DELIVERING ON OUR IGNITE STRATEGY

2016 Annual Results Announcement

Results for the year ended 31 December 2016

"DELIVERING ON OUR IGNITE STRATEGY"

2016 HIGHLIGHTS

- Double digit adjusted EPS growth of 14%, supported by FX and global portfolio of markets
- Continuation of track record of robust cash generation, FY16 dividend per share +14%
- Strong performance from Emerging Markets
- Good progress on Ignite strategy
- Strategic acquisition, creating a scale Distribution platform across South America

KEY FINANCIALS (AUDITED)

Actual Rates	2016	2015	Actual Currency YoY	Constant Currency YoY
Revenue	**£7.8bn**	**£6.8bn**	+14.7%	+7.6%
Reported operating profit	**£277.5m**	**£275.2m**	+0.8%	-9.3%
Pre-exceptional[1] operating profit	**£359.1m**	**£324.7m**	+10.6%	+0.2%
Reported profit before tax	**£267.8m**	**£262.6m**	+2.0%	-8.5%
Pre-exceptional[1] profit before tax	**£349.4m**	**£312.1m**	+12.0%	+1.3%
Reported basic EPS	**43.2p**	**39.8p**	+8.5%	
Basic adjusted EPS	**59.6p**	**52.1p**	+14.4%	
Full year dividend [2]	**23.8p**	**20.9p**	+13.9%	

1. 2016 reported profit includes an exceptional charge of £81.6m, including a non-cash exceptional impairment charge of £48.0m, an £8.8m cash exceptional charge in relation to the December 2016 acquisition and a £24.8m primarily cash exceptional charge, relating to the fixed cost review. 2015 reported profit includes a non-cash exceptional impairment charge of £49.5m.
2. The final dividend of 16.8p is subject to final approval at the AGM on 25 May 2017. The dividend will be paid on 23 June 2017 to all shareholders on the register of members on 19 May 2017. A Dividend Reinvestment Plan (DRIP) is available to Ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 2 June 2017.

STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED

"Inchcape is unique within its industry by being a global, independent and multi-brand automotive Distributor and Retailer. I believe our 2016 results demonstrate the strength of our business model as we sustained our track record of growth, converting a robust revenue performance into earnings growth and strong free cash flow. At the same time, we retained our disciplined approach to capital allocation with the proposed 14% growth in the full year dividend to 23.8p per share and completing the share buy-back programme we commenced last year demonstrating our commitment to driving sustainable shareholder returns.

I am pleased with the progress we have made across all five elements of our Ignite strategy. More specifically, we achieved good growth in profits from Used Vehicles and Aftersales, reflecting our focus to deliver the full potential of all revenue streams. We have improved our alignment and focus to become the OEM's partner of choice and shown the importance of these relationships with the Subaru and Hino acquisition in South America and entry into Thailand with Jaguar Land Rover. These moves demonstrate our ability to invest to accelerate growth and have seen Inchcape enter three new markets and take our global presence to twenty-nine in total. They are also indicative of the exciting opportunity for value-adding consolidation in what remains a highly fragmented industry. Meanwhile, the creation of a combined Asia region, together with changes in other regions, has enabled the Group to better leverage our global scale as well as positioning us to serve evolving consumer needs and to sustain our competitive advantage by ensuring we lead in customer experience.

Looking forward, we are well positioned to continue to leverage our global scale, drive growth from the installed base of vehicles and benefit from our positions across a unique spread of markets. More specifically for 2017, although we anticipate a continuation of the transactional currency headwind for our Australasia region and a slower New Vehicle trend in some markets, we expect to deliver a resilient constant currency performance. Our overall 2017 performance will benefit from the recent accretive South American acquisition and, if Sterling remains around current levels, from the translation impact arising from the substantial proportion of our profits being generated in other currencies.

I would like to thank all our talented and dedicated employees who are helping Inchcape progress towards fulfilling our corporate vision to become the world's most trusted automotive Distributor and Retailer."

Chief Executive's review

Creating the world's most trusted automotive Retailer and Distributor

Over the years, our unique business model has enabled our global organisation to consistently drive our earnings and cash generation performance. This year has been no exception and pleasingly, despite some challenges, we have delivered double digit adjusted earnings growth and continued our track record of driving sustainable shareholder returns.

Our position as the only global, independent, multi-brand automotive Distributor and Retailer with five revenue streams had an important stabilising effect and enabled our strong revenue and earnings growth in 2016. A supporting element for our results was the benefit from Sterling's weakness in the year, with over three quarters of profits denominated in other currencies.

Besides the financial results, 2016 was a year in which we made significant progress on the 'Ignite' strategy, developing programmes designed to position Inchcape for long-term growth, and crucially, developing our M&A proposition with a distribution acquisition in South America and expansion into Thailand.

Ignite is enabling us to take an even stronger leadership role in our industry, not just in terms of scale, but also ambition, vision and quality of service. This is particularly important at a time when the global automotive industry is developing at pace, with customer purchasing behaviour and service expectations clearly changing. We remain highly focused on differentiating our proposition through customer service excellence. This is a constantly evolving field and we continue to innovate in our physical and digital capabilities.

Moving on, you can read about our regional performance below in the Operating Review section, where we also outline in detail the disclosure changes we are making to provide greater clarity on our reporting. To give you a quick overview of progress, however, I will briefly outline the major regional trends here.

Our performance across the world

Asia

In Asia, we saw the continuation of a challenging trading environment in Hong Kong where the market was down 21%. This was largely due to a prolonged period of subdued consumer and corporate activity that only stabilised later in the year. A number of factors, including the highly publicised political uncertainties of 2016 and stock market volatility, caused weakness across the market, within which Inchcape's performance was as robust as conditions allowed.

Indeed, our continued underlying strength in Hong Kong is illustrated by the fact that our Crown Motors subsidiary won prestigious awards during the year, including the Asia Pacific Excellence award and Toyota's Outstanding Customer Service award for the ninth year in a row. We also maintained our market leadership in Hong Kong. Elsewhere in Asia, we enjoyed a strong year in our key market of Singapore, where Certificates of Entitlement (COE) cycle remained favourable. This helped to drive 41% growth in the New Vehicles market, with the greatest increase taking place in the first half of the year. The moderation during the second half of 2016 and our understanding of the cycle lead us to anticipate a decline in 2017 of around 14%, which would still see sales significantly above the 10 year average.

Staying with Asia, I would like to mention two projects that illustrate how we are seeking to deliver against several of the key objectives under our Ignite strategy, namely, investing to accelerate growth, aiming to lead in customer experience and becoming the OEMs' partner of choice.

First, we have been appointed as the exclusive importer and distributor of vehicles and parts for Jaguar Land Rover (JLR) in Thailand, extending our successful partnership with the company and its brands to 46 years. And second, the continuing development of our state-of-the-art, eight-storey Pandan facility in Singapore, where we are consolidating a range of activities with the aim of increasing capacity and productivity and delivering an even better experience for customers.

Australasia

Turning to Australasia, our Subaru business pleasingly gained market share, taking our position to 4.0% and represents a new full year record. Subaru has a strong line-up of premium SUV models, centred on four wheel drive, with high safety ratings and targeted at active lifestyles. All of these elements have enabled us to create a strong proposition for customers in Australia and New Zealand. Profitability in Australasia was impacted during 2016 by an unfavourable exchange rate between the Japanese Yen and the Australian Dollar. Australasia has pioneered across a number of areas in 2016: creating a mobile servicing offer for customers in the Sydney area for Subaru, a new shopping mall brand experience store, a digital purchase offer for the new Impreza and working on greater automation for Aftersales service reminders to capture more high-margin work from this revenue stream. Innovation is very important within our evolving industry and these steps demonstrate the skills and energy in the Group to drive future success.

UK and Europe
Our delivery of strong revenue growth in the UK was achieved with good growth across all of our revenue streams; we saw pleasing improvements in Used Vehicle and Aftersales thanks to the sharper focus on these areas.

Overall, a resilient profit performance in the UK was achieved despite higher overheads caused by investments in our sites and operational processes to strengthen the long-term positioning of the business as well as a lower New Vehicle margin due to the competitive market environment. The business remains highly focused on outperforming our competitors and crystallising the significant organic opportunities of our Ignite strategy.

Elsewhere in the segment, we saw encouraging results from Finland, Belgium and Greece where sales are continuing to recover from a low base. Our performance was largely strong throughout Eastern Europe, benefitting from both cyclical and structural growth tailwinds. These include the Balkan and Baltic regions, where our operations achieved good growth and the more mature Polish market.

Emerging Markets
We delivered a strong performance in our Emerging Markets segment in 2016, with increased profitability across Africa, South America and Russia.

Despite facing a challenging environment in Russia due to the country's well-publicised economic difficulties, our presence in the cities of Moscow and St Petersburg enabled us to make a profit.

As one of the world's fastest-growing economies, Ethiopia has been an excellent market for us for many years. Performance was strong in the first half of 2016, but our business was inevitably disrupted by serious political unrest that started in August. We are optimistic that the situation will be resolved in 2017.

Our South American Distribution operations for BMW in Chile and Peru both recorded an improving performance through the second half of 2016, with particular success in growing our Aftersales revenues. In this global round-up, I would also like to highlight our purchase, completed right at the year-end on 22 December, of the Subaru and Hino Distribution businesses from the major South American company, Empresas Indumotora.

