8 March 2011

Inchcape plc

2010 Annual Results Announcement

Results for the year ended 31 December 2010

Robust earnings growth and strong cash generation

Inchcape plc, a leading, independent, international automotive distributor and retailer, announces its annual results for the year ended 31 December 2010.

Operational and strategic highlights:

- Market leadership in 14 markets and increased aftersales coverage
- Revenue growth of 5.4%, ahead of our expectations
- Five of six regions increase operating margins, with Group margins up 70 bps
- Benefit of operational leverage generates 38% increase in pre-tax profits*
- Cost restructuring to generate a further £30m of annualised savings
- Cash conversion of 124%*; year-end net cash of £205.8m (2009: £0.8m)

Financial highlights:

- Reported sales of £5.9bn (2009: £5.6bn)
- Pre exceptional PBT £214.0m (2009: £155.1m)
- Reported PBT £192.1m (2009: £136.7m)
- Adjusted EPS* 32.0p (2009: 27.1p**)
- Reported EPS 27.9p (2009: 22.9p**)
- Operating cash flow £274.3m (2009: £336.7m)
- Board recommends resumption of dividend payments with final dividend of 6.6p per share (2009: 0p)

André Lacroix, Group CEO of Inchcape plc, commented:

"In 2010, the Group has delivered robust profit growth with strong cash conversion, demonstrating the strength of Inchcape's unique business model with its portfolio of leading premium brands, broad geographic spread and diversified revenue streams.

We have further strengthened our competitive position through our differentiated Customer 1st strategy and operational discipline on our Top Five Priorities of growing market share, growing aftersales, improving margin, controlling working capital and selective capital expenditure investment.

Given our robust profit growth, strong cash conversion, the improved financial position of the Group and our confidence in the future, the Board is recommending a final dividend of 6.6p for 2010.

Inchcape is uniquely positioned worldwide as a leading international automotive distributor and retailer, operating in strong economies around the world with 65% of trading profit coming from Asia Pacific and Emerging Markets.

In 2011, we continue to expect to see an uneven global recovery with market growth in Hong Kong, Australia, Russia, Finland, the Baltics, Africa and South America. However, we anticipate market declines in Singapore, Greece, Belgium and the UK, which together represent c.50% of Group sales.

We believe that given our strong track record, financial strength and operational focus on our Top Five Priorities, we will continue to improve our competitive position and deliver a solid performance in 2011."

** Pre exceptionals*

***Earnings per Share for 2009 have been updated to reflect the 10 for 1 share consolidation that took effect in May 2010*

Ends

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Notes to editors

About Inchcape:

1. Inchcape is a leading, independent international automotive distributor and retailer operating in 26 Emerging and Developed markets. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance.

Inchcape's vision is to be the world's most customer-centric automotive retail group and represents some of the world's leading automotive brands, including Audi, BMW / Mini, Jaguar, Land Rover, Mercedes-Benz, Porsche, Subaru, Toyota / Lexus, Volkswagen and Volvo.

Inchcape, which has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 14,300 people.

www.inchcape.com

2. Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect the Group's current expectations concerning future events and actual results may differ materially from current expectations or historical results.

Chairman's Statement

Inchcape has delivered robust earnings growth in 2010.

Following a year of gradual global economic and industry recovery I am pleased to report strong results for 2010. Our robust earnings growth is a testament to the strength of our broad geographic portfolio and the success of our resilient business model together with the decisive actions taken by management since the start of the downturn.

Performance

Group sales have increased by 5.4% to £5.9bn for the full year to 31 December 2010, benefiting from the start of the global recovery and our operational focus on growing market share and aftersales. On a like for like, constant currency basis, sales increased by 3.1%.

Our decisive response to changing market conditions in the last quarter of 2008 and early 2009 generated annualised cost savings of approximately £70m. We have kept our overheads flat in 2010 as we offset the cost of inflation with productivity improvements. We announced a further restructuring plan in the third quarter of 2010 to lower our cost base by an additional annualised £25m through reducing our headcount and a disposal of 10 underperforming sites. We have exceeded our expectations disposing of 15 sites and the expected annualised cost base reduction will now be £30m. This latest process has resulted in an exceptional restructuring charge of £21.9m in the fourth quarter of 2010. We are continuing to keep tight cost control measures in place throughout the Group.

Profit before tax and exceptional items of £214.0m was 38.0% higher than 2009 and adjusted earnings per share rose by 18.1% to 32.0p (adjusted for the Share Consolidation). On a statutory basis, profit before tax was £192.1m, 40.5% above 2009. Cash generated from operations during the year was £274.3m which represents a 134.7% conversion of statutory operating profit.

Capital expenditure

Whilst, in agreement with our brand partners, we continued to keep our discretionary capital expenditure to a minimum, we have made several strategic investments in 2010, opening two sites in emerging markets.

Board

Following two and a half years with the Group, Graham Pimlott stepped down as a Non-Executive Director and Chairman of the Audit Committee on 31 October 2010. Simon Borrows joined the Board on 6 October 2010 and was appointed Chairman of the Audit Committee, taking over from Graham. I would like to thank Graham for his contribution during his time with the Group.

Dividend

In line with our disclosure in this year's Interim Report, the Board is pleased to recommence the payment of a dividend and is recommending the payment of a final ordinary dividend for the year of 6.6p. No dividend was paid or recommended in 2009 in light of the challenging trading conditions at that time.

Share consolidation

At the Annual General Meeting held on 13 May 2010, a 1 for 10 consolidation of Inchcape plc ordinary shares was approved by shareholders. The purpose of the share consolidation was to reduce the total number of shares 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. Following the share consolidation there are approximately 460m Inchcape ordinary shares in issue, reduced from approximately 4.6bn in 2009.

Approach to governance and corporate responsibility

We continue to focus on the importance of good governance and apply the Combined Code, the new UK Corporate Governance 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 important to us. In 2010, we established the CR Board committee, responsible for the strategic direction of the Group's CR programme that continues to build a global approach to 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 outstanding commitment and support throughout 2010.

Outlook

Due to the uneven nature of the global recovery we remain cautious regarding the short term outlook in some of our markets. However, Inchcape is well positioned to benefit from the global recovery in most of our markets and, as such, we expect to deliver a solid performance in 2011.

Ken Hanna, Chairman

Group Chief Executive's strategic review

Powering ahead worldwide

Inchcape is a leading, independent, international automotive distributor and retailer with scale operations in 26 global markets, 21 of which are in the fast-growing Emerging Market and Asia-Pacific economies.

In the last two Inchcape annual reports we have described how the global financial crisis and recession affected our industry and how we responded with decisive management action. Our focus on five operational priorities was designed not only to manage the situation we faced, but also to improve our competitive position by growing our revenues ahead of our competitors and by growing profit and cash faster than revenues.

I am pleased to report that in 2010 we ended the year with profits ahead of our expectations. At the same time, we have seen our market share grow in several of our markets. Moreover we consolidated our market leadership position in 14 markets and we have increased our aftersales market coverage, improving our standing at the forefront of our industry worldwide.

For Inchcape, 2010 will be remembered as a year of robust earnings growth which saw us continue to power ahead as a global industry leader.

Looking to the immediate future, due to the uneven nature of the economic recovery, we remain cautious regarding the short term industry outlook in some of our markets. Competitive pressure on price will continue, especially in countries where demand is weak and additionally we expect some margin erosion on new cars due to the Yen appreciation and the increase in input costs for manufacturers. Consequently we expect some pressure on gross margin in 2011. However given our strong track record and the industry recovery in most of our markets, we expect the Group to deliver a solid performance in 2011 and further improve its leading industry position.

I believe that our medium to long-term outlook, in what I consider to be one of the world's most exciting and rewarding industry, is excellent. Importantly, much of the work our Company's spirited, committed and entrepreneurial employees have undertaken in 2010 will have a significant impact in the years to come, making it one of the most important periods in our long and vibrant history.

Longer-term, as we explore in this report, the global industry and economic trends are truly exciting for our Group.

