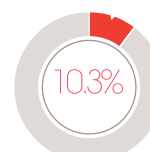
	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Distribution	**312.2**	378.5	(17.5)%	(31.3)%
Like for like sales				
Distribution	**301.0**	352.7	(14.7)%	(29.0)%
Trading profit				
Distribution	**19.9**	38.7	(48.6)%	(57.2)%
Like for like trading profit				
Distribution	**19.2**	35.0	(45.1)%	(54.3)%
Trading margin				
Distribution	**6.4%**	10.2%	(3.8)ppt	(3.9)ppt
Cash generated from operations				
Distribution	**50.1**	35.6	40.7%	

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales
£312.2m ↘17.5%*
2008: £378.5m

Trading profit
£19.9m ↘48.6%*
2008: £38.7m

Operational highlights for the year

- Maintained market leadership position
- Strong growth in aftersales through innovative marketing programmes
- Inchcape in Hong Kong awarded the Toyota Triple Crown for 17 consecutive years

*at actual exchange rates

More online at www.inchcape.com/ourbusinessmodel/regions

The market

While the market in Hong Kong declined by 28.3% versus 2008, an improvement was seen with the fourth quarter being 40% higher than the same period in 2008, as general sentiment improved in line with economic conditions.

In Guam and Saipan the markets followed a similar pattern to Hong Kong with improving conditions leading to growth in the fourth quarter. However overall the markets were 9.9% and 20.4% down respectively on 2008.

Business model and strategy

In Hong Kong and Macau, we are the distributor for Toyota, Lexus, Hino Trucks, Daihatsu, Jaguar and Mazda. We operate VIR for these brand partners in this market.

Inchcape has been market leader in Hong Kong for over 20 years and has won the Triple Crown award (in recognition of outstanding customer service, retail excellence and innovation) from Toyota Motor Corporation for 17 consecutive years, the only company in the world to have done so over such an extended period.

In Guam we are the market leading distributor and retailer for Toyota, Lexus, Chevrolet and Scion and in Saipan we are distributor and retailer for Toyota and Lexus.

Our operating performance

Inchcape's market share in Hong Kong of 28.9% was lower than the previous year as a result of aggressive pricing promotions by European competitors who were destocking earlier in the year, a weak performance of the commercial vehicle segment and supply issues in the fourth quarter.

These extremely challenging trading conditions particularly in Hong Kong led to a sales decline of 31.3% with trading profit falling by 57.2% and a trading margin of 6.4%.

However, our North Asia segment delivered strong cash flow which at £50.1m was 40.7% better than 2008, driven by a reduction in working capital.

Outlook for 2010

We expect the markets in this segment to continue their gradual recovery in 2010.

In Hong Kong and Macau we will leverage another strong year of new product launches from Toyota, Lexus, Mazda and Jaguar to strengthen our competitive position. Further we will continue our growth momentum in aftersales performance through innovative marketing programmes and added value packages whilst maintaining a tight control on costs.

Franchised retail centres

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Operating review continued

South Asia

Koh Ching Hong
Managing Director
Inchcape South Asia

The South Asia segment contains the Group's VIR operations in Singapore and Brunei.

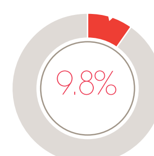
Financial highlights

	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Distribution	**548.2**	536.0	2.3%	(11.7)%
Like for like sales				
Distribution	**548.2**	535.9	2.3%	(11.7)%
Trading profit				
Distribution	**55.9**	63.0	(11.3)%	(23.4)%
Like for like trading profit				
Distribution	**55.9**	62.9	(11.1)%	(23.3)%
Trading margin				
Distribution	**10.2%**	11.8%	(1.6)ppt	(1.6)ppt
Cash generated from operations				
Distribution	**71.6**	67.9	5.4%	

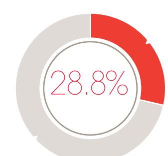
Brand partners

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales
£548.2m ↗2.3%*
2008: £536.0m

Trading profit
£55.9m ↘11.3%*
2008: £63.0m

Operational highlights for the year

- Strengthened our market leadership position and gained 3.7ppts to 21.4% market share
- Innovative marketing programmes drove excellent aftersales performance

*at actual exchange rates

More online at www.inchcape.com/ourbusinessmodel/regions

The market

In Singapore, the market declined against the previous year by 27.9%, due in part to the continued slowdown in de-registrations, reduced quota levels from the Singapore government and consistently higher Certificate of Entitlement prices throughout the year. Parallel importers share of the market declined by 10.8ppts against 2008.

The Brunei vehicle market fell by 5% in 2009.

Business model and strategy

In Singapore, Inchcape is the distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967 and been Singapore's market leading retailer by sales for seven consecutive years since 2002. We have held the Suzuki distribution franchise since 1977.

In Brunei we are the distributor and retailer for both Toyota and Lexus.

Our operating performance

Inchcape strengthened its market leading position and grew market share by 3.7ppts, to achieve a market share of 21.4%. This was largely driven by new products, the effectiveness of our value for money marketing programmes and the weakening of parallel importers due to the strengthening of the Yen versus the Singapore Dollar.

Aftersales outperformed the market through targeted marketing programmes for vehicles out of warranty.

Our business in Brunei performed well retaining its market leading position.

Sales fell 11.7%, but in actual terms sales grew by 2.3% resulting in a trading profit of £55.9m.

Cash generated from operations for the region was 5.4% above 2008 at £71.6m, driven by working capital reductions.

Outlook for 2010

2010 will be another challenging year in Singapore. We expect the market to continue its decline as a result of the lower quota sizes announced in October 2009 by the Singapore government and the expected continued slowdown in de-registrations.

Our priority will be to strengthen our market leadership position by capitalising on new product launches and special editions and continue to outperform the aftersales market through enhanced customer management.

Franchised retail centres

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Operating review continued

United Kingdom

Brand partners

Connor McCormack
Chief Executive Officer
Inchcape UK

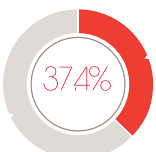
In the UK, we have a significant retail business with 128 franchised retail centres and a focus on core premium and premium-volume brand partners.

Financial highlights

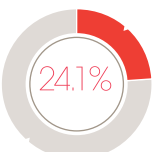
	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Retail	**2,055.7**	2,319.4	(11.4)%	(11.4)%
Distribution	**30.0**	20.7	44.9%	44.9%
Like for like sales				
Retail	**1,938.0**	2,017.6	(3.9)%	(3.9)%
Distribution	**30.0**	20.7	44.9%	44.9%
Trading profit/(loss)				
Retail	**42.8**	28.8	48.6%	48.6%
Distribution	**3.9**	(5.7)	168.4%	168.4%
Like for like trading profit/(loss)				
Retail	**42.8**	31.8	34.6%	34.6%
Distribution	**3.9**	(5.7)	168.4%	168.4%
Trading margin				
Retail	**2.1%**	1.2%	0.9ppt	0.9ppt
Distribution	**13.0%**	(27.5)%	40.5ppt	40.5ppt
Cash generated from operations				
Retail	**44.9**	116.5	(61.5)%	
Distribution	**10.2**	(2.6)	492.3%	

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales

£2,085.7m ↘10.9%

2008: £2,340.1m

Trading profit

£46.7m ↗102.2%

2008: £23.1m

Operational highlights for the year

- Inchcape outperformed the market, gaining share through strong customer funnel management
- Effective capitalisation on the government scrappage scheme
- Successfully leveraged demand in the used car market
- Aftersales proved resilient

More online at www.inchcape.com/ourbusinessmodel/regions

The market

The government scrappage incentive, announced in early 2009 (and extended into early 2010) has had a significant impact on the 2009 market resulting in a full year decline of 6.4%, significantly better than early expectations. Since its introduction, the scrappage scheme has accounted for over a fifth of all new car registrations; excluding the scrappage registrations the market declined 19.6%. The demand for private vehicles was better than expected, up 13.7% buoyed by scrappage and consumers taking advantage of reduced VAT rates before 31 December 2009.

Business model and strategy

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio which focuses on premium and premium-volume brands. We aim to create significant differentiation by delivering an outstanding level of customer service through our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

Our fleet leasing business, Inchcape Fleet Solutions (IFS), offers fleet management and leasing services to corporate and government customers. With over 50 years' experience in the automotive industry, IFS has a combined fleet size of approximately 41,000 vehicles. This makes up the distribution element of our UK results.

Franchised retail centres

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Our operating performance

We continue to outperform our competitors. In a market which declined by 6.4%, our retail business delivered a decline in like for like sales of 3.9%. Margins in the used car market were strong on the back of a general shortage of quality part exchange vehicles.

The solid performance in our used and new car business together with cost savings generated by our restructuring have resulted in a strong trading profit of £42.8m which was 48.6% higher than 2008, and trading margin of 2.1%, 0.9ppts better than 2008.

IFS delivered a solid trading profit of £3.9m following a loss of £5.7m in 2008 in part due to recovery in used car prices.

Cash generated from operations was £55.1m.

Outlook for 2010

2010 will be another challenging year for the UK car market and our expectation is for an overall decline versus 2009.

The market has had a significant boost in 2009 from the scrappage scheme which is expected to end in March 2010 and from 'pull forward' of orders into the last quarter of 2009 ahead of the VAT rise on 1 January 2010.

Our priority for 2010 is to continue to grow market share through superior Customer 1st processes and capitalising on strong new product launches from our brand partners.

We will further develop our achievements in aftersales through prospecting, conversion and retention programmes.

We will maintain our significant achievements in working capital reduction through stock control.

Operating review continued

Russia and Emerging Markets

Immo Rupf
Managing Director
Inchcape Russia

Bertrand Mallet
Managing Director
Emerging Markets and
Group Strategy Director

Jean Van der Hasselt
Managing Director
Nordics, South America
and Africa

The Russia and Emerging Markets segment contains the Group's operations in Russia, the Balkans, the Baltics, Poland, China, South America and Africa.

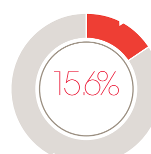
Financial highlights

	Year ended 31.12.2009 £m	Year ended 31.12.2008 £m	% change	% change in constant currency
Sales				
Retail	**612.3**	631.2	(3.0)%	(1.6)%
Distribution	**256.4**	425.5	(39.7)%	(45.9)%
Like for like sales				
Retail	**440.6**	612.6	(28.1)%	(26.8)%
Distribution	**227.0**	364.7	(37.8)%	(44.0)%
Trading profit				
Retail	**4.0**	18.8	(78.7)%	(76.2)%
Distribution	**1.0**	23.7	(95.8)%	(96.2)%
Like for like trading (loss)/profit				
Retail	**(1.4)**	19.1	(107.3)%	(108.1)%
Distribution	**8.1**	22.1	(63.3)%	(65.3)%
Trading margin				
Retail	**0.7%**	3.0%	(2.3)ppt	(2.1)ppt
Distribution	**0.4%**	5.6%	(5.2)ppt	(4.9)ppt
Cash generated from operations				
Retail	**28.2**	0.5	5540.0%	
Distribution	**56.7**	(25.0)	326.8%	

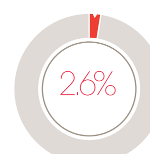
Brand partners

Key financial highlights

Contribution to Group sales



Contribution to Group profit



Sales
£868.7m ↘17.8%*
2008: £1,056.7m

Trading profit
£5.0m ↘88.2%*
2008: £42.5m

Operational highlights for the year

- Strengthened positions in emerging markets and well placed to take advantage of the upturn
- Market share gains in St Petersburg and Moscow supported by strong new product launches
- Retained market leadership in South America and Ethiopia

*at actual exchange rates

More online at www.inchcape.com/ourbusinessmodel/regions

The market

With the exception of Poland and China, 2009 saw significant declines in most of the emerging markets. In Russia the market declined by 49.5% on 2008. The Balkan markets of Romania and Bulgaria declined by 53%. The Baltics saw considerable declines in the market for the full year, down to 67%. Inchcape's South American markets fell by 10% in the premium sector and the Ethiopian market also declined. The new car market in China is one of the few globally to have grown in 2009, and became the largest car market in the world. Despite these challenging market conditions Inchcape retained or gained market share in these markets.

Business model and strategy

We operate 20 retail businesses in St Petersburg and Moscow.

In St Petersburg, we own and operate one of the largest car retailing businesses in the city with Toyota, Lexus, Audi and Peugeot. In 2008, we acquired a 75.1% shareholding in Musa Motors in Moscow, one of the largest car retail groups in Russia, providing the Group with scale presence in the Moscow region representing eight brands.

We are the distributor for Toyota and Lexus in Bulgaria and Romania. In Bulgaria we have increased our presence in Sofia with the opening of a new retail centre for Toyota in 2009. In addition, we are the distributor for Toyota and Lexus in Macedonia and Albania.

In Poland, we retail BMW and MINI in Warsaw and Wroclaw.

In the Baltics, we operate VIR for Mazda, Jaguar and Land Rover. We are also the retailer for BMW, Mitsubishi and Hyundai in these markets. We have market leading positions in Latvia and in Lithuania.

In China, we have scale Toyota and Lexus retail centres in Shaoxing. A third scale retail centre, for Lexus, opened in 2009 in Shanghai.

In Ethiopia we operate VIR for Toyota through four sites.

In Chile we operate VIR for BMW and retail for Honda. In Peru we operate VIR for BMW.

Our operating performance

The extremely challenging market conditions led to a retail sales decline of 1.6% and a distribution sales decline of 45.9%. This resulted in a trading profit of £4.0m in retail and a trading profit of £1.0m in distribution. Included in the distribution trading profit was a one off impairment charge for land value in Romania of £4.2m.

In Russia we improved our competitive position as we gained share and remained profitable with a trading profit of £9.1m.

Our business in Poland continues to perform ahead of our expectations. We capitalised on our successful BMW business by opening a new retail centre in the second half.

In the Balkans we experienced a significant market decline and pressure on margin, as all brand partners focused on liquidating stock throughout the year.

In the Baltics, the extremely low level of demand through the year and the need to liquidate stock has also resulted in margin pressure.

In the combined regions of the Baltics and Balkans we enjoyed a stronger margin performance in the second half as we benefited from our cost restructuring and the end of our destocking campaigns.

Our performance in China has been encouraging following the recent opening of our third showroom for Lexus in Shanghai.

In our business in Ethiopia a focus on strengthening our core business through the implementation of customer management, growing aftersales and prudent cost control has delivered another good performance.

The market driven declines in new vehicle sales in our South American markets were partially compensated for by an improved sales performance on used vehicles and aftersales.

Outlook for 2010

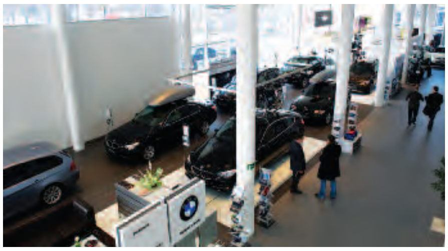
With the exception of China we expect all of these markets to continue to face very challenging trading conditions in 2010.

We will continue to improve our competitive position through superior operating and customer facing processes.

We will benefit from strong new product launches from our brand partners and will leverage these with effective marketing campaigns.

We will continue to grow aftersales through programmes to drive traffic, improved sales skills and vehicle health checks.

We will continue our rigorous focus on product margin, overhead management and control of working capital.



Franchised retail centres

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Financial review

Delivering solid results above our expectations despite the unprecedented global decline in the car industry.

The Group has produced results above expectations. In addition to the segmental results, detailed below are the financial implications of our operational activities.

Central costs

Unallocated central costs for the full year are £18.8m before exceptional items (2008- £9.6m). The year on year increase is due to our extremely low cost base in 2008 as we did not pay any management bonuses and benefited from a credit from long-term share based awards.

Included in central costs is a net gain of £0.1m from the currency call options taken out in February 2009 to hedge the currency impact from a potential strengthening of Sterling. All options have now been exercised or lapsed at the end of December 2009.

Joint ventures and associates

The share of profit after tax from joint ventures decreased by £1.5m to £0.7m in 2009. This is mainly due to the start up costs of our joint venture in Moscow and lower profit from our joint venture leasing business in Belgium.

Exceptional items

The exceptional costs of £18.4m remain the same as those reported at the half year. We have taken a prudent view on prospects in Latvia based on the continued challenging trading conditions and have taken an impairment of £10.3m on the carrying value of the land and buildings. All of the goodwill relating to Latvia was written off in 2008.

Further restructuring costs of £5.1m were incurred relating to restructuring in Finland, the Baltics and Russia and the streamlining of our European management.

We have also made a provision of £3.0m related to an onerous lease commitment on land which was part of the Inchcape Automotive business which was sold to Camden Motors. Camden went into administration during the first half of the year. The Group remains responsible for the head lease on this property.

Net financing costs

Net financing costs of £20.8m are £31.2m lower than last year, as we benefited from lower interest rates in the majority of our markets, reduced debt following the use of the net proceeds from the Rights Issue and the cash generated from operations as a result of significantly lower working capital. The proceeds from the Rights Issue were used to pay down US$114m higher rate US$ loan notes at par, resulting in a one off benefit of £4.0m from the hedging arrangements in place for the US$ Private Placement. The balance was used to pay down revolving debt. Overall, the hedging arrangements in place for the US$ Private Placement resulted in a net gain of £0.9m, including the £4.0m realised benefit referred to above.

Tax

The effective tax rate before exceptional items for the year is 28% compared to 26% in 2008. This increase arises due to the mix of profits across the territories in which we operate. The rate is expected to be similar in 2010 based on our current assumptions of profit mix.

Minority interests

Profits attributable to minority interests reduced to £3.0m from £3.9m in 2008. This was largely a result of lower profits in our Lithuanian business and the annualised impact of the acquisition in the first quarter of 2008 of the remaining 24.9% interest in our St Petersburg businesses. At the year end the Group's minority interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Foreign currency

During 2009, the Group benefited by £16.7m from translation of its overseas profits before tax into Sterling at the 2009 average exchange rate.

Cash flow and net debt

The Group's operations have proven to be significantly cash generative in 2009, in spite of the downturn, with cash generated from operations of £336.7m. The continued tight management of working capital, one of the Group's five key operating priorities, with particular focus on inventory and supply chain management, has been a factor in the delivery of this result. The Group invested a total of £50.1m in capital expenditure across the Group and in addition raised £234.3m in a successful Rights Issue in April 2009. This has enabled the Group to report £0.8m of net cash at the end of 2009 versus £407.8m of net debt at the end of 2008.

In line with the Group's objectives announced as part of the Rights Issue process no interim dividend was paid and the Board is not recommending a final dividend for 2009.

Pensions

Following the successful Rights Issue in April 2009 the Group has reviewed and agreed a revised funding programme with the Trustees and as a result the Group made contributions to the UK defined benefit schemes amounting to £34.7m in 2009, an increase on 2008. A revision of market and actuarial assumptions for the UK defined benefit schemes has resulted in a closing deficit on Group schemes of £74.8m compared to a surplus of £6.0m in 2008.

Acquisitions and disposals

The Group agreed on the earn out payment for the 75.1% acquisition of Musa Motors business in Moscow and made a payment of US$35m in October 2009. A further US$5m is to be made in 2010. The remaining 24.9% is due to be acquired in early 2011 for a payment dependent on 2010 EBITA. The Group accounts for Musa Motors as if it is a wholly owned subsidiary.

Capital expenditure

The Group has worked closely with its brand partners to minimise the level of capital expenditure, while maintaining the required operational standards, and as a result capital additions reduced from £117.8m in 2008 to £49.9m in 2009. However we have continued to make strategic investments by opening nine greenfield sites across the Group.

The Group also continued with its implementation plan for a global SAP system for its operating business with the first live site in the UK. The next phase of implementations planned in 2010 are in the UK and Russia.

John McConnell
Group Finance Director
9 March 2010

Principal risks

The Group applies an effective system of risk management which identifies, monitors and mitigates risks. Further details of the Group's risk management process can be found on pages 60-61.

Risk is a part of doing business; the risk management system aims to provide assurance to all stakeholders of the effectiveness of our control framework in managing risk against a background of highly diverse and competitive markets. The key benefits of the system include maximised resource efficiency through controlled prioritisation of issues, benchmarking between business units, sharing best practice and effective crisis management.

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

	Description of risk	Impact	Mitigation
Strategy	Failure to deliver on our five key areas of strategic focus: growing market share; growing aftersales; reducing costs; managing working capital and controlling capital expenditure	We do not increase our profits, revenues and margins. There may be an impact on our relationships with the brand partners whom we represent	• The Group is investing in its Inchcape Advantage and Customer 1st programmes to ensure that we win new customers and retain existing ones – with particular emphasis upon retaining customer loyalty in respect of older vehicles • Group-wide focus on working capital (particularly aged stock) reduction • Obtaining favourable credit terms and making improvements in supply chain management • Thorough reviews of all proposed capital expenditure
Brand partners and key relationships	Not sustaining current relationships with brand partners	Impact on our ability to retain existing businesses on contract renewal and to take on new opportunities	• Constant focus on performance, effective communication and ensuring that our objectives are closely linked to those of our brand partners
People	Failure to attract, develop and retain talent	Unable to develop business Employees who lack motivation	• Talent review process • Internal annual employee engagement survey • External benchmarking of remuneration • Succession plans in place for key positions
Reputation	Corporate responsibility risk	Loss of reputation as a good corporate citizen	• Global corporate responsibility programme

Treasury

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

Legal and regulatory

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

Pensions

Description of risk	Impact	Mitigation
Risk arising out of the Group's defined benefit pension funds	Increase in contributions in the event of adverse change in the schemes' financial position or to fund increases in future benefits	• The Group maintains an open dialogue between the Company and Trustees • The Group employs specialist staff that manage the ongoing compliance and financial health of the schemes • The schemes' funding position is monitored quarterly

Corporate responsibility

Corporate responsibility (CR) is very important to the Inchcape Group and we continue to be committed to integrating socially responsible behaviour into every aspect of how we operate and define ourselves.

Introduction

At Inchcape, we recognise that corporate responsibility (CR) is a long term programme, constantly building on the foundations of a global approach to CR that is making responsible, economic, environmental and social behaviour intrinsic to the way we work.

Inchcape's CR programme is recognised by our continued inclusion in the FTSE 4 Good index. We also take part in the Carbon Disclosure Project's review.

Our responsibilities

This section of the Annual Report sets out the Group's key principles of its CR programme and how we have taken further steps in our CR journey.

CR responsibility is delegated by the Board to the CR Committee, which has primary oversight for the programme and for setting and managing the CR agenda.

At Inchcape, we take responsibility for the impact of our activities on four core areas and key developments during 2009 have focused on these:

- our people
- our customers
- our environment
- our communities

In particular, building on our 2008 pilot, throughout 2009 we have been collecting data to enable us to measure the Group's CO_2 footprint and we discuss these steps on page 48. We have been developing our CR initiatives for our customers and our people. Finally, we have provided highlights of some of our achievements in respect of the Group's impact on the communities within which the many businesses operate.

Governance and management

Good governance is a fundamental element of CR. We have clear goals, which are effectively communicated and have demonstrated strong leadership, strong performance management and transparent reporting. As a UK listed company, we are required to comply with a variety of legislation including the Combined Code. Details on our approach and how we have complied are set out on pages 56-67. We have standards that are set for members of the Group globally within the Subsidiary Governance Manual defining our policies and procedures establishing the Inchcape 'way of doing business'.

Subsidiary governance

The Group has in place minimum compliance standards across all of its subsidiaries. These standards are set out in the Group's Subsidiary Governance Manual and compliance is verified annually through the year end reporting processes and through the Internal Audit reviews. These policies, recognising that there may be variances in local laws, require that each subsidiary complies to at least the standard set out in the Group policy and to a more stringent standard where required by local law. In this way, the Group can ensure that despite variances there is a consistent approach to business taken across all core functional activities, including legal, governance, tax, treasury, finance and HR.

Financial

Financial stability and viability are essential to the operation of the Company and therefore the sustainability of the Group and all its initiatives. As set out on pages 16-17, we are focusing on our five key priorities. This will allow us to be efficient with our resources and to benefit from the growth opportunities in emerging markets.

Ethical behaviour

The Group's business ethics policy defines the core ethical behaviours expected of employees. In particular, the Group:

- has zero tolerance of bribes or facilitation payments;
- has zero tolerance of fraud or theft;
- has a strict limit on the value of corporate hospitality given or received, including the provision or receipt of gifts;
- does not make political donations or incur political expenditure;
- seeks to avoid actual or perceived conflicts of interest;
- prohibits the misuse of information;
- conducts appropriate due diligence in the selection of our joint venture and other partners.

Verification and assurance

The Board is responsible for the strategic direction of all CR and all its initiatives as part of the risk management programme. The Board is ultimately accountable to our shareholders for our CR Programme. Management of the CR Programme has been delegated to the CR Committee. Above all, the CR Committee's role is to ensure that our day to day business operations respond to the opportunities, and avoid the risks, posed by CR issues.

Through a network of locally based CR Champions, employees with global and local responsibilities support the work of the CR Committee. Our activities are focused through our CR Aware campaign.

Health and safety is reviewed by Group health and safety officers and as part of the Internal Audit Programme.

Human resources data is reviewed and verified ultimately by the Group HR Director. Community engagement data is reviewed by the CR Committee and the Executive Committee.

Other information presented is reviewed by the relevant functional experts.

Progress against our 2009 goals

Recognising that CR is a long term programme, in 2009 we focused on a small number of core steps that would cement the foundations of our CR Programme and allow us to develop a world class approach in the future. We not only met, but exceeded all our goals.

Objective	What we did	Goal attainment
Build a database from which to determine CO_2 reduction policies	• Collated 18 months data • Reviewed the six month pilot data to ensure that the methodologies complied with best practice and industry standards (e.g. as regards conversion methodologies and approach) • Refined the data collection process including key elements • Validated the data • Measured CO_2 impact • Highlighted anomalies and initial trends for review and additional focus	✓
Collate Inchcape CR best practice policies	• Collated best practice from our top six markets – UK, Belgium, Greece, Australia, Hong Kong, Singapore • Shared best practices from our core markets • Expanded the review to include all markets by verifying and enhancing the best practices with our global CR Champions • Developed Group wide best practice policies – what we can do today and setting ourselves targets for what we can do in the future • Rolled out Group wide policies to all markets • Focused on implementing all the 'what we can do today' practices in all markets	✓
Refresh CR section of the Inchcape website to raise awareness across the Group	• Published Group wide policies on the website • Published information on community projects • Shared best practice from our global CR Champions	✓

Learn about our 2010 objectives on p 49

Our CR journey

CR is an evolving journey. We have taken a number of steps which have resulted in significant progress in raising our awareness of CR issues and in changing the way that we operate and how we can help our customers. We believe that CR is an important part of our future and we are committed to building on the good work that has been done to date.

The past 160 years

Inchcape has a heritage of integrity and a history of caring for its local markets, its people and its customers

2007

New Customer 1st 'strengthen and expand' corporate strategy defined

Focus on encouraging community support

2008

Core purpose defined, values refreshed

New people strategy announced

2009

CR strategy implemented and KPIs listed

Focus on CO_2 emissions tracking for the Group

Corporate responsibility continued

Driven by our values

We believe it is the enthusiasm and spirit of our people that will shape and empower Inchcape's CR culture. We combine the local knowledge, enthusiasm and expertise of our employees worldwide with our clearly defined values, standards and policies to enable us to contribute responsibly and sustainably to society.

Respect for each other	People are at the heart of who we are, how we think and how we act; Inchcape is successful because of 'us'. We celebrate diversity, we value and learn from each other and feel proud to be working with the best. We have faith in each other and show each other real loyalty.
Winning together	We are strong as individuals, but we're even stronger as a team. We are part of a rich global network and together we achieve great things. We enjoy working with each other and always achieve more when we do.
Treating every £ as our own	This is our company and we feel proud to be part of it. We see cost as a good thing, as long as it creates value. What we hate is waste, so we think before we spend.
Integrity without compromise	We have no 'hidden agendas'. We have an uncompromising commitment to transparency and ethical principles. We believe in a straight talking, human approach. We take personal responsibility for what we say and do. In an industry not famed for trust, customers choose us for our clarity, honesty and realism.
Pioneering new ideas	An intrepid spirit is the essence of Inchcape. We lead our industry by example. We liberate talent and prize initiative. We are prepared to take risks drawing on our powerful global resources of creativity and insight.
Passionate about customers	We are committed to putting the customer first every time, every day, everywhere. We are energised by making our customers feel special, which we do by delivering Brilliant Basics and creating Magic Moments.
Caring for our environment	Each one of us plays our part in addressing global concerns through our local, everyday actions. We integrate an awareness of our environmental impact with responsible business decision-making and advance opportunities to reduce our industry's bearing upon our planet.

Our areas of focus

We believe in a focused approach to CR, to perform the acts that will make a difference to our people, our communities, our customers and our environment.

Our customers

We provide our customers with the information that they need to make an informed choice. We support our customers CR goals through our green driving initiatives.

See more on page 43

Our people

Developing our people is key to us in order to ensure we have engaged employees in winning teams.

See more on page 44

Our communities

We support our local communities through a range of initiatives, to provide the most relevant help in the markets in which we operate.

See more on pages 46-47

Our environment

We are making great progress on understanding our impact on the environment so we are best placed to contribute to a sustainable future.

See more on pages 48-49

Our customers

We place emphasis on the quality of our customer service and in 2007 we launched the Customer 1st initiative as part of the Inchcape Advantage programme to deliver outstanding customer service 'every time, every day, everywhere'.

Following extensive consumer research, we developed and implemented Customer 1st processes, training and systems throughout our retail centres. In particular, this has allowed local management to set targets for each centre based on customer satisfaction measured through Net Promoter Score (NPS) and sales and service funnel management analysis. In 2008 the programme was expanded to include our aftersales operations. This is described in more detail on pages 14-15 of this Report.

We have introduced a system for tracking daily customer information for both sales and aftersales operations including retail centre traffic, sales leads, test drives and vehicle and service orders. Results are collected and monitored daily through a dedicated award winning portal on the Group's intranet. This information is aggregated overnight, providing reports and comparisons against brand, country, region and across time periods. This allows us to measure, for example, the number of orders taken as a percentage of leads and to set targets accordingly and gives management a strong knowledge of the automotive industry and detailed insight into particular markets.

