



Annual Report and  
Accounts 2017

A photograph of a red car driving on a two-lane asphalt road that curves through a lush green landscape. The car's side-view mirror is visible in the upper left, reflecting the sky and the road behind. The road is flanked by dense green trees and shrubs, with a metal guardrail on the right side. In the distance, rolling hills or mountains are visible under a bright blue sky with wispy white clouds. The overall scene conveys a sense of forward motion and progress.

**DRIVING  
FORWARD**

## STRATEGIC REPORT

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Visit our website for additional information and interactive features [inchcape.com](http://inchcape.com)

## SALES

**£8.9bn**

2016: £7.8bn

## ADJUSTED EARNINGS PER SHARE

**67.0p**

2016: 59.6p

## DIVIDEND PER SHARE

**26.8p**

2016: 23.8p

## RETURN ON CAPITAL EMPLOYED

**30%**

2016: 30%

## CASH RETURNED TO SHAREHOLDERS

**£152.9m**

2016: £200m

## SHARE BUYBACK ANNOUNCED OF UP TO

**£100m**

Inchcape is the leading automotive Distributor and Retailer with global scale. We are present in 29 markets, delivering exceptional customer experiences and operating as a key strategic partner to the world's best car brands.

## 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
<b>Gross Profit</b>	<b>1,252.1</b>	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
<i>Less: Segment operating expenses</i>	<i>(812.6)</i>	
<b>Trading Profit</b>	<b>439.5</b>	Underlying profit generated by our Segments
<i>Less: Central Costs</i>	<i>(32.0)</i>	
<b>Operating Profit (pre Exceptional Items)</b>	<b>407.5</b>	Underlying profit generated by the Group
<i>Less: Exceptional Items</i>	<i>(12.6)</i>	
<b>Operating Profit</b>	<b>394.9</b>	Statutory measure of Operating Profit
<i>Less: Net Finance Costs</i>	<i>(25.0)</i>	
<b>Profit before Tax</b>	<b>369.9</b>	Statutory measure of profit after the costs of financing the Group
<i>Add back: Exceptional Items</i>	<i>12.6</i>	
<b>Profit Before Tax &amp; Exceptional Items</b>	<b>382.5</b>	One of the Group's KPIs



# DRIVING FORWARD

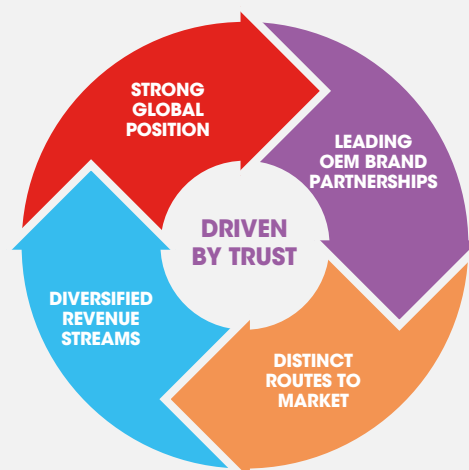
2017 was another successful year in which we continued to drive forward strong performance. We have a business model which is unique: an international portfolio; a core strategic focus on global Distribution, supported by strategically important Retail businesses in selected markets; and a balanced set of value drivers. All of this is underpinned by our Ignite strategy, which has enabled us to grow in line with our expectations, both organically and through a targeted investment programme.

Progress across all five components of Ignite provides us with a strong foundation for evolution as the global automotive industry continues to undergo profound change. At Inchcape, we are moving fast to stay one step ahead of and benefit from these changes, to consistently drive progress and value for our customers, our OEM brand partners, our people and our shareholders.



# DRIVING FORWARD OUR BUSINESS MODEL

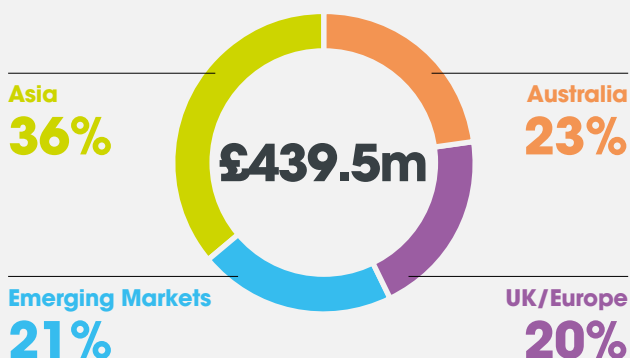
Our unique business model is the foundation which unifies our core strengths, creating a strong platform for growth.