Covering Colombia and Argentina as well as our established markets of Chile and Peru, the business is recognised as a high-quality operator with a culture of excellence in customer service that complements our own. Focused on our long-standing and strong existing partnerships with Subaru and Hino, other Distribution relationships included in the deal are Suzuki in Argentina and DFSK in Chile, Peru and Colombia.

Above all, this acquisition is a compelling demonstration of Ignite in action. It gives us a scale operation and a strong, balanced line-up of brand partners in South America, positioning us well to grasp the opportunities presented by predicted increases in vehicle-ownership across all four countries. In short, it perfectly exemplifies Ignite's overriding goal of driving long-term value creation.

Shareholder returns
The strength of our business model continues to underpin the returns we can deliver to our shareholders. During the year, for example, we were able to continue the share buy-back programme we launched in 2013. This enabled us to return £109.8 million in 2016 in addition to the £90.2 million issued through dividends, and the board has approved continuation of the second tranche of the current programme. Over the past 12 months, we have taken a great deal of action to create an operational and cultural environment in which the business model can be an even stronger driver of improving business performance. This is where the Ignite strategy fits in. I have already referred to this, our strategy to become the world's most trusted automotive Distributor and Retailer, which I outlined in last year's annual report.

Outlook for 2017
I believe that Inchcape has progressed substantially during 2016 on its journey to become the world's most trusted automotive Retailer and Distributor. Looking forward, we are well positioned to continue to leverage our global scale, drive growth from the expanding Car Parc and benefit from our positions across a strong spread of markets.

More specifically for 2017, although we anticipate a continuation of the transactional currency headwind for our Australasia region and a slower New Vehicle trend in some markets, we expect to deliver a resilient constant currency performance. Our overall 2017 performance will benefit from our recent South American acquisition and, if Sterling remains around current levels, from the currency translation benefit arising from the substantial proportion of our profits being generated in other regions.

As an innovative business in a fast changing industry, I know that our Ignite strategy, which is centred around trust, our strong balance sheet and our discipline in controlling cost and capital allocation are all integral parts of our overall approach that will continue to drive long-term value creation for our shareholders.

Add to these vital properties the commitment, passion and engagement of our winning teams across the world, and I believe we have an overall value proposition that is unmatched in our industry.

Stefan Bomhard
Group Chief Executive

Key Performance Indicators

Measuring our performance

In 2016 we have taken the opportunity to review our Key Performance Indicators (KPIs) to better align them to our Ignite strategy.

KPIs provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, as well as directly linking to the key measures for Executive remuneration.

Key Performance Indicator	Definition	Why we measure it	2016 Highlights
Sales £7.8bn 2015: £6.8bn	Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.	Top-line growth is a key financial metric of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'.	The Group has delivered £7.8bn, growth of 14.7% vs. last year.
Operating margin 4.6% 2015: 4.7%	Operating profit (before exceptional items) divided by sales.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.	Operating margin is down 10 bps vs. 2015 driven by mix and currency impact.
Profit before tax & Exceptional Items £349.4m 2015: £312.1m	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.	Increased in 2016 by 12% to a record £349.4m.
Free cash flow £190.5m 2015: £177.6m	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.	The Group delivered free cash flow of £190.5m, a 7.3% improvement on 2015.
Return on capital employed 30% 2015: 30%	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets less net funds.	A key measure of Ignite (invest to accelerate growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.	The Group delivered ROCE of 30%. Underlying ROCE (excluding the acquisition of businesses in South America) was a record 33%.

Clarifying our Financial Metrics

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

Metric	Results	Use of Metric
Gross Profit	**1,079.1**	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Less: Segment operating expenses	(690.5)	
Trading Profit	**388.6**	Underlying profit generated by our Segments
Less: Central Costs	(29.5)	
Operating Profit (pre exceptional Items)	**359.1**	Underlying profit generated by the Group
Less: Exceptional Items	(81.6)	
Operating Profit	**277.5**	Statutory measure of Operating Profit
Less: share of loss after tax of JVs and associates	(0.1)	
Less: Net Finance Costs	(9.6)	
Profit before Tax	**267.8**	Statutory measure of profit after the costs of financing the Group
Add back: Exceptional Items	81.6	
Profit Before Tax & Exceptional Items	**349.4**	One of the Group's KPIs

Operating review

Continued earnings growth and strong cash generation

Our results are stated at actual rates of exchange. However, to enhance comparability we also present year-on-year changes in sales and trading profit in constant currency, thereby isolating the impact of exchange. Unless otherwise stated, changes in sales and trading profit in the operating review are at constant currency. The 2017 outlook commentary is also referenced at constant currency.

Group Sales of £7.8bn are up 7.6% year-on-year, with strong top line growth in all regions excluding Asia. The Group delivered an operating profit of £359.1m, in line with last year. Our operating margin declined by 10bps to 4.6%. This reflects a lower margin in New Vehicles, impacted by the strengthening in the Japanese Yen versus the Australian Dollar in Australasia. In addition, this reflects the adverse mix effect of faster growth in Vehicle sales versus Aftersales as well as the adverse geographical mix effect of a difficult trading environment in Hong Kong.

Profit before Tax and Exceptional Items of £349.4m is up 1.3% year-on-year, a resilient performance in the face of material currency headwinds in our Australian business and market decline in Hong Kong.

The Group delivered strong free cash flow of £190.5m, up 7.3% versus 2015 as favourable currency translation more than offset a timing-related increase in cash tax paid.

Return on Capital Employed (ROCE) of 30% again reflects disciplined management of the Group's balance sheet and selective investments to grow the business.

Net capital expenditure in 2016 was £72.1m. We have invested in new facilities in Singapore as well as continuing to develop our facilities in the UK, Australia and Emerging Markets.

Working capital continues to be tightly managed and we ended the year at £89m, with £48m attributable to the South American assets acquired in December 2016. This control supported our good cash conversion and free cash flow generation of £190.5m. Net cash at the end of the year was £26.5m, a very good position given the £227m outflow in December 2016 in relation to the acquisition of the Subaru and Hino distribution businesses and other assets from Empresas Indumotora. In line with our accounting policies and previous transactions, the costs associated with this transaction have been charged as exceptional operating costs.

During 2016, we completed £59m of our 2015 £100m share buyback scheme at an average price of 699p and the first £50m of our 2016 scheme at 675p.

Key Performance Indicators – results

	Year ended 2016 £m	Year ended 2015 £m	% change	% change in constant currency
Sales	**7,838.4**	6,836.3	14.7%	7.6%
Operating margin	**4.6%**	4.7%	(10bps)	(10bps)
Profit before tax before exceptional items	**349.4**	312.1	12.0%	1.3%
Free cash flow	**190.5**	177.6	7.3%	
Return on capital employed	**30%**	30%		

Disclosure changes

2016 marked the launch of the Group's Ignite strategy and consistent with this also saw changes to the management of our geographic regions to better leverage our regional and global scale. For our 2016 results we have made changes to disclosure across two principal areas: value drivers and geographic segments.

We are providing greater disclosure on the value drivers behind revenue and profit. This includes:

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

This will be applied to both our Distribution and Retail channels, providing visibility on the diversified nature of our value drivers and defensive characteristic of having a significant percentage of our gross profit linked to the installed base of vehicles (often referred to as the Car Parc). Furthermore, this improved disclosure reflects the Group's commitment to our shareholders to achieve success against the Ignite strategic objective of 'Deliver Full Potential on all our Revenue Streams'.

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

Regional analysis

	2016 Operating/Trading profit £m	2016 Exceptional items £m	2016 Reported £m	2015 Operating/Trading profit £m	2015 Exceptional items £m	2015 Reported £m
Asia	**136.7**	**(11.6)**	**125.1**	133.4	–	133.4
Australasia	**102.4**	**(5.2)**	**97.2**	90.6	–	90.6
Emerging Markets	**52.4**	**(0.9)**	**51.5**	41.8	(49.5)	(7.7)
UK and Europe	**97.1**	**(36.7)**	**60.4**	88.9	–	88.9
Trading profit	**388.6**	**(54.4)**	**334.2**	354.7	(49.5)	305.2
Central Costs	**(29.5)**	**(27.2)**	**(56.7)**	(30.0)	–	(30.0)
Operating profit	**359.1**	**(81.6)**	**277.5**	324.7	(49.5)	275.2

Linked to the Ignite objective of 'Leverage our Global Scale', the management and reporting of the previous North Asia and South Asia regions has changed to encompass the combination of these to form an Asia region, as well as moving China from the Emerging Markets region to Asia. George Ashford was appointed as CEO for Asia in September 2016.

In addition, and reflecting the percentage of the European region as a proportion of the Group across revenue, profit and assets, UK & Europe has been formed as a new reporting region. The new region encompasses the UK, Belgium, Luxembourg, Greece, Finland, Poland, Romania, Bulgaria, Macedonia, Latvia, Lithuania and Estonia. Within this segment, the historically reported UK Distribution business, comprising our fleet management and leasing business, Inchcape Fleet Solutions (IFS), is now reported in the Retail result such that the total UK results are represented within the UK and Europe Retail.

The Emerging Markets region following these changes consists of Ethiopia, Djibouti, Russia, Chile, Peru, Colombia, and Argentina.

To support our stakeholders with these changes we have produced a restatement document to simply show the new and historic disclosures, this is available on our website www.inchcape.com.