Now, I would like to outline why I believe Inchcape has been able to take advantage of the global economic recovery in 2010. To do so, I will describe and explain our approach to achieving growth in a global market. This involves our unique business model, our vision and strategy and our operational discipline on our Top Five Priorities. None of this would be possible without the invaluable talent and passion of our employees.

A unique business model

Our proven business model enabled us to deliver six consecutive years of record growth with strong returns until the start of the global economic crisis in 2008. In 2009 we achieved peak operating cash flow amidst the deepest time of the downturn and 2010 has seen us realise many significant benefits from an ever-improving operational environment, enabling us to report robust earnings growth as a result of solid revenue progression and strong operational leverage with margin improvement.

There are five main constituents of our business model: a broad geographic spread with scale operations; a portfolio of leading, premium automotive brand partners; multiple channels to market; diversified revenue streams that include both growth and defensive value drivers; and a decentralised and empowered organisation, with local management who are close to their markets and highly responsive to changing conditions.

Broad geographic spread – strong in the fastest growing global economies

It is our wide geographic spread that most precisely defines Inchcape. Of the 26 global markets in which we operate, 21 are among the world's fastest-growing economies. This is important to our future growth – during 2010, for example, around 65% of our trading profit was generated in the Emerging Markets and Asia Pacific and we currently expect this proportion to grow both as our business expands and as untapped potential develops.

Portfolio of leading premium brands as core partners

Next is our unique portfolio of leading, premium automotive brands that are our core partners across the world, including Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, Porsche, Subaru, Toyota and Volkswagen.

Premium brands have been at the forefront of the recovery in automotive sales. They are outperforming other segments in the majority of markets and they have continued to provide a strong driver of revenue growth for Inchcape during 2010, as well as supporting profitability through their strong pricing power. And our manufacturer partners are amongst the main powerhouses of innovation in our industry, making major research and development investments in breakthrough powertrain and environmental advances.

Inchcape plays a key role in the automotive value chain for our brand partners. Our global infrastructure and the professionalism of our marketing and sales operations ensure that these initiatives succeed in the local marketplace.

Because our unique business model is multi-layered in its structure, at first glance some observers of Inchcape may not fully appreciate the depth and closeness of our brand partner relationships, many of which have been in place for several decades.

I would now like to explain how the nature of these relationships give us the benefits of a multiple-channel route to market, comprising distribution, retail and a combination of the two that we call vertically integrated retail (VIR).

Multiple channels - providing a professional and well-funded route to market for the world's leading automotive brands

Our retail route is a well known model: a manufacturer appoints us to provide retail representation which we provide through scale facilities on a regional basis. Through these retail centres we sell new and used vehicles, offer car finance and insurance products and provide aftersales servicing and parts. Our competitive differentiation is through the creation of a superior customer experience delivered through the proprietary processes of our Inchcape Advantage programme. These advanced retailing techniques help us achieve a tangible advantage over our competitors and improve the competitive position of our brand partners.

The distribution route involves a wider range of critical functions that we carry out for our brand partners. This includes many activities that in other markets would be carried out by the manufacturer themselves. In effect, as the distributor, we operate as the manufacturer's exclusive master- franchise partner in a particular territory to carry out all marketing and sales activities – from selecting market-specific models, setting prices, ordering new cars and parts and their subsequent distribution, to appointing and managing the entire dealer network (of which we typically own 20% ourselves). We also undertake national marketing activities, including brand advertising, public relations and customer database management and fulfil back-office functions. Effectively, where we run distribution operations, we manage and deliver every aspect of the customer interface in those markets and our leading consumer research provides our brand partners with invaluable insights on local market trends.

There are also some territories – typically city-state markets such as Hong Kong and Singapore – where we operate both as the exclusive market distributor and the exclusive market retailer for our brand partners. Called 'vertically integrated retail' (VIR), this enables us to capitalise on important margin opportunities.

As franchise and retail partner to the world's leading automotive brands, our global footprint gives us scale presence across five continents whilst making optimum use of our capital.

Growth and defensive value drivers

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

Decentralised and empowered organisation

The final key element of our business model is our decentralised management structure, which enables local management teams to use their in-depth personal knowledge of individual markets within a globally aligned group structure.

For a global organisation like ours, we believe that this is the best way to operate. We have the scale that enables investments in world-class Group wide information systems, shared best practice and advanced business processes together with in-depth local market knowledge and the ability to respond swiftly and decisively to fast-changing conditions. This gives us important advantages in our local markets, and, through them, across our entire global footprint.

Our organisational model provides both the benefits of global scale and local agility which is proving to be the winning formula to compete both in local markets and worldwide.

Vision and strategy

Our unique business model is powered by a vision and strategy aimed, ultimately, at generating consistently excellent results for our shareholders.

Our vision is simply to be the world's most customer-centric automotive retail group. Our strategy for success is based on organic and external growth: to strengthen our business, by delivering superior customer value; and to expand, by growing and consolidating our presence in high-growth areas of the world where we can realise high returns.

This Group-wide Customer 1st approach has proven to be highly successful over the last five years. We have made major progress in raising our customer service competitive advantage, delivering strong returns and strengthening our industry leading position.

Inchcape Advantage

At the heart of our successful Customer 1st strategy is Inchcape Advantage, our unique, systematic Group-wide continuous improvement programme - and our most powerful source of competitive advantage.

Customer insight is critical to driving revenues ahead of our competitors and our c.12,000 interviews every month keep us closely in touch with changing consumer behaviour. It is clear that, post-downturn, the car market is becoming increasingly polarised between brands competing purely on price and those offering 'added value' to customers. We are strongly positioned in the latter category, providing superior customer value through our proprietary Inchcape Advantage processes.

Additionally this programme gives us Group-wide access to industry leading metrics, covering all aspects of the customer journey in both car purchase and aftersales and enabling us to take decisions concerning inventory, market activity, promotions and more... and always ahead of the market.

Combined, these elements of the Inchcape Advantage programme drive us to achieve customer-centric operational excellence throughout our retail networks, realising our Group's core purpose: to create the ultimate customer experience for our brand partners.

Operational discipline on our Top Five Priorities

Much of our success in 2010 has been due to our continued focus on organic growth management through a strong operational discipline on our Top Five Priorities. Commercial initiatives to increase our market share and grow our aftersales business have been balanced by cash initiatives to improve our margins, closely control our working capital and to be highly selective in prioritising capital expenditure projects.

Commercial initiatives

Commercial initiatives to grow revenues ahead of our competitors are underpinned with superior customer service and the proprietary operating procedures of our Inchcape Advantage programme – throughout each part of the customer journey, from consideration to purchase and car ownership. Initiatives to drive customer traffic into the showroom dovetail into programmes to make the visit a special one, from the initial welcome to a flexible test drive programme and a memorable car handover process.

In aftersales too, bespoke programmes, such as vehicle health checks, express service and oil and tyre programmes ensure a differentiated customer experience, all delivered against a backdrop of qualitative and quantitative customer feedback to provide deep insight and strengthen our advantage.

Cash initiatives

Cash initiatives to grow profit and cash faster than revenue are driven by a focused performance management approach, based on daily, weekly and monthly operational and financial metrics.

We leverage the pricing power of our premium brands with margin accretive initiatives and tight controls on pricing to ensure that we maximise our revenue growth. Gross margin is controlled with careful mix management on each value driver based on rigorous benchmarking, while overheads are tightly managed through a focus on constantly improving productivity, returns on marketing investments and costs.

Our focus on working capital remains resolute with proven processes in place to effectively manage the supply chain with no more than 1.5 months stock cover worldwide. And our capital expenditure on existing sites has been limited to brand and safety requirements with only selective investment in new strategic sites in the faster growing emerging markets.

Balanced approach to growth

It is this balanced approach that in 2010 has allowed us to deliver a solid revenue growth and to grow profit and cash faster than revenue, attaining a far stronger outlook than any of our rivals and a business performance ahead of expectations. We are committed to continuing our focus on these Top Five Priorities to enable us to return to peak earnings and beyond.