Our customer understanding is facilitated both by our mystery shop in each of our retail centres' sales and aftersales operations and by quantitative analysis of our NPS results. On a monthly basis, each retail centre submits feedback from 20 buyers and a further 20 visitors about their experience at the centre together with feedback for at least 20 aftersales customers.

Guidance on best practice and detailed recommendations on opportunities to improve customer service are accessible to all retail centre employees via our portal.

We use the Customer 1st programme to monitor both our own performance as the retailer for our brand partners and the performance of our third party retailers where we manage the retail networks as the distributor.

We believe that this focus on customer service and sales technology will help us deliver a superior retail service to our customers. Further, an improved customer experience sets us apart from our competitors and builds loyalty, resulting in stronger relationships with our brand partners and leaving the Group better positioned to grow market share.

Customer 1st in 2009

- We carried out approximately 2,800 mystery shop exercises in 240 retail centre showrooms across the Group.
- We carried out approximately 2,200 mystery shop exercises in 225 service centres across the Group.
- We talked to 44,500 vehicle buyers and 45,500 showroom visitors for our vehicle sales NPS.
- We talked to over 54,400 service customers for our aftersales NPS.

Our NPS position has improved across the Group in 2009.

Supporting our customers

We are committed to providing clear information to our customers to help support them in their vehicle purchase choices. This is provided in our showrooms and on our websites.

As part of providing a customer focused aftersales service, we offer our customers an environmental vehicle health check which includes:

- tyre pressure check
- CO_2 test and emissions test
- air condition check
- engine lubricant test
- emissions test

In some of our retail centres, customers are offered a free 'Green Test Drive' when they visit us for a vehicle service. The Green Test Drive shares tips with the customer on how to drive more efficiently, how to improve their environmental impact and ultimately how to reduce their vehicle running costs.

We also have accessories available that help our customers manage their environmental footprint including low rolling resistance tyres, which can reduce CO_2 emission by around 2% and lower engine friction lubricants which can reduce CO_2 emissions by around 1%.

Our brand partners

We carefully select the brand partners that we represent in each market. The automotive industry has made significant progress in reducing vehicle emissions and we fully support the investment that is being made by our brand partners in this area. In the UK, average new car emissions have fallen by over 13% in the last 10 years. The biggest impact that motorists could have on the environment is replacing older high emission vehicles and having their cars regularly serviced. Improvements in CO_2 emissions have been achieved in all product segments. As an industry leader, Inchcape stays close to CO_2 technological developments.

Improvements in CO_2 emissions

	2009	2008
Industry average CO_2g/km	**149.8**	158.7
Improvement	**5.6%**	
Inchcape weighted average CO_2g/km	**148.9**	160.9
Improvement	**7.5%**	

Corporate responsibility continued

Our people

At Inchcape we believe that to really achieve success it is our people who will make the difference.

During 2009, as a consequence of our need to reduce costs in response to the economic downturn, we reduced the number of roles across our Group by around 14%. Despite this, we were able to maintain employee engagement and customer satisfaction at high levels. We believe that this is a direct result of our conviction that it is our people who make the difference and the actions arising from this.

Our people strategy has the ultimate goal of having 'Engaged People in Winning Teams'. We believe this goal will be achieved through four areas of priority:

- the right people – by becoming a magnet for talented people who live our values and enjoy working in winning teams delivering outstanding results;
- the right learning – by equipping our people to excel today and provide exciting development opportunities for the future, aligned to our business ambition;
- the right reward – by recognising, celebrating and rewarding the contribution our people and teams make to delivering our challenging business ambition;
- the right culture – by creating a great place to work where people choose to make a real difference and deliver the ultimate customer experience.

Our employee base is diverse and reflects the different cultures and markets within which we operate. This diversity creates a range of perspectives that allow us to constantly challenge and improve the way we do things as we work towards our goal of putting the customer at the centre of our business.

Talent and performance management

Talent planning and performance management sit at the heart of our people strategy as we look to ensure we have the right people in every role. Whilst our processes are continuous there is a more detailed review and planning session conducted within each of our markets and at the centre, at least once a year. 2009 was the third year of this process. The process is designed to ensure that we constantly upgrade our talent and look to create the right development opportunities for all our people.

Arising out of the talent planning process we have made several key people decisions, including secondments, promotions, lateral development moves, mentoring, and in many cases enhanced the development plans of the individual on the job. As a global business we are also able to provide international opportunities to our people and this allows us to create even more stimulating career paths and personal growth for many of our talented people. In 2009 we have made several changes within the Group Executive Committee and each of these changes was a consequence of this talent planning process.

Our analysis continues to validate our belief that talented people who are aligned with our Company's leadership skills and values yield higher levels of customer satisfaction and profit.

Going forward we will continue to focus our efforts on ensuring that each of our employees has a meaningful development plan that takes into account their strengths, development areas and aspirations as well as the needs of the business. We recognise that development is personal to each individual and is core to the growth of the individual and through that, the growth of the Group.

Inchcape operates in a constantly changing, evolving environment where employees meet new challenges regularly. We know we can only achieve success if each of us is growing, learning, developing and succeeding in our roles.

Our employee survey results have told us that we need to do more to support employee personal development. We have therefore launched 'Grow with Inchcape' our guide to helping individuals better understand what development planning is, how it applies to everyone and what we can do to really prepare for our future and reach our potential. 'Grow with Inchcape' demonstrates Inchcape's commitment to people development.

Employee communications

During 2009, more than ever before, we have communicated with our employees regularly to ensure they were always well informed of the forces acting on us as a company, the state of the automotive industry in general, and to be transparent in accordance with our values with the actions we were taking. Through the various forums and channels of communication we were able to create much higher levels of involvement with our people on the business priorities. This was done in several ways including CEO roadshows, monthly employee meetings in several markets, a monthly Group wide newsletter, weekly sharing of customer letters, and by cascading messages through the line management.

Employee survey

Our annual Heartbeat survey is an important part of our overall employee engagement programme. We encourage our line managers to use the results of the survey to create action plans that will help their teams increase the levels of their engagement. We were delighted that over 90% of our entire Group wide employee population participated in the second wave of Heartbeat in 2009. We have seen an increase in the levels of engagement in our people and going forward we intend to continue this process.

Employee reward

We recognise that it is our culture, our values, and the opportunities we provide our people that attract talented individuals to us. However we also recognise the need to have well benchmarked, stretching yet stimulating reward opportunities for everyone. All of our reward programmes are aligned directly to the strategic requirements and expectations of our business and are designed to reward for high levels of performance. Our management incentive programmes have elements relating to customer satisfaction in addition to financial measures. Share awards and option plans are detailed on pages 69-70. In addition we have several local and Group wide schemes aimed at recognising people for high levels of performance and for demonstrating our values.

Employee safety

The safety of our people is of paramount importance to us. Many of our people handle hazardous substances and work with heavy machinery. We monitor and report accidents and lost time incidents to ensure that the safety of our staff and customers remains at the top of our agenda. We regularly review our policies and procedures for our people and have appropriate training programmes in place.

The 2009 position is to the right. There is no specific trend or consistency of accident that has occurred either in a given location or across the Group.

Group accident statistics 2009

Location	Group %	Number of accidents 2009
Australasia	16	27
Europe	5	8
North Asia	18	30
South Asia	6	10
Russia and Emerging Markets	13	9
UK	42	70

Spotlight on Health, Safety and Environment (HSE): Australia

To support Inchcape's vision of becoming the world's most customer centric automotive retail group, many of our businesses are working towards creating an HSE culture of best practice and zero harm to people, property and our environment. There are many examples of excellent HSE initiatives around the Group. For example, Inchcape Australia, improved its HSE performance significantly over the last year through a strategic focus on cultural change.

Their 2009 HSE strategy was so successful it resulted in several excellent outcomes, including a 30% year on year reduction in number of 'Lost Time Injuries' in December 2009, and a 20% year on year reduction in number of injuries and days lost. Inchcape Australia was also able to reduce workers' compensation premiums by AU$ 600,000 by improving injury management systems and processes. The rollout of online systems, such as the 'contractor induction system' and the 'incident reporting system' and the development of safe work procedures, have also contributed to these fantastic results.

Overall, there has been an improved level of compliance at all our Inchcape Australia sites, with HSE measures now incorporated into core business KPIs. Monthly meetings are held with senior management to provide updates regarding HSE performance for their business units.

The hardworking HSE team are passionate about safety and, following a year of great achievement in 2009, are now focused on further plans for the next two years. In consultation with the business, they have developed an HSE strategy aimed at moving beyond compliance to best practice and zero harm in the workplace and look forward to continuing to drive HSE leadership and culture change.

Corporate responsibility continued

Our communities

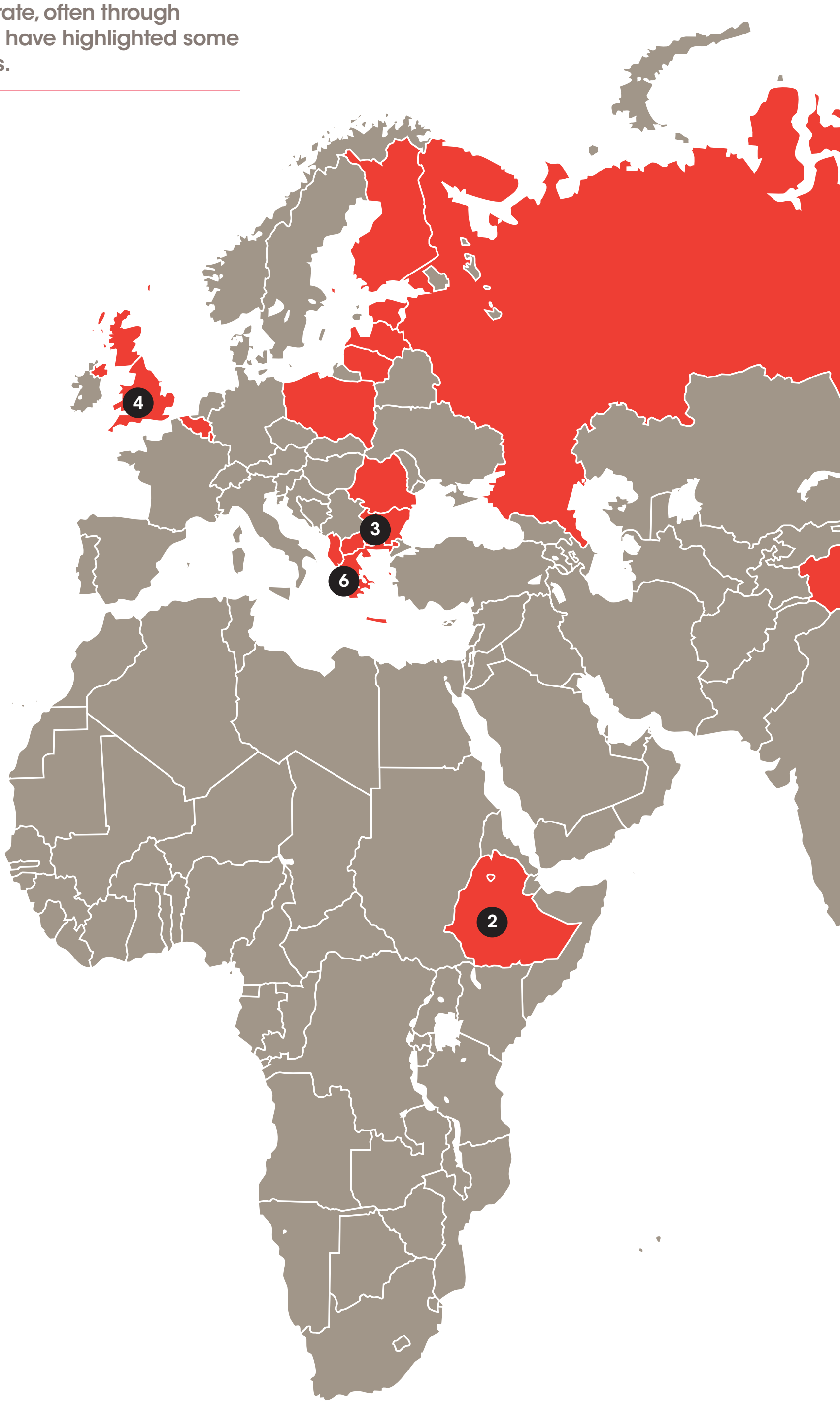
With our extensive international interests, Inchcape firmly believes in supporting the many different communities and cultures within which we operate, often through sponsorship and support of local charities for local people. We have highlighted some of the work that we have been undertaking in our communities.

1 Inchcape plants trees in Singapore

Borneo Motors is collaborating with the South West Community Development Council to plant more than one million trees in the Pandan Gardens in Jurong East in Singapore by 2020. The previous target of 100,000 trees was surpassed in November 2009. It is hoped that the new greenery will be able to absorb some 22,000kg worth of CO_2 annually.

2 Inchcape supports school project in Ethiopia

Inchcape supports the Mother and Child Rehabilitation Centre (MCRC) in Ethiopia. Taking in extremely disadvantaged children from Addis Ababa and beyond, the centre provides shelter, food, education, medical care and therapy for children and their parents. MCRC aims to help them recover from past traumas and equip them through employment and professional training with the means to be independent and successful in the future. Over 2009, our staff donated money, clothes and toys to this fantastic cause, while Inchcape plc sponsored a fundraising video about the school. These ongoing contributions help ensure the programme continues to provide support and hope to these children and their mothers.



3 Toyota Balkans is awarded 'best partner of the WWF Earth Hour'

On 28th March 4,000 towns in 88 countries switched off the lights as part of the global Earth Hour campaign organised by World Wildlife Fund (WWF). Inchcape's business in Bulgaria, Toyota Balkans, and its dealer network helped promote the campaign to staff and customers and took part by switching off electricity to their showrooms during Earth Hour. Our business was given a special recognition award for being the WWF's best business partner for this project.

4 Inchcape Fleet Solutions (IFS) wins Green Apple Award

Our UK vehicle leasing and management company was the only one in its sector to win this in 2009. The award recognised a newly launched ISO 14001 accredited environmental management system that supports environmental management for clients. This includes a number of innovative online tools to help customers reduce their carbon footprint including: a CO_2 tracking tool that helps select lower impact and lower cost vehicles, enhanced vehicle comparison tools with vehicle-specific environmental impact tagging integrated within online quote system 'E-Quotes' and enhancements to its Grey Fleet driver management system providing guidance on how to cut fuel emissions and fuel use.

5 Inchcape Australia's employee volunteering programme

In 2009, Inchcape Australia launched 'Inchcape in the Community', an employee volunteering programme where staff receive an extra day of paid leave per year to dedicate to a community project. 'Inchcape in the Community' is an opportunity for employees to get involved and 'give back' to the community through engaging in an activity for any of the following charities: The Smith Family Hospice, The Salvation Army, Conservation Volunteers or Cancer Council Australia.

6 Toyota Hellas in Greece takes part in Green Month Campaign

For the fifth year, Inchcape took part in events in support of Toyota's Green Month. The first activity was an Eco-Driving seminar for staff to help reduce fuel consumption and CO_2 emissions.

The second activity involved 50 Inchcape volunteers successfully cleaning a beach in Aspropyrgos in cooperation with the Mediterranean SOS Network and Aspropyrgos Municipality.

Corporate responsibility continued

Our environment

In 2008, the Group commenced collecting data on its CO_2 footprint, measured against three core Key Performance Indicators (KPIs).

Energy	This KPI measures our global electricity and gas usage. For the last six months of 2008, and during 2009 data has been collated on the basis of megawatt hours for electricity and cubic metres for gas.
Transport	This KPI measures the movement of cars and parts from the point of ownership (which means legal or contractual ownership) to the point we cease to have legal ownership. This includes test drives. We calculate our CO_2 footprint by car or parts kilometres depending on the mode of transport with a CO_2 multiplier.
Flights	This KPI measures the impact of the movement of our people. We have recorded the number of flights (each flight leg counts as one unit) and calculated our flight CO_2 emissions with a multiplier by flight kilometre.

By recycling rainwater, using ground source heating pumps and solar power to heat water, Inchcape Honda in Romford, UK uses around 30% less energy than a standard car showroom.

In January 2009, following an internal review of the data collected and the collection process, it was agreed that the processes should be refined to maximise their robustness and enable independent verification, as appropriate.

Since that review, we have continued to collect data from our markets against all three core KPIs. This data has begun to provide us with insights into our CO_2 footprint. However, we consider that additional data collection is required in order to provide meaningful guidance. Namely:

- additional CO_2 data is required in order to understand if seasonality has an impact on our data usage;
- whilst there are early indications of trend patterns in the data, there is insufficient data to establish if these are actual or perceived trends;
- verification of the robustness of our data. We are ensuring that from the start of the process we are building in sufficient control points so that our data is capable of independent verification as part of our overall planning process for this element of our CR programme.

Early conclusions that can be drawn are:

Analysing our CO_2 footprint is providing us with data from which we can evaluate how we can manage emissions and reduce costs in the supply chain. For example, in some markets we rely on air freight to support our business, particularly around the import of critical supplies which can be dependent on aftersales requirements. We will use the data to analyse if changes are appropriate to support our business requirements, reduce our CO_2 footprint and reduce costs, thereby benefiting our customers and our stakeholders alike.

Additionally, measuring our direct costs using a CO_2 metric will present opportunities to work closely with our brand partners as we can support their CR values and vice versa, ensuring that there is a consistent approach throughout all elements of the supply chain.

We have reviewed our travel policy and have used alternative communications where practicable, such as conference calls, video conferencing and virtual offsites. We will continue to implement these measures in 2010 as part of our CR programme. Moreover, the cultural changes in our ways of working have been implemented positively.

We have already introduced a number of measures to protect our environment within our offices such as recycling bins, use of recycled paper and stationery and water purification systems.

As Inchcape operates three business models – Distribution, Retail and VIR (please see page 13 for more detail) there are variances in our CO_2 footprint.

Direct comparisons between markets operating different business models are unlikely to produce meaningful results. However, we are looking for opportunities to exploit synergies between the business models by having a consistent approach to reduction and offsetting goals and by sharing best practices.

Our 2010 goals

Having established solid foundations for our CR programme, in 2010 we will look to embed these practices within our global operations, particularly focusing on people and our CO_2 footprint management.

Objective	How we will do this
Raising employee engagement through the various initiatives from our people strategy including significant reward and development plans	• All employees to be part of the appraisal process • All senior employees to be part of the talent review process • All senior employees to have individual development plans
Extending our employee survey to the rest of our global employee base	• Continuing to implement Heartbeat across the Group • Ensuring that follow up action plans are in place and implemented
Extending best practice in health and safety to our operations worldwide	• Reviewing time lost through accidents and continuing to monitor impact on business
Supporting our communities in which we operate through focused initiatives	• Continued focus on local initiatives
Continued collection of CO_2 data in order to establish trends and seasonal variations and eliminate practices which do not support both our CO_2 and business strategies	• Promote best practices throughout the business • Perform analysis for trends etc as sufficient robust and verifiable data is collated
Identification of CO_2 reduction and/or offset opportunities for our core markets	• Based on above, review the opportunities that positively impact our CO_2 footprint to support our objectives, our shareholders, our brand partners, our customers and employees

Aftersales again proved resilient in 2009 and represents c.50% of our Group gross margin

Our BMW Cooper Croydon retail centre in the UK has a 19 bay workshop, including two dedicated diagnostic bays and a 'smart repair' bay. The Integrated Service Information Server provides an online technical link direct to the BMW factory to aid our highly trained technicians through all diagnostic activities, re-coding and programming of vehicles.

Governance

Board of Directors

1 Ken Hanna
Position: Chairman
Appointment to Board: September 2001
Committee Membership(s): Nominations Committee
Experience: Ken joined the Board as a Non-Executive Director in September 2001 and accepted the position of Chairman in May 2009. Prior to joining Inchcape, Ken was an Executive Director and Chief Financial Officer of Cadbury plc. He was previously a Partner of Compass Partners International and Group Finance Director and Chief Executive of Dalgety (now Sygen Group plc) and had previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker. Ken is a Non-Executive Director of Tesco plc.

2 André Lacroix
Position: Group Chief Executive
Appointment to Board: September 2005
Committee Membership(s): Nominations Committee
Experience: André is Chairman of Good Restaurants AG and a Non-Executive Director of Reckitt Benckiser Group plc. He was previously Chairman and Chief Executive Officer of Euro Disney S.C.A. Prior to this he was the President of Burger King International, previously part of Diageo.

3 Will Samuel
Position: Deputy Chairman and Senior Independent Non-Executive Director
Appointment to Board: January 2005
Committee Membership(s): Audit Committee, Remuneration Committee and Nominations Committee
Experience: Will is Chairman of Galiform plc (previously known as MFI Group) and Ecclesiastical Insurance Group. He is Vice Chairman of Lazard & Co, a Non-Executive Director of the Edinburgh Investment Trust plc and a Director of the All Churches Trust. He was previously a Director of Schroders plc, Co-Chief Executive Officer of Schroder Salomon Smith Barney (a division of Citigroup Inc.) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H.P. Bulmer plc. Will is a chartered accountant.

4 John McConnell
Position: Group Finance Director
Appointment to Board: October 2009
Committee Membership(s): None
Experience: John was appointed as Group Finance Director of Inchcape plc in October 2009, having worked with the Group since 1999. John joined Inchcape Australasia as Chief Financial Officer before moving to the role of Chief Executive Officer of Australasia. Prior to joining Inchcape he worked with Reckitt and Colman (now Reckitt Benckiser) for 13 years in a variety of senior financial roles in the UK, Germany and Australia.

5 Alison Cooper
Position: Non-Executive Director
Appointment to Board: July 2009
Committee Membership(s): Audit Committee
Experience: Alison is Chief Operating Officer and Chief Executive designate of Imperial Tobacco Group PLC. Alison joined Imperial Tobacco Group in 1999 and has held a number of senior roles including Director of Finance and Planning, Regional Director Western Europe and Corporate Development Director. Previously she was with PricewaterhouseCoopers LLP.

6 David Scotland
Position: Non-Executive Director
Appointment to Board: February 2005
Committee Membership(s): Audit Committee, Remuneration Committee and Nominations Committee
Experience: David is a Trustee and Director of Winston's Wish, a child bereavement registered charity. He was previously an Executive Director of Allied Domecq plc and a Non-Executive Director of Photo-Me International plc, Brixton plc, Cobra Beer Ltd and Thompson Travel Group plc.

7 Michael Wemms

Position: Non-Executive Director
Appointment to Board: January 2004
Committee Membership(s): Audit Committee, Remuneration Committee and Nominations Committee
Experience: Michael is a Non-Executive Director of Galiform plc and Moneysupermarket.com Group plc. He was previously an Executive Director of Tesco plc and Chairman of the House of Fraser plc and British Retail Consortium. He also held Non-Executive Director positions with Cole-Meyer Ltd, Majid Al Futtaim Group LLC and A&D Pharma Holding S.R.L.

8 Nigel Northridge

Position: Non-Executive Director
Appointment to Board: July 2009
Committee Membership(s): Remuneration Committee, Audit Committee
Experience: Nigel is Chairman of Paddy Power plc and Debenhams plc. He is also Senior Independent Non-Executive Director of Aggreko plc. He spent 32 years with Gallaher Group plc in sales and marketing roles, becoming the Group Chief Executive in 2000. He was previously a Non-Executive Director of Thomas Cook plc.

9 Graham Pimlott

Position: Non-Executive Director
Appointment to Board: March 2008
Committee Membership(s): Audit Committee
Experience: Graham is Chairman of Grosvenor Limited and a Non-Executive Director and Chairman of the Audit Committee at Tesco Personal Finance plc. He was a member of the Auditing Practices Board until March 2010. He was previously Chairman of the Export Credit Guarantee Department and a Non-Executive Director and Chairman of the Audit Committees of Tesco plc, Hammerson plc and Provident Financial plc.

Members of the Audit Committee
Date of appointment:

Graham Pimlott – Chairman – 14 May 2009 (Member – 28 March 2008)
Will Samuel – 26 January 2005
Michael Wemms – 29 January 2004
David Scotland – 24 February 2005
Alison Cooper – 1 July 2009
Nigel Northridge – 5 March 2010

Members of the Remuneration Committee
Date of appointment:

Michael Wemms – Chairman – 13 May 2004 (Member – 29 January 2004)
Will Samuel – 26 January 2005
Ken Hanna – 27 September 2001
David Scotland – 24 February 2005
Nigel Northridge – 1 July 2009

Members of the Nominations Committee
Date of appointment:

Ken Hanna – Chairman – 14 May 2009 (Member – 26 February 2004)
Will Samuel – 1 April 2005
Michael Wemms – 29 July 2004
David Scotland – 29 November 2005
André Lacroix – 1 January 2006

Executive Committee

1 André Lacroix
Position: Group Chief Executive
Appointment to Executive Committee: February 2006
See page 52 for full biography

2 John McConnell
Position: Group Finance Director
Appointment to Executive Committee: February 2006
See page 52 for full biography

3 Aris Aravanis
Position: Chairman and Managing Director Toyota Hellas
Appointment to Executive Committee: July 2009
Skills and experience: During his tenure with Inchcape, Aris has led the establishment and development of Tefin, a finance company that was constituted by Toyota Hellas and EFG Eurobank, to the top of the automotive financing market in Greece.

In February 2000, Aris assumed the position of General Manager of Toyota Hellas and then became Deputy Managing Director and member of the Board of Directors. During his service, Toyota has established solid and clear leadership in the Greek Market.

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

4 George Ashford
Position: Chief Executive Officer Toyota Belgium
Appointment to Executive Committee: October 2006
Skills and experience: George joined Inchcape in March 2006 as Director of Implementation, Inchcape Advantage. In this role George led the implementation of Inchcape Advantage, a company wide strategic programme putting the customer at the heart of the Group's service initiatives. In October 2006, George was appointed Managing Director European Retail. In this role he led the implementation of world class retail operation programmes across the European retail network. He was also responsible for the integration of businesses acquired in the Baltics and the construction and opening of four greenfield operations in eastern Europe. George was appointed as Chief Executive Officer Toyota Belgium in July 2009. George joined Inchcape from Yum Restaurants International (previously Pepsi Restaurants International), where he spent 10 years holding several senior management positions.

5 Dale Butcher
Position: Group Development Director
Appointment to Executive Committee: February 2006
Skills and experience: Dale joined Inchcape in 1986 and has been involved in numerous restructuring and reorganisation projects as the Group rationalised its portfolio, and in all acquisitions and disposals since Inchcape became an automotive only Group.

Prior to joining Inchcape, Dale worked for British Timken as a financial analyst from November 1980 to 1982 before joining Alghanim Industries in Kuwait as a financial controller, where he worked in their motors and construction divisions.

Dale is a member of the London CBI council and is a Freeman of the City of London.

6 Claire Chapman
Position: General Counsel and Group Company Secretary
Appointment to the Executive Committee: March 2007
Skills and experience: Claire joined Inchcape in March 2007 and is responsible for the Group's legal and compliance programmes, mergers and acquisitions, major contracts, corporate projects and restructurings and effective corporate governance and Board management.

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

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

7 Koh Ching Hong
Position: Managing Director Inchcape South Asia
Appointment to Executive Committee: August 2009
Skills and experience: Ching Hong joined Borneo Motors as its Managing Director in January 2008. He was appointed as Managing Director, Inchcape South Asia in August 2009 and is responsible for Borneo Motors and Champion Motors in Singapore and NBT in Brunei.

Prior to joining the Group, Ching Hong was Managing Director of Fuji Xerox Singapore, an Executive member of the Fuji Xerox Asia Pacific Senior Management from 1996 to 2008. In these roles he led the transformation and restructuring of its business model and business approach, thereby increasing market share, doubling revenue and leading the organisation into the prestigious Singapore Quality Class, achieving a high customer satisfaction index.

8 Tony George
Position: Group Human Resources Director
Appointment to the Executive Committee: February 2007
Skills and experience: Tony joined the Group in February 2007. He has over 22 years of experience in Human Resources and General Management in International FMCG, chemicals, telecommunications and customer service oriented retail companies. In his previous role he was HR Director, Corporate Functions for Vodafone plc and prior to that, SVP International Partner Resources for Starbucks Coffee Company based in the US. He has also worked with ICI in India and Diageo plc where, at the time of the formation of the Company, he was the first Global Management Development Director UDV in the UK and latterly was the SVP International HR for the Burger King business. During his career Tony has lived and worked in India, UK, USA and Australia.

9 Ken Lee
Position: Group Communications Director
Appointment to Executive Committee: November 2006
Skills and experience: Ken joined Inchcape Retail as Marketing Director in September 2003, where he led the development of a pioneering customer experience programme. In early 2006 he was appointed Customer Strategy Director to lead the Group wide identification of customer insights to drive the company's Inchcape Advantage programme. In late 2006 he was appointed to the Executive Committee as Group Communications Director with responsibility for Group wide internal and external communications.

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

10 Patrick S Lee
Position: Managing Director Inchcape North Asia
Appointment to Executive Committee: November 2006
Skills and experience: Patrick is in charge of our VIR operations in Hong Kong, Macau and Guam. Representing Toyota in all three markets, Toyota has maintained the No.1 position for several years.

Before joining Inchcape, Patrick was the Group General Manager, Sales and Marketing of Kerry Beverages Ltd from 1998 to 2006. Kerry Beverages owned and operated 11 Coca-Cola bottling plants in China.

Patrick's experience in auto retailing came from a Toronto Honda dealership where he worked for three years and was awarded the highest honour "Sales Master" by Honda Canada for two consecutive years. Patrick started his career in brand marketing with Procter & Gamble and has worked in various locations including Canada, Switzerland, Thailand and Hong Kong. Patrick holds a BBA and an MBA from the Chinese University of Hong Kong.

11 Spencer Lock
Position: Chief Executive Officer Inchcape Australasia
Appointment to Executive Committee: February 2006
Skills and experience: Spencer joined Inchcape in 1998 and has held various senior operational roles within the UK Retail business, culminating in his appointment as Chief Executive Officer of Inchcape Retail in 2007. Spencer has been responsible for the development of the premium brand core partner strategy and the acquisition and integration of both European Motor Holdings and Lind Automotive Group. In November 2009, Spencer was appointed Chief Executive Officer of Inchcape Australasia.