Business Analysis

	Year ended 2016 £m	Year ended 2015 £m	% change	% change in constant currency
Sales				
Distribution	**3,397.6**	2,897.3	17.3%	5.1%
Retail	**4,440.8**	3,939.0	12.7%	9.6%
Trading profit				
Distribution	**283.0**	267.0	6.0%	(5.0)%
Retail	**105.6**	87.7	20.4%	16.4%

Distribution

The Distribution segment delivered a solid performance at constant currency, growing revenue year-on-year by 5.1%. This was driven by strong growth in Singapore and a good performance from Emerging Markets, despite civil unrest during the second half of the year in Ethiopia. These growth drivers offset the slowdown in Hong Kong where continued lower corporate and consumer confidence has impacted both Commercial vehicle and Private car purchases.

Trading profit is down 5.0% in constant currency as this includes the transactional currency impact of the weakening of the Australian Dollar against the Japanese Yen and the decline in profit in Hong Kong as a consequence of the market decline highlighted above. At actual currency, profit growth of 6.0% has benefitted from the weakness of sterling.

Retail

The Retail segment delivered a robust performance, growing revenue by 9.6% driven by strong top-line growth of 11.5% in our UK & Europe segment.

The competitive UK environment continues to drive margin pressure on New Cars. However, this is being offset across other revenue streams as we are starting to see the benefit of our Ignite strategy being delivered through strong growth in revenue and margins on Used Cars growth and margin improvement on Aftersales.

Value Drivers

The value driver disclosure for Vehicles and Aftersales gross profit shows our commitment under the Ignite strategy to delivering growth across our revenue streams and especially in Aftersales as New Vehicles reach a slower growth environment in a number of markets. The growth in Aftersales gross profit ahead of Vehicles shows delivery, even at this early stage, on the Ignite strategy in addition to the market and transactional currency dynamics at play in our portfolio.

The decline in Distribution Vehicles gross profit of 7.1% at constant currency reflects two key factors, the significant decline of the New Vehicle market in Hong Kong as well as the decline in gross profit from vehicles in Australasia as a result of the Yen strengthening.

The Distribution Aftersales gross profit increase of 7.0% stems from our success in capturing growth in the one to five year old Car Parc in Singapore, with our new Pandan facility up and running, alongside strong structural growth, complemented by operational focus driving Aftersales strength in South America and Ethiopia.

The Retail business saw 7.9% growth in Vehicles gross profit and flat Aftersales gross profit, at constant currency. The good performance in Vehicles gross profit is the result of growth across all three geographic regions, led by our large Retail presence in the UK, and supported by an improved performance from our Russian business, albeit off a low base.

At the Aftersales level for Retail, the outcome at constant currency reflects disposals in our Australian business of non-core sites, including Peugeot, Harley Davidson and Volvo, as well as a decline for Aftersales in Russia where the prolonged weak trend in New Cars has impacted the size of the young addressable Car Parc. Importantly, we have seen good progress in the UK underpinned by the focus on the Ignite strategy and the underlying growth in the Car Parc.

Value Drivers

		Gross profit £m Year ended 2016	Gross profit £m Year ended 2015	% change	% change in constant currency
Group	Vehicles	**678.7**	631.5	7.5%	0.2%
	Aftersales	**400.4**	357.3	12.1%	4.0%
	Total	**1,079.1**	988.8	9.1%	1.5%
Distribution	Vehicles	**339.7**	326.5	4.0%	(7.1)%
	Aftersales	**242.1**	203.8	18.8%	7.0%
	Total	**581.8**	530.3	9.7%	(1.7)%
Retail	Vehicles	**339.0**	305.0	11.1%	7.9%
	Aftersales	**158.3**	153.5	3.1%	-
	Total	**497.3**	458.5	8.5%	5.2%

Exceptional Items

Along with the costs associated with the acquisition of the Subaru and Hino distribution businesses in South America, there have been a number of exceptional items in the year totalling £81.6m (2015: £49.5m).

The annual impairment review of our Baltics operations determined that whilst positive, the estimated future growth rates in both Lithuania and Estonia were not sufficient to support the carrying value of the Goodwill and a non-cash exceptional impairment of £24.9m has been taken.

During the year, the Group has made configuration changes to the iPower system to better reflect the Ignite strategy. This has resulted in a number of areas of functionality being superseded and as such, we have recorded an exceptional, non-cash impairment charge of £23.1m.

The cost review announced on 27 October 2016 has identified opportunities to better leverage our global scale under the Ignite strategy and ensure we are appropriately positioned for the future. The total associated exceptional cost of this action is c.£35m, with cash outlay primarily in 2017. £24.8m been charged in 2016 in respect of the cost review. We expect the payback to be circa two years.

Asia

Business model

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

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

Challenging Hong Kong market partially offset by strong Singapore

Key Financial Highlights

	£m **Year ended 2016**	£m Year ended 2015	% change	% change in constant currency
Sales	**1,591.6**	1,431.9	**11.2%**	**(0.7%)**
Trading profit	**136.7**	133.4	**2.5%**	**(9.0%)**
Trading Margin %	**8.6%**	9.3%	**(0.7ppt)**	**(0.8ppt)**

Operating performance

Our two biggest markets in this segment, Hong Kong and Singapore, largely offset each other in 2016 driven by very different underlying market dynamics.

In Hong Kong, driven by reduced consumer and corporate confidence, the New Car market declined 20.5%, with similar decreases for Passenger and Commercial Vehicles. Consumer confidence has been impacted on a number of fronts, including stock market volatility, declining property values and a weaker corporate environment linking into the private sector. The Commercial Vehicle decrease is also driven in part by the multi-year government sponsored scrappage scheme where the phase-out volume for 2016 was, as expected, lower year-on-year.

We performed well against this backdrop, retaining our strong market leadership position in Hong Kong. We continue to generate very good returns from our Aftersales business, leveraging the scale of the Car Parc for the OEM partners we represent and our strategic focus under Ignite.

We have delivered strong growth in Singapore. Our business in Singapore delivered revenue growth of 30% for the year as growing de-registrations created an increase in the quota of available Certificates of Entitlement (COEs), driving market growth of 41%. There was a slowdown in growth rate in the second half, consistent with our expectation, as more Singaporean passenger vehicle owners renewed their COEs for either five or 10 years. The Singaporean Government relaxed automotive loan rules at the end of May 2016, both the maximum loan to value and tenure, which has helped keep competition for COEs strong and impacted our margin on New Vehicles in the second half.

Overall, revenue for the segment was down marginally versus a strong 2015 with Sterling weakness driving 11.2% actual currency revenue growth.

Trading profit for the segment in 2016 was down 9.0% year-on-year driven by the decline in Hong Kong. This is both the consequence of lower volume in the market and, to a more limited degree, pressure on margins as market participants looked to protect share in a declining market. The result included profit on disposal of property in Hong Kong.

During the year the Group gained the Distribution rights for Jaguar Land Rover in Thailand and the first year of operation is performing well against plan.

Outlook

In 2017, we expect a flat New Vehicle market for Hong Kong and a decline in Singapore, reflecting a lower supply of COEs. Our Aftersales business in Singapore will continue to benefit from growth in vehicles aged one to five years and our strategic focus to maximise the opportunity from this revenue stream across the Group. Overall we expect to deliver a resilient 2017 performance in Asia.

Australasia

Business model

We are the Distributor for Subaru in both Australia and New Zealand. In addition, we operate multi-franchise Retail operations in Sydney, Melbourne and Brisbane. At the end of 2016, we owned 35 Retail Centres and managed a network of 101 independent Subaru sites.

Country	Route to market	Brands
Australia	Distribution & Retail	Subaru
	Retail	Jaguar, Land Rover, Volkswagen, BMW, MINI, Rolls-Royce, Aston Martin, Bentley, Honda, Isuzu, Kia, McLaren, Mitsubishi
New Zealand	Distribution	Subaru

Resilient performance despite currency headwinds

Key Financial Highlights

	£m **Year ended 2016**	£m Year ended 2015	% change	% change in constant currency
Sales	**1,429.1**	**1,219.9**	**17.1%**	**4.5%**
Retail	701.3	642.2	9.2%	(2.6%)
Distribution	727.8	577.7	26.0%	12.3%
Trading profit	**102.4**	**90.6**	**13.0%**	**0.8%**
Retail	34.6	23.6	46.6%	31.1%
Distribution	67.8	67.0	1.2%	(9.9%)
Trading margin %	**7.2%**	**7.4%**	**(0.2ppt)**	**(0.3ppt)**
Retail	4.9%	3.7%	1.2ppt	1.3ppt
Distribution	9.3%	11.6%	(2.3ppt)	(2.3ppt)

Operating performance

Our Australasian segment delivered a resilient performance, offsetting significant transactional currency pressure as the Australian Dollar weakened against the Japanese Yen throughout the year, impacting the cost of Subaru vehicles.

The Australian car market reached a record level of 1.18m cars, up 2.3% on 2015, with growth driven by the ongoing shift to the SUV segment, which increased by 8.5%. Our Subaru business continues to win market share, with registrations growing well ahead of the market at 7.8% and taking our share position to 4.0%, up 20bps. Revenue growth of 4.5% was driven by strong growth in Subaru Distribution where we have delivered record volume performance, despite some capacity constraints in the second half of the year. Our outperformance was supported by the successful launch of the Subaru 'Do' marketing campaign, generating leads and importantly bringing new customers to the brand, as well as the successful launch of the Levorg Tourer in the second half of the year.