## STRONG GLOBAL POSITION

Well-invested in 29 global markets.

### Trading profit contribution by region



Across the Group, we leverage deep brand knowledge in all our 29 global markets.

We have specialised expertise in supply chain, marketing and sales, coupled with global controls.

We occupy a leading position within a fragmented industry. There are in excess of 850 largely independent automotive distributors operating in fewer than three markets. Our scale and reach means we are ideally positioned across geographies to capitalise on acquisition and growth opportunities ahead of our competitors.

Read more about our global position and operations on page 20

## LEADING OEM BRAND PARTNERSHIPS

Long-standing partnerships with the world's leading automotive OEM (Original Equipment Manufacturers) groups.

### Length of relationships (years)

	50
	47
	30
	29
	28
	25

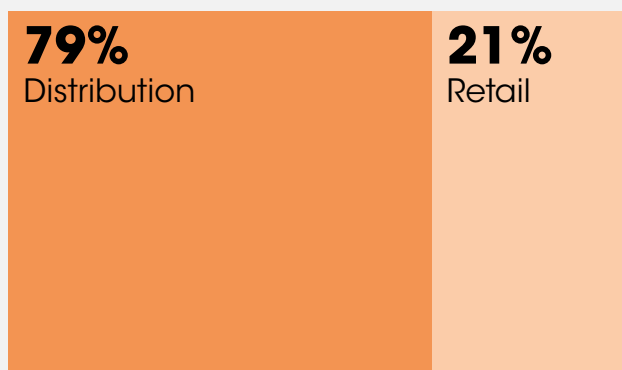


Discover more about our OEM brand partnerships at [www.inchcape.com](http://www.inchcape.com)

## DISTINCT ROUTES TO MARKET

Creating value across the post-factory gate for our OEM brand partners.

### Trading profit split



#### Distribution

Exclusive contracts with OEM brand partners in 25 global markets, which includes ordering, forecasting, pricing, retail network management and transport and logistics services.

#### Retail

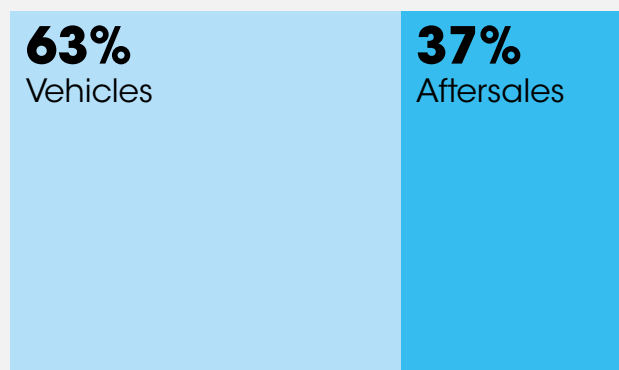
We retail for brands within the UK, Russia, Australia, Poland and China.

Learn about our role as an automotive Distributor within our value chain on page 4

## DIVERSIFIED REVENUE STREAMS

Generating revenue at multiple points within the New and Used Car markets.

### Gross profit mix



#### Vehicles

New and used vehicles sales, finance and insurance products for our OEM brand partners across all 29 global markets.

#### Aftersales

Servicing and parts provider for our OEM brand partners across all 29 global markets.

Read more about how we generate revenue on page 22

# DRIVING FORWARD OUR VALUE CHAIN

## Our distinct routes to market

We operate across every link of the post-factory automotive value chain for our OEM brand partners, providing a highly effective customer-focused route to market. In many cases we are the custodians of our partners' brand equity, a role that we treat with the utmost care.

The fundamental strengths of our business model enable us to respond swiftly across the full spectrum of the value chain, where we act as either a Distributor, or in developed markets, a Retailer, or a combination of both.

### MANUFACTURER

Design, development and manufacturing



OEM (ORIGINAL EQUIPMENT MANUFACTURERS)

### DISTRIBUTOR

Distribution services include product specification, import and logistics, dealer network management, sales and marketing



Read about our automotive Distribution and Retail results within the Operating Review on page 20



### PRODUCT SPECIFICATION

We work closely with our OEM brand partners prior to new model launches, providing key market insight for pricing, local fit requirements and sales volume gains precision.

### IMPORT AND LOGISTICS

We oversee global Distribution with comprehensive local port or border-to-showroom capabilities.