Prior to joining Inchcape, Spencer was responsible for franchise development in Nissan GB and previously worked for Ford Motor Company.

12 Bertrand Mallet
Position: Managing Director Emerging Markets and Group Strategy Director
Appointment to Executive Committee: July 2008
Skills and experience: Bertrand is responsible for the Emerging Markets region, encompassing all of our retail and distribution activities in China, Poland and the Balkans. He oversees both current operations and the definition of our future expansion plans in these markets. He also serves as the Group Strategy Director, a role in which he manages the Corporate Strategic Planning process and key strategic projects for the Group.

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

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

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

14 Jean Van der Hasselt
Position: Managing Director Nordics, South America and Africa
Appointment to Executive Committee: June 2009
Skills and experience: Jean joined Inchcape in 2003 as Chief Executive Officer of Toyota Belgium, having been in the automotive industry since 1985. During this tenure the network has been successfully restructured, leading to fewer and better retailers whilst improving market share and maximising the profitability for Toyota Belgium. The successful run out campaign of Toyota's best selling model in 2006 led to an overall best market share performance.

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

15 Immo Rupf
Position: Managing Director Inchcape Russia
Appointment to Executive Committee: March 2006
Skills and experience: Immo joined Inchcape as Director of Group Strategy in March 2006 and led major strategic initiatives, most significantly the Inchcape Customer 1st transformation. On 1 August 2008, Immo was appointed as Managing Director for Inchcape's Russian businesses. Since then Immo has been leading the integration of our acquired Russian businesses.

Prior to joining Inchcape, Immo was a Partner and Vice President of the Boston Consulting Group (BCG) in Munich, Shanghai and Paris from 1989 to 2003 and Group Chief Financial Officer for Alcoa Asia and Latin America from 2004 to 2006. His main focus at BCG and Alcoa was on business strategy, corporate development and performance management for automotive and consumer businesses.

Corporate governance report

Ken Hanna
Chairman

2009 highlights

- Successful Rights Issue
- Board composition review
- Successful roll out of the Group Subsidiary Governance Manual

2010 objectives

- Share consolidation
- Continued focus on corporate responsibility
- Effective implementation of applicable recommendations from key governance reviews
- Focus on Board balance, development and performance evaluation

More online at www.inchcape.com/aboutus/corporategovernance

Letter from the Chairman

Dear Shareholder
I succeeded Peter Johnson as Chairman of Inchcape after the AGM on 14 May 2009. During his tenure as Chairman, Peter championed good governance practices and a continued focus on the highest governance standards remains high on my agenda. We, as a Board, firmly believe these are vital to the effective operation and growth of our Company.

High standards of governance help strengthen management and underpin the decisions made by the Board and the Executive Committee to help us to lead the Group forward to deliver on our objectives and performance goals whilst having regard to the interests of our stakeholders. Making governance integral to our business enables the Board to be focused on strategy and enables the Executive Committee to manage the operations effectively.

During 2009 we remained committed to ensuring the highest standards of Board performance and delivery and to this end have again performed an evaluation of the Board. Our particular focus has been on ensuring that the refinements we have made to our Board processes are working effectively and that the members of the Board that joined us in 2009, as well as the existing members, have full access to our business along with all relevant information and training to allow them to discharge their duties. Our evaluation has reviewed how the changes made have facilitated discussion of the key issues as well as considering the alignment to best corporate governance practices following recommendations made by various reports including the Walker Report and the Financial Reporting Council.

Our corporate governance report explains how the Board and its Committees operate within a framework of effective controls and how the Directors have discharged their duties to our Company.

Yours sincerely

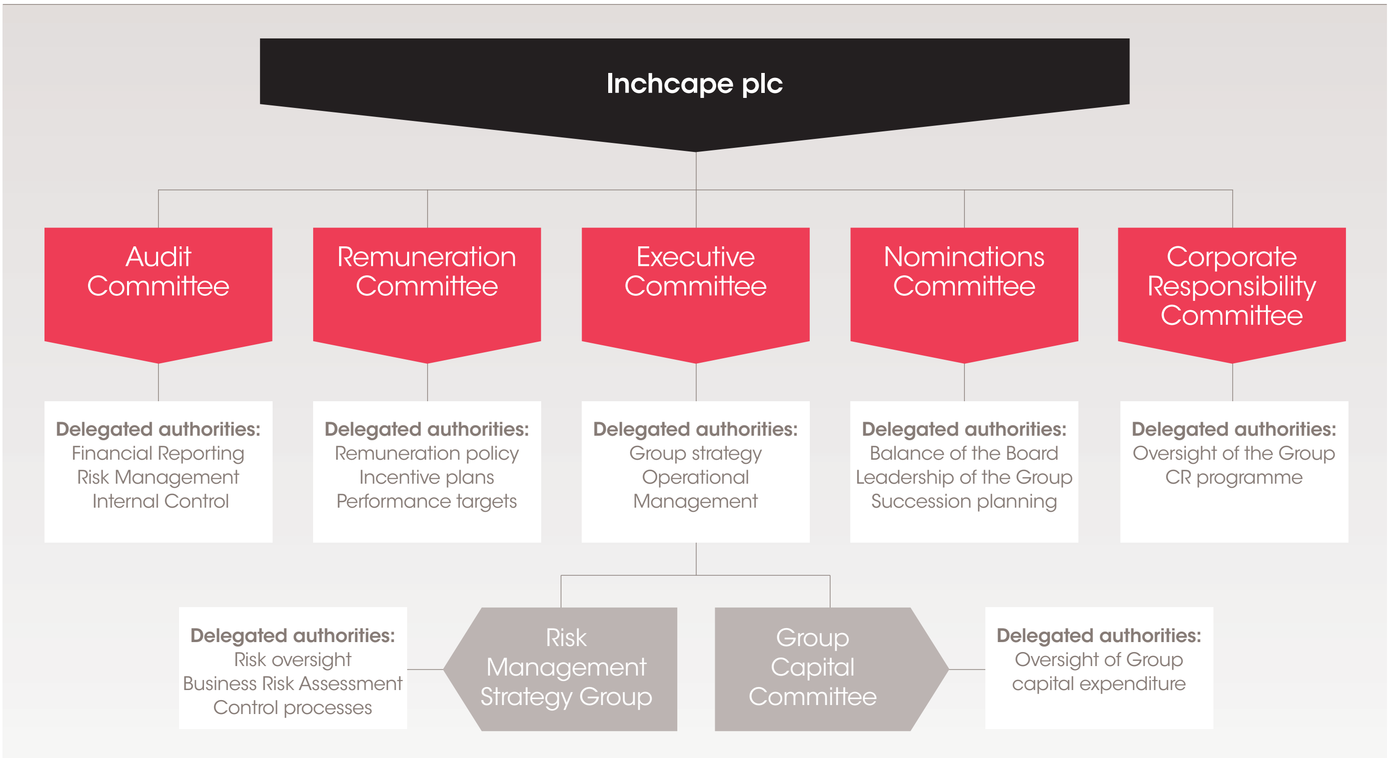
Ken Hanna
Chairman

Governance framework

In accordance with the Companies Act 2006 and the principles of good governance, the Board is collectively responsible for promoting the success of the Company and for providing strong leadership within a framework of prudent and effective controls. The Board is committed to ensuring that the Group delivers shareholder value in the long term and recognises that good governance will facilitate the achievement of sustainable growth.

The Board has established good governance practices by ensuring that the Board is well balanced and has structured and effective Committees to assist with the running of the Company.

The following sections explain how the Company has complied with the main and supporting principles of the Combined Code (Code). It is the Board's view that it has been fully compliant with the Code throughout the year.



A statement of the Directors responsibilities for preparing the consolidated Financial statements and a statement regarding the status of the Company as a going concern is on page 76.

The Board of Directors

The Board comprises a Non-Executive Chairman, six Non-Executive Directors and two Executive Directors.

The Chairman, Ken Hanna, is responsible for the leadership of the Board and the balance of its membership. The Group Chief Executive, André Lacroix, is responsible for leading and managing the business with support from the Executive Committee.

Will Samuel is the Deputy Chairman and Senior Independent Non-Executive Director. The Committee Chairmen are:

- Michael Wemms – Remuneration Committee;
- Graham Pimlott – Audit Committee;
- Ken Hanna – Nominations Committee;
- David Scotland – Corporate Responsibility Committee.

The biographical details of the Directors (including details of other directorships held) and the Executive Committee can be found on pages 52-55.

Articles of Association

Article 74 requires that every Director will seek re-election to the Board at least every three years, subject to election by shareholders at their first AGM. Articles 70 to 72 provide for the appointment and removal of Directors by the Board. All Directors are subject to the provisions of the Companies Act 2006 in relation to the removal of Directors.

Under Articles 82 and 83 the Board may authorise any conflicts of interest. If a Director becomes aware of a conflict he/she must notify the Board in writing at the next Board meeting. A register of conflicts is kept by the Group Company Secretary. It is the duty of the Directors to inform the Board of any updates to their conflicts.

No such conflicts have been reported during 2009.

Board operation

The Board is responsible for setting the strategic agenda for the Company and for ensuring that its values and standards are applied throughout the Group's businesses. Day to day management is delegated to the Executive Committee, however matters which require Board approval include:

- budget;
- capital expenditure, acquisitions and disposals;
- group policies;
- financial results;
- board and Company Secretary appointments;
- corporate and capital structure;
- internal controls and risk management.

The full schedule of Matters Reserved for the Board can be found on the Company's website at www.inchcape.com/aboutus/corporategovernance.

Specific responsibilities are delegated to the Board's Committees. The reports for the Audit, Nominations and Remuneration Committees are on pages 64-67.

Corporate governance report continued

Number of meetings	Board Number	Board Attended	Audit Committee Number	Audit Committee Attended	Remuneration Committee Number	Remuneration Committee Attended	Nominations Committee Number	Nominations Committee Attended
Raymond Ch'ien*	7	3	–	–	–	–	–	–
Alison Cooper*	7	3	3	2	–	–	–	–
Karen Guerra*	7	2	–	–	3	2	–	–
Ken Hanna	7	7	3	3	3	3	3	3
Peter Johnson*	7	4	–	–	–	–	3	1
Nigel Northridge*	7	2	–	–	3	0	–	–
André Lacroix	7	7	–	–	–	–	3	3
John McConnell*	7	2	–	–	–	–	–	–
Graham Pimlott	7	7	3	3	–	–	–	–
Barbara Richmond*	7	4	–	–	–	–	–	–
Will Samuel	7	7	3	3	3	3	3	3
David Scotland	7	7	3	3	3	3	3	3
Michael Wemms	7	7	3	3	3	3	3	3

* Raymond Ch'ien, Karen Guerra and Peter Johnson left on 14 May 2009. Barbara Richmond left on 30 June 2009. Alison Cooper and Nigel Northridge joined on 1 July 2009. John McConnell joined on 1 October 2009.

Other key Committees include the Risk Management Strategy Group which reports ultimately into the Audit Committee and the Executive Committee, Group Capital Committee and Corporate Responsibility Committee which report to the Board of Directors. The Corporate Responsibility Report can be found of pages 40-49.

Board meetings and attendance

The Board held seven scheduled meetings during 2009. In addition the Board attended a Strategy Review day where the Board and members of the Executive Committee agreed the strategic agenda for the coming years. The Strategy Review day gives the Non-Executive Directors and the Executive Committee members an opportunity to engage in detailed discussions regarding the operations of the business and establish the framework for the future strategic direction of the Group. The Board also met for ad hoc meetings to deal with specific issues.

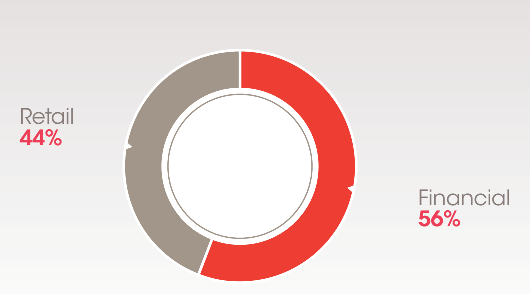
Board meetings were held at retail centres and operations within the Group which provides valuable additional insight into the business for Non-Executive Directors and gives the Board an opportunity to meet colleagues around the world. During 2009, in contrast with previous years and in recognition of the difficult economic climate, the Board did not hold an overseas Board meeting but instead attended a meeting at BMW Croydon, a UK retail centre. It is intended that the Board will meet at our operations in Belgium in 2010.

Where a Director is unable to attend a meeting, he/she is advised in advance of the matters to be discussed and given an opportunity to make his/her views known to the Chairman, Committee Chairman or Group Company Secretary before the meeting. Nigel Northridge was unable to attend one meeting due to commitments that existed before he became a Non-Executive Director.

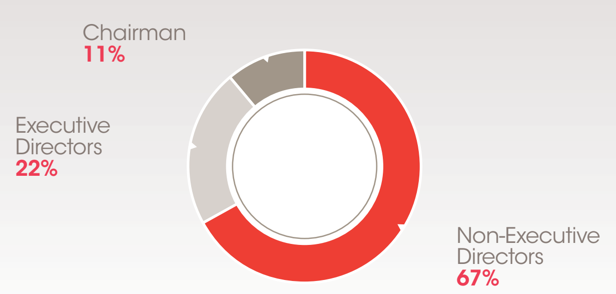
If any Director were to have any concerns regarding the running of the Company or a proposed action, such concerns would be recorded in the Board minutes. If a Director were to resign over an unresolved issue, the Chairman would bring the issue to the attention of the Board. No such issues or concerns arose during the year.

The Non-Executive Directors also met during the year without the Executive Directors.

Directors' industry background experience



Balance of Executive/Non-Executive Directors



Board balance and independence

All the Non-Executive Directors are considered to be independent under the criteria set out in rule A.3.1 of the Combined Code.

Ken Hanna became Chairman after the AGM on 14 May 2009. Ken was considered independent upon appointment under rule A.3.1 of the Combined Code.

Will Samuel and Michael Wemms are both Non-Executive Directors of Galiform PLC. Ken Hanna and Graham Pimlott are both Non-Executive Directors of Tesco PLC or its subsidiaries. Having regard to all the circumstances, including the independence they have demonstrated as Non-Executive Directors of the Company and the fact that there are no cross-shareholdings or business relationships between either Galiform PLC or Tesco PLC and the Company, the Board is satisfied and has determined that they are independent in respect of these roles additionally.

It is important to the Company to maintain a strong skills base across the Board in order to bring a depth of knowledge and experience to the matters under discussion. Alison Cooper and Nigel Northridge were both appointed during the year. They bring considerable retail, operational and international experience adding to and enhancing the balance of the Board. John McConnell joined as Group Finance Director transferring from our business in Australia. John's in depth knowledge of our business as well as technical knowledge gives him a particular insight into strategic issues. All the Directors bring an individual judgement to bear on issues of strategy, performance, resources and standards of conduct.

Further details on new appointments to the Board can be found in the Nominations Committee report on page 65-66.

Information, training and development

Information supplied

Each Director receives information on the Group's operating businesses; regulatory and legislative environment; and corporate governance.

Additional support

The Directors have access to external advisors for additional information and/or training as appropriate. This ensures that the Directors' skills, knowledge and familiarity are kept up to date.

Board meetings

Using the information supplied the Directors are able to participate in informed and valuable discussions during the Board meetings.

Responsibility

The Group Company Secretary is responsible for the flow of information to Non-Executive Directors. The receipt of quality, timely and relevant information is important to the effective decision making of the Board.

Induction programme for new Non-Executive Directors

In order to understand the Group's operations both new Non-Executive Directors participated in a detailed induction programme. They met with the Chairmen of the Audit and Remuneration Committees to acquire an understanding of the Board's processes and they visited UK retail centres with the Chief Executive Officer of the UK retail business to provide an insight into the Group's operational business. They also spent time with members of the Executive Committee, the Director of Corporate Affairs, Group Head of Tax and the Group Financial Controller to gain further knowledge of how the Company operates. Externally they met with the Company's brokers to enable them to gain an understanding of the Group's position within the market place.

The broad scope of the induction plan is designed to give the new Non-Executive Directors an understanding of the business and the arena in which it operates.

Performance evaluation

Process

Led by the Chairman and supported by the Group Company Secretary, a performance evaluation questionnaire was used, covering the effectiveness of the Board, each Committee's performance against objectives, preparation for and performance at meetings and corporate governance matters. An internal review was considered most appropriate in 2009 to allow changes in composition and operation to bed down.

Focus

The change in Chairman and composition of the Board in 2009 provided an opportunity to review how the Board processes supported the effective discharge by the Board of its duties. In conjunction with this review, we have:

- re-issued the schedule of Board meetings, with six to eight meetings per year held over two successive days;
- increased the number of scheduled Audit Committee meetings.

Identification of actions

Following the evaluation, the Board members concluded that appropriate actions have been identified to address areas that could be improved and that, overall the Board and Committees continued to perform effectively.

Performance evaluation

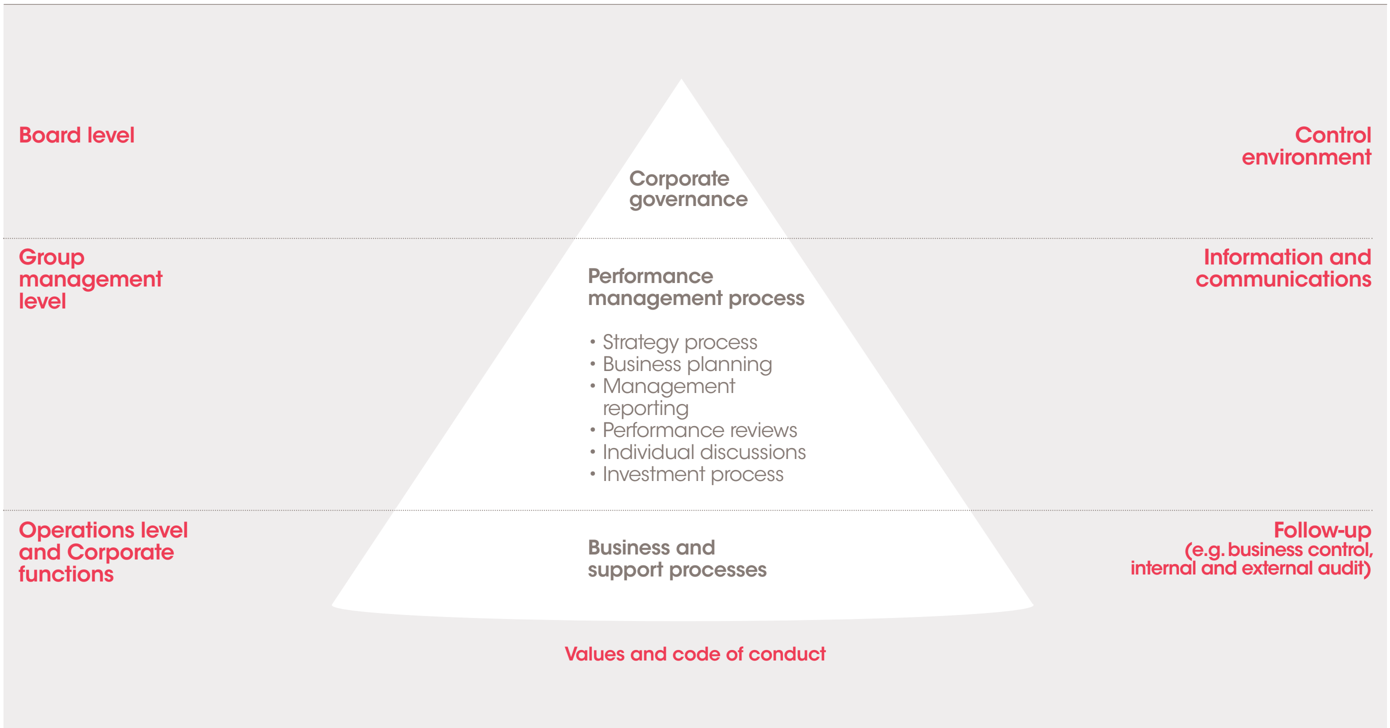
The Chairman evaluates the performance of the Non-Executive Directors and met each of them individually to discuss performance. The Non-Executive Directors met without the presence of the Chairman to evaluate his performance.

Conclusion

Following the performance evaluation process, the Chairman has confirmed that the Non-Executive Directors standing for election at this year's AGM continue to perform effectively and demonstrate commitment to their roles. The Board will continue to review performance annually. In addition to the annual review process the Board receives regular updates on best practice and will, as appropriate, adopt changes in practice during the course of the year.

Corporate governance report continued

Internal control framework



Internal controls

The Board is responsible for the establishment and review of the Company's internal operational and compliance control systems. The internal control systems are designed to ensure:

- effective and efficient operations;
- quality of internal and external reporting; and
- internal control and compliance with appropriate laws and regulations.

The implementation of internal control systems is the responsibility of the Executive Committee.

In compliance with provision C.2.1 of the Code and the Turnbull guidance the Board annually reviews the effectiveness of the Company's internal control systems and reports to shareholders.

The Board has ensured that a process for managing significant risk has been in place during the year. The process is designed to manage rather than eliminate risk in general, not just risk of not meeting objectives. In establishing and reviewing the system of internal control the Directors have regard to the nature and extent of relevant risks; the likelihood of loss being incurred and the costs of control.

The system can only provide a reasonable but not absolute assurance against any material mis-statement or loss and cannot eliminate business risk.

The Board has delegated the responsibility of monitoring the effectiveness of the Company's internal control systems to the Audit Committee. The Committee reports its findings to the Board as a whole so that a view can be taken.

Risk identification, assessment and management

To assist the Board and the Audit Committee in managing internal controls the Group operates a Risk Management Strategy Group (RMSG) which is chaired by the Group Chief Executive. Membership throughout the year comprised the Group Finance Director, the General Counsel and Group Company Secretary, the Group Corporate Affairs Director and the Director of Audit and Risk.

The RMSG meets six times per year, aligned with the Audit Committee schedule to review risk management and control processes. Its review covers matters such as responses to significant risks that have been identified, output from monitoring processes (including internal audit reports) and changes to be made to the internal control systems. It also follows up on areas that require improvement and reports back to the Audit Committee.

Risk management programme

The Company has relaunched its risk management programme known as Inchcape Peace of Mind (iPOM). This is a programme bringing together the various risk management projects and initiatives under one systematic and collective approach.

iPOM aims to maximise opportunities to improve performance and meet strategic goals with an integrated, simple approach to risk management. Through iPOM we will constantly seek to instill the right behaviours across the organisation and to ensure that compliance continues to be embedded within the Group's way of operating.

iPOM – 7 Key steps

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

Examples of key projects for 2009, including key initiatives that were either introduced or reinforced were:

- compliance certificates signed by all Managing Directors and Finance Directors as part of the year end process confirming that all key controls had been complied with and there were no outstanding issues to be resolved.
- the Group Risk Register process continued, with a bottom up top down approach used to identify the key Group and market risks and to look at the impact of mitigating actions that had been implemented. The Business Risk Assessment forms part of the scheduled Annual Operating Plan process and monthly market review meetings as well as being a key agenda item for review at the RMSG and Audit Committee meetings;
- a Group Subsidiary Governance Manual was rolled out to all markets in 2009. This sets out the policies that all operations within the Group are required to comply with, covering a number of areas including tax, treasury, finance, legal, company secretariat and HR.

The RMSG is supported by market risk committees that share the common risk agenda, and which report to the RMSG on a regular basis.

Control procedures and monitoring systems

A Group Risk Register, which identifies the key risks, the impact should they occur and actions being taken to manage these risks at the desired level, is produced for each business unit. In addition, actions to be taken in the event that such risks crystallise and proposed improvements to the way they are managed are also included. The Group Risk Register is approved by the RMSG and the Executive Committee and discussed by the Audit Committee at its meetings.

The Group also monitors its control procedures in the following key areas:

Financial reporting

There is a comprehensive system with an annual budget approved by Directors. Monthly actual results are reviewed and reported against budget and, where appropriate, revised forecasts are presented at Board meetings.

Investment appraisal

The Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal and review procedures.

Internal Audit

The adequacy and effectiveness of the Group's internal control systems are monitored by the Internal Audit team who report to the Audit Committee on a regular basis. Internal Audit also works closely with management and the external auditors.

Business Unit Controls

Each business in the Group is required to identify its key risks and the control procedures in place to mitigate those risks. This evaluation takes place twice a year as part of the preparation and update of the business plans.

During 2009, the Managing Director and Finance Director of each business unit in the Group signed a compliance certificate to confirm:

- the accuracy and completeness of the accounts submitted for consolidation;
- compliance with local laws and regulations;
- the absence of fraud;
- the absence of conflicted directorships; and
- compliance with Inchcape policies.

Corporate governance report continued

Investor relations

Shareholder profile

As at 31 December 2009 the Company had 8,837 holdings on our register of ordinary shareholders (2008: 7,745).

The distribution of holdings by size are shown in the table below:

Inchcape share register at 31 December 2009

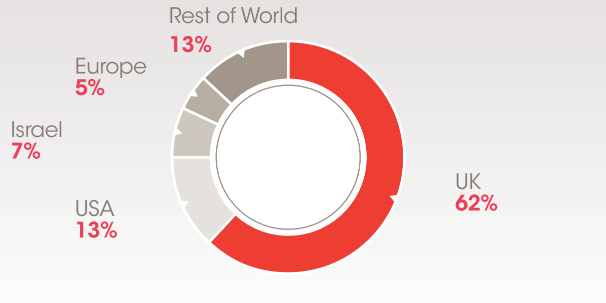
By size of investment	Number of holdings	%	Number of shares	%
Up to 1,000,000	8,530	96.5	206,912,103	4.5
1,000,001 – 10,000,000	227	2.6	772,669,526	16.7
10,000,001 – 25,000,000	44	0.5	692,329,511	14.9
25,000,001 – 50,000,000	14	0.2	438,432,426	9.5
50,000,001 – 100,000,000	13	0.1	888,199,855	19.2
Over 100,000,000	9	0.1	1,632,171,553	35.2
Total	**8,837**	**100.0**	**4,630,714,974**	**100.0**

Source: Computershare

Further analysis of the share register at the year end is shown in the pie charts below. As at 31 December 2009, 69% of the total share register was held on behalf of investment institutions such as pension funds, mutual funds, insurance funds and funds managed for private individuals. The majority of funds are managed from the UK including 7% in Scotland.

Share register analysis by holder

Share register analysis by geography



Source: JP Morgan Cazenove

Significant shareholdings

As at 9 March 2010, the following notifications of substantial interests in the Company's issued ordinary share capital had been received pursuant to the provisions of the Companies Act 2006 and DTR5:

Holding	No. of shares	% Holding
Mr George Horesh	414,877,810	8.99
Prudential plc	388,519,165	8.43
BlackRock Inc	299,768,603	6.51
Axa SA	238,435,478	5.18
Schroders plc	229,421,483	4.98
F&C Asset Management plc	228,273,216	4.96
FIL Limited	226,777,954	4.92
Legal & General Group plc	184,091,394	3.99
Aviva plc	181,563,408	3.94

Source: TR-1 notifications received since the Rights Issue was completed. These are updated on the Company's website.

Communication with shareholders

The Board recognises the importance of maintaining good communication with its shareholders to ensure a mutual understanding of the Company's objectives and performance and in order to understand their issues and concerns. A comprehensive investor relations programme has been in place for many years. This is managed by the Group Chief Executive, Group Finance Director and Director of Corporate Affairs who meet with existing and prospective institutional investors on a regular basis. The Chairman and Non-Executive Directors are also given the opportunity to meet institutional shareholders. The Senior Independent Non-Executive Director is available to shareholders if contact through normal channels is inappropriate. Other meetings are held for investors and analysts that cover a wide range of issues including strategy, performance and governance. In total, during the year, members of the Board, and Investor Relations met over 170 existing or prospective shareholders or their representatives at these meetings, roadshows and at conferences.

During the year shareholders are kept informed of the progress of the Company through the Preliminary announcement, AGM, Interim announcement, Interim Management Statements and of any other significant developments through press releases. These are made available to the London Stock Exchange and simultaneously available on the Company's website **www.inchcape.com** along with other information about the Company.

Presentations were held for analysts on the days of the release of our annual and half year results. Recorded conference calls are also held on the release of Interim Management Statements for analysts. These presentations and calls are recorded and published on the Company website so that all investors may access them.

The Board is equally concerned with the views of private shareholders. The Group Company Secretary manages day to day communication with these shareholders and they are actively encouraged to give their views using the prepaid reply form issued each year with the AGM documentation. This is particularly useful for shareholders unable to attend the AGM in person or engage with the Directors and shareholders are invited to raise any matters of interest to them. At the meeting the Company complies with the Code as it relates to voting, the separation of resolutions and the attendance of Committee Chairmen. In line with the Code, details of proxy voting by shareholders, including votes withheld, are made available on the Company's website following the meeting.

The Board is provided with regular updates on the views and issues raised by the Company's investors. During the year, the Board received external presentations from advisors, including the Company's brokers, on shareholder and market perception of the Company's strategy.

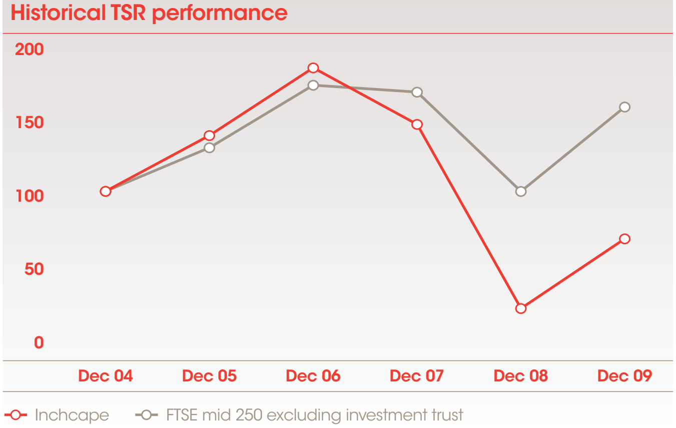
Analyst coverage

We are aware of 12 analysts who have regularly published notes on Inchcape during 2009 and we provide names of these analysts, their firms and contact details on our website.