Exciting growth opportunities ahead

Looking ahead, we have identified five key global trends that we believe will have a major influence on our industry in years to come. We are already focused on these – positioning ourselves to leverage the opportunities and outperform our competitors.

First, we believe that the global economic recovery will be uneven. That said, the forecast for the total car market is exciting as the global industry is geared for 33% growth over the next five years (Source: Global Insight). Thanks to our geographic spread, we are well positioned to benefit from this uneven recovery.

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

The third trend is that in the more advanced markets, progress in technology will create value and drive vehicle replacement. Inchcape's premium brand partners are at the forefront of their competitors in their leading-edge development of hybrid and electric vehicles, fuel-efficient technology for both diesel and petrol.

Fourth, research shows that the global car parc, comprising new and used cars, is set to grow by 18% over the next five years (source: JD Power). While this is an obvious driver of our continued growth through the sale of new and used vehicles, its significance for us is further strengthened through the opportunities it brings for the sale of finance and insurance products and for aftersales servicing through the whole ownership life-cycle as the car parc increases.

The fifth of these trends is that the strongest, best funded players in the industry will continue to lead its consolidation in years to come. Motor manufacturers will continue to strengthen both their market coverage and quality of operations to compete effectively. We are well positioned to gain access to expansion opportunities, benefiting from our long standing and close relationships with the world's leading manufacturers, a proven track record of effective brand stewardship across five continents and a strong balance sheet.

Powering ahead worldwide

Inchcape is extremely well placed to capitalise on these exciting growth opportunities. Our global footprint and proven business model in the premium car market uniquely positions us to return to our peak financial performance…and then power beyond. We have a healthy exposure to the fastest growing economies, with 21 of our 26 markets in Asia Pacific and the Emerging Markets. We have long-standing partnerships with the world's leading car manufacturers and the vehicles we sell are in the premium category, which is leading demand in markets worldwide. We have a differentiated Customer 1st strategy with a strong operational discipline and people with outstanding ability.

Inchcape continues to power ahead, worldwide.

André Lacroix, Group Chief Executive

Key performance indicators (KPIs)

These KPIs are how we measure our business performance

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

Sales

Definition

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

Achievements in 2010

Sales grew by 5.4% in 2010 thanks to our market leading positions and the start of the global recovery.

Trading profit

Definition

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

Achievements in 2010

Trading profit increased by 27.9% in 2010 driven by our operational focus on our Top Five Priorities in all the Group's regions.

Trading margin

Definition

Calculated by dividing trading profit by sales.

Achievements in 2010

A robust trading margin of 4.2% was achieved in 2010 despite challenging trading conditions in some of our markets.

Like for like sales and trading profit

Definition

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

Achievements in 2010

Like for like sales and trading profit grew by 6.0% and 25.8% respectively in 2010 as a result of the start of the global recovery together with our restructuring activities.

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 2010

Profit before tax and exceptional items increased by 38.0%, only 9.0% away from the 2007 peak.

Working capital

Definition

Inventory, receivables, payables, and supplier related credit.

Achievements in 2010

We have maintained our stock at our target of 1.5 months and have reduced working capital to £18.4m.

Cash generated from operations

Definition

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

Achievements in 2010

Our approach of selective capital expenditure together with our working capital control has enabled the Group to deliver operating cash flow of £274.3m.

Operating Review

Our unique global business model and focus on our Top Five Priorities have delivered a robust earnings recovery and strong cash generation.

Performance indicators – Results

	Year ended 31.1 2.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**5,885.4**	5,583.7	5.4	2.6
Trading profit	**248.1**	194.0	27.9	21.9
Trading margin %	**4.2**	3.5	0.7ppt	0.7ppt
Like for like sales	**5,819.7**	5,490.3	6.0	3.1
Like for like trading profit	**246.7**	196.1	25.8	20.1
Like for like sales growth/(decline) %	**6.0**	(8.6)	14.6ppt	
Like for like trading profit growth/(decline) %	**25.8**	(21.5)	47.3ppt	
Profit before tax before exceptional items	**214.0**	155.1	38.0	31.0
Working capital	**18.4**	76.7	(76.0)	
Cash generated from operations	**274.3**	336.7	(18.5)	
Net cash	**205.8**	0.8	25,625.0	

The uneven global economic recovery continued in 2010. Demand for new and used cars improved particularly in Hong Kong, Australia, Belgium and Russia (in the second half of the year) whilst a number of our markets, Greece, Singapore, the Baltics and the Balkans declined. Against these market conditions we generated sales of £5.9bn, a growth of 2.6% compared to last year.

We retained our focus on margin improvement and the tight management of pre-exceptional operating costs which increased only 0.6% compared to last year. This resulted in a 0.7ppt improvement in our trading margin to 4.2% and enabled us to deliver an operating profit before exceptional items of £225.5m, a 22.2% increase on 2009.

Our continued focus on the management of working capital resulted in a further £58.3m reduction to £18.4m, a historically low position. This enabled us to deliver a strong cash generation from operations of £274.3m.

Our net cash expenditure on investing activities was £37.3m lower than last year and our expectations primarily due to the timing of capital expenditure.

When combined with our strong operating cash conversion we ended the year with £205.8m in net cash up from £0.8m at the end of 2009.

Business analysis

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Retail	**3,429.5**	3,156.7	8.6	6.4
Distribution	**2,455.9**	2,427.0	1.2	(2.3)
Trading profit				
Retail	**77.6**	56.4	37.6	31.2
Distribution	**170.5**	137.6	23.9	18.1

Retail business

In our retail businesses, strong sales growth of 6.4% versus 2009 and our continued focus on our Top Five Priorities resulted in a trading profit of £77.6m, an increase of 31.2%.

In the UK we continued to outperform the market, which grew by 1.8%, gaining market share and delivering sales growth of 1.6%. Rigorous margin and cost management resulted in trading profit growth of 15.4% and a 2.4% trading margin, a 0.3ppt improvement on 2009.

Our Australian retail business delivered strong trading profit of £14.6m, a 10.4% growth on 2009, with a trading margin of 3.9%.

Across Europe the challenging market conditions have resulted in a sales decline of 13.3% versus 2009. A consistent focus on cost reduction has resulted in £0.9m trading profit.

In Russia and Emerging Markets the strong market growth in Russia and a rigorous focus on costs in the Baltics have resulted in sales growth of 25.4% and an increase in trading profit for the segment to £12.7m.

Distribution business

Our distribution businesses have delivered a solid performance despite very challenging trading conditions, with sales of £2.5bn, 2.3% below 2009. Strong margin management, good aftersales performance and further cost reductions resulted in a trading profit of £170.5m, a 18.1% increase on 2009 and a trading margin of 6.9%, 1.2ppts better than 2009.

In Europe, market growth in Belgium and Finland (13% and 23% respectively) was offset by a significant market decline of 40% in Greece, where after a strong first quarter of vehicle sales, the economic conditions significantly deteriorated.

In our vertically integrated (VIR) business in North Asia, the Group delivered a strong trading profit increase of 69.3% as a result of significant market and share growth in Hong Kong. This was offset in South Asia by the continued decline of the Singapore market as a result of a 34% decline in the Certificate of Entitlement (COE) quota.

The market in Australia rebounded faster than expected growing 10% and we held our market share resulting in a strong trading profit of £47.9m for Australasia. Included in the result is a one off profit of £7.3m on the disposal of surplus property.

Strong market growth in South America and Africa and the benefits of the restructuring programmes in the Baltics delivered a £19.1m trading profit in the Russia and Emerging Markets segment. Included in the result is a £7.5m impairment cost on a property in Romania (2009: £4.2m).

Regional analysis

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

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

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

Australasia

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**1,030.3**	762.8	35.1	14.8
Retail	**372.9**	284.4	31.1	11.4
Distribution	**657.4**	478.4	37.4	16.8
Trading profit	**62.5**	37.9	64.9	39.8
Retail	**14.6**	11.2	30.4	10.4
Distribution	**47.9**	26.7	79.4	52.2

The market

The Australian market was stronger than expected in 2010, growing 10% versus the previous year, which was driven by a strong economy and boosted by a Government incentive scheme for the car industry.