In our Retail business, BMW and Jaguar Land Rover as premium and luxury brands continued to grow ahead of the market and during the year we successfully launched the Jaguar F-Pace into the fast-growing premium SUV segment. The total sales decline for Retail reflects a number of site disposals of non-core franchises in Sydney and Melbourne.

During the year our Subaru Retail business innovated by introducing new mobile service vans in Sydney, whereby qualified Subaru mobile service technicians perform the service work from the convenience of the customer's chosen location. Given the success so far, we expect to introduce more mobile service vans across different regions.

Trading profit was in line with last year at constant currency as significant transactional currency impact in the Distribution business was partially mitigated through careful price positioning, leveraging procurement opportunities and disciplined cost control. Retail trading profit growth benefitted from a year-on-year net increase in property profits.

The currency-driven decline in Distribution margin was mostly offset at the total segment level by a 130bps improvement in Retail trading margin. This was partially driven by continued rationalisation and optimisation of the Retail footprint following the franchise disposals last year.

Outlook

We expect modest underlying growth in the New Vehicle market for 2017, with the relatively old Car Parc supporting the replacement cycle. The 2017 completion of an expansion of a Subaru production centre in the United States will free up Japanese capacity and remove some supply constraints. However, given the transactional currency headwind from the Japanese Yen and Australian Dollar, we expect 2017 to be a difficult year at constant currency for Australasia, particularly in the first half of the year.

UK and Europe

Business model

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

Country	Route to market	Brands
UK	Retail	Toyota, Lexus, Jaguar, Land Rover, Mercedes-Benz, Smart, Volkswagen, Audi, Porsche, BMW, MINI
Belgium Bulgaria Greece Luxembourg Macedonia Romania	Distribution & Retail	Toyota, Lexus
Finland	Distribution	Jaguar, Land Rover, Mazda
Estonia	Retail	Jaguar, Land Rover, Mazda
Latvia	Retail	Jaguar, Land Rover, BMW, MINI, Ford, Mazda
Lithuania	Distribution & Retail	Jaguar, Land Rover, Ford, Hyundai, Mazda, Mitsubishi
Poland	Retail	BMW, MINI

Strong top line growth across the region

Key Financial Highlights

	£m Year ended 2016	£m Year ended 2015	% change	% change in constant currency
Sales	**4,062.9**	**3,534.9**	**14.9%**	**11.9%**
Retail	3,318.1	2,951.0	12.4%	11.5%
Distribution	744.8	583.9	27.6%	13.7%
Trading profit	**97.1**	**88.9**	**9.2%**	**5.5%**
Retail	70.6	66.1	6.8%	6.4%
Distribution	26.5	22.8	16.2%	3.5%
Trading Margin %	**2.4%**	**2.5%**	**(0.1ppt)**	**(0.1ppt)**
Retail	2.1%	2.2%	(0.1ppt)	(0.1ppt)
Distribution	3.6%	3.9%	(0.3ppt)	(0.4ppt)

Operating performance

We delivered strong growth across our UK & Europe segment with revenue up 11.9%. This top-line performance was broad-based with all key markets within the segment growing strongly in 2016.

The UK car market continued to grow in 2017, with registrations of 2.7m setting another record year for car sales and representing growth of 2.3%. This slowed in the second half but the OEM partners that Inchcape represents have continued to outperform the market. Overall, our UK business delivered revenue of £3.0bn, up 11.2% on last year, and a trading profit of £63.5m.

Pleasingly in the UK, we saw good progress on Used Cars, simultaneously growing volume by 15% and expanding margin as we roll out the Ignite strategy. Similarly in Aftersales, in line with the increased operational focus on all revenue streams, we delivered robust growth in hours sold and gross profit delivered. During the year, we worked in conjunction with Jaguar Land Rover to optimise our footprint, acquiring and disposing of sites ahead of the new combined site format being launched across the UK.

The Greek market was up 3.7% as it continued to recover from years of decline following a sustained period of macro-economic and political uncertainty. Our Toyota Lexus business in Greece improved its strong overall market leadership position with share of 12.4%, gaining 10bps of share, and within this a shift towards the more profitable private retail segment.

In Belgium, the passenger car market grew by 7.8%. Diesel as a percentage of the private vehicle market declined from 60% in the prior year to 52% this year driven by government taxation changes. Our Toyota Lexus business is focused on hybrid and petrol technology and therefore this trend plays to our long-term benefit.

Finland performed well in 2016, driven by the government incentive of a vehicle taxation reduction, announced in 2015, for all vehicles emitting CO2 lower than 140 grams per kilometre. In Eastern Europe we delivered strong performances in our Toyota operations in Bulgaria and Romania as well as in our BMW Retail business in Poland.

The trading profit increase of 5.5% was driven by the performances of our Western and Eastern European operations, with a broadly flat total UK profit trend. However, our UK business excluding our Inchcape Fleet Solutions business saw profit growth of 3.7% in 2016, a pleasing improvement from the 1.0% growth rate for the first half of 2016.

Outlook

In 2017, we expect the New Vehicle market to decline in the UK, to be broadly flat in Belgium and continue to grow in Greece and across our Eastern European operations. However, given our Ignite strategy, we are well prepared to counter slower New Vehicle trends in some markets with increased focus on Used Vehicles and Aftersales. Overall, we expect to deliver a resilient performance in the UK & Europe segment in 2017.

Emerging Markets

Business model
Our business in Ethiopia is centred on Distribution and exclusive Retail for Toyota. In Russia we operate 21 retail centres in Moscow and St Petersburg representing a number of our global OEM partners. In South America, our recent acquisition complements our BMW Distribution businesses in Chile and Peru with Subaru and Hino operations across the existing presence and also in two new countries, Colombia and Argentina.

Country	Route to market	Brands
Ethiopia & Djibouti	Distribution and Exclusive Retail	Toyota, Daihatsu, Hino, Komatsu, New Holland
Russia	Retail	Toyota, Lexus, Jaguar, Land Rover, Audi, BMW, MINI, Rolls-Royce, Volvo
Chile	Distribution and Retail	BMW, Rolls-Royce, Subaru, DFSK, Hino
Peru	Distribution and Retail	BMW, Subaru, DFSK
Colombia	Distribution and Retail	Subaru, Hino, DFSK, Mack
Argentina	Distribution and Retail	Subaru, Suzuki

Strong broad-based performance
Key Financial Highlights

	£m Year ended 2016	£m Year ended 2015	% change	% change in constant currency
Sales	**754.8**	**649.6**	**16.2%**	**10.2%**
Retail	421.4	345.8	21.9%	18.0%
Distribution	333.4	303.8	9.7%	1.7%
Trading profit	**52.4**	**41.8**	**25.4%**	**17.0%**
Retail	0.4	(2.0)	120.0%	122.5%
Distribution	52.0	43.8	18.7%	10.9%
Trading Margin %	**6.9%**	**6.4%**	**0.5ppt**	**0.4ppt**
Retail	0.1%	(0.6)%	0.7ppt	0.7ppt
Distribution	15.6%	14.4%	1.2ppt	1.3ppt

Operating performance
We delivered another strong year of growth across our Emerging Markets segment with double-digit sales and profit growth as well as an expansion in trading margin.

The business delivered revenue of £421.4m, an 18% increase on the previous year, and a small trading profit of £0.4m. These results were achieved despite a continued decline in the overall New Car market, demonstrating the resilience of our Retail model based in the major cities with leading luxury brands.

In South America our BMW business also grew strongly as the luxury New Vehicle markets in Chile and Peru improved after a number of years of commodity weakness dampening demand. These results do not include any revenue or profit for 2016 from the South American acquisition completed towards the end of December.

Revenue growth moderated from the first half as expected, against a tougher comparative, and with the outcome partially influenced by the effects of civil unrest in Ethiopia.

Profit growth was broad-based for the segment, but led by South America and with a solid full-year performance from our African business. Trading margins improved across all our Emerging Markets businesses as we start to see the benefits of increased focus across all revenue streams as part of our Ignite strategy.

Outlook
In 2017, we are set to continue benefitting from the strong underlying fundamentals in Ethiopia and from the investments we have made in recent years which will support growth.

Benefitting from a more stable New Vehicle market outlook for Russia in 2017, and from the Ignite objective of delivering the full potential on all our revenue streams, notably Used Vehicles in this case, we forecast another year of improvement ahead.

We are in the right places with the right brands in South America and are benefitting from gradual improvements in the underlying economies. The South America acquisition of the Subaru and Hino businesses from Empresas Indumotora has created a scale Distribution platform for Inchcape. Overall, with the benefit of the accretion from the acquisition we expect to deliver a very strong performance in our Emerging Markets segment in 2017.

Central costs

Unallocated central costs for the full year are £29.5m before exceptional items (2015: £30.0m) with underlying operational costs broadly equal to last year. Included in these costs is income of £6.5m in relation to the gross amount of the Group's claim for restitution of Advanced Corporation Tax (ACT) paid under the Foreign Income Dividend (FID) regime. This income has offset one-off costs associated with the mobilisation phase of the Group's Ignite strategy and a charge in relation to historic account balances in Chile.

Operating exceptional items

In 2016, the Group has recorded exceptional operating costs of £81.6m (2015: £49.5m). The 2016 charge is comprised of a non-cash impairment of £24.9m in respect of the goodwill associated with businesses in Lithuania and Estonia; a non-cash impairment of £23.1m relating to superseded functionality within the iPower ERP system; restructuring costs of £24.8m associated with the global cost reduction programme; and £8.8m in relation to the acquisition of the Subaru and Hino distribution businesses in South America. In 2015, the Group fully impaired the carrying value of goodwill attributable to the Russian business.