Total shareholder return (TSR)

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

Historical TSR performance



Source: Datastream

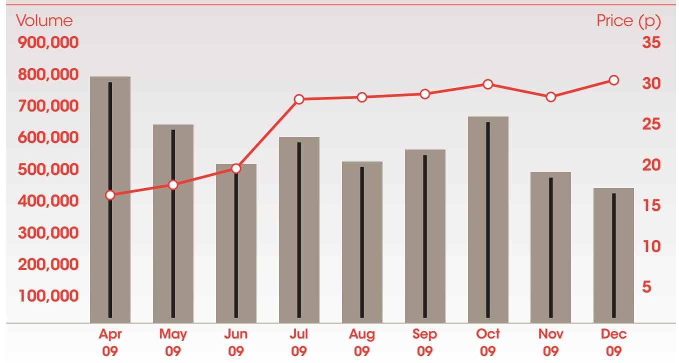
Growth in the value of a hypothetical £100 Holding over five years FTSE 250 (excluding investment companies) comparison based on 30 trading day average values.

Dealing in Inchcape shares

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

The share price by volume during 2009 graph shows the steady growth in the share price since the Rights Issue closing at 29.85p as at 31 December 2009. The Company's shares trade within the FTSE 250 index and at the year end was ranked 136 in the FTSE 350 index by market capitalisation (2008: 342). The Company's market capitalisation at 31 December 2009 was £1,374.3m, an increase of over eight times its market capitalisation of £169.2m at 31 December 2008. The average number of shares traded on the London Stock Exchange daily was 24.7m (2008: 22.5m). This represents an average of 0.54% of the Company's shares traded each day (2008: 0.49% adjusted for the bonus element of the Rights Issue).

Share price by volume during 2009



Source: Datastream

Share consolidation

On 10 March 2010, we proposed a 1 for 10 share consolidation to lessen the volitility the current level of share price generates and to decrease the cost of dealing in shares. This will reduce the shares in issue from approximately 4.6bn with a nominal value of 1.0p to approximately 460m shares with a nominal value of 10.0p. The share consolidation is subject to approval by shareholders at the Annual General Meeting to be held on 13 May 2010.

Electronic communications

Inchcape is committed to reducing its impact on the environment and the Company would like to encourage shareholders to receive communications electronically reducing printing and paper usage.

Shareholders can register for email alerts at www.inchcape.com/email

However investors are able to receive communications in the form most appropriate to their needs and are entitled to change the way in which they receive shareholder communications at any time.

Corporate governance report continued

Graham Pimlott Audit Committee Chairman

2009 highlights

- From 2010, increase the number of scheduled Audit Committee meetings to allow a balanced focus on financial and non-financial risks and controls.

2010 objectives

- Continued focus on compliance and risk management

Members	From	To
Graham Pimlott – Chairman	14 May 2009	To date
Will Samuel	26 January 2005	To date
Michael Wemms	29 January 2004	To date
David Scotland	24 February 2005	To date
Alison Cooper	1 July 2009	To date
Nigel Northridge	5 March 2010	To date

Audit Committee Report

Governance

The Audit Committee is chaired by Graham Pimlott who was a member of the Auditing Practices Board until March 2010. Graham took over the role as Chairman from Ken Hanna on 14 May 2009. All the members are Non-Executive Directors. Will Samuel is a chartered accountant and the Board has determined that Will has recent and relevant financial experience.

The Audit Committee met three times during 2009, to coincide with the key dates in the Company's financial calendar. Attendance is shown on page 58. In addition to the scheduled meetings the Audit Committee meets with the external auditors twice a year. The Audit Committee reviewed its way of working and the balance of focus on financial and non-financial risks and agreed that from 2010, the Audit Committee will meet four times per year in order to give the Committee more time to consider the key activities delegated to it.

No one other than the Audit Committee Chairman and its members are entitled to attend the meetings however, the Chairman, Group Chief Executive, Group Finance Director, Group Audit and Risk Director and the external auditors attend by invitation.

The Audit Committee may take external legal, accounting or other advice at the Company's expense when it believes it necessary to do so. Other than discussions with the Company's external auditors, none was taken during 2009.

The primary responsibilities of the Audit Committee are financial reporting; internal control and risk management systems; internal audit and external audit. The Audit Committee discharged all its responsibilities, as set out in its Terms of Reference, during the year. The full Terms of Reference can be found at www.inchcape.com/aboutus/corporategovernance.

Activities

During 2009, the principal activities of the Audit Committee included the following:

- review and approval of interim and full year results and any other formal announcement relating to financial performance;
- review of the internal audit plan and the results of the internal auditors' work, including monitoring management's responsiveness to findings and recommendations;
- review of the Company's internal financial controls and the internal control and risk management system;
- approval of the terms of engagement with the external auditor at the start of each audit and the scope of the audit to be provided;
- review of the audit plan with the external auditor at the planning and reporting stages;
- effectiveness of the internal and external audit function;
- whistleblowing provisions;
- relevant disclosures in this Report; and
- review of its Terms of Reference.

As part of the approval process for the appointment of the external auditor, the Committee is responsible for monitoring the objectivity, independence and performance of the external auditor. The Committee is satisfied that the external auditor continues to be effective. The Committee recommends the Board propose a resolution to re-appoint the auditors at the AGM.

PricewaterhouseCoopers LLP have been the Company's auditors for over ten years. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to require the firm to tender for the audit work. The external auditors are required to rotate the audit partners responsible for the Group audit every five years. In accordance with best practice guidelines the current audit partner will step down during 2010 and his responsibilities will be transferred to another partner. There are no contractual obligations restricting the Company's choice of external auditor.

In addition to the above activities, the Audit Committee reviewed its policy regarding the scope and extent of any non audit services provided to it by its auditors. The purpose of the policy is to ensure that the external auditors remain objective and independent. A procedure is in place which must be complied with prior to the external auditors being engaged in non audit work which is approved by the Audit Committee. There is a clear division of responsibility between audit and non audit staff and restrictions are imposed on permitted areas of non audit work. The Company has acted in compliance with this policy during 2009.

The Company has a guideline that the auditors should not normally earn more for non audit services than for audit services. In 2009, the audit fees were just less than the aggregate of the fees earned by the auditors for other work. During the year the auditors were heavily engaged in work relating to the Rights Issue which closely related to their function as auditors. Also, the auditors advised on a number of tax matters which are expressly permitted under the policy. A full statement of the fees paid for audit and non audit services is provided in note 3d on page 104. The Company does not consider that this work, or the fees earned, have compromised the independence of the auditors.

The Company's whistleblowing policy is communicated to employees on a global basis. The policy enables employees to raise concerns with the Disclosure Response Team in cases where conduct may be deemed to be contrary to the Company's values.

Nominations Committee Report

Governance

The Nominations Committee is chaired by Ken Hanna who is Chairman of the Board of Directors. It comprises three independent Non-Executive Directors and the Group Chief Executive.

Only members of the Nominations Committee have the right to attend Committee meetings. However, other individuals such as the Group Human Resources Director and external advisors may be invited to attend for all or part of any meeting, as and when appropriate.

The Nominations Committee formally met three times during 2009. Attendance of these meetings is shown on page 58.

The responsibilities of the Nominations Committee include the balance of Board membership; leadership needs of the Group and succession planning. The Nominations Committee discharged its responsibilities as set out in its Terms of Reference during the year. The full Terms of Reference can be found at www.inchcape.com/aboutus/corporategovernance.

Activities

The principal activities during 2009 were:

- review of the size and composition of the Board;
- succession planning for the Board and key management;
- appointments of Non-Executive Directors; and
- election and re-election of Directors.

As set out in last year's Annual Report, Peter Johnson retired at the 2009 AGM and was succeeded by Ken Hanna as Chairman of the Group and the Nominations Committee. Graham Pimlott took over Ken's role as Chairman of the Audit Committee.

During 2009, the Nominations Committee reviewed the Board's composition and the types of skills it considered would benefit the

Ken Hanna
Nominations Committee Chairman

2009 highlights

- Change of Chairman
- New appointments to the Board

2010 objectives

- Composition of the Board
- New corporate responsibility committee

Members	From	To
Ken Hanna – Chairman	14 May 2009	To date
Will Samuel	1 April 2005	To date
Michael Wemms	29 July 2004	To date
David Scotland	29 November 2005	To date
André Lacroix	1 January 2006	To date

Group in the future and to enhance the balance of the Board. An external recruitment company identified Alison Cooper and Nigel Northridge as suitable candidates and following a rigorous interview process they were appointed on 1 July as recommended by the Nominations Committee. Each received a formal letter of appointment setting out clearly what is expected in terms of time commitment, committee service and involvement outside Board meetings.

John McConnell was promoted to Group Finance Director from Chief Executive of Inchcape Australasia with effect from 1 October 2009.

The Nominations Committee made recommendations for the election and re-election, by shareholders, of Directors retiring at the 2010 AGM. No Director was present when his or her election or re-election was considered. In particular, the Nominations Committee

Michael Wemms Remuneration Committee Chairman

2009 highlights

- Review of remuneration policy during the challenging environment
- Shareholder consultation

2010 objectives

- Remuneration strategy for 2010
- Review of remuneration policy for 2011 onwards

Members	From	To
Michael Wemms – Chairman	13 May 2004	To date
Will Samuel	26 January 2005	To date
Ken Hanna	27 September 2001	To date
David Scotland	24 February 2005	To date
Nigel Northridge	1 July 2009	To date

reviewed the continued service of any Non-Executive Director who has served six or more years to ensure that Board members continue to possess the skills deemed appropriate for the needs of the Company and its stakeholders. The Nominations Committee annually reviews the re-election of any Board member who has served for longer than nine years on the Board. Ken Hanna had completed eight years service as a Non-Executive Director prior to his appointment as Chairman on 14 May 2009. There were no other Directors with more than six years service during 2009.

Remuneration Committee Report

Governance

Michael Wemms is the Chairman of the Remuneration Committee. Throughout the year, the Committee was comprised wholly of independent Non-Executive Directors and continues to be so. The Chairman, Group Chief Executive, Group Company Secretary and Group Human Resources Director advise the Remuneration Committee internally and attend meetings upon invitation. No Director or Executive is involved in deciding his or her own remuneration.

During 2009 the Remuneration Committee held three scheduled meetings. Attendance at these meetings is shown in the table on page 58.

To ensure that the Remuneration Committee receives independent advice, Towers Watson was appointed by the Remuneration Committee as its external advisor. Towers Watson also provides advice to the Board on Non-Executive Directors' fees and to the Group in connection with IFRS 2 Share-based payments. Towers Watson has no other connection with the Company other than as remuneration consultants.

The responsibilities of the Remuneration Committee include setting the remuneration policy; the remuneration of the Chairman; share-based incentive schemes and share performance targets. The Remuneration Committee is satisfied it discharged its responsibilities as set out in its Terms of Reference during the year. The full Terms of Reference can be found at www.inchcape.com/aboutus/corporategovernance.

Activities

The Remuneration Committee undertakes an annual review of the remuneration policy to ensure that it remains relevant and competitive. In addition, the Remuneration Committee reviews:

- policy for all employee share schemes;
- policy for long term incentive plans including level of individual grants and performance conditions;
- award of bonuses;
- policy and scope of pension arrangements for Executive Directors;
- Executive Directors' and senior executives' salaries;
- Chairman's fees and terms and conditions of employment; and
- Terms of Reference.

During 2009 the Remuneration Committee carried out a consultation with its major shareholders in respect of the proposed changes to the remuneration policy. The Committee felt it appropriate to discuss its plans due to the difficult trading conditions. Full details can be found in the Directors Remuneration Report.

The Remuneration Committee prepares the Directors Remuneration Report on behalf of the Board of Directors. The report is split into unaudited and audited sections and can be found on pages 68-74.

Chairman's remuneration

The Chairman's remuneration was determined by the Remuneration Committee, taking advice from Towers Watson on best practice and competitive levels and, taking into account responsibilities and time commitment. Life assurance is provided under the Inchcape Group (UK) Pension Scheme but the appointment is not pensionable, nor is the Chairman eligible for pension scheme membership or participation in the Company's bonus, share option or other incentive plan.

Non-Executive Directors' remuneration

The remuneration for Non-Executive Directors consists of fees for services in connection with Board and Committee meetings. Fees for Non-Executive Directors are determined by the Board, within the restrictions contained in the Articles of Association. Non-Executive Directors fees are reviewed annually, taking advice from Towers Watson on best practice and competitive levels. The levels of remuneration for the Non-Executive Directors reflect the time commitment and responsibilities of the role. The Non-Executive Directors are not involved in deciding their fees.

Non-Executive Directors are not eligible for pension scheme membership or participation in the Company's bonus, share option or other incentive schemes.

Details of the fees paid to the Chairman and Non-Executive Directors are shown on page 71.

Policy on external appointments

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and that this additional experience is likely to benefit the Company. Executive Directors are generally allowed to accept one Non-Executive appointment as long as it is not likely to lead to conflicts of interest or undue time commitments. The Group Chief Executive is permitted to hold two such appointments. The policy in respect of Executive Directors commitments is kept under review by the Nominations Committee. Any fees received for these duties may be retained by the Executive Director.

André Lacroix is a Non-Executive Chairman of Good Restaurants AG for which he did not receive a fee and a Non-Executive Director of Reckitt Benckiser for which he received a fee of £85,000.

Remuneration report

Compliance
This report complies with the Directors' Remuneration Report Regulations 2002 and other relevant requirements of the FSA Listing Rules. The Remuneration Committee believes that the Company has complied with the provisions regarding the remuneration matters contained within the Code.

Details of those who served on the Remuneration Committee during the year and information on Towers Watson, who acted as remuneration consultants, can be found in the Remuneration Committee report on pages 66-67.

Remuneration policy
The current remuneration policy was introduced in October 2007. In establishing the policy the Remuneration Committee had regard to the need to:

- continue to align with and support the Company's business strategy;
- allow the Company to motivate and retain its executive management whilst having regard to pay and conditions throughout the Group;
- recruit executives of high quality; and
- safeguard interests of shareholders by aligning the remuneration package of executives with shareholder interests.

The key elements of the remuneration policy are:

Element of Package	Policy
Base salary	• competitive (i.e. at or around median) when compared with those organisations of similar size, complexity and type; • link between the level of remuneration and the performance of the Group and the individual; • sufficient to attract and motivate talent; • reviewed annually.
Annual bonus plan	• relevant financial performance criterion; • Net Promoter Score; • stretching personal objectives.
Long-term incentives (share options and co-investment plan)	• link to long-term growth; • aligned to shareholders interests; • personal financial commitment.
Pension and other benefits	• market competitive.

At the beginning of 2009 the Company was faced with an unprecendented global downturn in the car industry that started in the fourth quarter of 2008 and quickly spread throughout the world. The Remuneration Committee has monitored the remuneration policy carefully to ensure that it has remained appropriate for the challenging environment.

The Remuneration Committee felt that whilst the overall remuneration policy was sound, actions were necessary to help drive the Company's recovery and support the business in 2009. In summary it was agreed that:

- there were no increases to Executive Directors' and Executive Committee members' salaries;
- the co-investment plan was suspended; and
- no bonus payments were made in 2009 against 2008 targets for Executive Directors.

In addition, due to the market conditions and the critiera that had been set, executive share options and restricted share awards that had been due to vest for Executive Directors lapsed as the performance conditions were not met.

Shareholder consultation
The Remuneration Committee consulted with shareholders and shareholder representative bodies in April 2009 to explain the Company's position and the need to support the underlying strategy as well as to understand shareholders' respective views.

In particular, it was considered necessary to amend the performance criteria for short and long term incentives to ensure alignment with the needs of recovery. The three year plan (2009 – 2011) which was the base for the executive share option grant of 2009 was developed at the beginning of 2009 whilst the Group was implementing its recovery strategy.

The Group successfully completed its Rights Issue in April 2009 thanks to the strong support of its shareholders. To mitigate the effects of the downturn from an operational perspective, management focused on the execution of five priorities: growing market share, growing aftersales, reducing costs, managing working capital and selective capital expenditure investments. The execution of these self help initiatives has delivered excellent results as the Group was able to extract more costs than planned and managed to reduce working capital faster than expected. Moreover the Group outperformed its competitors in the market place by gaining market share in most markets and by improving customer service. The trading performance also benefited from a stronger performance in the second half of the year in Hong Kong, Australia and the UK.

In light of these challenging market conditions and mindful of the need to encourage the right behaviours to best position the Company to manage the downturn and to take advantage of any upturn, the Remuneration Committee refined elements of the remuneration policy for this period. In particular the Remuneration Committee reviewed its position on executive share option grants to senior management and the Group Chief Executive.

2009 summary
It was decided that:

- the annual bonus would have an operating profit qualifier and would be based on an internal measure of cash flow from operating activities (CFOA);
- vesting of executive share options granted in 2009 would be based on a cumulative three year CFOA growth measure; and
- there would be a one off executive share option award made to the Group Chief Executive, with additional performance criteria.

Whilst there was a range of views amongst the shareholders consulted, the consultation was successful overall. As part of this process, the Company committed to providing details of the first year's CFOA.

The strong trading throughout the year, despite very difficult market conditions worldwide, enabled the Group to deliver a financial performance ahead of its plan on all financial metrics (revenue, margin, cash). The CFOA in 2009, for the purposes of the remuneration schemes, was £344.2m, 53.2% ahead of last year and 57.8% ahead of first year performance target despite a revenue decline of 16.6% (all in constant currency) which demonstrates the significant impact of the management initiatives.

2010 summary

The Remuneration Committee recognises the valuable input provided by shareholders and has taken into account comments received in 2009 as part of its 2010 remuneration planning processes. The Remuneration Committee has decided:

- salaries for Executive Committee members will be frozen during 2010 as in 2009;
- the co-investment plan will be suspended for a second year; and
- changes to the annual bonus plan will be introduced to ensure there is greater visibility of non-financial measures.

2011 planning

As market conditions improve, the Remuneration Committee will review its longer term remuneration strategy and it intends to further consult with shareholders as part of its 2011 remuneration planning process.

Base salary

As discussed, base salaries were frozen across the Group for 2009. The Remuneration Committee, supporting the Company's commitment to increase cash flow and reduce costs, felt that salary increases would be inappropriate.

The Remuneration Committee has also decided that salaries would be frozen during 2010 for members of the Executive Committee. The Remuneration Committee considered this decision was in keeping with the need for the Company to continue its focus on costs and margins.

Annual bonus

The bonus plan for 2009 had an operating profit qualifier and was based on 70% CFOA, 20% Net Promoter Score (NPS) and 10% on personal objectives.

For 2009, the Company met its performance targets for CFOA and NPS. The personal objectives relate to the development and implementation of the Company's strategy. The goals are based on relevant qualitative non-financial metrics, the achievement of strategic milestones and the demonstration of appropriate leadership behaviours. André Lacroix fully achieved his personal objectives in 2009. John McConnell also achieved his personal objectives and will receive a pro-rated bonus for his time as Group Finance Director. The resultant bonus payments are shown in the emoluments table on page 71.

For 2010,the Remuneration Committee have made further amendments to the bonus targets to take into account the evolving strategic needs of the business and the interests of shareholders and employees. Accordingly, the 2010 annual bonus plan will consist of 70% financial measures comprising operating profit and working capital, and following previous consultation with shareholders, 30% non-financial measures based on NPS. This improves the visibility of the non-financial elements of the bonus scheme by removing the 10% personal objective element.

Executive share option plan

As previously discussed, the Remuneration Committee decided to use cumulative CFOA for the performance period 2009 – 2011 as the performance measure for executive share options granted in 2009 rather than the EPS measure used in previous years. The Committee considered the CFOA performance measure was appropriate to the Company's business strategy during the period.

The normal level of grant for Executive Directors of two times base salary was made. The Group Chief Executive received a one off grant of an additional two tranches, details of which are given on page 72. The one off award will only vest if certain additional performance criteria are met. The first tranche will vest if the share price achieves a maximum trading price of 25p or more for 20 consecutive days anytime within the period from 20 May 2012 to 20 April 2014. The second tranche will vest if the share price achieves a minimum trading price of 35p or more for 20 consecutive days in the same period.

All other options granted in 2009 will vest according to the following sliding scale:

CFOA growth per annum	Vesting Percentage
Less than 70% of target	0%
70% to 99% of target	25%
100% of target	100%
Between 70% and 100%	Straight line basis

Details of options granted to Executive Directors are shown on pages 72-74.

Options granted before 2009 will vest according to the following sliding scale:

EPS growth per annum	Vesting Percentage
Less than RPI+3%	0%
RPI+3%	25%
RPI+8%	100%
Between RPI+3% and RPI+8%	Straight line basis

There will be no retesting

The Remuneration Committee felt that the CFOA performance measure was essential for the unique circumstances prevailing at the time for the 2009-2011 executive share option grant. Looking forward the Remuneration Committee has decided to revert to the EPS performance measure for options that may be granted in 2010.

Co-investment plan

The co-investment plan was introduced during 2008 after receiving shareholder approval in 2007. The plan is a voluntary plan for Executive Directors and certain other senior executives and replaced the deferred bonus plan. The Group Chief Executive can invest up to 50%, and the Group Finance Director can invest up to 40%, of post tax salary to obtain ordinary shares in the Company. In exceptional circumstances the Remuneration Committee may determine that circumstances justify that up to 100% of post tax salary can be invested. No such exceptional circumstances have arisen to date.

Remuneration report continued

The plan has been extended to certain other senior executives below Board level.

The shares acquired will be matched at the end of the three year vesting period. The match will be determined by performance against the cumulative Economic Profit target.

For 2008 awards will vest according to the following sliding scale:

EP growth over three years	Matching shares
Less than RPI+3%	0
RPI+3%	1:1
RPI+12%	2:1
Between RPI+3% and RPI+12%	Straight line basis

The Remuneration Committee decided to suspend the co-investment plan during 2009. This decision was taken since the plan is designed to stretch performance and due to the downturn in the second half of 2008 and 2009, it was improbable that there would be any matching element.

The Remuneration Committee has also decided to suspend the co-investment plan for 2010. The Remuneration Committee noted the concerns of shareholders in respect of lower share prices creating the opportunity for windfall gains. Therefore this decision has been taken since the existing performance conditions would not be stretching enough when viewed in context of the recovery phase of the business.

Deferred bonus plan

The deferred bonus plan was a voluntary plan for Executive Directors and certain other senior executives. Final awards under this plan were made in 2007. Details of these awards are shown on page 73.

Participants in the plan were able to invest a minimum of 10% and maximum of 75% post tax annual bonus to acquire ordinary shares in the Company. The shares are then matched on a 1:1 basis at the end of a three year vesting period. For Executive Directors there is a performance condition attached to the vesting of the award shares of EPS growth of RPI+3% per annum with no retesting. This performance target was not achieved for the awards granted in 2007, therefore the award will lapse in full.

Save as you earn (SAYE)

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

Executive share ownership

To emphasise the importance the Remuneration Committee places on executive share ownership, Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. Each Executive Director has five years from 2007, or date of appointment (if later), to reach this shareholding target. As at 31 December 2009, André Lacroix and John McConnell held 181% and 110% respectively of base salary in shares.

Retirement benefits

The Inchcape Group (UK) Pension Scheme (UK Scheme) provides benefits for Executive Directors and certain senior executives at normal retirement age of 65, equal to a maximum of two thirds of final base salary, where salary has scheme specific ceiling of £123,600 in the 2009/10 tax year, subject to completion of between 20 and 40 years' service. Pensions in payments are guaranteed to increase in line with the lesser of 5% and the increase in the RPI.

The UK Scheme requires members who join after March 2005 to contribute 7% of base salary up to the scheme specific ceiling of £123,600 in the 2009/10 tax year.

Executive Directors, whose base salary is higher than £123,600, are paid a monthly cash supplement to enable them to make additional pension arrangements. Barbara Richmond and John McConnell received such supplements in 2009. Details of the amounts paid are shown on page 71. André Lacroix received a cash supplement of 40% of his base salary in lieu of a formal pension provision. He is not a member of the UK Scheme except in respect of the life assurance benefit for death in service.

A lump sum life assurance benefit of four times full base salary is provided on death in service. For pension scheme members, a spouse's pension of either half or two thirds of the prospective member's pension may also be payable. Children's pensions may also be payable, up to half of the member's pension.

Taxable and other benefits

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

Total Shareholder Return (TSR)

The TSR graph is shown in the investor relations section of the Corporate Governance report on page 63.

Service contracts

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months. In the event of termination the Company will seek fair mitigation of contractual rights. Within legal constraints, the Remuneration Committee tailors its approach, in the event of early termination, to the circumstances of each individual case.

Non-Executive Directors are appointed for an initial period of three years, which may be extended by agreement with the Board. No Non-Executive Director is engaged on a service contract with the Company.

Name	Date of contract	Notice period	Unexpired term
André Lacroix	01 September 05	12 months from the Director; 12 months from the Company	To normal retirement age
John McConnell	01 October 09	12 months from the Director; 12 months from the Company	To normal retirement age

By order of the Board

Michael Wemms
Chairman of the Remuneration Committee
9 March 2010

Notes to the Board report on Remuneration (audited)

1. Individual emoluments for the year

The table below shows a breakdown of remuneration, including taxable and other benefits for each Director. Details of pension entitlements, share options and other long term incentive plans are shown in notes 2, 3, 4 and 5 on pages 72-74

	Base salary/fees		Bonus		Taxable and other benefits (f)		Company contributions paid in year in respect of pension arrangements		Termination payment		Total remuneration (g)	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Chairman												
Peter Johnson (left 14 May 2009) (a)	**110.6**	296.5	**–**	–	**0.5**	1.6	**–**	–	**–**	–	**111.1**	298.1
Ken Hanna	**201.3**	54.0	**–**	–	**7.3**	–	**–**	–	**–**	–	**208.6**	54.0
Executive Directors												
André Lacroix (b)	**756.0**	742.0	**907.2**	–	**18.4**	18.4	**302.4**	296.8	**–**	–	**1,984.0**	1,057.2
John McConnell (c) (appointed 1 October 2009)	**97.5**	–	**117.0**	–	**38.2**	–	**20.0**	–	**–**	–	**272.7**	–
Barbara Richmond (d) (left 30 June 2009)	**225.0**	441.4	**225.0**	–	**10.4**	19.5	**49.4**	97.5	**572.0**	–	**1,081.8**	558.4
Non-Executive Directors												
Raymond Ch'ien (e) (left 14 May 2009)	**13.3**	36.0	**–**	–	**–**	12.9	**–**		**–**	–	**13.3**	48.9
Alison Cooper (e) (appointed 1 July 2009)	**20.0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20.0**	–
Karen Guerra (e) (left 14 May 2009)	**15.0**	40.0	**–**	–	**–**	–	**–**	–	**–**	–	**15.0**	40.0
Nigel Northridge (e) (appointed 1 July 2009)	**20.0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20.0**	–
Graham Pimlott (e)	**44.8**	31.7	**–**	–	**–**	–	**–**	–	**–**	–	**44.8**	31.7
William Samuel (e)	**70.0**	70.0	**–**	–	**–**	–	**–**	–	**–**	–	**70.0**	70.0
David Scotland (e)	**48.0**	48.0	**–**	–	**–**	–	**–**	–	**–**	–	**48.0**	48.0
Michael Wemms (e)	**54.0**	54.0	**–**	–	**–**	–	**–**	–	**–**	–	**54.0**	54.0
Total	**1,675.5**	1,813.6	**1,249.2**	–	**74.8**	52.4	**371.8**	394.3	**572.0**	–	**3,943.3**	2,260.3

Notes on Directors' emoluments:

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

b) The payment of £302,400 (2008 – £296,800) was paid directly to André Lacroix to allow him to make his own pension arrangements outside the Company's plan. This payment was subject to tax. The salary paid to André in 2008 includes three months at his 2007 salary level as salary increases are in April of each year. There was no further increase in 2009.

c) The payment of £19,980 (2008 – none) was paid to John McConnell to allow him to make his own pension arrangements outside the Company's plan. This payment was subject to tax.

d) Barbara Richmond left the Group on 30 June 2009. In accordance with the terms of her contract she was paid the sum of £402,000, subject to the deduction of tax in lieu for the balance of her notice together with a payment of £120,000 in lieu of her pension supplement, a termination payment of £50,000 and a bonus payment of £225,000.

e) The details shown include fees at the rate of £10,000 per annum for the Audit Committee and Remuneration Committee Chairmanships and at the rate of £4,000 per annum for each of the Audit, Remuneration and Nomination Committee memberships. Raymond Ch'ien, Karen Guerra and Peter Johnson left the Group on 14 May 2009.

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

g) No Directors waived emoluments in respect of the year ended 31 December 2009 (2008 – none).

Notes to the Board report on Remuneration (audited) continued

2. Directors' pension entitlements

	Increase in accrued pension during the year £'000	Increase in accrued pension during the year (net of inflation)	Accumulated total of accrued pension at 31.12.08	Accumulated total of accrued pension at 31.12.09	Transfer value (less director's contributions) of the increase in accrued benefit net of inflation	Transfer value of accrued benefits at 31.12.09	Transfer value of accrued benefits at 01.01.09	Difference in transfer value less any contributions made in the year
Barbara Richmond	2.5	2.2	10.3	12.8	25.5	152.8	108.6	40.0
John McConnell	1.0	1.0	–	1.0	9.9	12.0	–	9.9

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

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

No Directors made any contributions to their pension in respect of the above during the year.