Business model & strategy

We are the distributor for Subaru in both Australia and New Zealand. In addition we have multi franchise retail operations based in Sydney, Melbourne and Brisbane. These operations hold franchises for Subaru, Volkswagen, Mitsubishi and Kia. We own 23 retail centres and manage a network of 105 independently owned centres on behalf of Subaru.

Supporting these operations our logistics business Autonexus 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. Our retail operations are focused on delivering an outstanding customer experience for our brand partners and driving revenue from sales of new and used cars, service and vehicle parts.

Our operating performance

Supported by a strong Subaru brand campaign - All 4 the Driver - and new model launches, our distribution business achieved record sales volume and this, together with a significant improvement in wholesale parts sales, resulted in trading profit 52.2% ahead of 2009 at £47.9m. This includes the one off £7.3m gain on the disposal of surplus property; excluding this gain, trading profit was 29.0% higher than 2009.

Our retail business delivered a 10.4% increase in trading profit to £14.6m, as a result of a strong new and used vehicle sales and improved aftersales performance through successful call centre activities.

Outlook for 2011

We expect to see continued recovery in the Australian market in 2011 despite the end of the Government incentive scheme which ended in 2010.

We expect to benefit from the launch of the face-lifted Forester in January 2011 and new Impreza model in the fourth quarter.

We anticipate further fluctuations in currency rates in 2011 which may impact our gross margin performance. We have put in place currency hedging contracts to manage our JPY/AUD exposure on vehicles and parts purchases through to June 2011 and will put in place further coverage for the rest of the year at the appropriate time.

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

Europe

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**870.9**	1,006.1	(13.4)	(9.6)
Retail	**169.6**	204.3	(17.0)	(13.3)
Distribution	**701.3**	801.8	(12.5)	(8.6)
Trading profit	**27.8**	28.6	(2.8)	1.6
Retail	**0.9**	(1.6)	156.3	156.5
Distribution	**26.9**	30.2	(10.9)	(7.1)

The market

Belgium's market grew 13% compared to 2009 aided by the biannual Motor Show, held in January 2010, and by a Government CO_2 incentive in the first half of the year, targeted at small engine vehicles. The Greek market declined by 40% in 2010 having been significantly affected by the deteriorating economy and Government austerity measures introduced in the second quarter of the year. Finland started to recover in 2010 and the market grew by 23% compared to 2009.

Business model & strategy

In Belgium and Luxembourg we distribute Toyota and Lexus and own nine retail centres with a network of 89 retail centres operated by independent third party retailers. In Luxembourg we also have a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus owning six retail centres and overseeing a further 47 which are independently owned.

In Finland we are the distributor for Jaguar, Land Rover and Mazda and own four retail centres managing 52 third party outlets.

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

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

Our operating performance

Despite challenging trading conditions across our European markets our businesses delivered £27.8m trading profit, an increase of 1.6%.

In Belgium, we delivered a robust performance despite the impact of the Toyota recall. Increased aftersales and higher used car margins helped offset a challenging environment in our vehicle segment.

In Greece, although trading profit declined slightly due to the difficult trading and economic conditions, we saw a record market share and an improved aftersales performance. In retail our focus on our Top Five Priorities broadly mitigated the impact of the economic decline.

In Finland, the improvement in the overall market combined with the impact of the restructuring in 2009 saw both the distribution and retail businesses deliver significant trading profit improvements.

Outlook for 2011

The outlook for our markets in Europe remains challenging for 2011 and we will continue to focus on growing market share, leveraging new product launches such as the new Auris Hybrid, the Lexus CT200h and the new Yaris as well as developing our aftersales business. Moreover, we will benefit from the cost restructuring implemented in 2010.

Whilst in Finland we anticipate further economic and industry recovery, in Belgium, in the absence of the Motor Show and no Government incentive scheme, we expect the industry to contract in 2011.

In Greece we expect the ongoing austerity measures to result in a continued decline in the market. To partially mitigate the effect of the industry decline we have reduced our cost base and will continue to focus on our Top Five Priorities.

North Asia

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Distribution	**430.6**	312.2	37.9	36.8
Trading profit				
Distribution	**34.0**	19.9	70.9	69.3

The market

The market in Hong Kong grew strongly in 2010 up 39% on 2009, reflecting the considerable improvement in consumer confidence and a stronger economy as a whole. Both private cars and commercial vehicles were significantly ahead of last year.

Business model & strategy

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

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

Our operating performance

The Group increased its market share in Hong Kong by 2.1ppts to 31.0% in 2010 despite a challenging competitive environment. Our performance benefited from a series of new and face-lifted model launches across the year including Toyota Prado, Previa, Wish and Vellfire, Lexus RX270, Mazda5 and Mazda6, and Jaguar XJ.

This strong market share performance has contributed to sales growth of 36.8%, a trading profit growth of 69.3% and an increase of 1.5ppts in trading margin to 7.9% for North Asia. New vehicle sales were the key growth driver but we also benefitted from a strong growth in aftersales revenues and a strong margin performance.

Outlook for 2011

We anticipate the market will to continue its recovery in North Asia in 2011. We will leverage another strong line up of product launches across all of the brands we represent, including Toyota Yaris, Camry, Auris HV, Alphard HV, Prius C, Lexus CT200h, Jaguar XK, Mazda3 and Hino 300. Further, we will continue to drive sales and aftersales through our industry leading Inchcape Advantage programmes such as our Day to Remember handover process.

Our controls on costs and cash will remain firmly in place.

South Asia

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Distribution	**371.8**	548.2	(32.2)	(37.0)
Trading profit				
Distribution	**36.1**	55.9	(35.4)	(39.9)

The market

The market in Singapore continued to decline in 2010 and ended the year 34% down on 2009, due to a reduction of the number of Certificates of Entitlement (COEs) available following the slowdown of deregistrations.

Business model & strategy

In Singapore we are the distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967 and been the Singapore market leading retailer by sales for eight consecutive years since 2002. We have held the Suzuki distribution franchise since 1977. We own and operate all six retail centres in the market.

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

Our operating performance

Although sales declined by 37.0% as a result of the fall in volume of new car sales in Singapore, South Asia delivered £36.1m trading profit with a 9.7% margin thanks to strong management of our sales mix, a tight gross margin control and reduction in the cost base.

As expected the market was down by 34% in 2010 as we saw a significant reduction in the COE quota following a lower level of deregistrations.

Aftersales outperformed the market in Singapore through effective targeted campaigns driving customer retention rates.

Outlook for 2011

2011 will be another challenging year in the Singapore market and we expect a further decline in new vehicle volumes.

We will aim to grow our market share with new model launches such as the Toyota Vios and Prius, Suzuki Kizashi and Swift and Lexus CT200h.

We will continue to protect our gross margin by defending our pricing power despite competitive pressure on price.

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

Our controls on cost and cash will remain firmly in place during 2011.

United Kingdom

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**2,125.8**	2,085.7	1.9	1.9
Retail	**2,088.9**	2,055.7	1.6	1.6
Distribution	**36.9**	30.0	23.0	23.0
Trading profit	**55.9**	46.7	19.7	19.7
Retail	**49.4**	42.8	15.4	15.4
Distribution	**6.5**	3.9	66.7	66.7

The market

The UK market performed better than expected in 2010, ending the year 1.8% above 2009. Momentum in the first quarter, driven by the extended government scrappage scheme, continued through to the half year. The second half of 2010 experienced a year on year decline in the absence of the scrappage incentive.

Business model & strategy

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio of 128 retail centres focused on premium 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.

The distribution element of our results is made up of our fleet leasing business, Inchcape Fleet Solutions (IFS) which 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.