Net financing costs

Net financing costs for the year are £9.6m (2015: £13.3m). During 2016, we have benefitted from reduced forward points expense on hedging activities and foreign exchange losses. In 2016, the Group reported a gain of £1.0m (2015: a gain of £0.9m) in our mark to market reporting of the hedges for the US loan notes and net interest income on pension assets of £4.2m (2015: net income of £4.2m).

Tax

The effective tax rate for the year before exceptional items was 25.2% (2015: 24.0%). The increase in the underlying rate includes the impact of profit mix increasing the Group's weighted average tax rate and the tax treatment of the FID gain. During 2016, tax cash flow was £99.5m (2015: £69.6m) with the increase principally driven by increased profit delivery and timing of tax instalment payments in Australia. Following the acquisition in South America, we have identified intangible assets relating to the Distribution contracts for Subaru and Hino and these have resulted in an associated deferred tax liability of £50.2m

We expect the effective rate to increase marginally for 2017 given the profit mix across the Group.

Non-controlling interests

Profits attributable to our non-controlling interests were £6.9m, compared to £7.1m in 2015. The Group's non-controlling interests principally comprised a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor & Engineering Company of Ethiopia.

Foreign currency

During 2016 and driven by the weakening of sterling, the translation of the Group's overseas profits before tax into sterling at the 2016 average exchange rate positively impacted the year's results by £32.5m (2015: negative impact of £1.0m).

Dividend

The Board recommends a final ordinary dividend of 16.8p per ordinary share which is subject to the approval of shareholders at the 2016 Annual General Meeting. This gives a total dividend for the year of 23.8p per ordinary share (2015: 20.9p), an increase of 13.9% vs. 2015.

Pensions

In 2016, the IAS 19 net post-retirement surplus was £37.3m (2015: £98.9m), with the reduction in surplus driven by the reduction in discount rates leading to an increase in pension liabilities, which has been partially offset by experience gains and an increase in the value of pension assets. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £2.1m (2015: £1.7m). We have agreed with the Trustees that future cash contributions will continue at broadly this level.

Acquisitions and disposals

On 22 December 2016, the Group acquired a multi-country scale Distribution business in South America, focused on Subaru and Hino from subsidiaries and affiliates of Empresas Indumotora S.A. for a total cash consideration of £226.7m. The acquired business consists of Distribution operations in Chile, Peru, Colombia and Argentina. In Light Vehicles, it includes Subaru (in all four countries), DFSK (in Chile, Peru and Colombia) and Suzuki (in Argentina). In Commercial Vehicles it includes Hino (in Chile and Colombia), as well as the truck brand Mack and a number of other machinery and components brands in Colombia. Around 1,400 employees have joined Inchcape.

The assets and liabilities acquired are largely represented by their book values within the acquired business and will be subject to a fair value assessment as permitted under IFRS 3 to be finalised during 2017. The acquisition has given rise to provisional goodwill of £51.2m and intangibles relating to the distribution contracts for Subaru and Hino (net of deferred tax) of £112.2m.

In addition to this, during 2016 the Group acquired and disposed of sites in the UK in relation to the optimisation of our Jaguar Land Rover footprint. The Group also disposed of a site in Australia and finalised the liquidation of a joint venture in Greece. Consideration for these acquisitions was £4.3m and disposal proceeds were £2.8m.

In 2015, the Group acquired one retail centre in the UK for £5.1m and disposed of non-core businesses in Australia and its interest in the Excelease joint venture, generating disposal proceeds of £5.4m.

Refinancing

In December, the Group successfully concluded a US Private Placement (USPP) transaction, raising £210m with a blended 7, 10 and 12 year tenor to refinance existing USPP facilities maturing in May 2017. Delayed funding was arranged for January and May 2017 and an initial £70.0m was funded on 25 January 2017. In January 2017, the Group also successfully concluded the second one year extension of the £400.0m Revolving Credit Facility (RCF) with all the Group's relationship banks participating. In combination, these refinancing events extend the Group's committed facilities at attractive financing rates.

Capital expenditure

During the year, the Group invested £72.1m (2015: £53.6m) of net capital expenditure in the development of greenfield sites, the enhancement of existing facilities and the continued roll-out of the iPower system. During 2016 the Group opened the new Pandan multi-story aftersales and bodyshop site in Singapore, a significant investment behind the Ignite objective of Delivering Full Potential on all our Revenue Streams.

Cash flow and net funds

The Group delivered free cash of £190.5m (2015: £177.6m). After the acquisition of the Subaru and Hino Distribution businesses in Latin America, and buying back shares at a cost of £109.8m, the Group closed the year with net cash of £26.5m (2015: £166.4m).

Reconciliation of free cash flow

	£m	£m
Net cash generated from operating activities		271.6
Add: Payments in respect of exceptional items		3.2
Net cash generated from operating activities, before exceptional items		274.8
Purchase of property, plant and equipment	(71.1)	
Purchase of intangible assets	(22.7)	
Proceeds from disposal of property plant and equipment	21.7	
Net capital expenditure		(72.1)
Dividends paid to non-controlling interests		(12.2)
Free cash flow		190.5

Consolidated income statement

For the year ended 31 December 2016

	Notes	**Before exceptional items 2016 £m**	**Exceptional items (note 3) 2016 £m**	**Total 2016 £m**	Before exceptional items 2015 £m	Exceptional items (note 3) 2015 £m	Total 2015 £m
Revenue	2	**7,838.4**	**–**	**7,838.4**	6,836.3	–	6,836.3
Cost of sales		**(6,759.3)**	**–**	**(6,759.3)**	(5,847.5)	–	(5,847.5)
Gross profit		**1,079.1**	**–**	**1,079.1**	988.8	–	988.8
Net operating expenses		**(720.0)**	**(81.6)**	**(801.6)**	(664.1)	(49.5)	(713.6)
Operating profit	2	**359.1**	**(81.6)**	**277.5**	324.7	(49.5)	275.2
Share of (loss) / profit after tax of joint ventures and associates		**(0.1)**	**–**	**(0.1)**	0.7	–	0.7
Profit before finance and tax		**359.0**	**(81.6)**	**277.4**	325.4	(49.5)	275.9
Finance income	4	**17.0**	**–**	**17.0**	14.4	–	14.4
Finance costs	5	**(26.6)**	**–**	**(26.6)**	(27.7)	–	(27.7)
Profit before tax		**349.4**	**(81.6)**	**267.8**	312.1	(49.5)	262.6
Tax	6	**(88.0)**	**11.5**	**(76.5)**	(74.9)	(4.8)	(79.7)
Profit for the year		**261.4**	**(70.1)**	**191.3**	237.2	(54.3)	182.9
Profit attributable to:							
– Owners of the parent				**184.4**			175.8
– Non-controlling interests				**6.9**			7.1
				191.3			182.9
Basic earnings per share (pence)	7			**43.2p**			39.8p
Diluted earnings per share (pence)	7			**42.6p**			39.4p

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 £m	2015 £m
Profit for the year	**191.3**	182.9
Other comprehensive income:		
Items that will not be reclassified to the consolidated income statement		
Defined benefit pension scheme remeasurements	**(60.3)**	(26.8)
Current tax recognised in consolidated statement of comprehensive income	**0.1**	–
Deferred tax recognised in consolidated statement of comprehensive income	**10.8**	1.2
	(49.4)	(25.6)
Items that may be or have been reclassified subsequently to the consolidated income statement		
Cash flow hedges	**(35.3)**	25.9
Effect of foreign exchange rate changes	**215.3**	(49.9)
Deferred tax recognised in consolidated statement of comprehensive income	**10.5**	(7.7)
	190.5	(31.7)
Other comprehensive income / (loss) for the year, net of tax	**141.1**	(57.3)
Total comprehensive income for the year	**332.4**	125.6

Total comprehensive income attributable to:		
– Owners of the parent	**324.5**	117.7
– Non-controlling interests	**7.9**	7.9
	332.4	125.6

Consolidated statement of financial position

As at 31 December 2016

	2016 £m	2015 £m
Non-current assets		
Intangible assets	**614.5**	418.4
Property, plant and equipment	**778.6**	644.0
Investments in joint ventures and associates	**4.1**	5.3
Available for sale financial assets	**3.6**	1.2
Trade and other receivables	**50.9**	47.2
Deferred tax assets	**31.7**	18.7
Retirement benefit asset	**80.0**	124.3
	1,563.4	1,259.1
Current assets		
Inventories	**1,549.4**	1,224.4
Trade and other receivables	**446.0**	327.8
Available for sale financial assets	**0.2**	0.2
Derivative financial instruments	**160.1**	134.5
Current tax assets	**13.6**	4.0
Cash and cash equivalents	**645.2**	473.8
	2,814.5	2,164.7
Assets held for sale	**3.2**	4.5
	2,817.7	2,169.2
Total assets	**4,381.1**	3,428.3
Current liabilities		
Trade and other payables	**(1,911.6)**	(1,566.1)
Derivative financial instruments	**(53.6)**	(3.6)
Current tax liabilities	**(68.5)**	(70.7)
Provisions	**(37.0)**	(22.7)
Borrowings	**(481.7)**	(103.3)
	(2,552.4)	(1,766.4)
Non-current liabilities		
Trade and other payables	**(18.0)**	(12.8)
Provisions	**(32.7)**	(26.5)
Deferred tax liabilities	**(80.8)**	(43.8)
Borrowings	**(292.0)**	(311.5)
Retirement benefit liability	**(42.7)**	(25.4)
	(466.2)	(420.0)
Total liabilities	**(3,018.6)**	(2,186.4)
Net assets	**1,362.5**	1,241.9
Equity		
Share capital	**42.2**	43.8
Share premium	**146.7**	146.7
Capital redemption reserve	**138.4**	136.8
Other reserves	**(25.6)**	(215.1)
Retained earnings	**1,042.2**	1,106.8
Equity attributable to owners of the parent	**1,343.9**	1,219.0
Non-controlling interests	**18.6**	22.9
Total equity	**1,362.5**	1,241.9