3. Directors' share options

	Held at 31.12.09	Lapsed during year	Options held after Rights Issue adjustment	Granted during the year	Held at 01.01.09 (or date of appointment if later)	Exercise price (c)	Exercise period
André Lacroix	2,054,690 (a)	–	2,054,690 (a)	–	346,362 (a)	60.34p	Sept 2008 – Sept 2015
	–	278,442 (a)	–	–	278,442 (a)	75.07p	Mar 2009 – Mar 2016
	1,439,354 (a)	–	1,439,354 (a)	–	242,634 (a)	97.26p	Apr 2010 – Apr 2017
	2,095,675 (a)	–	2,095,675 (a)	–	353,271 (a)	72.14p	Apr 2011 – Apr 2018
	28,053 (b)	–	28,053 (b)	–	4,729 (b)	34.22p	Nov 2011 – May 2012
	7,560,000 (a)	–	–	7,560,000 (a)	–	20.00p	May 2012 – May 2019
	3,780,000 (a)	–	–	3,780,000 (a)	–	20.00p	May 2012 – May 2019
	3,780,000 (a)	–	–	3,780,000 (a)	–	20.00p	May 2012 – May 2019
Barbara Richmond	–	2,062,206 (a)	2,062,206 (a)	–	347,629 (a)	74.67p	May 2009 – May 2016
	–	854,973 (a)	854,973 (a)	–	144,124 (a)	97.26p	Apr 2010 – Apr 2017
	–	1,247,424 (a)	1,247,424 (a)	–	210,280 (a)	72.14p	Apr 2011 – Apr 2018
	–	2,540 (b)	–	–	2,540 (b)	62.03p	Nov 2009 – May 2010
John McConnell	177,468 (a)	–	–	–	177,468 (a)	21.40p	Mar 2006 – Mar 2013
	284,283 (a)	–	–	–	284,283 (a)	44.16p	May 2007 – May 2014
	216,442 (a)	–	–	–	216,442 (a)	57.76p	Mar 2008 – Mar 2015
	204,774 (a)	–	–	–	204,774 (a)	97.26p	Apr 2010 – Apr 2017
	489,525 (a)	–	–	–	489,525 (a)	72.14p	Apr 2011 – Apr 2018
	2,227,722 (a)	–	–		2,227,722 (a)	20.00p	May 2012 – May 2019
	468,750 (a)	–	–	468,750 (a)	–	32.00p	Nov 2012 – Nov 2019

Notes on share options:

a) Under the Inchcape 1999 Share Option Plan.

b) Under the Inchcape SAYE Share Option Scheme.

- There were no option exercises by Executive Directors during 2009.

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

- All options were granted for nil consideration.
- Exercise prices are shown after adjustment for the Rights Issue.
- The table shows Directors' options over ordinary shares of 25.0p at 1 January 2009 or date of appointment if later. After the Rights Issue the options are over ordinary shares of 1.0p as at 31 December 2009. The mid market price for shares at the close of business on 31 December was 29.85p. The price range during 2009 was 11.8 p to 83.5p.
- Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company. Such options are normally exerciserable between three and ten years of grant.
- Details of the performance targets are given on page 69.
- The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months' service. Participants make monthly savings for a three year period. At the end of the savings period options become exercisable within a six month period.

4. Deferred bonus plan/co-investment plan

	Awarded ordinary shares 31.12.09	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Rights Issue adjustment during the year	Awarded ordinary shares 01.01.09 (a)	Date of grant	Exercise period
André Lacroix	–	13,825	–	–	13,825	1 Jan 2006	Jan 2009 – Jun 2009
	886,360	–	–	797,724	88,636	1 Jan 2007	Jan 2010 – Jun 2010
Barbara Richmond	–	303,030	–	272,727	30,303	1 Jan 2007	Jan 2010 – Jun 2010
John McConnell	124,130	–	–	–	124,130	1 Jan 2007	Jan 2010 – Jun 2010

Notes on the deferred bonus plan

(a) As at 1 January 2009 or date of appointment, if later.

- Directors will become entitled to award shares if they remain employed by the Company for three years and retain the shares purchased with their bonus throughout that period and the performance targets are met. Growth in the Company's EPS over a three year period must exceed the increase in RPI over the same period by 3.0% per annum with no opportunity to retest in order for the award to vest. Special rules apply on termination of employment and change of control.
- Awards granted on 1 January 2006 were purchased at 434.0p each. Awards granted on 1 January 2007 were purchased at 578.0p
- Awards were adjusted on a 9 for 1 basis in line with the Rights Issue.

	Awarded ordinary shares 31.12.09	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Rights Issue adjustment during the year	Awarded ordinary shares 01.01.09 (a)	Date of grant	Exercise period
André Lacroix	1,905,240	–	–	1,714,716	190,524	1 Jan 2008	Jan 2011 – Jun 2011
Barbara Richmond	–	840,050	–	756,045	84,005	1 Jan 2008	Jan 2011 – Jun 2011
John McConnell	296,690	–	–	–	296,690	1 Jan 2008	Jan 2011 – Jun 2011

Notes to the Board report on Remuneration (audited) continued

Notes on the co-investment plan

(a) As at 1 January 2009 or date of appointment, if later

- Directors will be entitled to matching shares if they remain employed by the Company for three years and retain the shares they have purchased under the Plan throughout that period and the performance targets are met. The Company's Economic Profit (EP) must exceed the increase in RPI over the same period by 3.0% per annum to receive a one for one match. If the Company's EP exceeds the increase in the RPI over the same period by 12.0% per annum the match is two for one. Special rules apply on termination of employment and change of control.
- Awards granted on 1 January 2008 were purchased at 396.8p each.
- Awards were adjusted on a 9 for 1 basis in line with the Rights Issue.

5. Incentive plans

	Awarded ordinary shares at 31.12.09	Awarded ordinary shares lapsed during year	Awarded ordinary shares exercised during year	Awarded ordinary shares at 01.01.09	Market value of shares awarded	Vesting period
AL Incentive Plan	–	39,000	–	39,000	357.5p	2008
BR Incentive Plan	–	59,612	–	59,612	428.7p	2008

Notes on the incentive plans:

- As reported last year, André Lacroix was the sole participant in the AL Incentive Plan. The final tranche of the AL Incentive Plan did not meet the performance targets set at the time of grant and lapsed in full.
- As reported last year, Barbara Richmond was the sole participant in the BR Incentive Plan. The final tranche of the BR Incentive Plan did not meet the performance targets set at the time of grant and lapsed in full.

By order of the Board

Michael Wemms
Chairman of the Remuneration Committee
9 March 2010

Directors' report

The Directors present the Annual Report and Accounts and audited consolidated Financial statements for the year ended 31 December 2009.

For the purposes of this report 'Company' means Inchcape plc and 'Group' means the Company and its subsidiary and associated undertakings.

Business review

The information that fulfils the requirements of the business review can be found in the operating review on pages 22-39, which is incorporated in this Report by reference. Information on the environment, employees, community and social issues is given in the Corporate Responsibility Report on pages 40-49.

Directors

The names of the Directors, including those Directors offering themselves for election, plus brief biographical details, are given on pages 52-53. Each Director held office throughout the year except Alison Cooper and Nigel Northridge (both appointed 1 July 2009) and John McConnell (appointed 1 October 2009). Karen Guerra, Raymond Ch'ien and Peter Johnson retired as Directors of the Company with effect from 14 May 2009.

Alison, Nigel and John will offer themselves for election at the 2010 Annual General Meeting.

Principal activities

A description of the principal activities of the Group and likely future developments and important events occurring since the end of the year are given in the operating review on pages 22-39.

Results and dividends

The Group's audited consolidated Financial statements for the year ended 31 December 2009 are shown on pages 78-136.

Given the significant downturn in the markets in which the Group operates, the Board does not consider it appropriate to recommend a final dividend for the year ended 31 December 2009.

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' indemnity

A qualifying third party indemnity (QTPI), as permitted by the Company's Articles of Association and sections 309A to 309C of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgement is given against the Director.

Events after the balance sheet date

There have been no events after the balance sheet date.

Directors' interests

The table below shows the beneficial interests in the ordinary shares of the Company of the persons who were Directors at 31 December 2009. This excludes share options but includes interests of the Directors' family members.

	31 Dec 2009	1 Jan 2009
Ken Hanna	**700,000**	37,000
André Lacroix	**4,591,600**	459,160
John McConnell	**1,438,225**	57,840
Alison Cooper	**25,000**	–
Nigel Northridge	**100,000**	–
Graham Pimlott	**200,000**	20,000
Will Samuel	**120,000**	12,000
David Scotland	**112,980**	11.298
Michael Wemms	**75,640**	7,564

There have been no changes to the number of shares held by Directors between 1 January 2010 and 9 March 2010.

Employee benefit trust

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (Trust) and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2009, the Trust's shareholding totalled 13,797,362 ordinary shares (1 January 2008 – 2,315,380 ordinary shares)

Between 1 January 2010 and 9 March 2010 the Trust did not transfer any shares to satisfy the exercise of awards under employee share plans.

Charitable and political donations

The Company did not make any charitable donations during 2009.

No political donations were made during 2009.

Principal financial risk factors

These risks are shown on pages 38-39.

Authority to purchase shares

At the Company's Annual General Meeting on Thursday 14 May 2009, the Company was authorised to make market purchases of up to 460,366,500 ordinary shares (representing approximately 10.0% of its issued share capital at that time). No such purchases were made during 2009. Shareholders will be asked to approve the renewal of this authority at the Company's Annual General Meeting on 13 May 2010.

Directors' report continued

Creditor payment policy

The Company has no trade creditors (2008 – nil). The Group is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. Whilst the Group does not follow any single external code or standard, in line with Inchcape Group policy, payments to suppliers are made in accordance with agreed terms and conditions.

Employees

The Company is committed to a policy of treating all its colleagues and job applicants equally and to increasing the involvement of colleagues through engagement activities. Full details can be found in the Corporate Responsibility Report on pages 40-49.

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

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern for the foreseeable future. As such, the Company and the Group continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial statements in accordance with applicable laws and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs are adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any matieral departures disclosed and explained in the Group and parent company Financial statements respectively.

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

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

Each of the Directors, whose names and functions are given on pages 52-53 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 review on pages 22-39 of the Annual Report 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.

Share capital

As at 31 December 2009, the Company's issued share capital was £163,245,735.18 comprised of 4,630,714,974 ordinary shares of 1.0p each and 487,244,106 deferred shares of 24.0p each.

Holders of ordinary shares are entitled to receive the Company's Report and Accounts; to attend and speak at General Meetings and to appoint proxies and exercise voting rights. The shares do not carry any special rights with regard to control of the Company. The rights are set out in the Articles of Association of the Company.

There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

The rights attaching to the Company's deferred shares are set out in the Articles of Association of the Company. Holders of deferred shares have no voting, dividend or capital distribution rights, save for very limited rights on a winding up; the shares are not transferable and do not confer any rights of redemption.

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

Significant shareholdings

Disclosures received pursuant to DTR5 are shown on page 62 and these disclosures are incorporated by reference in this Report.

Share consolidation

As announced on 10 March 2010, the Board intends to propose a 1 for 10 share consolidation of ordinary shares. The purpose of the share consolidation is to reduce the total number of ordinary shares now in issue following the Rights Issue undertaken in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market. The share consolidation is subject to approval by shareholders at the Annual General Meeting to be held on 13 May 2010.

Articles of Association

The appointment and replacement of Directors are governed by the Company's Articles of Association.

Any changes to the Articles of Association must be approved by the shareholders in accordance with the Companies Act 2006, by way of special resolution.

The Directors have authority to issue and allot ordinary shares pursuant to Article 7 of the Articles of Association and shareholder authority requested at each Annual General Meeting of the Company. The Directors also have authority to make market purchases of ordinary shares and this authority is also renewed annually at the Annual General Meeting.

Change of control

Save as described in the following paragraphs, the Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Certain of the Group's third party funding arrangements would terminate upon a change of control of the Company.

The Group's relationship with its brand partners are managed at Group level. However, the relevant contracts are entered into at a local level,with day to day management being led by each operating business. Certain of the contracts may terminate on a change of control of the Company.

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's shares schemes which may result in options or awards granted to employees to vest on a takeover, except for Dale Butcher. Dale is entitled to receive an enhanced payment if his contract is terminated due to a change of control of 12 months' salary, a bonus payment based on the average of the prior three years' bonus payments, a deferred 12 month pension annuity and a payment in lieu of use of his company car.

Key contractual and other arrangements

Other than arrangements with SAP and certain of its third party providers of finance, the Company's contracts are at an operating level rather than at Group level. As a result no individual supplier or customer contract is significant to the business.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed under the Companies Act 2006 or IAS 24 'Related Parties' was outstanding at 31 December 2009, or was entered into during the year for any Director and/or connected person (2008 – none).

Annual General Meeting

The Annual General Meeting will be held at 11.00 a.m. on Thursday 13 May 2010 at J.P Morgan Cazenove, 20 Moorgate, London, EC2R 6DA . The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are set out in the Circular to all shareholders.

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

By order of the Board

Claire Chapman
General Counsel and Group Company Secretary
Inchcape plc

Consolidated income statement

For the year ended 31 December 2009

	Notes	Before exceptional items 2009 £m	Exceptional items 2009 £m	Total 2009 £m	Before exceptional items 2008 £m	Exceptional items 2008 £m	Total 2008 £m
Revenue	1, 3	**5,583.7**	**–**	**5,583.7**	6,259.8	–	6,259.8
Cost of sales		**(4,757.0)**	**–**	**(4,757.0)**	(5,358.8)	(1.8)	(5,360.6)
Gross profit		**826.7**	**–**	**826.7**	901.0	(1.8)	899.2
Net operating expenses	3	**(651.5)**	**(18.4)**	**(669.9)**	(660.5)	(80.7)	(741.2)
Operating profit		**175.2**	**(18.4)**	**156.8**	240.5	(82.5)	158.0
Share of profit after tax of joint ventures and associates	13	**0.7**	**–**	**0.7**	2.2	–	2.2
Profit before finance and tax		**175.9**	**(18.4)**	**157.5**	242.7	(82.5)	160.2
Finance income	6	**52.1**	**–**	**52.1**	68.4	–	68.4
Finance costs	7	**(72.9)**	**–**	**(72.9)**	(120.4)	–	(120.4)
Profit before tax		**155.1**	**(18.4)**	**136.7**	190.7	(82.5)	108.2
Tax	2, 8	**(43.5)**	**1.8**	**(41.7)**	(49.3)	(3.6)	(52.9)
Profit for the year		**111.6**	**(16.6)**	**95.0**	141.4	(86.1)	55.3
Profit attributable to:							
– Equity holders of the parent				**92.0**			51.4
– Minority interests				**3.0**			3.9
				95.0			55.3
Basic earnings per share (pence)*	9			**2.3p**			1.9p
Diluted earnings per share (pence)*	9			**2.3p**			1.9p

* Earnings per share for 2008 have been restated to reflect the bonus element of the Rights Issue.

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the year		**95.0**	55.3
Other comprehensive income:			
Cash flow hedges		**(126.8)**	111.6
Net investment hedge		**2.9**	(14.4)
Fair value gains / (losses) on available for sale financial assets		**0.4**	(1.1)
Effect of foreign exchange rate changes		**(76.6)**	205.4
Actuarial losses on defined benefit pension schemes	5	**(119.7)**	(41.3)
Foreign exchange gains recycled through the consolidated income statement		**–**	(2.1)
Deferred tax recognised directly in shareholders' equity	16	**60.6**	(30.4)
Other comprehensive income for the year, net of tax		**(259.2)**	227.7
Total comprehensive income for the year		**(164.2)**	283.0
Total comprehensive income attributable to:			
– Equity holders of the parent		**(165.8)**	273.5
– Minority interests		**1.6**	9.5
Total comprehensive income for the year		**(164.2)**	283.0

Consolidated statement of financial position

As at 31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Intangible assets	11	**545.6**	537.4
Property, plant and equipment	12	**656.6**	708.1
Investments in joint ventures and associates	13	**22.3**	21.3
Available for sale financial assets	14	**17.8**	17.9
Trade and other receivables	15	**25.4**	26.5
Deferred tax assets	16	**37.6**	11.5
Retirement benefit asset	5	**0.8**	49.4
		1,306.1	1,372.1
Current assets			
Inventories	17	**772.7**	1,084.1
Trade and other receivables	15	**252.9**	271.8
Available for sale financial assets	14	**0.7**	2.0
Derivative financial instruments	23	**91.0**	306.9
Current tax assets		**5.1**	6.0
Cash and cash equivalents	18	**381.3**	458.0
		1,503.7	2,128.8
Assets held for sale	19	**6.6**	5.4
		1,510.3	2,134.2
Total assets		**2,816.4**	3,506.3
Current liabilities			
Trade and other payables	20	**(939.1)**	(1,123.9)
Derivative financial instruments	23	**(21.8)**	–
Current tax liabilities		**(46.4)**	(48.2)
Provisions	21	**(46.7)**	(50.6)
Borrowings	22	**(166.0)**	(165.3)
		(1,220.0)	(1,388.0)
Non-current liabilities			
Trade and other payables	20	**(68.8)**	(78.1)
Provisions	21	**(47.7)**	(52.0)
Deferred tax liabilities	16	**(15.4)**	(69.1)
Borrowings	22	**(299.2)**	(856.1)
Retirement benefit liability	5	**(75.6)**	(43.4)
		(506.7)	(1,098.7)
Total liabilities		**(1,726.7)**	(2,486.7)
Net assets		**1,089.7**	1,019.6
Shareholders' equity			
Share capital	24	**163.3**	121.9
Share premium		**126.1**	126.1
Capital redemption reserve		**16.4**	16.4
Other reserves	25	**112.4**	273.1
Retained earnings		**649.5**	458.0
Equity attributable to equity holders of the parent		**1,067.7**	995.5
Minority interests		**22.0**	24.1
Total shareholders' equity		**1,089.7**	1,019.6

The consolidated Financial statements on pages 78 to 135 were approved by the Board of Directors on 9 March 2010 and were signed on its behalf by:

André Lacroix, Chief Executive Officer

John McConnell, Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total shareholders' equity £m
At 1 January 2008		121.6	123.4	16.4	12.7	539.5	813.6	24.2	837.8
Total comprehensive income for the year		–	–	–	260.4	13.1	273.5	9.5	283.0
Share-based payments, net of tax	4,16	–	–	–	–	(1.3)	(1.3)	–	(1.3)
Net purchase of own shares by ESOP Trust		–	–	–	–	(4.2)	(4.2)	–	(4.2)
Share buy back programme	24	–	–	–	–	(16.0)	(16.0)	–	(16.0)
Dividends:									
– Owners of the parent		–	–	–	–	(73.1)	(73.1)	–	(73.1)
– Minority interests		–	–	–	–	–	–	(2.6)	(2.6)
Issue of ordinary share capital	24b	0.3	2.7	–	–	–	3.0	–	3.0
Acquisition of businesses		–	–	–	–	–	–	0.6	0.6
Acquisition of minority interest		–	–	–	–	–	–	(7.6)	(7.6)
At 1 January 2009		**121.9**	**126.1**	**16.4**	**273.1**	**458.0**	**995.5**	**24.1**	**1,019.6**
Total comprehensive income for the year		**–**	**–**	**–**	**(160.7)**	**(5.1)**	**(165.8)**	**1.6**	**(164.2)**
Share-based payments, net of tax	4,16	**–**	**–**	**–**	**–**	**4.4**	**4.4**	**–**	**4.4**
Net purchase of own shares by ESOP Trust		**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Dividends:									
– Minority interests		**–**	**–**	**–**	**–**	**–**	**–**	**(3.7)**	**(3.7)**
Issue of ordinary share capital	24b, 24c	**41.4**	**–**	**–**	**–**	**192.9**	**234.3**	**–**	**234.3**
At 31 December 2009		**163.3**	**126.1**	**16.4**	**112.4**	**649.5**	**1,067.7**	**22.0**	**1,089.7**

Share-based payments have been stated net of a tax credit of £0.6m (2008 – charge of £0.4m).

Cumulative goodwill of £108.1m (2008 – £108.1m) has been written off against the Retained earnings reserve. In addition, the Retained earnings reserve includes non-distributable reserves of £5.5m (2008 – £5.5m).

Consolidated statement of cash flows

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	26a	**336.7**	183.7
Tax paid		**(58.5)**	(57.6)
Interest received		**7.2**	20.0
Interest paid		**(40.1)**	(74.0)
Net cash generated from operating activities		**245.3**	72.1
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired		**(21.1)**	(135.4)
Net cash inflow from sale of businesses		**3.0**	27.3
Purchase of property, plant and equipment		**(50.1)**	(117.8)
Purchase of intangible assets		**(14.6)**	(10.8)
Proceeds from disposal of property, plant and equipment		**15.8**	26.8
Net disposal of available for sale financial assets		**0.1**	0.4
Dividends received from joint ventures and associates		**0.6**	1.3
Net cash used in investing activities		**(66.3)**	(208.2)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**234.3**	3.0
Share buy back programme		**–**	(16.0)
Net purchase of own shares by ESOP Trust		**(0.7)**	(4.2)
Net cash (outflow) / inflow from borrowings		**(454.8)**	275.2
Payment of capital element of finance leases		**(3.7)**	(0.7)
Loans granted to joint ventures		**(2.3)**	(1.7)
Settlement of derivatives		**10.1**	17.5
Equity dividends paid		**–**	(73.1)
Minority dividends paid		**(3.7)**	(2.6)
Net cash used in financing activities		**(220.8)**	197.4
Net (decrease) / increase in cash and cash equivalents	26b	**(41.8)**	61.3
Cash and cash equivalents at the beginning of the year		**312.8**	198.6
Effect of foreign exchange rate changes		**(13.8)**	52.9
Cash and cash equivalents at the end of the year		**257.2**	312.8
Cash and cash equivalents consist of:			
Cash at bank and in hand	18	**319.6**	351.3
Short-term deposits	18	**61.7**	106.7
Bank overdrafts	22	**(124.1)**	(145.2)
		257.2	312.8

Accounting policies

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

Accounting convention
The consolidated Financial statements have been prepared on a going concern basis and under the historical cost convention, except for the retention of certain freehold properties and leasehold buildings at previously revalued amounts (which were treated as deemed cost on transition to IFRS) and the measurement of certain balances at fair value as disclosed in the accounting policies below.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future.

As such, the Group continues to adopt the going concern basis in preparing the annual report and accounts.

Changes in accounting policy and disclosures
A number of new standards, amendments and interpretations are effective for the first time for 2009. The Group has adopted, with effect from 1 January 2009, the amendments and revisions to standards noted below:

The Group has adopted IFRS 8, 'Operating segments' which replaces IAS 14 'Segment reporting'. The new standard requires segmental reporting to be presented on the same basis as the internal management reporting. This has had no impact on the results or financial position of the Group. All comparatives have been restated according to the revised segmental disclosure. Further discussion on the changes can be seen in note 1, page 90.

IAS 1 (Revised), 'Presentation of financial statements' has been adopted by the Group, which prohibits the presentation of non-owner items of income and expense in the consolidated statement of changes in equity. It has had no impact on the results or financial position of the Group.

The Group has also adopted the amendment to IAS 16, 'Property, plant and equipment' on a prospective basis from 1 January 2009. Group policy states that where an asset is held for rental to others, for a period of longer than 12 months, it is held as property, plant and equipment and depreciated to residual value over the course of the lease. Upon expiry of the lease, when the asset is held for sale, it is transferred to inventory at net book value and upon sale of the asset, the subsequent revenue and the net book value are recorded on a gross basis, through revenue and cost of sales. The adoption of the amendment has not had a material impact on the results or position of the Group for the period ended 31 December 2009.

Amendment to IFRS 7, 'Financial instruments: Disclosures' requires enhanced disclosures in respect of fair value measurements and liquidity risk. While adopting the amendment, the Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in the amendment.

The following standards and interpretations have also been adopted by the Group but have not had an impact on the results or financial position for the period ended 31 December 2009:

- IFRIC 9, 'Reassessment of embedded derivatives'
- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IFRS 2, 'Share-based payment – Vesting conditions and cancellations'
- IAS 7, 'Statement of cash flows: Presentation of a statement of cash flows'
- IAS 32 (Amendment), 'Financial instruments: Presentation'
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'.

At the end of the reporting period, the following revised standards were in issue but were not yet effective. These standards have not been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2010:

- IAS 27, (Revised) 'Consolidated and separate financial statements'
- IFRS 3, (Revised) 'Business combinations'
- IAS 28, 'Investments in associates'
- IAS 31, 'Interest in joint ventures'
- IAS 38, 'Amendment to IAS 38 Intangible assets: Recognition and measurement'
- IAS 17, 'Amendment to IAS 17 Leases: Transitional provisions'
- IFRS 9, 'Financial instruments'
- Amendment to IFRS 2, 'Share-based payments group cash-settled transactions'.

Accounting policies continued

Basis of consolidation

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

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

Where the Group acquires the minority interest in a subsidiary, the excess of the purchase cost over the book value of the minority interest is recorded as an addition to goodwill. No fair value exercise is performed for the acquisition of the minority interest.

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

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

Foreign currency translation

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

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

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

Revenue, other income and cost of sales

Revenue from the sale of goods and services is measured at the fair value of consideration receivable, net of rebates and any discounts and includes lease rentals and finance and insurance commission. It excludes sales related taxes and intra-Group transactions.

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

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

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

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

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

Share-based payments

The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the consolidated income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Group 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a 'Save as you earn' award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

Finance costs

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

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

Income tax

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

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

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

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

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

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

Exceptional items

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

Goodwill

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

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

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

Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Disposal group and assets held for sale

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

Segmental reporting

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

Financial instruments

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

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

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

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

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

Cash and cash equivalents

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

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

Leases

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

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

Offsetting

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

Accounting policies continued

Derivative financial instruments
An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in the Principal risks section of the Financial review.

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

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

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

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

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

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

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

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

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

Held to maturity financial assets are carried at amortised cost.

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

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

Significant accounting judgements and estimates

Judgements

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

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

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

Estimates

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

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

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

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

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

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

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

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

Notes to the accounts

1 Segmental analysis

From 1 January 2009, the Group has adopted IFRS 8 'Operating segments'. IFRS 8 replaced IAS 14 'Segment reporting'.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. In contrast, the predecessor standard required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach.

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

Under IFRS 8, the only change for the Group is that the businesses previously reported within the Rest of World segment under IAS 14 are reported within the other segments that best match the characteristics of each individual business. Comparative information has been restated accordingly.

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

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

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

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

	Distribution						
2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	607.4	947.8	312.2	548.2	30.0	300.1	2,745.7
Inter-segment revenue	(129.0)	(146.0)	–	–	–	(43.7)	(318.7)
Revenue from third parties	478.4	801.8	312.2	548.2	30.0	256.4	2,427.0
Results							
Segment result	26.7	30.2	19.9	55.9	3.9	1.0	137.6
Exceptional items	–	(0.2)	–	–	–	(3.9)	(4.1)
Operating profit after exceptional items	26.7	30.0	19.9	55.9	3.9	(2.9)	133.5
Share of profit / (loss) after tax of joint ventures and associates	–	2.0	–	–	–	–	2.0
Profit before finance and tax	26.7	32.0	19.9	55.9	3.9	(2.9)	135.5
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

2009	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Revenue								
Total revenue	**284.4**	**204.3**	**2,055.7**	**612.3**	**3,156.7**	**5,902.4**	**–**	**5,902.4**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**(318.7)**	**–**	**(318.7)**
Revenue from third parties	**284.4**	**204.3**	**2,055.7**	**612.3**	**3,156.7**	**5,583.7**	**–**	**5,583.7**
Results								
Segment result	**11.2**	**(1.6)**	**42.8**	**4.0**	**56.4**	**194.0**	**(18.8)**	**175.2**
Exceptional items	**–**	**(1.6)**	**(3.0)**	**(8.2)**	**(12.8)**	**(16.9)**	**(1.5)**	**(18.4)**
Operating profit after exceptional items	**11.2**	**(3.2)**	**39.8**	**(4.2)**	**43.6**	**177.1**	**(20.3)**	**156.8**
Share of profit / (loss) after tax of joint ventures and associates	**–**	**–**	**–**	**(1.3)**	**(1.3)**	**0.7**	**–**	**0.7**
Profit before finance and tax	**11.2**	**(3.2)**	**39.8**	**(5.5)**	**42.3**	**177.8**	**(20.3)**	**157.5**
Finance income								**52.1**
Finance costs								**(72.9)**
Profit before tax								**136.7**
Tax								**(41.7)**
Profit for the year								**95.0**

Notes to the accounts continued

1 Segmental analysis continued

2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Segment assets and liabilities							
Segment assets	84.2	188.9	64.7	59.2	21.8	66.3	485.1
Other current assets							
Non-current assets							
Segment liabilities	(173.4)	(242.2)	(52.6)	(43.1)	(60.2)	(40.4)	(611.9)
Other liabilities							
Net assets							

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

2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Other segment items							
Capital expenditure:							
– Property, plant and equipment	0.9	0.2	0.5	1.6	0.1	3.3	6.6
– Interest in leased vehicles	–	14.3	2.3	–	17.6	4.2	38.4
– Intangible assets	–	0.3	–	–	0.2	0.1	0.6
Depreciation:							
– Property, plant and equipment	3.0	1.4	1.6	1.9	0.1	2.4	10.4
– Interest in leased vehicles	–	5.6	1.8	–	13.0	4.0	24.4
Amortisation of intangible assets	0.2	0.5	–	–	0.3	0.2	1.2
Impairment of property, plant and equipment	–	–	–	–	–	6.7	6.7
Net provisions charged / (released) to the consolidated income statement	10.3	18.7	0.5	5.3	(1.3)	4.0	37.5

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

1 Segmental analysis continued

2009	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	32.4	28.5	346.9	151.4	559.2	1,044.3
Other current assets						481.6
Non-current assets						1,280.7
Segment liabilities	(29.4)	(19.0)	(311.2)	(86.0)	(445.6)	(1,057.5)
Other liabilities						(659.4)
Net assets						1,089.7

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

2009	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.3	0.4	5.3	37.3	43.3	49.9	–	49.9
– Interest in leased vehicles	–	0.3	–	–	0.3	38.7	–	38.7
– Intangible assets	–	–	1.1	0.9	2.0	2.6	7.4	10.0
Depreciation:								
– Property, plant and equipment	0.6	1.5	10.0	5.6	17.7	28.1	0.5	28.6
– Interest in leased vehicles	–	0.3	–	–	0.3	24.7	–	24.7
Amortisation of intangible assets	–	–	1.2	0.2	1.4	2.6	0.2	2.8
Impairment of property, plant and equipment	–	–	–	7.8	7.8	14.5	–	14.5
Net provisions charged / (released) to the consolidated income statement	2.4	(0.5)	4.9	4.1	10.9	48.4	(1.3)	47.1

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

Notes to the accounts continued

1 Segmental analysis continued

2008	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Revenue							
Total revenue	599.4	1,014.5	378.5	536.0	20.7	502.5	3,051.6
Inter-segment revenue	(143.3)	(176.6)	–	–	–	(77.0)	(396.9)
Revenue from third parties	456.1	837.9	378.5	536.0	20.7	425.5	2,654.7
Results							
Segment result	33.3	39.9	38.7	63.0	(5.7)	23.7	192.9
Exceptional items	(1.3)	(4.0)	(0.1)	–	–	(47.8)	(53.2)
Operating profit after exceptional items	32.0	35.9	38.6	63.0	(5.7)	(24.1)	139.7
Share of profit / (loss) after tax of joint ventures and associates	–	2.1	–	–	0.2	–	2.3
Profit before finance and tax	32.0	38.0	38.6	63.0	(5.5)	(24.1)	142.0
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

1 Segmental analysis continued

2008	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	263.2	391.3	2,319.4	631.2	3,605.1	6,656.7	–	6,656.7
Inter-segment revenue	–	–	–	–	–	(396.9)	–	(396.9)
Revenue from third parties	263.2	391.3	2,319.4	631.2	3,605.1	6,259.8	–	6,259.8
Results								
Segment result	8.9	0.7	28.8	18.8	57.2	250.1	(9.6)	240.5
Exceptional items	–	(3.0)	(23.1)	(1.8)	(27.9)	(81.1)	(1.4)	(82.5)
Operating profit after exceptional items	8.9	(2.3)	5.7	17.0	29.3	169.0	(11.0)	158.0
Share of profit / (loss) after tax of joint ventures and associates	–	–	0.3	(0.4)	(0.1)	2.2	–	2.2
Profit before finance and tax	8.9	(2.3)	6.0	16.6	29.2	171.2	(11.0)	160.2
Finance income								68.4
Finance costs								(120.4)
Profit before tax								108.2
Tax								(52.9)
Profit for the year								55.3

Notes to the accounts continued

1 Segmental analysis continued

2008	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Segment assets and liabilities							
Segment assets	242.0	242.8	80.1	86.3	31.9	177.8	860.9
Other current assets							
Non-current assets							
Segment liabilities	(197.0)	(255.3)	(34.9)	(53.4)	(84.9)	(81.7)	(707.2)
Other liabilities							
Net assets							

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

2008	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Other segment items							
Capital expenditure:							
– Property, plant and equipment	1.9	0.7	5.2	2.5	0.9	10.1	21.3
– Interest in leased vehicles	–	13.7	–	–	38.8	10.1	62.6
– Intangible assets	0.2	0.3	–	–	0.4	0.2	1.1
Depreciation:							
– Property, plant and equipment	2.2	1.4	3.0	1.7	1.3	3.3	12.9
– Interest in leased vehicles	0.6	4.8	–	–	10.7	3.3	19.4
Amortisation of intangible assets	0.2	0.5	–	0.1	0.2	0.3	1.3
Impairment of goodwill	–	–	–	–	–	46.8	46.8
Net provisions charged / (released) to the consolidated income statement	5.2	17.2	2.1	3.7	9.2	6.0	43.4

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

1 Segmental analysis continued

2008	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	43.4	45.5	429.0	145.6	663.5	1,524.4
Other current assets						636.3
Non-current assets						1,345.6
Segment liabilities	(35.9)	(20.0)	(411.1)	(72.0)	(539.0)	(1,246.2)
Other liabilities						(1,240.5)
Net assets						1,019.6

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

2008	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.5	3.7	36.9	50.4	91.5	112.8	5.0	117.8
– Interest in leased vehicles	–	0.9	–	–	0.9	63.5	–	63.5
– Intangible assets	–	–	0.5	0.1	0.6	1.7	18.3	20.0
Depreciation:								
– Property, plant and equipment	0.6	2.0	16.0	2.1	20.7	33.6	2.5	36.1
– Interest in leased vehicles	–	0.2	–	–	0.2	19.6	–	19.6
Amortisation of intangible assets	–	0.1	0.9	1.1	2.1	3.4	0.3	3.7
Impairment of goodwill	–	–	7.4	–	7.4	54.2	–	54.2
Net provisions charged / (released) to the consolidated income statement	1.1	1.7	15.0	5.1	22.9	66.3	1.1	67.4

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

Notes to the accounts continued

2 Exceptional items

	2009 £m	2008 £m
Impairment of property, plant and equipment	(10.3)	–
Restructuring costs	(5.1)	(28.3)
Vacant property	(3.0)	–
Goodwill impairment (note 11)	–	(54.2)
Operating exceptional items	(18.4)	(82.5)
Exceptional tax credit / (charge)	1.8	(3.6)
Total exceptional items	(16.6)	(86.1)

The impairment charge for property, plant and equipment of £10.3m arises from an impairment review of the Group's business in Latvia which was updated following a further deterioration in trading conditions.