Our operating performance

We continued to outperform the market in 2010, growing market share by 0.1ppts, benefiting from new model launches across key brand partners and continued improvements in customer service. Our retail business delivered like for like sales growth of 3.0%, driven by market share growth and volume in new vehicles and market share gains in used vehicles; all supported by superior Inchcape Advantage processes. Aftersales performed ahead of last year and as a result of Inchcape Advantage initiatives (focused on appointment desk, follow-up calls, electronic vehicle health checks and loyalty offerings) and a continued reduction in overhead costs, trading margins have increased by 0.3ppts to 2.4%.

Our IFS business delivered a robust £6.5m trading profit in 2010, a 66.7% growth on the prior year as we benefited from successful end of contract extension deals. Rigorous control of costs in the year resulted in a trading margin of 17.6%, 4.6ppts ahead of 2009.

Outlook for 2011

2011 will be a challenging year for the UK market with economic uncertainty compounded by a 2010 comparison which included the impact of the scrappage scheme. The industry forecast is for the new car market to be at 1.9m.

We will launch a number of new models across various brands in 2011, including Mercedes-Benz CLS, Volkswagen EOS, Lexus CT200h, Audi A6, Range Rover Evoque and BMW X6 and will further focus on market share gains through driving improved customer traffic from our Inchcape Advantage programmes.

We will also target increases in aftersales through an upgraded customer call centre and target increased customer retention rates.

Our controls on costs and cash will remain firmly in place.

Russia and Emerging Markets

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**1,056.0**	868.7	21.6	19.2
Retail	**798.1**	612.3	30.3	25.4
Distribution	**257.9**	256.4	0.6	3.4
Trading profit	**31.8**	5.0	536.0	601.0
Retail	**12.7**	4.0	217.5	169.8
Distribution	**19.1**	1.0	1,810.0	11,544.7

The market

Recovery started in many of our emerging markets in 2010. The Russia market grew by 35% aided by a Government scrappage scheme, China continued to enjoy significant growth up 31% and our South American markets increased by 50%. Poland and the Baltics grew by 2% and 9% respectively in 2010. Continued economic uncertainty and a lack of available credit resulted in a decline of 30% in the Balkans.

Business model & strategy

In Russia we operate 21 scale retail centres in St Petersburg and Moscow representing 13 brands.

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

In the Baltics we operate VIR for Mazda, Jaguar and Land Rover and retail BMW, Mitsubishi and Hyundai with a total of 22 retail centres.

In Ethiopia we operate VIR for Toyota and in South America as distributor for BMW with 11 retail centres in total.

In China we have four scale retail centres for Toyota, Lexus, Jaguar and Land Rover in Shanghai and Shaoxing.

Our operating performance

Our businesses delivered results significantly ahead of 2009 with a 19.2% growth in revenue and a trading profit of £31.8m; £19.1m in distribution and £12.7m in retail. As a result of margin management and cost reductions, our trading margin increased 2.4ppts to 3.0%. Included in the distribution result was an impairment of land value in the Balkans of £7.5m (£4.2m in 2009).

In Russia, our market share improvement and a focus on cost management has delivered an underlying trading profit of £14.4m.

Our Polish business delivered a record profit whilst in the combined regions of the Baltics and Balkans we have improved our financial performance despite challenging market conditions.

Our performance in Ethiopia was strong due to customer management initiatives and our growing aftersales business which enabled us to deliver a record profit. Our South American operations exceeded our expectations with the market rebounding well following the earthquake earlier in the year.

Our China business continues to grow with a new Jaguar Land Rover retail centre opening in Shaoxing in December 2010.

Outlook for 2011

We expect to see further recovery across many of the markets in 2011, with market growth forecast in Russia, China, South America, Africa and the Baltics, while we expect the Balkans to remain flat.

We will continue to improve our competitive position through superior operating and customer service processes and benefit from new product launches which we will leverage with focused marketing campaigns.

We continue to grow aftersales through programmes to drive traffic and vehicle health checks and our controls on costs and cash will remain firmly in place.

We will expand our retail capacity to meet the increased demand with investment in facility expansion in Moscow, Wroclaw, Santiago and Lima.

Finance Review

The Group has delivered results ahead of our expectations.

In addition to the segmental results detailed below are the financial implications of our operating activities.

Central costs
Unallocated central costs for the full year are £22.6m before exceptional items (2009: £18.8m). The year on year increase is principally driven by increases in share based award costs following the growth in the share price.

Joint ventures and associates
The share of profit after tax from joint ventures was a loss of £1.7m driven primarily by a net loss in our Greek joint venture, as a result of the significant market impact of the austerity measures in the market.

Exceptional items
We have reported exceptional costs of £21.9m for 2010 which relate to a global restructuring exercise conducted in the fourth quarter of 2010, to ensure we continue to maintain an organisation structure and cost base which reflects trading conditions across the Group. The costs relate to a reduction in headcount and disposal of 15 underperforming sites and write off of associated goodwill.

Net financing costs
Net financing costs for the full year of £9.8m are £11.0m lower than 2009 as we benefited from strong cash generation across the Group, lower interest rates in many of our markets and lower levels of debt.

The hedging arrangements in place for the US$ Private Placement resulted in a net gain of £2.0m for 2010 (2009: £0.9m).

Tax
The effective tax rate before exceptional items for the year is 29% compared to 28% in 2009. This marginal increase has arisen due to the mix of profits across the territories in which we operate. The rate is expected to be similar for 2011.

Non controlling interests
Profits attributable to our non controlling interests were £5.1m, compared to £3.0m in 2009. This increase was largely due to increased profits in our Australia business. At the year end the Group's non controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Foreign currency
During 2010, the Group benefited by £9.9m from the translation of its overseas profits before tax into sterling at the 2009 average exchange rate.

Cashflow and net debt
The Group's operations have delivered a strong cash generative performance in 2010. The Group's focus on tight working capital management has delivered a further £58.3m reduction to £18.4m, a historically low position. The Group has invested £44.3m in capital expenditure during the year. At the end of 2010 we had £205.8m in net cash...

The year end net cash position has enabled the Group to review and cancel £225.0m of undrawn borrowing facilities.

Dividend
The Board recommends a final ordinary dividend of 6.6p per ordinary share which is subject to the approval of shareholders at the 2011 Annual General Meeting. No interim dividend was paid in 2010.

Pensions
During the year, and in line with the funding programme agreed with the Trustees in 2009, the Group made cash contributions to the UK defined benefit scheme amounting to £28.4m (2009: £34.7m). A revision of market and actuarial assumptions for the UK defined benefit schemes has resulted in a closing deficit on Group schemes of £22.2m, compared to a deficit of £74.8m in 2009.

Acquisitions and disposals
We invested £10.7m in a joint venture with the Independence Group of Companies to establish a Toyota Retail Centre in Moscow. In addition, we had a further £2.2m payment for Musa Motors.

Capital expenditure
The Group continues to work closely with its brand partners to minimise the level of capital expenditure while maintaining the required operational standards and as a result net capital expenditure additions were £19.5m in 2010 which includes £24.8m of disposal proceeds relating primarily to the sale of surplus land in Australia. The Group has continued to make strategic investments by opening a new Jaguar Land Rover site in Shaoxing in China.

The Group also continued with its implementation plans for SAP, with a focus on development in Russia.