### DEALER NETWORK MANAGEMENT

We select and appoint an independent dealer network that best fits with our partners' brands, and train and manage them to meet demanding standards.

### SALES AND MARKETING

We design and execute local marketing and communications campaigns to promote sales and enhance the image of our partners' brands.

## RETAILER

Vehicle sales, customer engagement and retention, after sales servicing and parts

### VEHICLE SALES

We provide the best New and Used Car buying experience through in-depth product knowledge and expertise across our global network.

### CUSTOMER ENGAGEMENT AND RETENTION

We seek to deepen relationships with our customers through retail techniques including tailored social media campaigns, loyalty strategies, rapid web response and affinity partners.

### AFTERSALES AND SERVICING

State of the art facilities, expert technicians, and quality customer care – from routine servicing through to fixing major problems. We provide transparent assessments to build customer trust over the long term.

### PARTS

The preferred provider of genuine branded parts enabled by our strong OEM brand partner relationships.



# DRIVING FORWARD

The automotive industry is at an exciting and dynamic stage of evolution. Technology is enabling a pace of change and progress that puts the customer in the driver's seat.

Developments in technology give us the opportunity to build an experience around every customer that delivers what they want, how and when they want it. Bringing this alive in a way that enhances our relationship with customers, and delivers the flexibility that digitisation offers, is a real opportunity for growth.

To deliver this new experience, our task is to anticipate customers' needs and provide them with a digitally 'connected' automotive experience that is easy, effective and enjoyable, every time they are in touch with Inchcape. That means providing solutions that improve their driving lives whatever stage they are at in their car ownership journey.

Inchcape aims to be a driver of change in our industry; we are focused on anticipating and taking advantage of emergent trends. With our global scale, depth of brand partnerships and commitment to delighting our customers, we are ideally placed to maximise the opportunity's potential.

## EXPERIENCE

Delivering excellent customer experience is at the core of our approach, and we continuously improve our customer insight to drive performance.

In 2017, we rolled out a new framework designed to fundamentally improve customer experience across a number of areas. We introduced more than 150 separate initiatives across the Group, in both Distribution and Retail, including: improvements to our digital presence with better websites that capture leads more effectively; new online calculators to help customers better understand our Finance and Insurance products; and improved communication with customers, both buyers and non-buyers.

We have significantly improved the NPS (Net Promoter Score) process, ensuring we have a more dynamic, responsive and relevant method of capturing and responding to customer feedback; and we now capture all of our reviews digitally on a monthly basis, supporting both our and our OEM partners' needs.

We have piloted an external reviews measurement tool which is designed to improve the real time tracking of customer experience we provide online and offline. Through the pilot of this in the UK, our aggregate online customer experience rating, which includes Google and Trustpilot, increased by 24%.

Data-driven decision-making is key to improving the customer experience and we are working with world class business partners to help us deliver these improvements. This puts us ahead of most in our industry. We have rolled out Salesforce Marketing Cloud across eight of our markets, with the aim of having a centralised customer base where we can apply consistent and seamless experiences across all markets, through marketing customisation. It will also enable us to better manage communication with customers and automate a number of activities, improving our capacity and ability to respond to customers' enquiries more efficiently.

Early Salesforce pilots have demonstrated its potential. For example, in Australia we have seen an increase in service reminder and email open rates, as well as online service bookings.

## DIGITAL

Customers are becoming more and more likely to discover, explore and even begin their purchase with us online and we believe there is no reason why the immersive simplicity and flexibility of the online experience cannot be replicated in the automotive industry. At Inchcape, we are designing sales and service experiences that are built around the customer, seamlessly integrating our platforms to provide a consistent approach whether online or in the showroom.

We already have an online sales offering and complete digital journey that allows customers to immerse themselves in the brands we represent. Through these channels, we are developing new ways to gather customer insights to ultimately deliver better online solutions, whilst also enhancing the retail centre and ownership experience.

## CHOICE

Today's customer is choice-rich and time-poor. Until recently, people would visit a showroom four times before making a purchase. Now the average is just one and a half times. So we need to continue to stand out from the competition, giving customers the opportunity to navigate their experience with us on their terms and at their pace.

With our global presence and increasing Distribution and Retail contracts, we are expanding choice for our customers, whilst insuring that we deliver a consistent and uniquely Inchcape experience, wherever they are and through whichever channel they choose.