The restructuring costs of £5.1m represent the costs of headcount reduction and site closures in Finland, the Baltics and Russia, together with changes in the composition of the Executive Committee.

The charge for restructuring costs in 2008 related to the cost of restructuring the Group's businesses in response to the downturn in the automotive industry and primarily represents the costs of reducing employee headcount and closing less profitable sites.

The vacant property cost of £3.0m represents an onerous lease provision relating to a site occupied by the Inchcape Automotive business that was sold in 2007 and which went into administration in early 2009. The Group remains responsible for the head lease on this property.

The goodwill impairment charge in 2008 was in respect of the business in Latvia and certain sites in the United Kingdom which have been sold or closed.

The 2009 exceptional tax credit represents a deferred tax credit of £0.9m in respect of the future deduction for overseas redundancy costs in the local territories and a current tax credit of £0.9m in respect of onerous lease costs on UK properties.

3 Revenue and expenses

a. Revenue

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

	2009 £m	2008 £m
Sale of goods	**4,964.6**	5,680.9
Provision of services	**619.1**	578.9
	5,583.7	6,259.8

b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2009 £m	Exceptional items 2009 £m	Net operating expenses 2009 £m	Net operating expenses before exceptional items 2008 £m	Exceptional items 2008 £m	Net operating expenses 2008 £m
Distribution costs	**352.4**	**0.2**	**352.6**	380.9	5.5	386.4
Administrative expenses	**303.1**	**7.6**	**310.7**	280.6	13.8	294.4
Other operating (income) / expense	**(4.0)**	**10.6**	**6.6**	(1.0)	61.4	60.4
	651.5	**18.4**	**669.9**	660.5	80.7	741.2

Other operating (income) / expense includes a charge of £14.5m in respect of property impairment (2008 – £54.2m related to goodwill impairment).

c. Profit before tax is stated after the following charges / (credits):

	2009 £m	2008 £m
Depreciation of property, plant and equipment:		
– Owned assets	**28.1**	35.9
– Assets held under finance leases	**0.5**	0.2
– Interest in leased vehicles	**24.7**	19.6
Amortisation of intangible assets	**2.8**	3.7
Impairment of goodwill	**–**	54.2
Impairment of property, plant and equipment	**14.5**	–
Bad debt provision	**3.8**	2.3
Profit on sale of property, plant and equipment	**(2.6)**	(2.6)
Operating lease rentals	**45.0**	41.7

Notes to the accounts continued

3 Revenue and expenses continued
d. Auditors' remuneration
During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2009 £m	2008 £m
Audit services:		
– Fees payable for the audit of the parent Company and the consolidated Financial statements	**0.4**	0.4
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**1.7**	1.7
– Other services supplied pursuant to such legislation	**0.9**	0.1
– Services relating to taxation	**1.4**	1.5
– All other services	**–**	0.1
	4.0	3.4
Total fees payable to PricewaterhouseCoopers LLP	**4.4**	3.8
Audit fees – firms other than PricewaterhouseCoopers LLP	**0.1**	0.1

The fees for other services supplied pursuant to legislation include £0.8m related to the Rights Issue. These costs have been recognised in equity as part of the net proceeds of the Rights Issue.

e. Staff costs

	2009 £m	2008 £m
Wages and salaries	**356.5**	353.4
Social security costs	**43.0**	39.6
Other pension costs	**11.2**	12.3
Share-based payment charge / (credit)	**3.8**	(0.9)
	414.5	404.4

Information on Directors' emoluments and interests which forms part of these audited consolidated Financial statements, is given in the Board report on remuneration which can be found on pages 68 – 74 of this document.

f. Average number of employees

	Distribution		Retail		Total	
	2009 Number	2008 Number	**2009 Number**	2008 Number	**2009 Number**	2008 Number
Australasia	**557**	594	**595**	574	**1,152**	1,168
Europe	**350**	430	**474**	591	**824**	1,021
North Asia	**1,381**	1,378	**–**	–	**1,381**	1,378
South Asia	**1,003**	1,022	**–**	–	**1,003**	1,022
United Kingdom	**159**	166	**4,955**	6,090	**5,114**	6,256
Russia and Emerging Markets	**1,387**	1,414	**2,660**	3,055	**4,047**	4,469
Total operational	**4,837**	5,004	**8,684**	10,310	**13,521**	15,314
Central					**156**	162
					13,677	15,476

4 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Board report on remuneration.

The charge arising from share-based payment transactions during the year is £3.8m (2008 – credit of £0.9m), all of which is equity-settled.

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

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

	Weighted average exercise price*		Executive Share Option Plan		Save As You Earn Plan		Other Share Plans	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Outstanding at 1 Jan	**£3.97**	£4.04	**11,820,309**	8,627,181	**2,424,699**	2,244,154	**1,550,122**	964,976
Granted	**–**	£3.50	**–**	4,256,371	**–**	2,409,067	**–**	947,752
Exercised	**–**	£2.83	**–**	(740,925)	**–**	(309,778)	**(507)**	(346,301)
Lapsed	**£4.17**	£3.44	**(2,888,972)**	(322,318)	**(575,934)**	(1,918,744)	**(260,306)**	(16,305)
Outstanding at 6 April	**£3.90**		**8,931,337**		**1,848,765**		**1,289,309**	
Outstanding following Rights Issue	**£0.67**		**52,982,611**		**10,990,010**		**12,893,090**	
Granted	**£0.21**		**86,337,398**		**32,295,387**		**2,445,747**	
Exercised	**£0.58**		**(154,368)**		**–**		**(1,181,178)**	
Lapsed	**£0.58**		**(9,706,442)**		**(7,569,130)**		**(1,568,961)**	
Outstanding at 31 Dec	**£0.35**	£3.97	**129,459,199**	11,820,309	**35,716,267**	2,424,699	**12,588,698**	1,550,122
Exercisable at 31 Dec	**£0.50**		**14,660,414**		**479,911**		**19,200**	

* The weighted average exercise price excludes awards made under the Deferred Bonus Plan as there is no exercise price attached to these share awards.

Included in the table above are 943,008 (2008 – 1,097,371 restated for Rights Issue) share options outstanding at 31 December granted before 7 November 2002 which have been excluded from the share-based payments charge in accordance with the IFRS 2 transitional provisions.

The weighted average remaining contractual life for the share options outstanding at 31 December 2009 is 6.9 years (2008 – 6.4 years).

The range of exercise prices for options outstanding at the end of the year was £0.08 to £0.97 (2008 – £0.08 to £0.97 restated for Rights Issue). See note 24 for further details.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model for shares granted during the years ended 31 December 2009 and 31 December 2008:

	Executive Share Option Plan		Save As You Earn Plan		Other Share Plans	
	2009	2008	**2009**	2008	**2009**	2008
Weighted average share price at grant date	**£0.20**	£4.12	**£0.29**	£2.99	**£0.25**	£4.10
Weighted average exercise price *	**£0.20**	£0.69	**£0.23**	£0.40	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**3.0 years**	3.0 years
Expected volatility	**80.0%**	25.8%	**80.0%**	31.7%	**n/a**	n/a
Expected life of option	**3.5 years**	4.0 years	**3.2 years**	3.2 years	**3.0 years**	3.0 years
Weighted average risk free rate	**2.1%**	4.0%	**1.9%**	4.3%	**n/a**	4.0%
Expected dividend yield	**1.0%**	3.0%	**1.0%**	3.0%	**n/a**	3.0%
Weighted average fair value per option	**£0.11**	£0.82	**£0.13**	£0.61	**£0.25**	£4.30

* The weighted average exercise prices for 2008 have been restated for Rights Issue.

The expected life and volatility of the options are based upon historical data.

Notes to the accounts continued

5 Pensions and other post-retirements benefits

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its subsidiaries.

The principal schemes are held in the UK and are final salary defined benefit pension schemes. Most of the schemes have assets held in trust in separately administered funds although there are some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

The majority of the overseas defined benefit schemes are final salary schemes which provide a lump sum on retirement, some of which have assets held in trust in separately administered funds and others which are unfunded. The overseas defined contribution schemes are principally linked to local statutory arrangements.

a. UK schemes

The UK has four main defined benefit schemes, namely the Inchcape Group (UK) Pension Scheme, the Inchcape Motors Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. These schemes are considered below:

Open schemes

Inchcape Group (UK) Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The majority of the scheme's liabilities are for pensioners and deferred pensioners, and the investment strategy is to hold a broadly balanced portfolio of equities and gilts.

Inchcape Motors Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 5 April 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. Whilst a majority of the scheme's members are pensioners and deferred pensioners, a sizeable portion of the membership is still accruing benefits and the investment strategy reflects this with the majority of the assets invested in equities and bonds.

Inchcape Overseas Pension Scheme

This scheme is managed from Guernsey and is therefore reported in the United Kingdom segment in this note. The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. A significant majority of the scheme's members are pensioners and deferred pensioners and therefore the majority of the assets are invested in bonds.

Closed scheme

TKM Group Pension Scheme

The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2007 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme has a prudent investment strategy and the majority of the assets are invested in bonds, cash or gilts. Approximately half the members are pensioners and half are deferred pensioners and as such no further pension accrual arises.

b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee. These schemes are typically subject to triennial valuations.

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £5.4m (2008 – £5.5m). There are no outstanding contributions to defined contribution schemes at the year end (2008 – £nil).

d. Defined benefit plans

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

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2009 %	2008 %	**2009** %	2008 %
Rate of increase in salaries	**5.2**	4.7	**4.5**	4.6
Rate of increase in pensions	**3.7**	2.8	**–**	–
Discount rate	**5.7**	6.2	**3.1**	1.9
Inflation	**3.7**	2.8	**0.5**	0.5
Expected return on plan assets	**6.1**	6.1	**7.0**	7.1

5 Pensions and other post-retirements benefits continued

The rate of increase in healthcare cost is 5.5% (2008 – 5.5%) per annum but with higher increases in the first 10 years.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 22.6 years (2008 – 20.9 years) for current pensioners and 25.0 years (2008 – 22.5 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

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

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Present value of funded obligations	**(807.4)**	(628.6)	**(33.4)**	(43.9)	**(840.8)**	(672.5)
Fair value of plan assets	**736.1**	697.7	**34.7**	29.6	**770.8**	727.3
(Deficit) / surplus in funded obligations	**(71.3)**	69.1	**1.3**	(14.3)	**(70.0)**	54.8
Irrecoverable element of pension surplus	**–**	(43.6)	**(0.3)**	(0.3)	**(0.3)**	(43.9)
Net (deficit) / surplus in funded obligations	**(71.3)**	25.5	**1.0**	(14.6)	**(70.3)**	10.9
Present value of unfunded obligations	**(2.3)**	(2.7)	**(2.2)**	(2.2)	**(4.5)**	(4.9)
	(73.6)	22.8	**(1.2)**	(16.8)	**(74.8)**	6.0
The net pension asset / (liability) is analysed as follows:						
Schemes in surplus	**–**	49.4	**0.8**	–	**0.8**	49.4
Schemes in deficit	**(73.6)**	(26.6)	**(2.0)**	(16.8)	**(75.6)**	(43.4)
	(73.6)	22.8	**(1.2)**	(16.8)	**(74.8)**	6.0

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Current service cost	**(3.0)**	(4.8)	**(2.6)**	(2.0)	**(5.6)**	(6.8)
Past service cost	**(0.2)**	–	**–**	–	**(0.2)**	–
Interest expense on plan liabilities	**(38.0)**	(42.0)	**(0.9)**	(1.1)	**(38.9)**	(43.1)
Expected return on plan assets	**42.6**	47.1	**1.9**	2.3	**44.5**	49.4
	1.4	0.3	**(1.6)**	(0.8)	**(0.2)**	(0.5)

The actual gain on plan assets amounts to £48.8m (2008 – actual loss of £67.6m).

The totals in the previous table are analysed as follows:

	Cost of sales		Distribution costs		Administrative expenses		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Current service cost	**(0.6)**	(0.4)	**(1.2)**	(0.9)	**(3.8)**	(5.5)	**(5.6)**	(6.8)
Past service cost	**–**	–	**–**	–	**(0.2)**	–	**(0.2)**	–
	(0.6)	(0.4)	**(1.2)**	(0.9)	**(4.0)**	(5.5)	**(5.8)**	(6.8)
Interest expense on plan liabilities							**(38.9)**	(43.1)
Expected return on plan assets							**44.5**	49.4
							(0.2)	(0.5)

Notes to the accounts continued

5 Pensions and other post-retirements benefits continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains and losses	**4.6**	16.0	**0.6**	0.7	**5.2**	16.7
– Changes in assumptions	**(178.9)**	106.9	**6.1**	(4.3)	**(172.8)**	102.6
Actuarial gains / (losses) on assets:						
– Experience gains and losses	**(1.8)**	(104.1)	**6.1**	(12.9)	**4.3**	(117.0)
Irrecoverable element of pension surplus	**43.6**	(43.6)	**–**	–	**43.6**	(43.6)
	(132.5)	(24.8)	**12.8**	(16.5)	**(119.7)**	(41.3)

Analysis of the movement in the net asset / (liability):

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
At 1 January	**22.8**	26.5	**(16.8)**	2.0	**6.0**	28.5
Amount recognised in the consolidated income statement	**1.4**	0.3	**(1.6)**	(0.8)	**(0.2)**	(0.5)
Contributions by employer	**34.7**	20.8	**3.0**	2.1	**37.7**	22.9
Actuarial gains / (losses) recognised in the year	**(132.5)**	(24.8)	**12.8**	(16.5)	**(119.7)**	(41.3)
Effect of foreign exchange rates	**–**	–	**1.4**	(3.6)	**1.4**	(3.6)
At 31 December	**(73.6)**	22.8	**(1.2)**	(16.8)	**(74.8)**	6.0

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
At 1 January	**(631.3)**	(741.0)	**(46.1)**	(29.5)	**(677.4)**	(770.5)
Current service cost	**(3.0)**	(4.8)	**(2.6)**	(2.0)	**(5.6)**	(6.8)
Past service cost	**(0.2)**	–	**–**	–	**(0.2)**	–
Interest expense on plan liabilities	**(38.0)**	(42.0)	**(0.9)**	(1.1)	**(38.9)**	(43.1)
Actuarial gains / (losses):						
– Experience gains and losses	**4.6**	16.0	**0.6**	0.7	**5.2**	16.7
– Changes in assumptions	**(178.9)**	106.9	**6.1**	(4.3)	**(172.8)**	102.6
Contributions by employees	**(1.3)**	(1.6)	**(0.1)**	(0.1)	**(1.4)**	(1.7)
Benefits paid	**38.4**	35.2	**3.5**	1.9	**41.9**	37.1
Effect of foreign exchange rate changes	**–**	–	**3.9**	(11.7)	**3.9**	(11.7)
At 31 December	**(809.7)**	(631.3)	**(35.6)**	(46.1)	**(845.3)**	(677.4)

5 Pensions and other post-retirements benefits continued

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
At 1 January	**697.7**	767.5	**29.6**	31.8	**727.3**	799.3
Expected return on plan assets	**42.6**	47.1	**1.9**	2.3	**44.5**	49.4
Actuarial gains / (losses):						
– Experience gains and losses	**(1.8)**	(104.1)	**6.1**	(12.9)	**4.3**	(117.0)
Contributions by employer	**34.7**	20.8	**3.0**	2.1	**37.7**	22.9
Contributions by employees	**1.3**	1.6	**0.1**	0.1	**1.4**	1.7
Benefits paid	**(38.4)**	(35.2)	**(3.5)**	(1.9)	**(41.9)**	(37.1)
Effect of foreign exchange rate changes	**–**	–	**(2.5)**	8.1	**(2.5)**	8.1
At 31 December	**736.1**	697.7	**34.7**	29.6	**770.8**	727.3
Irrecoverable element of pension surplus	**–**	(43.6)	**(0.3)**	(0.3)	**(0.3)**	(43.9)
Revised value at 31 December	**736.1**	654.1	**34.4**	29.3	**770.5**	683.4

At the end of the reporting period, the percentage of the plan assets by category had been invested as follows:

	United Kingdom		Overseas		Total	
	2009	2008	**2009**	2008	**2009**	2008
Equities	**33.7%**	30.3%	**71.8%**	65.1%	**35.5%**	31.8%
Corporate bonds	**35.2%**	35.6%	**19.5%**	24.8%	**34.5%**	35.2%
Government bonds	**23.7%**	33.5%	**–**	–	**22.6%**	32.1%
Other	**7.4%**	0.6%	**8.7%**	10.1%	**7.4%**	0.9%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The history of the plans for the current and previous years is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	**(845.3)**	(677.4)	(770.5)	(755.8)	(748.6)
Fair value of plan assets	**770.8**	727.3	799.3	733.3	679.5
(Deficit) / surplus	**(74.5)**	49.9	28.8	(22.5)	(69.1)
Irrecoverable element of pension surplus	**(0.3)**	(43.9)	(0.3)	(0.2)	(0.3)
Revised (deficit) / surplus	**(74.8)**	6.0	28.5	(22.7)	(69.4)
Experience adjustments on plan liabilities	**5.2**	16.7	0.1	8.6	0.4
Experience adjustments on plan assets	**4.3**	(117.0)	1.3	3.8	46.1

The cumulative actuarial gains and losses arising since 1 January 2004 recognised in shareholders' equity amounted to a £148.9m loss at 31 December 2009 (2008 – £29.2m loss).

The Group has agreed to pay approximately £23m to its defined benefit plans in 2010.

Notes to the accounts continued

6 Finance income

	2009 £m	2008 £m
Bank and other interest receivable	**4.2**	16.9
Expected return on post-retirement plan assets	**44.5**	49.4
Other finance income	**3.4**	2.1
Total finance income	**52.1**	68.4

7 Finance costs

	2009 £m	2008 £m
Interest payable on bank borrowings	**5.1**	11.7
Interest payable on other borrowings	**1.7**	3.2
Interest payable on revolving credit facility	**1.6**	11.3
Interest payable on Private Placement	**7.8**	18.2
Fair value loss / (gain) on cross currency interest rate swaps	**70.8**	(147.6)
Fair value adjustment on Private Placement	**(71.7)**	144.8
Stock holding interest	**9.2**	21.5
Interest expense on post-retirement plan liabilities	**38.9**	43.1
Other finance costs	**10.6**	17.1
Capitalised borrowing costs	**(1.1)**	(2.9)
Total finance costs	**72.9**	120.4

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.9% (2008 – 6.6%).

8 Tax

	2009 £m	2008 £m
Current tax:		
– UK corporation tax	**8.0**	8.0
– Double tax relief	**(2.2)**	(11.6)
	5.8	(3.6)
Overseas tax	**47.5**	56.8
	53.3	53.2
Adjustments to prior year liabilities:		
– UK	**8.0**	1.0
– Overseas	**–**	(1.0)
Current tax	**61.3**	53.2
Deferred tax (note 16)	**(17.8)**	(3.9)
Tax before exceptional tax	**43.5**	49.3
Exceptional tax – current tax	**(0.9)**	(2.4)
Exceptional tax – deferred tax	**(0.9)**	6.0
Exceptional tax (note 2)	**(1.8)**	3.6
Total tax charge	**41.7**	52.9

The effective tax rate for the year, before exceptional items, of 28.0% (2008 – 25.9%) is higher than the standard rate of tax of 24.8% (2008 – 20.4%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2009 £m	2008 £m
Profit before tax	**136.7**	108.2
Profit before tax multiplied by the standard rate of tax of 24.8% (2008 – 20.4%)	**33.9**	22.1
Effects of:		
– Exceptional profit on disposal	**(0.2)**	–
– Amortisation and impairment	**3.2**	10.5
– Non-tax deductible items	**12.9**	5.9
– Unrelieved losses	**4.4**	9.3
– Prior year items	**(12.3)**	(4.4)
– Tax arising on acquisition of non-qualifying tangible fixed assets	**(0.1)**	3.7
– Tax arising on phase out of industrial buildings allowances	**–**	6.0
– Tax impact of share of profit after tax of joint ventures and associates	**(0.3)**	(0.3)
– Other items	**0.2**	0.1
Total tax charge	**41.7**	52.9

Prior year items include a reduction in UK deferred tax liabilities on properties that are non-qualifying for industrial building purposes, which were acquired under the Initial Recognition Exemption. A re-assessment of liabilities has led to a reduction of £7.9m. The remainder of the credits relate to a variety of items in various countries.

The subsidiaries effective tax rate, defined as tax on profit before exceptional items and excluding the Group's share of profit after tax of joint ventures and associates, for the year is 28.2% (2008 – 26.0%).

Notes to the accounts continued

9 Earnings per share

	2009 £m	Restated 2008 £m
Profit for the year	**95.0**	55.3
Minority interests	**(3.0)**	(3.9)
Basic earnings	**92.0**	51.4
Exceptional items	**16.6**	86.1
Adjusted earnings	**108.6**	137.5
Basic earnings per share	**2.3p**	1.9p
Diluted earnings per share	**2.3p**	1.9p
Basic Adjusted earnings per share	**2.7p**	5.0p
Diluted Adjusted earnings per share	**2.7p**	5.0p

Earnings per share have been restated to reflect the bonus element of the Rights Issue.

	2009 number	Restated 2008 number
Weighted average number of fully paid ordinary shares in issue during the year	**4,050,851,856**	486,854,223
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(13,711,221)**	(1,257,218)
– Repurchased as part of the share buy back programme	**(26,875,606)**	(26,602,853)
– Bonus element of the Rights Issue	**–**	2,263,852,512
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**4,010,265,029**	2,722,846,664
Dilutive effect of potential ordinary shares	**4,266,376**	1,720,575
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**4,014,531,405**	2,724,567,239

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

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

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

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

10 Dividends

The following dividends were paid by the Group:

	2009 £m	2008 £m
Interim dividend for the six months ended 30 June 2009 (2008 – 5.46p per share)	–	25.0
Final dividend for the year ended 31 December 2008 (2007 – 10.5p per share)	–	48.1
	–	73.1

There is no proposal to pay a final dividend for the year ending 31 December 2009.

Dividends paid in 2008 exclude £4.6m payable on treasury shares and shares held by the ESOP Trust.

11 Intangible assets

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2008	390.9	31.4	6.5	428.8
Businesses acquired	–	–	1.0	1.0
Additions	142.0	20.0	–	162.0
Disposals	(5.4)	(1.0)	(0.3)	(6.7)
Reclassified from disposal group	5.9	–	–	5.9
Effect of foreign exchange rate changes	41.1	5.3	(0.1)	46.3
At 1 January 2009	**574.5**	**55.7**	**7.1**	**637.3**
Businesses sold	**(0.2)**	**(0.1)**	**–**	**(0.3)**
Additions	**22.3**	**10.0**	**–**	**32.3**
Disposals	**–**	**(0.2)**	**–**	**(0.2)**
Effect of foreign exchange rate changes	**(25.4)**	**(1.3)**	**(0.1)**	**(26.8)**
At 31 December 2009	**571.2**	**64.1**	**7.0**	**642.3**
Amortisation and impairment				
At 1 January 2008	(1.3)	(20.7)	(6.3)	(28.3)
Amortisation charge for the year	–	(2.7)	(1.0)	(3.7)
Impairment charge for the year	(54.2)	–	–	(54.2)
Disposals	0.2	1.0	0.4	1.6
Effect of foreign exchange rate changes	(10.3)	(4.8)	(0.2)	(15.3)
At 1 January 2009	**(65.6)**	**(27.2)**	**(7.1)**	**(99.9)**
Businesses sold	**–**	**0.1**	**–**	**0.1**
Amortisation charge for the year	**–**	**(2.8)**	**–**	**(2.8)**
Disposals	**–**	**0.2**	**–**	**0.2**
Effect of foreign exchange rate changes	**4.4**	**1.2**	**0.1**	**5.7**
At 31 December 2009	**(61.2)**	**(28.5)**	**(7.0)**	**(96.7)**
Net book value at 31 December 2009	**510.0**	**35.6**	**–**	**545.6**
Net book value at 31 December 2008	508.9	28.5	–	537.4

As at 31 December 2009, capitalised borrowing costs of £1.1m (2008 – £0.9m) were included within 'other intangible assets', £0.2m of which was capitalised in 2009 (2008 – £0.9m).

Notes to the accounts continued

11 Intangible assets continued

a. Goodwill

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

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

	2009 £m	2008 £m
United Kingdom	**264.6**	264.8
Russia and Emerging Markets	**216.5**	214.8
South Asia	**17.9**	19.6
Australasia	**11.0**	9.7
	510.0	508.9

Goodwill additions in 2009 arise mainly from adjustments to the purchase price of the Musa Motors group under certain earn out arrangements (see note 27).

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGUs during the year ended 31 December 2009.

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

Cash flows after the five year period are extrapolated at an estimated average long-term growth rate for each market. These growth rates reflect the long-term growth prospects of the markets in which the CGUs operate. The growth rates used vary between 0% and 5% and are consistent with appropriate external sources for the relevant markets.

Cash flows are discounted back to present value using a risk adjusted discount rate. The discount rate assumptions are based on an estimate of the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant CGU. The pre-tax discount rates used vary between 10% and 12%, and reflect long-term country risk.

The assumptions used with regards to pre-tax discount rates and long-term growth rates in those segments with material goodwill balances were as follows:

	Discount rate	Long-term growth rate
United Kingdom	**11%**	**2%**
Russia and Emerging Markets	**11% to 12%**	**5%**
South Asia	**10%**	**1%**
Australasia	**11%**	**2%**

Impairment

No impairment charge has been recognised during the year ended 31 December 2009. In the year ended 31 December 2008, the goodwill in relation to the Group's businesses in Latvia (reported in the Russia and Emerging Markets segment) was impaired by £46.8m following a significant deterioration in the automotive sector in that market which adversely affected revenue and trading profit. In addition, goodwill of £7.4m related to sites in the UK which were sold or closed was impaired in 2008.