John McConnell, Group Finance Director

Consolidated income statement

For the year ended 31 December 2010

	Notes	**Before exceptional items 2010 £m**	**Exceptional items 2010 (note 3) £m**	**Total 2010 £m**	Before exceptional items 2009 £m	Exceptional items (note 3) 2009 £m	Total 2009 £m
Revenue	2	**5,885.4**	**–**	**5,885.4**	5,583.7	–	5,583.7
Cost of sales		**(5,004.5)**	**–**	**(5,004.5)**	(4,757.0)	–	(4,757.0)
Gross profit		**880.9**	**–**	**880.9**	826.7	–	826.7
Net operating expenses		**(655.4)**	**(21.9)**	**(677.3)**	(651.5)	(18.4)	(669.9)
Operating profit	2	**225.5**	**(21.9)**	**203.6**	175.2	(18.4)	156.8
Share of (loss) / profit after tax of joint ventures and associates		**(1.7)**	**–**	**(1.7)**	0.7	–	0.7
Profit before finance and tax		**223.8**	**(21.9)**	**201.9**	175.9	(18.4)	157.5
Finance income	4	**58.6**	**–**	**58.6**	52.1	–	52.1
Finance costs	5	**(68.4)**	**–**	**(68.4)**	(72.9)	–	(72.9)
Profit before tax		**214.0**	**(21.9)**	**192.1**	155.1	(18.4)	136.7
Tax	6	**(62.2)**	**3.1**	**(59.1)**	(43.5)	1.8	(41.7)
Profit for the year		**151.8**	**(18.8)**	**133.0**	111.6	(16.6)	95.0
Profit attributable to:							
– Owners of the parent				**127.9**			92.0
– Non controlling interests				**5.1**			3.0
				133.0			95.0
Basic earnings per share (pence)*	7			**27.9p**			22.9p
Diluted earnings per share (pence)*	7			**27.6p**			22.9p

* Earnings per share for 2009 have been restated to reflect the 10 for 1 share consolidation that took effect in May 2010.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	**133.0**	95.0
Other comprehensive income:		
Cash flow hedges	**0.3**	(126.8)
Net investment hedge	**–**	2.9
Fair value (losses) / gains on available for sale financial assets	**(3.6)**	0.4
Effect of foreign exchange rate changes	**37.2**	(76.6)
Net actuarial gain / (loss) on defined benefit pension schemes	**64.9**	(163.3)
Irrecoverable element of pension surplus	**(36.3)**	43.6
Current tax recognised directly in shareholders' equity	**14.7**	–
Deferred tax recognised directly in shareholders' equity	**(15.2)**	60.6
Other comprehensive income for the year, net of tax	**62.0**	(259.2)
Total comprehensive income for the year	**195.0**	(164.2)
Total comprehensive income attributable to:		
– Owners of the parent	**188.7**	(165.8)
– Non controlling interests	**6.3**	1.6
Total comprehensive income for the year	**195.0**	(164.2)

Consolidated statement of financial position

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Intangible assets		**551.2**	545.6
Property, plant and equipment		**632.3**	656.6
Investments in joint ventures and associates		**33.1**	22.3
Available for sale financial assets		**12.4**	17.8
Trade and other receivables		**28.8**	25.4
Deferred tax assets		**31.4**	37.6
Retirement benefit asset		**22.0**	0.8
		1,311.2	1,306.1
Current assets			
Inventories		**844.1**	772.7
Trade and other receivables		**232.7**	252.9
Available for sale financial assets		**1.7**	0.7
Derivative financial instruments		**122.1**	91.0
Current tax assets		**5.1**	5.1
Cash and cash equivalents		**561.6**	381.3
		1,767.3	1,503.7
Assets held for sale and disposal group	11	**23.4**	6.6
		1,790.7	1,510.3
Total assets		**3,101.9**	2,816.4
Current liabilities			
Trade and other payables		**(1,080.9)**	(939.1)
Derivative financial instruments		**(9.0)**	(21.8)
Current tax liabilities		**(46.6)**	(46.4)
Provisions		**(36.1)**	(46.7)
Borrowings		**(144.2)**	(166.0)
		(1,316.8)	(1,220.0)
Non-current liabilities			
Trade and other payables		**(34.6)**	(68.8)
Provisions		**(58.8)**	(47.7)
Deferred tax liabilities		**(18.1)**	(15.4)
Borrowings		**(320.5)**	(299.2)
Retirement benefit liability		**(44.2)**	(75.6)
		(476.2)	(506.7)
Liabilities directly associated with the disposal group	11	**(19.6)**	–
Total liabilities		**(1,812.6)**	(1,726.7)
Net assets		**1,289.3**	1,089.7
Shareholders' equity			
Share capital		**46.4**	163.3
Share premium		**126.3**	126.1
Capital redemption reserve		**133.3**	16.4
Other reserves		**145.2**	112.4
Retained earnings		**811.9**	649.5
Equity attributable to owners of the parent		**1,263.1**	1,067.7
Non controlling interests		**26.2**	22.0
Total shareholders' equity		**1,289.3**	1,089.7

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non controlling interest £m	Total shareholders' equity £m
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	–	–	–	–	4.4	4.4	–	4.4
Net purchase of own shares by ESOP Trust	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Issue of ordinary share capital	41.4	–	–	–	192.9	234.3	–	234.3
Dividends:								
– Non controlling interests	–	–	–	–	–	–	(3.7)	(3.7)
At 1 January 2010	**163.3**	**126.1**	**16.4**	**112.4**	**649.5**	**1,067.7**	**22.0**	**1,089.7**
Total comprehensive income for the year	**–**	**–**	**–**	**32.8**	**155.9**	**188.7**	**6.3**	**195.0**
Share-based payments, net of tax	**–**	**–**	**–**	**–**	**7.2**	**7.2**	**–**	**7.2**
Net purchase of own shares by ESOP Trust	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**	**–**	**(0.6)**
Share consolidation	**(116.9)**	**–**	**116.9**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Issue of ordinary share capital	**-**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Dividends:								
– Non controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(2.5)**	**(2.5)**
Acquisition of businesses	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
At 31 December 2010	**46.4**	**126.3**	**133.3**	**145.2**	**811.9**	**1,263.1**	**26.2**	**1,289.3**

Share-based payments have been stated net of a tax credit of £0.7m (2009 – credit of £0.6m).

Consolidated statement of cash flows

For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Cash flows from operating activities			
Cash generated from operations	9a	**274.3**	336.7
Tax paid		**(49.2)**	(58.5)
Interest received		**10.6**	7.2
Interest paid		**(20.8)**	(40.1)
Net cash generated from operating activities		**214.9**	245.3
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired		**(12.9)**	(21.1)
Net cash inflow from sale of businesses		**1.6**	3.0
Purchase of property, plant and equipment		**(36.9)**	(50.1)
Purchase of intangible assets		**(7.4)**	(14.6)
Proceeds from disposal of property, plant and equipment		**24.8**	15.8
Net disposal of available for sale financial assets		**0.3**	0.1
Dividends received from joint ventures and associates		**1.5**	0.6
Net cash used in investing activities		**(29.0)**	(66.3)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**0.2**	234.3
Net purchase of own shares by ESOP Trust		**(0.6)**	(0.7)
Net cash outflow from borrowings		**(39.4)**	(454.8)
Payment of capital element of finance leases		**(1.3)**	(3.7)
Loans granted to joint ventures		**(3.8)**	(2.3)
Settlement of derivatives		**17.8**	10.1
Dividends paid to non controlling interests		**(2.5)**	(3.7)
Net cash used in financing activities		**(29.6)**	(220.8)
Net increase / (decrease) in cash and cash equivalents	9b	**156.3**	(41.8)
Cash and cash equivalents at the beginning of the year		**257.2**	312.8
Effect of foreign exchange rate changes		**6.1**	(13.8)
Cash and cash equivalents at the end of the year		**419.6**	257.2
Cash and cash equivalents consist of:			
Cash at bank and cash equivalents		**376.5**	319.6
Short-term deposits		**185.1**	61.7
Bank overdrafts		**(142.0)**	(124.1)
		419.6	257.2

Notes

1 Basis of preparation and accounting policies

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

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts 2009, other than the adoption, with effect from 1 January 2010 of the amendment to IFRS 2 'Share-based payments group cash-settled transactions' which results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to a savings plan. There has been no material impact on the results of the Group as a result of this amendment.

The condensed set of consolidated financial information presented for the years ended 31 December 20009 and 2010 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated Financial statements for the year ended 31 December 2009 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The financial information for the year ended 31 December 2010 and the comparative information have been extracted from the audited consolidated Financial statements for the year ended 31 December 2010 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated Financial statements for 2010 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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.