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2015		45.0	146.7	135.6	(182.6)	1,148.2	1,292.9	25.2	1,318.1
Profit for the year		–	–	–	–	175.8	175.8	7.1	182.9
Other comprehensive (loss) / income for the year		–	–	–	(32.5)	(25.6)	(58.1)	0.8	(57.3)
Total comprehensive income / (loss) for the year		–	–	–	(32.5)	150.2	117.7	7.9	125.6
Share-based payments, net of tax		–	–	–	–	9.8	9.8	–	9.8
Share buy back programme		(1.2)	–	1.2	–	(91.4)	(91.4)	–	(91.4)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(18.9)	(18.9)	–	(18.9)
Dividends:									
– Owners of the parent	8	–	–	–	–	(91.1)	(91.1)	–	(91.1)
– Non-controlling interests		–	–	–	–	–	–	(10.2)	(10.2)
At 1 January 2016		**43.8**	**146.7**	**136.8**	**(215.1)**	**1,106.8**	**1,219.0**	**22.9**	**1,241.9**
Profit for the year		**–**	**–**	**–**	**–**	**184.4**	**184.4**	**6.9**	**191.3**
Other comprehensive income / (loss) for the year		**–**	**–**	**–**	**189.5**	**(49.4)**	**140.1**	**1.0**	**141.1**
Total comprehensive income for the year		**–**	**–**	**–**	**189.5**	**135.0**	**324.5**	**7.9**	**332.4**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**11.3**	**11.3**	**–**	**11.3**
Share buy back programme		**(1.6)**	**–**	**1.6**	**–**	**(109.8)**	**(109.8)**	**–**	**(109.8)**
Net purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**–**	**(10.9)**	**(10.9)**	**–**	**(10.9)**
Dividends:									
– Owners of the parent	8	**–**	**–**	**–**	**–**	**(90.2)**	**(90.2)**	**–**	**(90.2)**
– Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(12.2)**	**(12.2)**
At 31 December 2016		**42.2**	**146.7**	**138.4**	**(25.6)**	**1,042.2**	**1,343.9**	**18.6**	**1,362.5**

Share-based payments include a net tax charge of £0.8m (current tax credit of £0.2m and a deferred tax charge of £1.0m) (2015 – net tax credit of £0.2m (current tax credit of £2.0m and a deferred tax charge of £1.8m)).

Consolidated statement of cash flows

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	9a	**382.8**	328.4
Tax paid		**(99.5)**	(69.6)
Interest received		**12.4**	10.1
Interest paid		**(24.1)**	(27.5)
Net cash generated from operating activities		**271.6**	241.4
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10	**(201.1)**	(5.1)
Net cash inflow from sale of businesses	10	**2.8**	5.4
Purchase of property, plant and equipment		**(71.1)**	(50.2)
Purchase of intangible assets		**(22.7)**	(19.0)
Proceeds from disposal of property, plant and equipment		**21.7**	15.6
Net cash used in investing activities		**(270.4)**	(53.3)
Cash flows from financing activities			
Share buy back programme		**(109.8)**	(91.4)
Net purchase of own shares by the Inchcape Employee Trust		**(10.9)**	(18.9)
Net cash inflow from borrowings		**133.3**	3.7
Payment of capital element of finance leases		**(1.2)**	(0.5)
Equity dividends paid	8	**(90.2)**	(91.1)
Dividends paid to non-controlling interests		**(12.2)**	(10.2)
Net cash used in financing activities		**(91.0)**	(208.4)
Net decrease in cash and cash equivalents	9b	**(89.8)**	(20.3)
Cash and cash equivalents at the beginning of the year		**375.3**	416.8
Effect of foreign exchange rate changes		**130.5**	(21.2)
Cash and cash equivalents at the end of the year		**416.0**	375.3

	2016 £m	2015 £m
Cash and cash equivalents consist of:		
– Cash at bank and cash equivalents	**473.7**	335.3
– Short-term deposits	**171.5**	138.5
– Bank overdrafts	**(229.2)**	(98.5)
	416.0	375.3

Notes to the financial statements

1. Basis of preparation and accounting policies

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

The condensed set of consolidated financial information have been prepared on a going concern basis and have adopted accounting policies consistent with those of the Group's Annual Report and Accounts 2015.

The condensed set of financial information presented for the years ended 31 December 2015 and 2016 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 2015 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 2016 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2016 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 2016 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

2 Segmental analysis

The Group has eight reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The management and reporting of the previous North Asia and South Asia regions has changed to encompass the combination of these to form an Asia region, as well as moving China from the Emerging Markets region to Asia. In addition, and reflecting the percentage of the European region as a proportion of the Group across revenue, profit and assets, UK and Europe has been formed as a new reporting region. The new region encompasses the UK, Belgium, Luxembourg, Greece, Finland, Poland, Romania, Bulgaria, Macedonia, Latvia, Lithuania and Estonia. The following summary describes the operations of each of the Group's reportable segments:

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

2016	Distribution Australasia £m	 UK and Europe £m	 Asia £m	 Emerging Markets £m	 Total Distribution £m
Revenue					
Total revenue	**953.0**	**921.5**	**1,591.6**	**333.4**	**3,799.5**
Inter-segment revenue	**(225.2)**	**(176.7)**	**–**	**–**	**(401.9)**
Revenue from third parties	**727.8**	**744.8**	**1,591.6**	**333.4**	**3,397.6**
Results					
Trading profit / (loss)	**67.8**	**26.5**	**136.7**	**52.0**	**283.0**
Operating exceptional items	**(0.5)**	**(32.1)**	**(11.6)**	**(0.5)**	**(44.7)**
Operating profit / (loss) after exceptional items	**67.3**	**(5.6)**	**125.1**	**51.5**	**238.3**
Share of loss after tax of joint ventures and associates					
Profit before finance and tax					
Finance income					
Finance costs					
Profit before tax					
Tax					
Profit for the year					

2016	Retail Australasia £m	 UK and Europe £m	 Emerging Markets £m	 Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
Total revenue	**701.3**	**3,318.1**	**421.4**	**4,440.8**	**8,240.3**	**–**	**8,240.3**
Inter-segment revenue	**–**	**–**	**–**	**–**	**(401.9)**	**–**	**(401.9)**
Revenue from third parties	**701.3**	**3,318.1**	**421.4**	**4,440.8**	**7,838.4**	**–**	**7,838.4**
Results							
Trading profit / (loss)	**34.6**	**70.6**	**0.4**	**105.6**	**388.6**	**(29.5)**	**359.1**
Operating exceptional items	**(4.7)**	**(4.6)**	**(0.4)**	**(9.7)**	**(54.4)**	**(27.2)**	**(81.6)**
Operating profit / (loss) after exceptional items	**29.9**	**66.0**	**–**	**95.9**	**334.2**	**(56.7)**	**277.5**
Share of loss after tax of joint ventures and associates							**(0.1)**
Profit before finance and tax							**277.4**
Finance income							**17.0**
Finance costs							**(26.6)**
Profit before tax							**267.8**
Tax							**(76.5)**
Profit for the year							**191.3**

Net finance costs of £9.6m are not allocated to individual segments.

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

2016	£m
UK	**3,030.7**
Rest of the world	**4,807.7**
Group	**7,838.4**

Gross profit for Distribution and Retail activities is analysed as follows:

2016	Vehicles £m	Aftersales £m	Total £m
Distribution	**339.7**	**242.1**	**581.8**
Retail	**339.0**	**158.3**	**497.3**
Group	**678.7**	**400.4**	**1,079.1**

					Distribution
2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Segment assets and liabilities					
Segment assets	**129.8**	**215.2**	**372.2**	**276.0**	**993.2**
Other current assets					
Non-current assets					
Segment liabilities	**(354.4)**	**(168.4)**	**(329.4)**	**(184.4)**	**(1,036.6)**
Other liabilities					
Net assets					

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

					Distribution
2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Other segment items					
Capital expenditure:					
– Property, plant and equipment	**12.7**	**1.6**	**21.9**	**5.3**	**41.5**
– Interest in leased vehicles	**–**	**7.4**	**10.7**	**1.1**	**19.2**
– Intangible assets	**2.6**	**1.3**	**0.3**	**1.0**	**5.2**
Depreciation:					
– Property, plant and equipment	**2.3**	**1.4**	**8.6**	**4.0**	**16.3**
– Interest in leased vehicles	**–**	**0.9**	**4.7**	**0.9**	**6.5**
Amortisation of intangible assets	**0.3**	**0.9**	**4.1**	**0.1**	**5.4**
Impairment of goodwill	**–**	**24.9**	**–**	**–**	**24.9**
Impairment of other intangible assets	**–**	**0.3**	**1.9**	**–**	**2.2**
Net provisions charged / (credited) to the consolidated income statement	**4.0**	**10.3**	**21.9**	**(1.4)**	**34.8**