Sensitivities

The Group's value in use calculations are sensitive to a change in the key assumptions used, most notably the discount rates and the long-term growth rates. With the exception of the Musa Motors group in Russia and the Group's business in Lithuania, a reasonably possible change in a key assumption will not cause an impairment in any of the other CGUs.

11 Intangible assets continued

The Group's goodwill in the Russia and Emerging Markets segment at 31 December 2009 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Musa Motors group (Russia)	**126.6**	**–**	**126.6**
Inchcape Olimp (Russia)	**63.8**	**–**	**63.8**
Latvia	**46.4**	**(46.4)**	**–**
Lithuania	**23.2**	**–**	**23.2**
Other	**2.9**	**–**	**2.9**
At 31 December 2009	**262.9**	**(46.4)**	**216.5**

The value in use calculations for the Musa Motors group currently exceed the carrying value by approximately 20%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would reduce the headroom available to approximately 5% of the carrying value. The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 10%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would eliminate the headroom available.

b. Other intangible assets

Computer software costs consist of purchase prices from third parties as well as internally generated software development costs. They include both assets in the course of development and assets in operation. The amortisation charge is largely included within 'administrative expenses' in the consolidated income statement.

Other intangible assets include customer contracts and back orders recognised on the acquisition of a business. These intangible assets are recognised at the fair value attributable to them on acquisition, and are amortised on a straight line basis over their useful life (usually up to one year).

Notes to the accounts continued

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2008	391.5	152.5	544.0	113.4	657.4
Businesses acquired	17.8	5.4	23.2	–	23.2
Businesses sold	(6.9)	(4.8)	(11.7)	–	(11.7)
Additions	87.5	30.3	117.8	63.5	181.3
Disposals	(9.0)	(20.9)	(29.9)	–	(29.9)
Transferred to inventory	–	–	–	(48.1)	(48.1)
Reclassified from disposal group	46.1	9.7	55.8	–	55.8
Effect of foreign exchange rate changes	48.7	30.6	79.3	10.6	89.9
At 1 January 2009	**575.7**	**202.8**	**778.5**	**139.4**	**917.9**
Businesses sold	**(0.4)**	**(1.7)**	**(2.1)**	**–**	**(2.1)**
Additions	**35.2**	**14.7**	**49.9**	**38.7**	**88.6**
Disposals	**(6.3)**	**(8.9)**	**(15.2)**	**–**	**(15.2)**
Transferred to inventory	**–**	**–**	**–**	**(54.3)**	**(54.3)**
Reclassified to assets held for sale	**(7.6)**	**–**	**(7.6)**	**–**	**(7.6)**
Reclassifications	**–**	**(23.5)**	**(23.5)**	**23.5**	**–**
Effect of foreign exchange rate changes	**(19.5)**	**(7.4)**	**(26.9)**	**(6.0)**	**(32.9)**
At 31 December 2009	**577.1**	**176.0**	**753.1**	**141.3**	**894.4**
Depreciation and impairment					
At 1 January 2008	(31.0)	(83.6)	(114.6)	(23.5)	(138.1)
Businesses sold	0.3	3.1	3.4	–	3.4
Depreciation charge for the year	(15.1)	(21.0)	(36.1)	(19.6)	(55.7)
Disposals	0.6	13.0	13.6	–	13.6
Transferred to inventory	–	–	–	11.0	11.0
Reclassified from disposal group	(5.5)	(8.0)	(13.5)	–	(13.5)
Effect of foreign exchange rate changes	(7.7)	(18.8)	(26.5)	(4.0)	(30.5)
At 1 January 2009	**(58.4)**	**(115.3)**	**(173.7)**	**(36.1)**	**(209.8)**
Businesses sold	**0.1**	**1.5**	**1.6**	**–**	**1.6**
Depreciation charge for the year	**(10.1)**	**(18.5)**	**(28.6)**	**(24.7)**	**(53.3)**
Impairment losses recognised during the year	**(14.5)**	**–**	**(14.5)**	**–**	**(14.5)**
Disposals	**1.1**	**6.3**	**7.4**	**–**	**7.4**
Transferred to inventory	**–**	**–**	**–**	**20.7**	**20.7**
Reclassified to assets held for sale	**1.0**	**–**	**1.0**	**–**	**1.0**
Reclassifications	**–**	**9.1**	**9.1**	**(9.1)**	**–**
Effect of foreign exchange rate changes	**2.9**	**4.4**	**7.3**	**1.8**	**9.1**
At 31 December 2009	**(77.9)**	**(112.5)**	**(190.4)**	**(47.4)**	**(237.8)**
Net book value at 31 December 2009	**499.2**	**63.5**	**562.7**	**93.9**	**656.6**
Net book value at 31 December 2008	517.3	87.5	604.8	103.3	708.1

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

12 Property, plant and equipment continued

Assets held under finance leases have the following net book values:

	2009 £m	2008 £m
Leasehold buildings	**1.4**	1.5
Plant, machinery and equipment	**2.9**	4.4
	4.3	5.9

The book value of land and buildings is analysed between:

	2009 £m	2008 £m
Freehold	**387.5**	447.7
Leasehold with over fifty years unexpired	**36.7**	45.9
Short leasehold	**75.0**	23.7
	499.2	517.3

As at 31 December 2009, £2.9m (2008 – £2.0m) of capitalised borrowing costs were included within 'land and buildings', £0.9m of which was capitalised in 2009 (2008 – £2.0m).

13 Investments in joint ventures and associates

	2009 £m	2008 £m
At 1 January	**21.3**	15.3
Additions	**–**	0.4
Share of profit after tax of joint ventures and associates	**0.7**	2.2
Dividends paid	**(0.6)**	(1.3)
Loan advances	**2.3**	1.7
Acquisition of remaining interests	**–**	(0.6)
Other movements	**–**	(0.1)
Effect of foreign exchange rate changes	**(1.4)**	3.7
At 31 December	**22.3**	21.3

Group's share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Non-current assets	**68.0**	99.0	**0.8**	2.6	**68.8**	101.6
Current assets	**59.0**	162.4	**46.6**	62.5	**105.6**	224.9
Group's share of gross assets	**127.0**	261.4	**47.4**	65.1	**174.4**	326.5
Current liabilities	**(9.2)**	(65.2)	**(32.5)**	(42.7)	**(41.7)**	(107.9)
Non-current liabilities	**(105.2)**	(183.5)	**(5.2)**	(13.8)	**(110.4)**	(197.3)
Group's share of gross liabilities	**(114.4)**	(248.7)	**(37.7)**	(56.5)	**(152.1)**	(305.2)
Group's share of net assets	**12.6**	12.7	**9.7**	8.6	**22.3**	21.3
Group's share of results of joint ventures and associates						
Revenue	**2.6**	3.8	**3.6**	4.0	**6.2**	7.8
Expenses	**(3.0)**	(2.4)	**(2.6)**	(2.3)	**(5.6)**	(4.7)
Profit / (loss) before tax	**(0.4)**	1.4	**1.0**	1.7	**0.6**	3.1
Tax	**0.4**	(0.4)	**(0.3)**	(0.5)	**0.1**	(0.9)
Share of profit after tax of joint ventures and associates	**–**	1.0	**0.7**	1.2	**0.7**	2.2

As at 31 December 2009, no guarantees were provided in respect of joint ventures and associates borrowings (2008 – £17.9m).

Notes to the accounts continued

14 Available for sale financial assets

	2009 £m	2008 £m
At 1 January	**19.9**	16.7
Additions	**1.6**	0.1
Disposals	**(1.7)**	(0.5)
Fair value movement transferred to shareholders' equity	**0.4**	(1.1)
Effect of foreign exchange rate changes	**(1.7)**	4.7
At 31 December	**18.5**	19.9

Analysed as:

	2009 £m	2008 £m
Non-current	**17.8**	17.9
Current	**0.7**	2.0
	18.5	19.9

Assets held are analysed as follows:

	2009 £m	2008 £m
Equity securities	**0.3**	0.2
Bonds	**15.9**	17.6
Other	**2.3**	2.1
	18.5	19.9

At 31 December 2009 the bonds attracted a weighted average fixed interest rate of 5.2% (2008 – 5.1%). The bonds are traded on active markets with coupons generally paid on an annual basis.

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

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

	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
2009	**0.4**	**1.5**	**0.9**	**1.8**	**1.8**	**9.5**	**15.9**
2008	1.8	0.4	1.7	–	2.0	11.7	17.6

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

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

15 Trade and other receivables

	Current 2009 £m	Current 2008 £m	Non-current 2009 £m	Non-current 2008 £m
Trade receivables	**156.5**	162.2	**1.3**	–
Less: provision for impairment of trade receivables	**(8.0)**	(7.1)	**–**	–
Net trade receivables	**148.5**	155.1	**1.3**	–
Amounts receivable from related parties	**1.2**	3.4	**–**	2.6
Prepayments and accrued income	**71.8**	77.0	**7.0**	7.4
Other receivables	**31.4**	36.3	**17.1**	16.5
	252.9	271.8	**25.4**	26.5

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

	2009 £m	2008 £m
At 1 January	**(7.1)**	(5.2)
Businesses sold	**–**	0.6
Charge for the year	**(3.8)**	(2.3)
Amounts written off	**0.5**	0.3
Unused amounts reversed	**1.9**	0.8
Effect of foreign exchange rate changes	**0.5**	(1.3)
At 31 December	**(8.0)**	(7.1)

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

	Total	Neither past due nor impaired	Past due but not impaired 0 < 30 days	Past due but not impaired 30 – 90 days	Past due but not impaired > 90 days	Impaired
	£m	£m	£m	£m	£m	£m
2009	**157.8**	**117.4**	**16.8**	**7.0**	**8.6**	**8.0**
2008	162.2	117.0	18.2	8.2	11.7	7.1

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

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

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

Notes to the accounts continued

16 Deferred tax

Net deferred tax asset / (liability)	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Total £m
At 1 January 2009	(7.0)	(36.6)	–	1.8	14.1	(29.9)	(57.6)
Businesses acquired	–	–	–	–	–	(1.1)	(1.1)
Credited / (charged) to the consolidated income statement	7.0	4.4	0.7	(0.3)	(3.1)	10.1	18.8
Credited to shareholders' equity	22.6	38.0	0.6	–	–	–	61.2
Effect of foreign exchange rate changes	–	0.3	–	(0.2)	0.1	0.7	0.9
At 31 December 2009	22.6	6.1	1.3	1.3	11.1	(20.2)	22.2

Analysed as:

	2009 £m	2008 £m
Deferred tax assets	37.6	11.5
Deferred tax liabilities	(15.4)	(69.1)
	22.2	(57.6)

The Group has unrecognised deferred tax assets of £30m (2008 – £24m) relating to tax relief on trading losses. The asset represents £122m (2008 – £101m) of losses at the standard blended rate of 24.8%. The asset is not recognised as it relates to losses which exist within legal entities that are not forecast to generate taxable income with reasonable certainty in the foreseeable future.

The deferred tax asset of £1.3m (2008 – £1.8m) relates to trading losses in Belgium where future profits are anticipated with reasonable certainty.

The Group has unrecognised deferred tax assets of £37m (2008 – £38m restated at the UK rate) relating to capital losses. The asset represents £132m (2008 – £135m) of losses at the UK standard rate of 28.0%. The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries and joint ventures. Due to the enactment of the 2009 Finance Act, the majority of overseas reserves can now be repatriated to the UK with no tax cost. If all overseas earnings were repatriated with immediate effect, no tax charge (2008 – £71m) would be payable.

The £20.2m deferred tax liability for 'Provisions and other timing differences' consists of a £33.5m (2008 – £45.2m) liability in respect of the net book value of tangible fixed assets that do not qualify for tax allowances and property revaluations, and a £13.3m (2008 – £15.3m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are £3.9m for Greece, £5.8m for Australia and £3.6m in other territories.

17 Inventories

	2009 £m	2008 £m
Raw materials and work in progress	8.1	10.1
Finished goods and merchandise	764.6	1,074.0
	772.7	1,084.1

Vehicles held on consignment which are in substance assets of the Group amount to £110.0m (2008 – £175.5m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £31.4m (2008 – £48.7m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £3,892.8m (2008 – £4,308.8m). The write down of inventory to net realisable value recognised as an expense during the year was £14.6m (2008 – £31.5m). All of these items have been included within 'cost of sales' in the consolidated income statement.

18 Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**319.6**	351.3
Short-term deposits	**61.7**	106.7
	381.3	458.0

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2009, the weighted average floating rate was 0.6% (2008 – 1.9%).

£22.0m (2008 – £44.0m) of cash and cash equivalents is held in countries where prior approval is required to transfer funds abroad. If the Group complies with the required procedures, such liquid funds are at its disposition within a reasonable period of time.

At 31 December 2009, short-term deposits have a weighted average period to maturity of 41 days (2008 – 32 days).

19 Assets held for sale

	2009 £m	2008 £m
Assets held for sale	**6.6**	5.4

Assets held for sale relate to a surplus property that was disposed of in February 2010.

20 Trade and other payables

		Current		Non-current
	2009 £m	2008 £m	2009 £m	2008 £m
Trade payables: payments received on account	**55.5**	49.9	**0.1**	0.2
vehicle funding agreements	**67.9**	61.6	**–**	–
other trade payables	**579.3**	793.2	**24.8**	30.8
Other taxation and social security payable	**18.8**	25.8	**–**	–
Accruals and deferred income	**191.0**	178.4	**25.1**	35.6
Amounts payable to related parties	**6.3**	4.6	**–**	–
Other payables	**20.3**	10.4	**18.8**	11.5
	939.1	1,123.9	**68.8**	78.1

The Group entered into vehicle funding agreements whereby the Group is able to refinance interest bearing amounts due to suppliers on similar terms. Amounts outstanding under these agreements are included within vehicle funding agreements above and interest charged under this agreement is included within stock holding interest.

At 31 December 2009 current other trade payables includes £313.6m (2008 – £473.2m) of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 2.0% (2008 – 4.7%). Interest charged on these balances is included within stock holding interest.

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

Notes to the accounts continued

21 Provisions

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2009	59.3	9.4	14.0	19.9	102.6
Charged to the consolidated income statement	30.4	6.7	2.2	2.8	42.1
Released to the consolidated income statement	(3.4)	(1.8)	(1.6)	(4.9)	(11.7)
Effect of unwinding of discount factor	0.4	0.2	–	–	0.6
Utilised during the year	(25.7)	(3.4)	(1.3)	(5.2)	(35.6)
Subsidiaries acquired	–	–	–	0.1	0.1
Effect of foreign exchange rate changes	(2.4)	–	(0.4)	(0.9)	(3.7)
At 31 December 2009	58.6	11.1	12.9	11.8	94.4

Analysed as:	2009 £m	2008 £m
Current	46.7	50.6
Non-current	47.7	52.0
	94.4	102.6

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

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

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

Other
This category principally includes provisions relating to residual values on leased vehicles, which are expected to be settled within three years.

22 Borrowings

2009	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2009 Total £m
Current							
Bank overdrafts	**122.4**	**1.5**	**–**	**–**	**122.4**	**1.7**	**124.1**
Bank loans	**35.0**	**0.8**	**4.4**	**13.3**	**39.4**	**–**	**39.4**
Other loans	**1.2**	**0.1**	**0.1**	**1.8**	**1.3**	**–**	**1.3**
Finance leases	**0.9**	**2.9**	**0.3**	**7.9**	**1.2**	**–**	**1.2**
	159.5	**1.3**	**4.8**	**12.8**	**164.3**	**1.7**	**166.0**
Non-current							
Bank loans	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**
Private Placement	**294.8**	**1.7**	**–**	**–**	**294.8**	**–**	**294.8**
Finance leases	**1.0**	**3.0**	**2.5**	**7.1**	**3.5**	**–**	**3.5**
	295.8	**1.7**	**2.5**	**7.1**	**298.3**	**0.9**	**299.2**
Total borrowings	**455.3**	**1.6**	**7.3**	**10.8**	**462.6**	**2.6**	**465.2**

2008	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2008 Total £m
Current							
Bank overdrafts	144.9	3.0	–	–	144.9	0.3	145.2
Bank loans	3.0	7.2	3.5	14.0	6.5	–	6.5
Other loans	1.8	5.2	7.4	14.0	9.2	–	9.2
Finance leases	4.1	5.6	0.3	7.7	4.4	–	4.4
	153.8	3.2	11.2	13.8	165.0	0.3	165.3
Non-current							
Bank loans	405.0	2.3	0.6	14.0	405.6	2.0	407.6
Private Placement	391.8	5.0	52.1	6.0	443.9	–	443.9
Finance leases	1.9	6.7	2.7	7.2	4.6	–	4.6
	798.7	3.7	55.4	6.1	854.1	2.0	856.1
Total borrowings	952.5	3.6	66.6	7.4	1,019.1	2.3	1,021.4

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value with the exception of the Private Placement which includes a fair value basis adjustment of £24.6m (2008 – £62.5m).

The Group's borrowings are unsecured.

At 31 December, £nil (2008 – £370m) of the £500m syndicated credit facility that expires in 2013 was drawn down.

In addition, the Group has a £35m bilateral facility which expires in 2010.

US$475m of the Group's US$550m Private Placement has historically been swapped into Sterling. During the year, US$114m of the US$550m was repaid to the loan noteholders, of which US$39m related to the original US$475m swapped into Sterling. It was replaced with an opposing US$39m swap (see note 23 for further details). US$275m is repayable in eight years and US$161m in 10 years.

Notes to the accounts continued

22 Borrowings continued
The table below sets out the maturity profile of the Group's borrowings that are exposed to interest rate risk. This analysis is presented after taking account of the cross currency fixed to floating interest rate swap on US$436m of the Private Placement.

2009 Fixed rate	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Bank loans	4.4	–	–	–	–	–	4.4
Other loans	0.1	–	–	–	–	–	0.1
Finance leases	0.3	0.1	0.1	–	–	2.3	2.8
Floating rate							
Bank overdrafts	122.4	–	–	–	–	–	122.4
Bank loans	35.0	–	–	–	–	–	35.0
Other loans	1.2	–	–	–	–	–	1.2
Private Placement	–	–	–	–	–	294.8	294.8
Finance leases	0.9	0.6	0.4	–	–	–	1.9

2008 Fixed rate	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Bank loans	3.5	0.2	0.3	0.1	–	–	4.1
Other loans	7.4	–	–	–	–	–	7.4
Private Placement	–	–	–	–	–	52.1	52.1
Finance leases	0.3	0.1	0.1	0.1	0.1	2.3	3.0
Floating rate							
Bank overdrafts	144.9	–	–	–	–	–	144.9
Bank loans	3.0	35.0	–	–	370.0	–	408.0
Other loans	1.8	–	–	–	–	–	1.8
Private Placement	–	–	–	–	–	391.8	391.8
Finance leases	4.1	0.9	1.0	–	–	–	6.0

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

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

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

a. Classes of financial instruments

2009	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	–	18.5	–	–	18.5
Trade and other receivables	245.0	–	–	–	245.0
Derivative financial instruments	–	–	91.0	–	91.0
Cash and cash equivalents	–	–	–	381.3	381.3
Total financial assets	245.0	18.5	91.0	381.3	735.8
Financial liabilities					
Trade and other payables	–	–	–	(891.0)	(891.0)
Derivative financial instruments	–	–	(21.8)	–	(21.8)
Borrowings	–	–	–	(465.2)	(465.2)
Total financial liabilities	–	–	(21.8)	(1,356.2)	(1,378.0)
	245.0	18.5	69.2	(974.9)	(642.2)

23 Financial instruments continued

2008	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	–	19.9	–	–	19.9
Trade and other receivables	252.8	–	–	–	252.8
Derivative financial instruments	–	–	306.9	–	306.9
Cash and cash equivalents	–	–	–	458.0	458.0
Total financial assets	252.8	19.9	306.9	458.0	1,037.6
Financial liabilities					
Trade and other payables	–	–	–	(1,079.1)	(1,079.1)
Borrowings	–	–	–	(1,021.4)	(1,021.4)
Total financial liabilities	–	–	–	(2,100.5)	(2,100.5)
	252.8	19.9	306.9	(1,642.5)	(1,062.9)

b. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Australian Dollar to Japanese Yen exchange rate.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments designated as net investment hedges from movements in the US Dollar to Sterling exchange rate are recorded directly in equity;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

c. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2009, the Group has borrowed at floating rates only (after taking into account existing interest rate hedging activities), with the exception of US$75m of debt which was fully repaid during the year. This approach maximises the Group's exposure to the current low interest rate environment. If hedging is deemed appropriate by management in the future, the Board has approved the fixing of up to 30% of gross borrowings. Instruments approved for this purpose include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's 10 and 12 year loan notes, bank borrowings and supplier related finance.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact of floating rate borrowings.

	Increase/ decrease in basis points	Effect on profit before tax £m
2009		
Sterling	**75**	**3.4**
Euro	**50**	**0.3**
Australian Dollar	**100**	**(0.7)**
2008		
Sterling	75	8.2
Euro	50	0.2
Australian Dollar	100	(0.7)

Notes to the accounts continued

23 Financial instruments continued

d. Foreign currency risk

The Group publishes its consolidated Financial statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

Hedge of foreign currency operating profit

During the year the Group sought to partially hedge the retranslation of the Group's forecast foreign currency operating profit by putting in place 50 currency put options with a total nominal value of £136.3m, at a cost of £8.6m. The primary objective was to hedge against Sterling appreciating during the year and therefore adversely affecting the retranslation of foreign currency operating profit. The 50 options were equally split across five currencies, Australian Dollar, Hong Kong Dollar, Euro, Singapore Dollar and US Dollar, with each option hedging one month's operating profit. At the end of the year all contracts had matured and a gain of £0.1m (2008 – nil) was recognised in the consolidated income statement, net of the option costs. The nominal principal amount of outstanding contracts at the year end was £nil.

Transaction exposure hedging

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than in that unit's reporting currency. For a significant proportion of the Group these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australia which purchases vehicles in Japanese Yen.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39 hedges are documented and tested for the hedge effectiveness on an ongoing basis.

Hedge of foreign currency debt

The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with US$475m of the US$550m Private Placement. The effective portion on the gain or loss of the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. In May 2009, US$114.2m of the US$550m Private Placement was repaid, of which US$75m relates to the net investment hedge of US$ assets. The remaining US$39m of repaid debt was replaced with a new US$39m cross currency interest rate swap and under IAS 39 the US$475m fair value hedge relationship was de-designated and re-designated as a US$436m fair value hedge. A gain of £3.9m was recognised on the de-designation of the hedge relationship. In accordance with IAS 39, these hedges are documented and tested for hedge effectiveness on an ongoing basis. The remaining US$39.2m cross currency interest rate swaps are fair valued through the consolidated income statement and therefore not tested for hedge effectiveness.

Net investment hedging

Consideration is given to the currency mix of debt with the primary objective that interest on such borrowings acts as a hedge on foreign currency earnings. In accordance with IAS 39 the Group designated US$75m of the Private Placement as a hedge against US Dollar related assets in Hong Kong, Saipan and Guam. This relationship was de-designated in May 2009 when the US$75m of debt designated as a net investment hedge was repaid.

Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese Yen (2008 – Japanese Yen and US Dollar) financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/ (decrease) in exchange rate	Effect on equity £m
2009		
Yen	**+10%**	**(1.0)**
Yen	**-10%**	**(0.9)**
2008		
Yen	+10%	(2.6)
Yen	-10%	2.0
US Dollar	+10%	2.8
US Dollar	-10%	(2.3)

23 Financial instruments continued

e. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

Credit limits are reviewed regularly.

The table below shows the credit rating and balances held with major counterparties at the end of the reporting period:

	2009			2008		
Counterparty	Derivative assets £m	Cash £m	Credit Rating	Derivative assets £m	Cash £m	Credit Rating
HSBC Bank plc	44	89	AA/A-1+	122	97	A-1+
Lloyds TSB Bank	43	–	A+/A-1	89	13	A-1+
Royal Bank of Scotland	3	30	A+/A-1	38	–	A-1
Fidelity	–	25	Aaa	–	–	–
Commercial Bank of Ethiopia	–	13	n/a	–	15	n/a

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

At 31 December 2009, total derivative asset balances included £90m which was held with three counterparties and total cash balances included £157m which was held with four counterparties. Total cash balances of £381m include cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly. Title to the vehicles sold on finance resides with the Group until cleared funds are received from the finance house in respect of a given vehicle.

Notes to the accounts continued

23 Financial instruments continued

f. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Refer to the Financial Review on page 39, for discussion of liquidity risks to the Group.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2009 based on expected undiscounted cash flows:

2009	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**381.3**	**–**	**–**	**–**	**381.3**
Trade and other receivables	**231.9**	**11.7**	**1.2**	**0.5**	**245.3**
Available for sale financial assets	**0.4**	**0.4**	**6.0**	**11.8**	**18.6**
Derivative financial instruments	**6.3**	**18.5**	**73.6**	**382.9**	**481.3**
	619.9	**30.6**	**80.8**	**395.2**	**1,126.5**
Financial liabilities					
Interest bearing loans and borrowings	**(126.8)**	**(57.0)**	**(75.7)**	**(358.8)**	**(618.3)**
Trade and other payables	**(692.0)**	**(148.7)**	**(48.4)**	**–**	**(889.1)**
Derivative financial instruments	**(20.2)**	**(7.2)**	**(22.2)**	**(283.9)**	**(333.5)**
	(839.0)	**(212.9)**	**(146.3)**	**(642.7)**	**(1,840.9)**
Net outflows	**(219.1)**	**(182.3)**	**(65.5)**	**(247.5)**	**(714.4)**

2008	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	458.0	–	–	–	458.0
Trade and other receivables	219.4	28.2	4.8	0.4	252.8
Available for sale financial assets	0.3	1.8	4.1	13.7	19.9
Derivative financial instruments	310.0	319.2	78.9	415.7	1,123.8
	987.7	349.2	87.8	429.8	1,854.5
Financial liabilities					
Interest bearing loans and borrowings	(148.1)	(45.7)	(500.4)	(544.4)	(1,238.6)
Trade and other payables	(794.9)	(231.2)	(52.9)	(0.1)	(1,079.1)
Derivative financial instruments	(262.1)	(220.0)	(48.5)	(291.9)	(822.5)
	(1,205.1)	(496.9)	(601.8)	(836.4)	(3,140.2)
Net outflows	(217.4)	(147.7)	(514.0)	(406.6)	(1,285.7)

23 Financial instruments continued

g. Hedging activities

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

2009	Level 1 £m	Level 2 £m	Total £m
Assets			
Derivatives used for hedging	–	91.0	91.0
Available for sale financial assets	18.5	–	18.5
	18.5	91.0	109.5
Liabilities			
Derivatives used for hedging	–	21.8	21.8

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted markets prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2009.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2009 £m	2008 £m	2009 £m	2008 £m
Cross currency interest rate swap	84.7	155.6	–	–
Forward foreign exchange contracts	6.3	151.3	(21.8)	–
	91.0	306.9	(21.8)	–

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to a gain of £0.9m (2008 – a gain of £2.8m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of £0.6m (2008 – £0.4m). There was no ineffectiveness to be recorded from hedges of net investments.

Notes to the accounts continued

23 Financial instruments continued

Cash flow hedges

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months of the end of the reporting period.

The nominal principal amounts of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2009 was £587.3m (2008 – £464.7m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2009 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period.

Fair value hedge

At 31 December 2009, the Group had in place five cross currency interest rate swaps. Four of these total US$475m which hedge changes in the fair value of the Group's 10 and 12 year loan notes. Under these swaps the Group receives fixed rate US dollar interest of 5.94% on US$275m and 6.04% on US$200m and pays LIBOR +85bps and LIBOR +90bps for the 10 and 12 year notes respectively. An additional US$39.2m cross currency interest rate swap was put in place following the US$114.2m repayment of the Private Placement in order to offset the required portion of the original US$475m swaps. Under the new swap the Group pays US dollar interest of 6.04% on US$39.2m and receives LIBOR +214bps for the 12 year notes only. The loan notes and cross currency interest rate swaps have the same critical terms.

Hedge of net investment in foreign operations

Further to the US$114.2m repayment of the Private Placement during the year, US$75m was de-designated as a hedge of the net investments in Hong Kong, Saipan and Guam which was being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing were transferred to equity, up until the point when the debt was repaid, to offset any gains or losses on translation of net investments in the subsidiaries.

h. Capital management

The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. During the year, the Group issued 4,143,316,500 new ordinary shares of 1p each by way of 9 for 1 Rights Issue (see note 24).

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation.

	2009	2008
Adjusted EBITA interest cover (times)*	**14.0**	8.0
Net debt to EBITDA (times)**	**n/a**	1.4
Net debt / market capitalisation (percentage)***	**n/a**	227.7%

* Calculated as Adjusted EBITA / interest on consolidated borrowings

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation

*** Calculated as net debt / market capitalisation as at 31 December

24 Share capital

a. Authorised

	Number of shares		Ordinary share capital	
	2009 Number	2008 Number	**2009 £m**	2008 £m
Ordinary share capital at 1.0p per share (2008 – 25.0p per share)	**7,956,141,456**	786,000,000	**79.6**	196.5
Deferred share capital at 24.0p per share	**487,244,106**	–	**116.9**	–
	8,443,385,562	786,000,000	**196.5**	196.5

b. Allotted, called up and fully paid up

	2009 Number	2008 Number	**2009 £m**	2008 £m
Ordinary shares				
At 1 January	**487,244,106**	486,188,977	**121.9**	121.6
Share capital re-organisation	**–**	–	**(116.9)**	–
Allotted under share option schemes	**154,368**	1,055,129	**–**	0.3
Rights Issue	**4,143,316,500**	–	**41.4**	–
At 31 December	**4,630,714,974**	487,244,106	**46.4**	121.9
Deferred shares				
At 1 January	**–**	–	**–**	–
Share capital re-organisation	**487,244,106**	–	**116.9**	–
At 31 December	**487,244,106**	–	**116.9**	–
			163.3	121.9

c. Rights Issue

On 23 April 2009, 4,143,316,500 new ordinary shares of 1p each were issued by way of a 9 for 1 Rights Issue. The issue raised £234.3m net of issue costs of £14.3m. The structure utilised to facilitate the Rights Issue attracted merger relief under Section 131 of the Companies Act 1985 and as a result the excess of the net proceeds over the nominal value of the shares issued was initially recorded as a merger reserve. Subsequent internal transactions required to complete the Rights Issue resulted in the excess of £192.9m being transferred to retained earnings and is available for distribution to shareholders.