2 Segmental analysis

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

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly 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
2010	**Australasia £m**	**Europe £m**	**North Asia £m**	**South Asia £m**	**United Kingdom £m**	**Russia and Emerging Markets £m**	**Total Distribution £m**
Revenue							
Total revenue	**846.5**	**809.0**	**430.6**	**371.8**	**36.9**	**286.9**	**2,781.7**
Inter-segment revenue	**(189.1)**	**(107.7)**	**–**	**–**	**–**	**(29.0)**	**(325.8)**
Revenue from third parties	**657.4**	**701.3**	**430.6**	**371.8**	**36.9**	**257.9**	**2,455.9**
Results							
Segment result	**47.9**	**26.9**	**34.0**	**36.1**	**6.5**	**19.1**	**170.5**
Exceptional items	**(0.3)**	**(3.8)**	**–**	**(0.9)**	**–**	**(2.9)**	**(7.9)**
Operating profit after exceptional items	**47.6**	**23.1**	**34.0**	**35.2**	**6.5**	**16.2**	**162.6**
Share of profit / (loss) after tax of joint ventures and associates	**–**	**(1.3)**	**–**	**–**	**–**	**–**	**(1.3)**
Profit before finance and tax	**47.6**	**21.8**	**34.0**	**35.2**	**6.5**	**16.2**	**161.3**
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result for Distribution includes a profit of £7.3m related to the sale of a property in Australasia and an impairment charge of £7.5m for land in Russia and Emerging Markets.

2010	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Revenue								
Total revenue	**372.9**	**169.6**	**2,088.9**	**798.1**	**3,429.5**	**6,211.2**	**–**	**6,211.2**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**(325.8)**	**–**	**(325.8)**
Revenue from third parties	**372.9**	**169.6**	**2,088.9**	**798.1**	**3,429.5**	**5,885.4**	**–**	**5,885.4**
Results								
Segment result	**14.6**	**0.9**	**49.4**	**12.7**	**77.6**	**248.1**	**(22.6)**	**225.5**
Exceptional items	**(3.8)**	**(0.9)**	**(8.4)**	**(0.8)**	**(13.9)**	**(21.8)**	**(0.1)**	**(21.9)**
Operating profit after exceptional items	**10.8**	**–**	**41.0**	**11.9**	**63.7**	**226.3**	**(22.7)**	**203.6**
Share of profit / (loss) after tax of joint ventures and associates	**–**	**–**	**0.2**	**(0.6)**	**(0.4)**	**(1.7)**	**–**	**(1.7)**
Profit before finance and tax	**10.8**	**–**	**41.2**	**11.3**	**63.3**	**224.6**	**(22.7)**	**201.9**
Finance income								**58.6**
Finance costs								**(68.4)**
Profit before tax								**192.1**
Tax								**(59.1)**
Profit for the year								**133.0**

Net finance costs of £9.8m are not allocated to individual segments.

2010	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	**126.1**	**163.8**	**78.2**	**56.7**	**22.6**	**80.9**	**528.3**
Other current assets							
Non-current assets							
Segment liabilities	**(248.9)**	**(180.5)**	**(60.2)**	**(36.8)**	**(48.7)**	**(72.0)**	**(647.1)**
Other liabilities							
Net assets							

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

2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**1.4**	**0.5**	**0.8**	**3.3**	**0.1**	**2.5**	**8.6**
– Interest in leased vehicles	**10.5**	**6.6**	**2.8**	**–**	**14.9**	**1.0**	**35.8**
– Intangible assets	**0.2**	**0.4**	**–**	**–**	**0.2**	**–**	**0.8**
Depreciation:							
– Property, plant and equipment	**2.9**	**1.2**	**1.4**	**2.0**	**0.1**	**2.6**	**10.2**
– Interest in leased vehicles	**0.9**	**4.6**	**1.8**	**–**	**10.8**	**2.3**	**20.4**
Amortisation of intangible assets	**0.2**	**0.5**	**–**	**–**	**0.3**	**0.1**	**1.1**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**7.5**	**7.5**
Net provisions charged / (released) to the consolidated income statement	**8.5**	**18.5**	**4.8**	**3.6**	**(1.1)**	**1.6**	**35.9**

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

2010	Retail Australasia £m	 Europe £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	**46.3**	**20.2**	**381.2**	**150.1**	**597.8**	**1,126.1**
Other current assets						**693.4**
Non-current assets						**1,282.4**
Segment liabilities	**(48.0)**	**(10.7)**	**(378.1)**	**(99.5)**	**(536.3)**	**(1,183.4)**
Other liabilities						**(629.2)**
Net assets						**1,289.3**

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

2010	Retail Australasia £m	 Europe £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**1.2**	**0.6**	**10.7**	**13.6**	**26.1**	**34.7**	**0.4**	**35.1**
– Interest in leased vehicles	**–**	**0.3**	**–**	**1.2**	**1.5**	**37.3**	**–**	**37.3**
– Intangible assets	**–**	**–**	**3.1**	**1.5**	**4.6**	**5.4**	**3.0**	**8.4**
Depreciation:								
– Property, plant and equipment	**0.6**	**1.2**	**9.4**	**6.0**	**17.2**	**27.4**	**0.4**	**27.8**
– Interest in leased vehicles	**–**	**0.2**	**–**	**0.2**	**0.4**	**20.8**	**–**	**20.8**
Amortisation of intangible assets	**–**	**–**	**3.3**	**0.4**	**3.7**	**4.8**	**0.2**	**5.0**
Impairment of goodwill	**3.0**	**–**	**2.3**	**0.2**	**5.5**	**5.5**	**–**	**5.5**
Impairment of property, plant and equipment	**–**	**–**	**5.0**	**0.2**	**5.2**	**12.7**	**–**	**12.7**
Net provisions charged / (released) to the consolidated income statement	**4.3**	**1.7**	**1.7**	**–**	**7.7**	**43.6**	**(3.5)**	**40.1**

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

2009	Distribution 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							

The segment result for Distribution includes an impairment charge of £4.2m for land in Russia and Emerging Markets.

2009	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	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

Net finance costs of £20.8m are not allocated to individual segments.

2009	Distribution Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
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	Distribution Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
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 goodwill	–	–	–	–	–	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.

2009	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	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	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	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 goodwill	–	–	–	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.

3 Exceptional items

	2010 **£m**	2009 £m
Restructuring costs	**(12.4)**	(5.1)
Goodwill impairment	**(5.5)**	-
Impairment of property, plant and equipment	**(4.0)**	(10.3)
Vacant property	**-**	(3.0)
Operating exceptional items	**(21.9)**	(18.4)
Exceptional tax credit	**3.1**	1.8
Total exceptional items	**(18.8)**	(16.6)

The charge for restructuring costs of £12.4m represents the cost of headcount reduction across the Group and the closing of less profitable sites in the UK, Belgium, South America and Australia. Impairment charges for goodwill (£5.5m) and property, plant and equipment (£4.0m) relate to the closure of the same sites.

The exceptional tax credit of £3.1m in 2010 represents relief on restructuring costs. No relief is available for the impairment of goodwill and property, plant and equipment.

In 2009, the restructuring costs of £5.1m represented 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 impairment charge for property, plant and equipment of £10.3m arose from an impairment review of the Group's business in Latvia which was updated following a deterioration in trading conditions compared to prior year. The vacant property cost of £3.0m represented 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 2009 exceptional tax credit represented 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.

4 Finance income

	2010 £m	2009 £m
Bank and other interest receivable	**4.5**	4.2
Expected return on post-retirement plan assets	**46.9**	44.5
Other finance income	**7.2**	3.4
Total finance income	**58.6**	52.1

5 Finance costs

	2010 £m	2009 £m
Interest payable on bank borrowings	**2.8**	5.1
Interest payable on other borrowings	**0.6**	1.7
Interest payable on revolving credit facility	**–**	1.6
Interest payable on Private Placement	**3.7**	7.8
Fair value (gain) / loss on cross currency interest rate swaps	**(24.2)**	70.8
Fair value adjustment on Private Placement	**22.2**	(71.7)
Stock holding interest	**13.2**	9.2
Interest expense on post-retirement plan liabilities	**46.2**	38.9
Other finance costs	**5.0**	10.6
Capitalised borrowing costs	**(1.1)**	(1.1)
Total finance costs	**68.4**	72.9

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2009 – 2.9%).