# OUR CUSTOMERS

**"With Inchcape, I know  
I will get great quality service,  
no matter the brand, both in  
the centre and online"**





## 150

**Customer Experience initiatives underway across the Group**

**Data-driven focus on digitally 'connected' automotive experience through Salesforce**

**Making every customer interaction with Inchcape easy, effective and enjoyable**

**Enhanced website visibility through content optimisation and design improvement, through Brightedge SEO tool**

# DRIVING FORWARD

Our long-term partnerships with many of the world's leading vehicle manufacturers (Original Equipment Manufacturers or 'OEM's) are the beating heart of our business. Our criteria are demanding and rigorously applied: we want to work with OEM partners who are strategically positioned in growing markets, who are leading the rapid evolution of the automotive industry, and who hold customer service, trust and quality in the same regard as Inchcape.

When we find the right partner brands, we nurture the relationships to last and to deliver value far into the future. This is how we have successfully sustained OEM partnerships, some lasting more than 50 years.

## OUR PARTNERS

**"2017 marked the 50th anniversary of the Inchcape Toyota partnership. The relationship began in 1967 through Inchcape's business in Singapore, Borneo Motors. Today, Inchcape represents the Toyota Group in 19 countries around the world."**

### GLOBAL SCALE

We are the world's only independent multi-brand automotive Distributor and Retailer with a global presence. Managing a fine balance between developed and emerging markets across our 29-territory footprint, we provide market access and country expertise for many of the world's leading premium and luxury brands through a balanced Distribution and Retail portfolio.

Our global scale truly sets us apart and delivers benefits to all of our stakeholders. For our OEMs, it ensures that they have a trusted partner as they seek to develop in new territories and, as they increase their global offering, so do we. There are a number of examples of this expansion over the last 12 months, including new contracts with BMW in Estonia and Guam as well as Peugeot and Citroën with Groupe PSA in Australia.

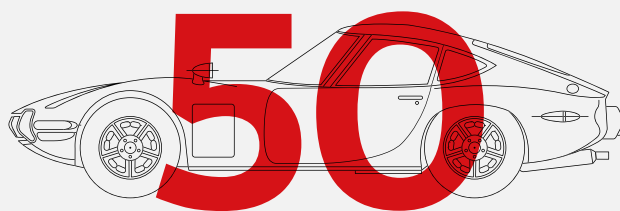
### INFRASTRUCTURE

The business and management systems and processes we have in place ensure professional consistency and financial resilience across all our markets. And our focus on governance and risk management, value-added processes in Distribution and Retail, deep customer understanding and logistics capabilities, combine to give our OEM partners the reassurance they require.

### TRUSTED PARTNERSHIP

Our vision is to be the world's most trusted automotive Distributor and Retailer and, for our partners, success can be seen in our long-term relationships. This year we celebrated 50 years of working with Toyota, an achievement of which we are particularly proud, and with a further five key strategic relationships of 25 years or more, we are continuing to show that long-term trust and value sit at the heart of our offer.

We are proud to work with the best OEMs in the world and that many of them have chosen Inchcape to represent their brands, and deliver for their customers, in the global market place. These relationships are mutually beneficial and we continue to ensure that we place their business needs alongside ours to, together, deliver a world-class customer experience.



YEARS OF TOYOTA + INCHCAPE

**KEY ACHIEVEMENTS****Guam BMW contract won****Estonia BMW acquired****Australia Peugeot and Citroën contract won****Toyota & Inchcape 50 years of partnership****Hino in Chile enters 1,000 club****Expanded in four new markets with Subaru****Record market share for Subaru in Australia****Jaguar Land Rover Thailand win award and growth****Mercedes UK win service and parts award for second consecutive year**



# DRIVING FORWARD

At Inchcape, the talent and dedication of our people are central to our success and we recognise the importance of nurturing this vital resource.

Throughout our business and across our global locations, we have the ambition to be the best and most trusted employer in our industry, continuously seeking to lead the way in attracting, recruiting and developing the best talent. With a diverse workforce of over 17,000 employees in 29 countries, we understand that our people have different needs and aspirations, and seek to provide them with the best support and development opportunities to enable them to drive their development and reach their full potential.

## OUR PEOPLE

**"I haven't seen this kind of investment in people in other companies. It's so refreshing and I know it will drive our competitive advantage. I'm excited for the future"**

### DRIVE5 PERFORMANCE FRAMEWORK

Every individual contributes to realising our success. In 2016 we launched DRIVE5, our global performance framework designed to support all of our people in the delivery of our Ignite strategic objectives, and we have now successfully embedded this across the Group.