Prior to the Rights Issue, the nominal value of 25p of each existing ordinary share exceeded the proposed issue price of 6p of each new ordinary share. As it was not possible for the Company to issue shares at less than their nominal value, the existing shares were subdivided into one new ordinary share of 1p and one deferred share of 24p.

The rights attached to the deferred shares, which are not listed, are limited. Holders of deferred shares have no voting, dividend or capital distribution rights, save for very limited rights on a winding up. It is intended that they will be cancelled and an appropriate reserve created in due course.

d. Share buy back programme

At 31 December 2009, the Company held 26,875,606 treasury shares (2008 – 26,875,606) with a total book value of £99.4m (2008 – £99.4m). These shares may either be cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2009 (2008 – 4,460,000 shares were purchased on the London Stock Exchange). In 2008, the total consideration paid was £16.0m and this was deducted from the Retained earnings reserve. The shares repurchased in 2008 equated to 0.9% of the issued share capital.

e. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 9 March 2010 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance report.

Notes to the accounts continued

24 Share capital continued

f. Share options

At 31 December 2009, options to acquire ordinary shares of 1.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 1.0p each	Exercisable until	Option price
The Inchcape 1999 Share Option Plan		
– approved (Part II – UK)		
51,894	17 March 2012	19.25p
46,698	19 March 2013	21.40p
173,482	31 August 2013	34.59p
498,563	20 May 2014	44.17p
160,203	29 September 2014	43.69p
648,711	6 March 2015	57.76p
215,233	11 September 2015	60.34p
853,370	12 April 2017	97.26p
1,752,080	03 April 2018	72.14p
69,786	31 July 2018	42.99p
9,313,123	19 May 2019	20.00p
93,750	22 November 2019	32.00p
– unapproved (Part I – UK)		
86,705	31 August 2013	34.59p
839,180	20 May 2014	44.17p
22,886	29 September 2014	43.69p
1,621,733	6 March 2015	57.76p
2,187,275	11 September 2015	60.34p
6,486,673	12 April 2017	97.26p
9,188,428	03 April 2018	72.14p
149,047	24 April 2018	67.04p
860,751	31 July 2018	42.99p
39,344,558	19 May 2019	20.00p
375,000	22 November 2019	32.00p
– unapproved overseas (Part I – Overseas)		
125,288	9 August 2010	7.97p
324,395	21 March 2011	10.79p
441,426	17 March 2012	19.25p
834,767	19 March 2013	21.40p
2,948,570	20 May 2014	44.16p
3,433,405	6 March 2015	57.76p
3,203,099	12 April 2017	97.26p
5,871,569	3 April 2018	72.14p
317,124	24 April 2018	67.04p
772,800	5 October 2018	32.36p
35,755,186	19 May 2019	20.00p
392,441	07 June 2019	18.00p

Number of ordinary shares of 1.0p each	Exercisable until	Option price
The Inchcape SAYE Share Option Scheme		
– approved		
41,357	1 December 2009	58.21p
438,554	1 May 2010	62.03p
349,600	1 December 2010	74.34p
734,262	1 May 2011	64.56p
676,708	1 December 2011	53.10p
1,584,426	1 May 2012	34.22p
31,891,360	1 December 2012	23.00p

Included within the retained earnings reserve are 13,797,362 (2008 – 2,315,380) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2009 was £2.1m (2008 – £0.9m restated for Rights Issue). The market value of these shares at 31 December 2009 and at 9 March 2010 was £4.1m (31 December 2008 – £0.9m, 18 March 2009 – £1.2m).

25 Other reserves

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2008	0.7	10.8	1.2	12.7
Cash flow hedges:				
– Fair value movements	–	–	136.9	136.9
– Reclassified and reported in inventories	–	–	(25.3)	(25.3)
– Tax on cash flow hedges	–	–	(33.4)	(33.4)
Movement on net investment hedge	–	(14.4)	–	(14.4)
Movement on available for sale financial assets	(1.1)	–	–	(1.1)
Foreign exchange gains recycled through the consolidated income statement	–	(2.1)	–	(2.1)
Effect of foreign exchange rate changes	–	199.8	–	199.8
At 1 January 2009	**(0.4)**	**194.1**	**79.4**	**273.1**
Cash flow hedges:				
– Fair value movements	**–**	**–**	**(164.6)**	**(164.6)**
– Reclassified and reported in inventories	**–**	**–**	**37.8**	**37.8**
– Tax on cash flow hedges	**–**	**–**	**38.0**	**38.0**
Movement on net investment hedge	**–**	**2.9**	**–**	**2.9**
Movement on available for sale financial assets	**0.4**	**–**	**–**	**0.4**
Effect of foreign exchange rate changes	**–**	**(75.2)**	**–**	**(75.2)**
At 31 December 2009	**–**	**121.8**	**(9.4)**	**112.4**

Available for sale reserve
Gains and losses on available for sale financial assets are recognised in the 'available for sale reserve' until the asset is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the consolidated income statement.

Translation reserve
The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Notes to the accounts continued

26 Notes to the consolidated statement of cash flows
a. Reconciliation of cash generated from operations

	2009 £m	2008 £m
Cash flows from operating activities		
Operating profit	**156.8**	158.0
Exceptional items	**18.4**	82.5
Amortisation including non-exceptional impairment of intangible assets	**2.8**	3.7
Depreciation of tangible assets	**32.8**	27.5
Profit on disposal of property, plant and equipment	**(2.6)**	(2.6)
Share-based payments charge / (credit)	**3.8**	(0.9)
Decrease / (increase) in inventories	**271.8**	(27.9)
Decrease in trade and other receivables	**0.7**	65.6
(Decrease) in trade and other payables	**(93.6)**	(112.8)
(Decrease) / increase in provisions	**(2.6)**	7.9
Decrease in post-retirement defined benefits *	**(31.9)**	(16.2)
(Increase) / decrease in interest in leased vehicles	**(6.5)**	4.3
Payment in respect of operating exceptional items	**(13.7)**	(5.8)
Other items	**0.5**	0.4
Cash generated from operations	**336.7**	183.7

* The decrease in post-retirement defined benefits includes additional payments of £30.1m (2008 – £16.1m).

b. Reconciliation of net cash flow to movement in net funds / (debt)

	2009 £m	2008 £m
Net (decrease) / increase in cash and cash equivalents	**(41.8)**	61.3
Net cash outflow / (inflow) from borrowings and finance leases	**458.4**	(274.5)
Change in net cash and debt resulting from cash flows	**416.6**	(213.2)
Effect of foreign exchange rate changes on net cash and debt	**(8.9)**	33.7
Net movement in fair value	**0.9**	2.8
Net loans and finance leases relating to acquisitions and disposals	**–**	(17.6)
Movement in net funds / (debt)	**408.6**	(194.3)
Opening net debt	**(407.8)**	(213.5)
Closing net funds / (debt)	**0.8**	(407.8)

Net funds / (debt) is analysed as follows:

	2009 £m	2008 £m
Cash at bank and in hand	**319.6**	351.3
Short-term deposits	**61.7**	106.7
Bank overdrafts	**(124.1)**	(145.2)
Cash and cash equivalents	**257.2**	312.8
Bank loans	**(335.1)**	(858.0)
Other loans	**(1.3)**	(9.2)
Finance leases	**(4.7)**	(9.0)
	(83.9)	(563.4)
Fair value of cross currency interest rate swap	**84.7**	155.6
Net funds / (debt)	**0.8**	(407.8)

27 Acquisitions and disposals

a. Acquisitions

In July 2008, the Group acquired 75.1% of the issued share capital of the Musa Motors group for a total cash consideration of US$240m: a US$200m initial downpayment was made in 2008; a further payment of US$35m was made in October 2009; and a final settlement of US$5m is due in 2010. The remaining 24.9% is to be acquired in early 2011, with payment dependent on 2010 EBITA, capped at US$250m.

During the year, adjustments have been made to the net assets acquired of the Musa Motors group, as permitted by IFRS 3, 'Business combinations'. These fair value adjustments were not material and therefore prior periods have not been restated. The changes to the net assets acquired were primarily due to a decrease in amounts due to suppliers and an increase in various taxes when compared to original estimates. These changes, together with revisions to amounts due in respect of the remaining contingent deferred consideration, have resulted in an increase in the amount of goodwill recognised on acquisition of £22.3m.

b. Disposals

During the year, the Group disposed of a small number of dealerships and operations generating disposal proceeds of £3.0m (2008 – £27.3m) and a loss on disposal of £0.7m (2008 – £1.2m) which has not been disclosed as an exceptional item.

28 Guarantees and contingencies

	2009 £m	2008 £m
Guarantees, performance bonds and contingent liabilities	16.3	17.7

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

29 Commitments

a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2009 £m	2008 £m
Property, plant and equipment	9.5	7.6
Vehicles subject to residual value commitments *	98.6	108.5
Intangible assets	–	0.1

* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £47.6m (2008 – £65.4m) has been included within 'trade and other payables'. These commitments are largely expected to be settled within the next 12 months, with a minority to be settled within three years.

Notes to the accounts continued

29 Commitments continued
b. Lease commitments
Operating lease commitments – Group as lessee
The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2009 £m	2008 £m
Within one year	**41.8**	44.8
Between one and five years	**100.9**	110.4
After five years	**133.3**	142.7
	276.0	297.9

Operating lease commitments – Group as lessor
The Group has entered into non-cancellable operating leases on a number of its vehicles. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 £m	2008 £m
Within one year	**3.1**	5.1
Between one and five years	**6.2**	9.5
After five years	**6.3**	8.1
	15.6	22.7

Finance leases and hire purchase contracts
The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings) are as follows:

	2009 £m	2008 £m
Minimum lease payments:		
– Within one year	**1.3**	4.1
– Between one and five years	**2.1**	3.7
– After five years	**7.0**	7.0
Total minimum lease payments	**10.4**	14.8
Less: future finance charges	**(5.7)**	(5.8)
Present value of finance lease liabilities	**4.7**	9.0

30 Related party disclosures

a. Principal subsidiaries and joint ventures

The consolidated Financial statements include the principal subsidiaries and joint ventures listed below:

	Country of incorporation	Shareholding	Description
Subsidiaries			
Subaru (Australia) Pty Limited	Australia	90.0%	Distribution
Toyota Belgium NV/SA	Belgium	100.0%	Distribution
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94.1%	Distribution
Inchcape Motors Finland OY	Finland	100.0%	Distribution
Toyota Hellas SA	Greece	100.0%	Distribution
Crown Motors Limited	Hong Kong	100.0%	Distribution
Inchcape Olimp OOO	Russia	100.0%	Retail
Inchcape Moscow Motors BV	Netherlands	75.1%	Intermediate holding company(1)
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Distribution
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services(2)
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Retail Limited	United Kingdom	100.0%	Retail
The Cooper Group Limited	United Kingdom	100.0%	Retail
European Motor Holdings Limited	United Kingdom	100.0%	Retail
Inchcape East Limited	United Kingdom	100.0%	Retail
Joint ventures			
Unitfin SA	Greece	60.0%	Financial services
Tefin SA	Greece	50.0%	Financial services

(1) Holding company of the Musa Motors businesses in Moscow

(2) Included within distribution in the business segmental analysis (see note 1)

The ultimate parent company of the Group is Inchcape plc, a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange.

Notes to the accounts continued

30 Related party disclosures continued
b. Trading transactions
Intra-group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Vehicles purchased from joint ventures and associates	**48.8**	60.6	**5.0**	2.8
Vehicles sold to joint ventures and associates	**308.5**	429.9	**0.1**	1.1
Other income paid to joint ventures and associates	**3.8**	3.6	**1.3**	1.8
Other income received from joint ventures and associates	**1.1**	3.1	**1.1**	4.8

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2008 – £nil).

c. Compensation of key management personnel
The remuneration of the Board of Directors and the Executive Committee was as follows:

	2009 £m	2008 £m
Short-term employment benefits	**8.8**	5.1
Post-retirement benefits	**1.0**	1.0
Share-based payments	**0.9**	(1.5)
Compensation for loss of office	**1.0**	0.3
	11.7	4.9

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Board report on remuneration.

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

	Average rates		Year end rates	
	2009	2008	**2009**	2008
Australian dollar	**1.99**	2.19	**1.80**	2.06
Euro	**1.12**	1.27	**1.13**	1.03
Hong Kong dollar	**12.11**	14.56	**12.52**	11.14
Singapore dollar	**2.27**	2.63	**2.27**	2.07

Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Revenue	**5,583.7**	6,259.8	6,056.8	4,842.1	4,488.1
Operating profit before exceptional items	**175.2**	240.5	265.0	213.9	189.4
Exceptional items	**(18.4)**	(82.5)	4.9	–	(13.0)
Operating profit	**156.8**	158.0	269.9	213.9	176.4
Share of profit after tax of joint ventures and associates	**0.7**	2.2	3.5	5.9	6.2
Profit before finance and tax	**157.5**	160.2	273.4	219.8	182.6
Net finance costs	**(20.8)**	(52.0)	(33.4)	(5.9)	(5.3)
Profit before tax	**136.7**	108.2	240.0	213.9	177.3
Tax before exceptional tax	**(43.5)**	(49.3)	(57.9)	(45.1)	(46.9)
Exceptional tax	**1.8**	(3.6)	–	8.0	–
Profit after tax	**95.0**	55.3	182.1	176.8	130.4
Minority interests	**(3.0)**	(3.9)	(5.7)	(2.9)	(3.8)
Profit for the year	**92.0**	51.4	176.4	173.9	126.6
Basic:					
– Profit before tax	**136.7**	108.2	240.0	213.9	177.3
– Earnings per share (pence)*	**2.3p**	1.9p	6.4p	6.3p	4.6p
Adjusted (before exceptional items):					
– Profit before tax	**155.1**	190.7	235.1	213.9	190.3
– Earnings per share (pence)*	**2.7p**	5.0p	6.2p	6.0p	5.0p
Dividends per share – interim paid and final proposed (pence)	**–**	5.5p	15.8p	15.0p	9.5p
Consolidated statement of financial position					
Non-current assets	**1,306.1**	1,372.1	1,037.0	666.0	521.7
Other assets less (liabilities) excluding cash (borrowings)	**(217.2)**	55.3	14.3	4.0	(88.5)
	1,088.9	1,427.4	1,051.3	670.0	433.2
Net funds / (debt)	**0.8**	(407.8)	(213.5)	(19.0)	158.0
Net assets	**1,089.7**	1,019.6	837.8	651.0	591.2
Equity attributable to owners of the parent	**1,067.7**	995.5	813.6	643.8	581.7
Minority interests	**22.0**	24.1	24.2	7.2	9.5
Total shareholders' equity	**1,089.7**	1,019.6	837.8	651.0	591.2

* Earnings per share have been restated to reflect the bonus element of the Rights Issue.

Report of the Auditors

We have audited the Group Financial statements of Inchcape plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors
As explained more fully in the statement of the Directors' responsibilities, the Directors are responsible for the preparation of the Group Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements.

Opinion on Financial statements
In our opinion the Group Financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the information given in the Directors' report for the financial year for which the Group Financial statements are prepared is consistent with the Group Financial statements; and
- the information given in the corporate governance statement with respect to internal control and risk management systems and about share capital structures is consistent with the Financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter
We have reported separately on the parent Company Financial statements of Inchcape plc for the year ended 31 December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

Paul Cragg
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2010

Company balance sheet

As at 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investment in subsidiaries	3	**1,603.3**	1,870.9
Current assets			
Debtors:			
– Amounts due within one year	4	**299.8**	233.1
– Amounts due after more than one year	4	**742.1**	153.0
Cash at bank and in hand	5	**0.9**	14.4
		1,042.8	400.5
Creditors – amounts falling due within one year	6	**(3.3)**	(25.7)
Net current assets		**1,039.5**	374.8
Total assets less current liabilities		**2,642.8**	2,245.7
Creditors – amounts falling due after more than one year	7	**(1,923.2)**	(1,712.6)
Provisions for liabilities and charges	9	**(8.1)**	(9.5)
Net assets		**711.5**	523.6
Capital and reserves			
Share capital	11, 13	**163.3**	121.9
Share premium	13	**126.1**	126.1
Capital redemption reserve	13	**16.4**	16.4
Profit and loss account	13	**405.7**	259.2
Total shareholders' funds		**711.5**	523.6

The Financial statements on pages 137 to 143 were approved by the Board of Directors on 9 March 2010 and were signed on its behalf by:

André Lacroix, Chief Executive Officer

John McConnell, Group Finance Director

Accounting policies

Basis of preparation
These Financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2009. The Company is the ultimate parent entity of the Inchcape Group (the Group).

Accounting convention
These Financial statements have been prepared on the historical cost basis in accordance with the Companies Act 2006 and applicable UK accounting standards. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. In addition, the Company is not required to prepare a cash flow statement under the terms of FRS 1 – Cash Flow Statements (revised).

Going concern
In determining whether the Company is a going concern, the Directors have reviewed the Company's projections, available facilities and covenant compliance and expect that the Company will continue in operational existence for the foreseeable future.

Accordingly, the Company continues to adopt the going concern basis in preparing the Financial statements.

Foreign currencies
Assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange and are taken to the profit and loss account.

Investments
Investments in subsidiaries are stated at cost, less provisions for impairment.

Deferred tax
Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS 19 – Deferred Tax. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

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

Share capital
Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

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

Share-based payments
The Company operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the profit and loss account (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a 'Save as you earn' award, the charge for that award is recognised as an expense immediately, even though the award does not vest. In accordance with the transitional provisions of FRS 20 – Share-based payment, no charge had been recognised for grants of equity instruments made before 7 November 2002. The Company adopts Amendments to FRS 20 in line with the Group's adoption of Amendments to IFRS 2.

Financial instruments
The adoption by the Company of FRS 29 'Financial Instruments: Disclosures' has had no impact as the Company has taken advantage of the exemption not to apply FRS 29 in its own Financial statements. The Group's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are set out in the Group's accounting policies on pages 83 to 89.

Notes to the accounts

1 Auditors' remuneration

The Company incurred £0.1m (2008 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2009.

2 Directors' remuneration

	2009 £m	2008 £m
Wages and salaries	**2.7**	1.2
Social security costs	**0.3**	0.2
Pension costs	**0.4**	0.4
Compensation for loss of office	**0.6**	–
Other employment costs	**–**	(0.9)
	4.0	0.9

Further information on Executive Directors' emoluments and interests is given in the Board report on remuneration which can be found on pages 68 to 74 in the Group's Financial statements for the year ended 31 December 2009.

3 Investment in subsidiaries

	2009 £m	2008 £m
Cost		
At 1 January	**1,912.3**	1,868.3
Additions	**248.6**	56.1
Disposals	**(528.7)**	(12.1)
At 31 December	**1,632.2**	1,912.3
Provisions		
At 1 January	**(41.4)**	(21.0)
Provisions for impairment	**(4.8)**	(32.1)
Reversal of provision for impairment	**17.3**	11.7
At 31 December	**(28.9)**	(41.4)
Net book value	**1,603.3**	1,870.9

On 23 April 2009, the Company raised £248.6m (before issue costs) by way of a Rights Issue (see note 11). The structure used to facilitate this resulted in the Company acquiring redeemable preference shares in a subsidiary company in exchange for ordinary shares in the Company with a value of £248.6m. The redeemable preference shares were subsequently redeemed by the subsidiary company for a cash consideration of £248.6m.

On 31 December 2009 the Company disposed of its investment in European Motor Holdings Limited to a subsidiary company, Inchcape International Holdings Limited, for book value.

4 Debtors

	2009 £m	2008 £m
Amounts due within one year		
Other debtors	**–**	1.9
Amounts owed by Group undertakings	**299.8**	231.2
	299.8	233.1
Amounts due after more than one year		
Deferred tax asset (note 8)	**2.5**	1.5
Amounts owed by Group undertakings	**739.6**	151.5
	742.1	153.0

Amounts owed by Group undertakings bear interest at rates linked to LIBOR.

5 Cash at bank and in hand

	2009 £m	2008 £m
Cash at bank and in hand	**0.9**	14.4

Notes to the accounts continued

6 Creditors – amounts falling due within one year

	2009 £m	2008 £m
Amounts owed to Group undertakings	**0.2**	20.1
Other taxation and social security payable	**0.3**	0.1
Other creditors	**2.8**	5.5
	3.3	25.7

7 Creditors – amounts falling due after more than one year

	2009 £m	2008 £m
Amounts owed to Group undertakings	**1,652.2**	1,330.0
Private Placement	**270.2**	381.4
Other loans	**0.8**	1.2
	1,923.2	1,712.6

During 2009 US$114.2m of the US$550m Private Placement was repaid, leaving US$235.8m repayable in 2017 which bears interest at a fixed rate of 5.94% per annum and US$200m repayable in 2019 which bears interest at a fixed rate of 6.04% per annum.

Other loans are loan notes issued in connection with the acquisition of European Motor Holdings plc and bear interest at rates linked to LIBOR.

Amounts owed to Group undertakings bear interest at rates linked to LIBOR.

8 Deferred tax

	Share-based payments £m	Other timing differences £m	Total £m
At 1 January 2009	**0.1**	**1.4**	**1.5**
(Charged) / credited to the profit and loss account	**(0.3)**	**1.2**	**0.9**
Credited to the profit and loss account reserve	**0.1**	**–**	**0.1**
At 31 December 2009	**(0.1)**	**2.6**	**2.5**

9 Provisions for liabilities and charges

	2009 £m	2008 £m
At 1 January	**9.5**	8.5
Released to the profit and loss account	**(1.4)**	1.0
At 31 December	**8.1**	9.5

Provision has been made for warranties, indemnities and other litigation issues in relation to motors and non-motors business exits, based on expected outcomes. These provisions are expected to be settled within the next three to five years.

10 Guarantees and contingencies

	2009 £m	2008 £m
Guarantees of various subsidiaries' borrowings (against which £35.0m has been drawn at 31 December 2009, 2008 – £405.0m)	**535.0**	535.0

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2009 was £199.8m (2008 – £178.4m).

11 Share capital

a. Authorised

	Number of shares		Ordinary share capital	
	2009 Number	2008 Number	2009 £m	2008 £m
Ordinary share capital at 1.0p per share (2008 – 25.0p per share)	**7,956,141,456**	786,000,000	**79.6**	196.5
Deferred share capital at 24.0p per share	**487,244,106**	–	**116.9**	–
	8,443,385,562	786,000,000	**196.5**	196.5

11 Share capital continued

b. Allotted, called up and fully paid up

	Number of shares		Ordinary share capital	
	2009 Number	2008 Number	**2009 £m**	2008 £m
Ordinary shares				
At 1 January	**487,244,106**	486,188,977	**121.9**	121.6
Share capital re-organisation	**–**	–	**(116.9)**	–
Allotted under share option schemes	**154,368**	1,055,129	**–**	0.3
Rights Issue	**4,143,316,500**	–	**41.4**	–
At 31 December	**4,630,714,974**	487,244,106	**46.4**	121.9
Deferred shares				
At 1 January	**–**	–	**–**	–
Share capital re-organisation	**487,244,106**	–	**116.9**	–
At 31 December	**487,244,106**	–	**116.9**	–
			163.3	121.9

c. Rights Issue

On 23 April 2009, 4,143,316,500 new ordinary shares of 1p each were issued by way of a 9 for 1 Rights Issue. The issue raised £234.3m net of issue costs of £14.3m. The structure utilised to facilitate the Rights Issue attracted merger relief under Section 131 of the Companies Act 1985 and as a result the excess of the net proceeds over the nominal value of the shares issued was initially recorded as a merger reserve. Subsequent internal transactions required to complete the Rights Issue resulted in the excess of £192.9m being transferred to retained earnings and is available for distribution to shareholders.

Prior to the Rights Issue, the nominal value of 25p of each existing ordinary share exceeded the proposed issue price of 6p of each new ordinary share. As it was not possible for the Company to issue shares at less than their nominal value, the existing shares were subdivided into one new ordinary share of 1p and one deferred share of 24p.

The rights attached to the deferred shares, which are not listed, are limited. Holders of deferred shares have no voting, dividend or capital distribution rights, save for very limited rights on a winding up. It is intended that they will be cancelled and an appropriate reserve created in due course.

d. Share buy back programme

At 31 December 2009, the Company held 26,875,606 treasury shares (2008 – 26,875,606) with a total book value of £99.4m (2008 – £99.4m). These shares may either be cancelled or used to satisfy share options at a later date.

The Group did not repurchase any of its own shares during the period ended 31 December 2009 (2008 – 4,460,000 shares were purchased on the London Stock Exchange). In 2008, the total consideration paid was £16.0m and this was deducted from the Retained earnings reserve (note 13). The shares repurchased in 2008 equated to 0.9% of the issued share capital.

e. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 9 March 2010 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate governance report.

Notes to the accounts continued

11 Share capital continued

f. Share options

At 31 December 2009, options to acquire ordinary shares of 1.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 1.0p each	Exercisable until	Option price
The Inchcape 1999 Share Option Plan – approved (Part II – UK)		
51,894	17 March 2012	19.25p
46,698	19 March 2013	21.40p
173,482	31 August 2013	34.59p
498,563	20 May 2014	44.17p
160,203	29 September 2014	43.69p
648,711	6 March 2015	57.76p
215,233	11 September 2015	60.34p
853,370	12 April 2017	97.26p
1,752,080	03 April 2018	72.14p
69,786	31 July 2018	42.99p
9,313,123	19 May 2019	20.00p
93,750	22 November 2019	32.00p
– unapproved (Part I – UK)		
86,705	31 August 2013	34.59p
839,180	20 May 2014	44.17p
22,886	29 September 2014	43.69p
1,621,733	6 March 2015	57.76p
2,187,275	11 September 2015	60.34p
6,486,673	12 April 2017	97.26p
9,188,428	03 April 2018	72.14p
149,047	24 April 2018	67.04p
860,751	31 July 2018	42.99p
39,344,558	19 May 2019	20.00p
375,000	22 November 2019	32.00p
– unapproved overseas (Part I – Overseas)		
125,288	9 August 2010	7.97p
324,395	21 March 2011	10.79p
441,426	17 March 2012	19.25p
834,767	19 March 2013	21.40p
2,948,570	20 May 2014	44.16p
3,433,405	6 March 2015	57.76p
3,203,099	12 April 2017	97.26p
5,871,569	3 April 2018	72.14p
317,124	24 April 2018	67.04p
772,800	5 October 2018	32.36p
35,755,186	19 May 2019	20.00p
392,441	07 June 2019	18.00p

Number of ordinary shares of 1.0p each	Exercisable until	Option price
The Inchcape SAYE Share Option Scheme – approved		
41,357	1 December 2009	58.21p
438,554	1 May 2010	62.03p
349,600	1 December 2010	74.34p
734,262	1 May 2011	64.56p
676,708	1 December 2011	53.10p
1,584,426	1 May 2012	34.22p
31,891,360	1 December 2012	23.00p

Included within the Retained earnings reserve are 13,797,362 (2008 – 2,315,380) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2009 was £2.1m (2008 – £0.9m restated for Rights Issue). The market value of these shares at 31 December 2009 and at 9 March 2010 was £4.1m (31 December 2008 – £0.9m, 18 March 2009 – £1.2m).

12 Dividends

The following dividends were paid by the Company:

	2009 £m	2008 £m
Interim dividend for the six months ended 30 June 2009 (2008 – 5.46p per share)	–	25.0
Final dividend for the year ended 31 December 2009 (2008 – 10.5p per share)	–	48.1
	–	73.1

There is no proposal to pay a final dividend for the year ended 31 December 2009.

Dividends paid in 2008 exclude £4.6m payable on treasury shares and shares held by the ESOP Trust.

13 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2008	121.6	123.4	16.4	154.8	416.2
Profit for the financial year	–	–	–	198.8	198.8
Dividends	–	–	–	(73.1)	(73.1)
Issue of ordinary share capital	0.3	2.7		–	3.0
Net purchase of own shares by ESOP Trust	–	–	–	(4.2)	(4.2)
Share-based payments credit (net of tax)	–	–	–	(1.1)	(1.1)
Share buy back programme	–	–	–	(16.0)	(16.0)
At 1 January 2009	**121.9**	**126.1**	**16.4**	**259.2**	**523.6**
Loss for the financial year	**–**	**–**	**–**	**(49.5)**	**(49.5)**
Issue of ordinary share capital	**41.4**	**–**	**–**	**192.8**	**234.2**
Net purchase of own shares by ESOP Trust	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Share-based payments charge (net of tax)	**–**	**–**	**–**	**3.9**	**3.9**
At 31 December 2009	**163.3**	**126.1**	**16.4**	**405.7**	**711.5**

14 Principal subsidiaries at 31 December 2009

The Company is a limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal subsidiaries in which the Company holds an investment are as follows:

	Country of incorporation	Shareholding	Description
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Overseas Limited	United Kingdom	100.0%	Intermediate holding company

Report of the Auditors

We have audited the parent Company Financial statements of Inchcape plc for the year ended 31 December 2009 which comprise the Company balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the parent Company Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements.

Opinion on financial statements
In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the parent Company Financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company Financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group Financial statements of Inchcape plc for the year ended 31 December 2009.

Paul Cragg
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2010

Shareholder information
company details

Registered office
Inchcape plc
22a St James's Square
London SW1Y 5LP
Tel: +44 (0) 20 7546 0022
Fax: +44 (0) 20 7546 0010
Registered number 609782

Advisors
Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

Share registrars
Computershare Investor Services PLC
Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: +44 (0) 870 707 1076

Solicitors
Slaughter and May

Corporate brokers
Investec
JP Morgan Cazenove

Inchcape PEPs
Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained. Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB
Tel: +44 (0) 1296 414144

Inchcape ISA
Inchcape has established a Corporate Individual Savings Account (ISA).
This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Tel: 0870 300 0430
International callers:
+44 121 441 7560

More information is available at www.shareview.com

Financial calendar
Annual General Meeting
13 May 2010

Announcement of 2010 interim results
July 2010

Mixed Sources
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Design and production by Black Sun Plc

Inchcape plc
22a St James's Square
London SW1Y 5LP
T +44 (0) 20 7546 0022
F +44 (0) 20 7546 0010
www.inchcape.com
Registered number 609782