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

				Retail	
2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
Segment assets and liabilities					
Segment assets	**179.2**	**756.7**	**116.7**	**1,052.6**	**2,045.8**
Other current assets					**822.8**
Non-current assets					**1,512.5**
Segment liabilities	**(160.5)**	**(745.3)**	**(74.5)**	**(980.3)**	**(2,016.9)**
Other liabilities					**(1,001.7)**
Net assets					**1,362.5**

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

2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**1.1**	**26.2**	**2.1**	**29.4**	**70.9**	**0.1**	**71.0**
– Interest in leased vehicles	**–**	**8.1**	**–**	**8.1**	**27.3**	**–**	**27.3**
– Intangible assets	**4.3**	**2.4**	**1.2**	**7.9**	**13.1**	**9.3**	**22.4**
Depreciation:							
– Property, plant and equipment	**2.2**	**15.2**	**3.9**	**21.3**	**37.6**	**0.4**	**38.0**
– Interest in leased vehicles	**–**	**4.1**	**–**	**4.1**	**10.6**	**–**	**10.6**
Amortisation of intangible assets	**–**	**5.6**	**3.2**	**8.8**	**14.2**	**0.7**	**14.9**
Impairment of goodwill	**–**	**–**	**–**	**–**	**24.9**	**–**	**24.9**
Impairment of other intangible assets	**4.0**	**–**	**–**	**4.0**	**6.2**	**16.6**	**22.8**
Net provisions charged / (credited) to the consolidated income statement	**3.2**	**28.2**	**0.6**	**32.0**	**66.8**	**(0.9)**	**65.9**

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

2015	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Revenue					
Total revenue	761.4	740.4	1,431.9	303.8	3,237.5
Inter-segment revenue	(183.7)	(156.5)	–	–	(340.2)
Revenue from third parties	577.7	583.9	1,431.9	303.8	2,897.3
Results					
Trading profit / (loss)	67.0	22.8	133.4	43.8	267.0
Operating exceptional items	–	–	–	–	–
Operating profit / (loss) after exceptional items	67.0	22.8	133.4	43.8	267.0
Share of profit after tax of joint ventures and associates					
Profit before finance and tax					
Finance income					
Finance costs					
Profit before tax					
Tax					
Profit for the year					

2015	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
Total revenue	642.2	2,951.0	345.8	3,939.0	7,176.5	–	7,176.5
Inter-segment revenue	–	–	–	–	(340.2)	–	(340.2)
Revenue from third parties	642.2	2,951.0	345.8	3,939.0	6,836.3	–	6,836.3
Results							
Trading profit / (loss)	23.6	66.1	(2.0)	87.7	354.7	(30.0)	324.7
Operating exceptional items	–	–	(49.5)	(49.5)	(49.5)	–	(49.5)
Operating profit / (loss) after exceptional items	23.6	66.1	(51.5)	38.2	305.2	(30.0)	275.2
Share of profit after tax of joint ventures and associates							0.7
Profit before finance and tax							275.9
Finance income							14.4
Finance costs							(27.7)
Profit before tax							262.6
Tax							(79.7)
Profit for the year							182.9

Net finance costs of £13.3m are not allocated to individual segments.

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

2015	£m
UK	2,725.2
Rest of the world	4,111.1
Group	6,836.3

Gross profit for Distribution and Retail activities is analysed as follows:

2015	Vehicles £m	Aftersales £m	Total £m
Distribution	326.5	203.8	530.3
Retail	305.0	153.5	458.5
Group	631.5	357.3	988.8

2015	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities					
Segment assets	90.9	164.2	318.1	137.6	710.8
Other current assets					
Non-current assets					
Segment liabilities	(218.6)	(120.5)	(248.7)	(122.3)	(710.1)
Other liabilities					
Net assets					

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

2015	Distribution Australasia £m	 UK and Europe £m	 Asia £m	 Emerging Markets £m	 Total Distribution £m
Other segment items					
Capital expenditure:					
– Property, plant and equipment	1.9	0.9	13.3	6.1	22.2
– Interest in leased vehicles	–	0.5	13.7	8.4	22.6
– Intangible assets	2.4	0.5	2.3	0.2	5.4
Depreciation:					
– Property, plant and equipment	2.6	1.3	7.1	3.8	14.8
– Interest in leased vehicles	–	0.6	3.7	0.8	5.1
Amortisation of intangible assets	0.4	0.8	3.4	0.1	4.7
Impairment of goodwill	–	–	–	–	–
Net provisions charged / (credited) to the consolidated income statement	6.3	4.8	6.7	1.6	19.4

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

2015	Retail Australasia £m	 UK and Europe £m	 Emerging Markets £m	 Total Retail £m	Total £m
Segment assets and liabilities					
Segment assets	115.5	725.8	63.6	904.9	1,615.7
Other current assets					600.5
Non-current assets					1,212.1
Segment liabilities	(115.4)	(720.9)	(49.5)	(885.8)	(1,595.9)
Other liabilities					(590.5)
Net assets					1,241.9

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

2015	Retail Australasia £m	 UK and Europe £m	 Emerging Markets £m	 Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	0.7	14.3	2.5	17.5	39.7	0.1	39.8
– Interest in leased vehicles	–	11.9	–	11.9	34.5	–	34.5
– Intangible assets	0.1	3.0	1.9	5.0	10.4	8.8	19.2
Depreciation:							
– Property, plant and equipment	1.7	13.8	3.9	19.4	34.2	0.3	34.5
– Interest in leased vehicles	–	4.7	–	4.7	9.8	–	9.8
Amortisation of intangible assets	–	5.2	3.1	8.3	13.0	1.0	14.0
Impairment of goodwill	–	–	49.5	49.5	49.5	–	49.5
Net provisions charged / (credited) to the consolidated income statement	10.3	23.7	0.5	34.5	53.9	(1.3)	52.6

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

3 Exceptional items

	2016 £m	2015 £m
Goodwill impairment	**(24.9)**	(49.5)
Impairment of software and associated assets	**(23.1)**	–
Restructuring costs	**(24.8)**	–
Acquisition of businesses	**(8.8)**	–
Total exceptional items before tax	**(81.6)**	(49.5)
Exceptional tax (see note 6)	**11.5**	(4.8)
Total exceptional items	**(70.1)**	(54.3)

The Group has recognised an impairment charge of £24.9m in respect of goodwill attributable to Lithuania and Estonia following a reassessment of the short and medium term forecasts for these markets.

During the year, the Group has made configuration changes to the iPower system to better reflect the Ignite strategy. This has resulted in a number of areas of functionality being superseded and as such, we have recorded an exceptional, non-cash impairment charge of £23.1m.

The restructuring costs of £24.8m represent the cost of a Group-wide programme to better align the organisation with the Ignite strategy and comprise headcount reduction; the associated costs of exiting surplus properties; and costs associated with the redevelopment of the third party Retail network in certain markets.

Exceptional costs of £8.8m related to the acquisition of businesses are the costs incurred in acquiring the Subaru, Hino and associated Distribution businesses from Empresas Indumotora S.A. in South America.

4 Finance income

	2016 £m	2015 £m
Bank and other interest receivable	**5.0**	3.1
Net interest income on post-retirement plan assets and liabilities	**4.2**	4.2
Other finance income	**7.8**	7.1
Total finance income	**17.0**	14.4

5 Finance costs

	2016 £m	2015 £m
Interest payable on bank borrowings	**2.6**	1.7
Interest payable on Private Placement	**3.3**	3.1
Interest payable on other borrowings	**0.3**	0.3
Fair value adjustment on Private Placement	**46.6**	6.4
Fair value gain on cross currency interest rate swaps	**(47.6)**	(7.3)
Stock holding interest	**20.1**	18.4
Other finance costs	**1.3**	5.1
Total finance costs	**26.6**	27.7

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% (2015 – 2.0%).

6 Tax

	2016 £m	2015 £m
Current tax:		
– UK corporation tax	**6.0**	6.2
– Overseas tax	**79.2**	73.1
	85.2	79.3
Adjustments to prior year liabilities:		
– UK	**(1.5)**	–
– Overseas	**(1.2)**	(0.6)
Current tax	**82.5**	78.7
Deferred tax	**(6.0)**	1.0
Total tax charge	**76.5**	79.7

The total tax charge is analysed as follows:		
– Tax charge on profit before exceptional items	**88.0**	74.9
– Tax credit on exceptional items	**(11.5)**	–
– Exceptional deferred tax charge	**–**	4.8
Total tax charge	**76.5**	79.7

Details of the exceptional items for the year can be found in note 3. Not all of the exceptional items will be allowable for tax purposes. Therefore the tax credit on exceptional items represents the total of the current and deferred tax on only those elements that are assessed as allowable. The exceptional deferred tax charge in the prior year related to the decision not to recognise the deferred tax asset on tax losses in Russia.