The performance framework sets out what we stand for as an organisation, and describes what each of us need to do to enhance individual and team performance to best deliver our ambitions. The drivers within the performance framework outline the behaviours that support and build our culture – one of high performance through the development of strong relationships with our customers, our colleagues and our OEM brand partners – ultimately setting us apart from the competition.

### DRIVING A GROWTH CULTURE

It is vital that every individual in the organisation is fully equipped to make their best contribution. This becomes even more important as the pace of change in the automotive industry increases. Strong leadership and a culture of continual learning and innovation are critical to our success, for today and the future.

Through DRIVE5 we actively encourage colleagues to consider their progress and development needs, have meaningful conversations with their managers, and set aside time to build skills and collaborate with their global network.

In 2017 we have further invested in supporting our people to drive their development, with the launch of a bespoke global development and collaboration platform. The new platform provides access at any time to the latest thinking, development content and enables individuals to share learning with global colleagues and leverage best practice across our 29 markets.

This builds on a strong digital offering already in place for our colleagues, and makes it easy, effective and enjoyable to use – in line with our approach to customer experience.

### EQUIPPING OUR TEAMS FOR THE FUTURE

The journey to becoming the most trusted employer in our industry continues into 2018 and beyond, with clear direction and increasing momentum. We are working with all our people at every level of the organisation to build a stronger, better Inchcape for the benefit of all our stakeholders.





Inspiring a Growth Culture at Inchcape

Employees

**17,000**

DRIVE5 performance framework rolled out in

**29 countries**

Digital learning and collaboration platform available

**24/7**

# DRIVING FORWARD SHAREHOLDER RETURNS

In everything we do, we continually aim to make a positive difference to the lives we touch. So we create engaging, memorable experiences for our customers. We build winning relationships with our OEM brand partners. We empower our people to enjoy fulfilling and rewarding careers. And we work hard to ensure we operate in a responsible and sustainable way.

Amid all this, we never forget that it is our shareholders who provide the capital that drives our operations forward. We are committed to building value for shareholders through the most efficient allocation of capital, be it through returns, or through value accretive M&A. This is why we have consistently grown our returns to shareholders every year since 2011.

## CONSISTENT RETURNS

Our exclusive Distribution contracts in key global markets, supported by strategic Retail agreements, drive strong, sustainable returns and underpin the Group's consistent organic growth. We are well positioned for the future, as we continue to benefit from high barriers to entry and low capital-intensity requirements in our established territories.

## SHORT TERM

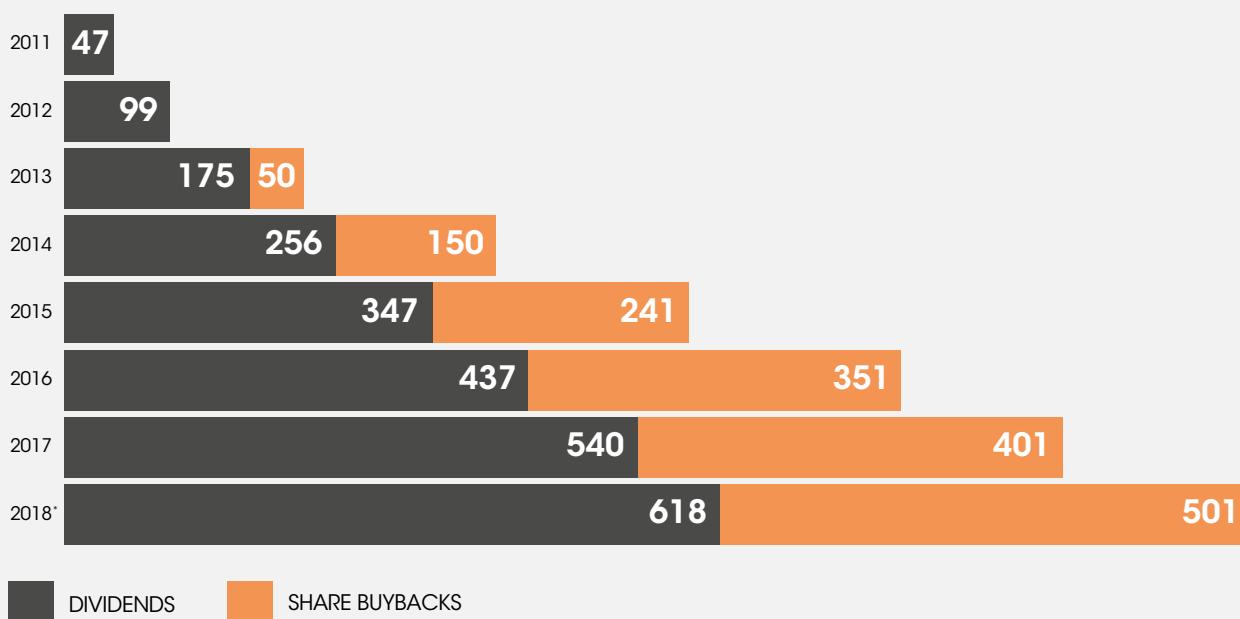
We currently generate a return on capital employed of 30% and have a strong annual free cash flow. Alongside our strong balance sheet position, this enables us both to continue our well supported dividend policy and continue investing in growth through the sensible allocation of excess free cash.