6 Tax

	2010 £m	2009 £m
Current tax:		
– UK corporation tax	**19.2**	8.0
– Double tax relief	**–**	(2.2)
	19.2	5.8
Overseas tax	**46.6**	47.5
	65.8	53.3
Adjustments to prior year liabilities:		
– UK	**–**	8.0
– Overseas	**(0.2)**	–
Current tax	**65.6**	61.3
Deferred tax	**(3.4)**	(17.8)
Tax before exceptional tax	**62.2**	43.5
Exceptional tax – current tax	**(2.5)**	(0.9)
Exceptional tax – deferred tax	**(0.6)**	(0.9)
Exceptional tax (note 3)	**(3.1)**	(1.8)
Total tax charge	**59.1**	41.7

The effective tax rate for the year, before exceptional items, of 29% (2009 – 28%) is higher than the standard blended rate of tax of 23.6% (2009 – 24.8%). The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

7 Earnings per share

	2010 £m	Restated 2009 £m
Profit for the year	**133.0**	95.0
Non controlling interests	**(5.1)**	(3.0)
Basic earnings	**127.9**	92.0
Exceptional items	**18.8**	16.6
Adjusted earnings	**146.7**	108.6
Basic earnings per share	**27.9p**	22.9p
Diluted earnings per share	**27.6p**	22.9p
Basic Adjusted earnings per share	**32.0p**	27.1p
Diluted Adjusted earnings per share	**31.7p**	27.1p

	2010 number	Restated 2009 £m
Weighted average number of fully paid ordinary shares in issue during the year	**463,111,916**	405,085,186
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,365,559)**	(1,371,122)
– Repurchased as part of the share buy back programme	**(2,687,560)**	(2,687,561)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**459,058,797**	401,026,503
Dilutive effect of potential ordinary shares	**3,800,689**	426,638
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**462,859,486**	401,453,141

The 2009 earning per share and weighted average number of shares presented in the above tables have been restated to reflect the 10 for 1 share consolidation that took effect on 14 May 2010.

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.

8 Dividends

A final proposed dividend for the year ending 31 December 2010 of 6.6p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2010. No dividend payment was made for the 2009 reporting period.

9 Notes to the consolidated statement of cash flows

a. Reconciliation of cash generated from operations

	2010 £m	2009 £m
Cash flows from operating activities		
Operating profit	**203.6**	156.8
Exceptional items	**21.9**	18.4
Amortisation	**5.0**	2.8
Depreciation of property, plant and equipment	**36.5**	32.8
Profit on disposal of property, plant and equipment	**(7.5)**	(2.6)
Share-based payments charge	**6.5**	3.8
(Increase) / decrease in inventories	**(64.0)**	271.8
Decrease in trade and other receivables	**16.7**	0.7
Increase / (decrease) in trade and other payables	**85.9**	(93.6)
Decrease in provisions	**(1.0)**	(2.6)
Pension contributions in excess of the pension charge for the year*	**(22.9)**	(31.9)
Increase in interest in leased vehicles	**(1.4)**	(6.5)
Payment in respect of operating exceptional items	**(5.0)**	(13.7)
Other items	**–**	0.5
Cash generated from operations	**274.3**	336.7

* The decrease in post-retirement defined benefits includes additional payments of £23.3m (2009 – £30.1m).

b. Reconciliation of net cash flow to movement in net funds / (debt)

	2010 £m	2009 £m
Net increase / (decrease) in cash and cash equivalents	**156.3**	(41.8)
Net cash outflow from borrowings and finance leases	**40.7**	458.4
Change in net cash and debt resulting from cash flows	**197.0**	416.6
Effect of foreign exchange rate changes on net cash and debt	**6.0**	(8.9)
Net movement in fair value	**2.0**	0.9
Movement in net funds	**205.0**	408.6
Opening net funds / (debt)	**0.8**	(407.8)
Closing net funds	**205.8**	0.8

Net funds is analysed as follows:

	2010 £m	2009 £m
Cash at bank and cash equivalents	**376.5**	319.6
Short-term deposits	**185.1**	61.7
Bank overdrafts	**(142.0)**	(124.1)
Cash and cash equivalents	**419.6**	257.2
Bank loans	**(318.6)**	(335.1)
Other loans	**(0.7)**	(1.3)
Finance leases	**(3.4)**	(4.7)
	96.9	(83.9)
Fair value of cross currency interest rate swap	**108.9**	84.7
Net funds	**205.8**	0.8

10 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 was due in 2010, of which US$3m was paid. The remaining 24.9% is to be acquired in early 2011, with payment dependent on 2010 EBITA and other adjustments, capped at US$250m.

In addition, the Group also invested US$16.4m (£10.7m) in its joint venture with the Independence Group of Companies, to establish a Toyota Retail Centre in Moscow.

During the year, the Group also gained control of a small service business in Russia.

b. Disposals

During the year, the Group disposed of a small number of dealerships at net book value generating disposal proceeds of £1.0m (2009 - proceeds of £3.0m and a loss on disposal of £0.7m). In addition, the Group also received deferred proceeds of £0.6m from the sale of businesses in 2007.

11 Assets held for sale and disposal group

	2010 £m	2009 £m
Assets directly associated with the disposal group	**23.4**	–
Assets held for sale	**–**	6.6
Assets held for sale and disposal group	**23.4**	6.6
Liabilities directly associated with the disposal group	**(19.6)**	–

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

	2010 £m	2009 £m
Property, plant and equipment	**3.4**	–
Inventories	**16.6**	–
Trade and other receivables	**3.4**	–
Assets directly associated with the disposal group	**23.4**	–
Trade and other payables	**(19.6)**	_
Liabilities directly associated with the disposal group	**(19.6)**	–

In October 2010, the Group announced their intention to dispose of certain non-core franchises. These businesses being actively marketed with a view to sale, the corresponding assets and liabilities have been disclosed as a disposal group in the consolidated statement of financial position.

Assets held for sale as at December 2009 related to a surplus property that was disposed of in February 2010.

12 Foreign currency translation

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

	Average rates		Year end rates	
	2010	2009	**2010**	2009
Australian dollar	**1.69**	1.99	**1.53**	1.80
Euro	**1.17**	1.12	**1.17**	1.13
Hong Kong dollar	**12.00**	12.11	**12.14**	12.52
Singapore dollar	**2.11**	2.27	**2.00**	2.27

13 Related party 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Vehicles purchased from joint ventures and associates	**0.1**	48.8	**–**	5.0
Vehicles sold to joint ventures and associates	**299.5**	308.5	**0.1**	0.1
Other income paid to joint ventures and associates	**2.5**	3.8	**0.2**	1.3
Other income received from joint ventures and associates	**1.7**	1.1	**0.3**	1.1

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2009 – £nil).

Principal risks

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

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

The principal business risk areas are summarised under the following headings:

- Strategy
- Finance and Treasury
- Brand partners, key relationships and reputation
- Systems and Technology
- People including environment, health &safety
- Economic, political and environmental
- Legal and regulatory
- Tax, pensions and insurance

Further details on these risks are set out in the 2010 Annual Report and Accounts.

Directors' responsibilities

The Directors are responsible for preparing the Financial statements in accordance with applicable law and regulations. The Group and parent Company Financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Group Financial statements comply with the Companies Act and Article 4 of the IAS Directors' Remuneration Report complies with the Directors' Remuneration Report Regulations 2002. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. The work carried out by the auditors does not involve consideration of these matters, and accordingly the auditors accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

Pursuant to Rule 4.1.12R of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

• the Group Financial statements which have been prepared in accordance with IFRS give a true and fair view of the assets, liabilities financial position and profit and loss of the Group; and

• the operating review 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.