Factors affecting the tax expense for the year
The effective tax rate for the year after exceptional items is 28.6% (2015 – 30.4%). The underlying effective tax rate before the impact of exceptional items is 25.2% (2015 – 24.0%). The weighted average tax rate is 24.1% (2015 – 24.3%). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

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

	2016 £m	2015 £m
Profit before tax	**267.8**	262.6
Profit before tax multiplied by the weighted average tax rate of 24.1% (2015 – 24.3%)	**64.6**	63.8
Non-exceptional items		
– Permanent differences	**9.9**	6.9
– Non-taxable income	**(4.9)**	(2.4)
– Prior year items	**(2.2)**	(1.7)
– Unrecognised deferred tax movement	**(2.2)**	(1.3)
– Overseas tax audits and settlements	**1.5**	–
– Taxes on undistributed earnings	**3.2**	2.5
– Impact of the FID Claim receipt taxed at 45%	**1.6**	–
– Other items (including tax rate differentials)	**(1.7)**	(2.8)
Exceptional items		
– Goodwill impairment	**3.9**	9.9
– Restructuring costs	**1.0**	–
– Acquisition of businesses	**1.8**	–
– Impact of derecognition of deferred tax assets (Russia)	**–**	4.8
Total tax charge	**76.5**	**79.7**

Factors affecting the tax expense of future year
Factors that could affect the Group's future tax expense include the resolution of audits and disputes, changes in tax laws or tax rates, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact the Group's future tax expense and this could happen as a result of acquisitions, for example the acquisition of certain businesses from Empresas Indumotora S.A.

The utilisation of brought forward tax losses or the recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits.

During the period, the Finance Act 2016 was passed reducing the UK Corporation tax rate to 17% from 1 April 2020. This rate was enacted at the balance sheet date and hence this rate is now relevant for measuring deferred tax balances in the UK.

7 Earnings per share

	2016 £m	2015 £m
Profit for the year	**191.3**	182.9
Non-controlling interests	**(6.9)**	(7.1)
Basic earnings	**184.4**	175.8
Exceptional items	**70.1**	54.3
Adjusted earnings	**254.5**	230.1
Basic earnings per share	**43.2p**	39.8p
Diluted earnings per share	**42.6p**	39.4p
Basic Adjusted earnings per share	**59.6p**	52.1p
Diluted Adjusted earnings per share	**58.9p**	51.6p

	2016 number	2015 number
Weighted average number of fully paid ordinary shares in issue during the year	**428,090,784**	442,230,291
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(1,182,428)**	(753,647)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**426,908,356**	441,476,644
Dilutive effect of potential ordinary shares	**5,534,805**	4,468,252
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**432,443,161**	445,944,896

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

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

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

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

8 Dividends
The following dividends were paid by the Group:

	2016 £m	2015 £m
Interim dividend for the six months ended 30 June 2016 of 7.0p per share (30 June 2015 – 6.8p per share)	**29.9**	30.0
Final dividend for the year ended 31 December 2015 of 14.1p per share (31 December 2014 – 13.8p per share)	**60.3**	61.1
	90.2	91.1

A final proposed dividend for the year ended 31 December 2016 of 16.8p per share amounting to £70.6m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2016.

9 Notes to the consolidated statement of cash flows

a. Reconciliation of cash generated from operations

	2016 £m	2015 £m
Cash flows from operating activities		
Operating profit	**277.5**	275.2
Exceptional items (see note 3)	**81.6**	49.5
Amortisation including non-exceptional impairment of intangible assets	**14.9**	14.0
Depreciation of property, plant and equipment	**38.0**	34.5
Profit on disposal of property, plant and equipment	**(12.7)**	(2.1)
Share-based payments charge	**12.1**	9.6
Increase in inventories	**(110.7)**	(246.5)
Increase in trade and other receivables	**(10.2)**	(68.5)
Increase in trade and other payables	**99.0**	282.2
Decrease in provisions	**(9.4)**	(4.2)
Pension contributions less than the pension charge for the year*	**1.9**	2.7
Decrease / (increase) in interest in leased vehicles	**2.9**	(12.3)
Payments in respect of operating exceptional items	**(3.2)**	–
Other non-cash items	**1.1**	(5.7)
Cash generated from operations	**382.8**	328.4

* Includes additional payments of £2.1m (2015 – £1.7m).

b. Reconciliation of net cash flow to movement in net funds

	2016 £m	2015 £m
Net decrease in cash and cash equivalents	**(89.8)**	(20.3)
Net cash inflow from borrowings and finance leases	**(132.1)**	(3.2)
Change in net cash and debt resulting from cash flows	**(221.9)**	(23.5)
Effect of foreign exchange rate changes on net cash and debt	**129.7**	(21.2)
Net movement in fair value	**1.0**	0.9
Net loans and finance leases relating to acquisitions and disposals	**(48.7)**	–
Movement in net funds	**(139.9)**	(43.8)
Opening net funds	**166.4**	210.2
Closing net funds	**26.5**	166.4

Net funds is analysed as follows:

	2016 £m	2015 £m
Cash at bank and cash equivalents	**473.7**	335.3
Short-term deposits	**171.5**	138.5
Bank overdrafts	**(229.2)**	(98.5)
Cash and cash equivalents	**416.0**	375.3
Bank loans	**(539.8)**	(312.6)
Finance leases	**(4.7)**	(3.7)
	(128.5)	59.0
Fair value of cross currency interest rate swap	**155.0**	107.4
Net funds	**26.5**	166.4

10 Acquisitions and disposals

a. Acquisitions

On 22 December 2016, the Group acquired a multi-country scale Distribution business in South America, focused on Subaru and Hino and operating in the growth markets of Chile, Colombia, Peru and Argentina. The business was acquired from Empresas Indumotora S.A.

Details of the provisional fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	2016 £m
Assets and liabilities acquired, at provisional values[1]	
Intangible assets	3.6
Property, plant and equipment	29.6
Tax assets	9.7
Inventory	73.0
Trade and other receivables	67.4
Other assets	2.2
Cash and cash equivalents	29.9
Trade and other payables	(91.5)
Provisions	(4.4)
Borrowings	(48.7)
Tax liabilities	(7.2)
Other liabilities	(0.3)
Net assets acquired	**63.3**
Distribution agreements recognised on acquisition (net of deferred tax)	112.2
Goodwill	51.2
Purchase consideration	**226.7**

1 Given the proximity of the acquisition prior to the year end, work is underway to identify the fair value of assets and liabilities acquired. The value at which assets and liabilities stated are stated above are therefore provisional values largely based on book values at the acquisition date.

Net cash in business acquired	29.9
Borrowings in business acquired	(48.7)
	(18.8)

The goodwill arising on acquisition is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing business in South America. Specifically, the goodwill represents the premium paid to expand the Group's presence in this important market and to create a scale Distribution platform across South America with attractive growth prospects. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion.

During the year, the Group also acquired a number of sites in the UK in relation to the optimisation of our Jaguar Land Rover footprint ahead of the new combined site format being launched in the UK and a site in Australia. Consideration for the acquisitions was £4.3m with goodwill arising on the transaction of £0.2m.

b. Proforma full year information

If the acquisition of South American Distribution business had occurred on 1 January 2016, the approximate revenue and operating profit before exceptional items for the period ended 31 December 2016 of the Group would have been £8,203.1m and £384.3m respectively. This information has been estimated based on the management information of the acquired business prior to acquisition.

c. Disposals

During the year, the Group disposed of certain Jaguar Land Rover sites in the UK as part of the footprint optimisation referred to above, a site in Australia and finalised the liquidation of a joint venture in Greece. Disposal proceeds were £2.8m.

In 2015, the Group disposed of a small number of dealerships in Australia and its interest in Excelease SA, a financial services business in Belgium, generating disposal proceeds of £5.4m and a profit on disposal of £0.6m.

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

	Average rates		Year end rates	
	2016	2015	**2016**	2015
Australian Dollar	**1.82**	2.04	**1.71**	2.02
Euro	**1.23**	1.38	**1.17**	1.36
Hong Kong Dollar	**10.51**	11.85	**9.57**	11.42
Singapore Dollar	**1.87**	2.10	**1.78**	2.09
Russian Rouble	**90.72**	93.72	**75.97**	107.30

12 Events after the reporting period
There have been no events subsequent to the year-end that require additional disclosure.

Risk management

Knowing that we have in place the right procedures, processes and frameworks to prevent risks from impacting our business, or to enable us to respond promptly and decisively when they do, gives us confidence in our ability to achieve our strategic objectives and support the long-term sustainable growth of our business.

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

Principal risks

The principal risks to achievement of our strategy are:

1	Loss of distribution contract with major brand partner
2	Significant retrenchment of credit available to customers, dealer network or Inchcape plc
3	Brand failure or major interruption to OEM operations or product
4	Major loss of confidential or sensitive data
5	Failure to extract value from acquisitions
6	Impact of disruptive technologies and/or methods of engaging the next generation of customers
7	Fluctuations in exchange rates with negative impact on financial performance
8	Interruption to iPower, or major systems failure
9	Failure to safeguard our customers and employees by not consistently applying EH&S standards across the Group
10	Internal controls failure sufficient to affect reputation
11	Individual governments increasing restrictions on cross-border currency movements leading to higher incidents of trapped cash across the Group
12	Dynamic changes in local or international tax rules (e.g. changes to transfer pricing rules as a result of the OECD's Base Erosion and Profit Shifting Initiative)
13	Social, political and regulatory instability in Emerging Markets
14	Changes in legislation directly affecting customer demand
15	Non-compliance with dynamic changes in laws and regulations
16	Failure to attract, retain and develop our people

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating Review contained in this announcement includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.