## LONG TERM

Our cash generation enables us to continue consolidating our fragmented industry in global markets which offer us the greatest opportunities for growth, allowing us to build on our unique portfolio of exclusive Distribution contracts with the world's leading automotive manufacturers. In addition, our diversified revenue streams and geographies protect us against the cyclical nature of the automotive industry.

Given our strong balance sheet and free cash flow position we have sufficient funds to enable this growth with a disciplined capital allocation policy that ensures excess cash is returned to shareholders.

## CUMULATIVE CASH RETURNS (£m)



\* 2018 cumulative cash returns inclusive of 2017 final dividend and assuming completion of share buyback to a value of £100m.

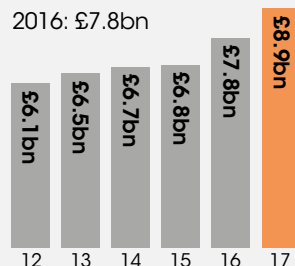
# KEY PERFORMANCE INDICATORS

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

## Sales

**£8.9bn**

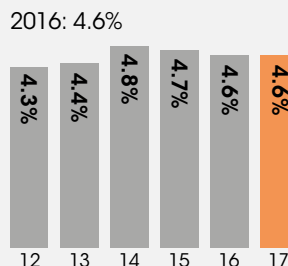
2016: £7.8bn



## Operating margin

**4.6%**

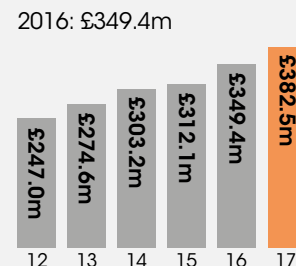
2016: 4.6%



## Profit before tax and exceptional items

**£382.5m**

2016: £349.4m



### Definition

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

Operating profit (before exceptional items) divided by sales.

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

### Why we measure

Top-line growth is a key financial metric of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'.

A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.

A key driver of delivering sustainable and growing earnings to shareholders.

### 2017 Highlights

The Group has delivered £8.9bn, growth of 14.2% vs. last year.

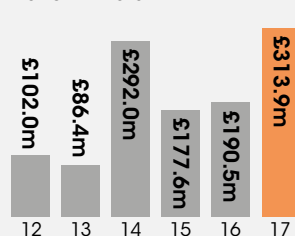
Operating margin at 4.6% is in line with the operating margin achieved in 2016.

In 2017 this increased by 9.5% to a record £382.5m.

## Free cash flow

**£313.9m**

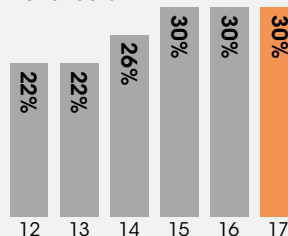
2016: £190.5m



## Return on capital employed

**30%**

2016: 30%



### Definition

Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.

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.

### Why we measure

A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.

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.

### 2017 Highlights

The Group delivered free cash flow of £313.9m, a 65% improvement on 2017.

The Group delivered ROCE of 30%.

For reconciliation of free cash flow, see page 29

# DRIVING FORWARD

"Our diversified business model has continued to deliver growth, underpinned by our progress with the Ignite strategy, our foundation for the future."



## OVERVIEW

I am delighted to report another strong year of performance in 2017. We have continued to grow our global footprint, diversify our revenue streams, and evolve our business to meet the needs of the rapidly changing global automotive market.

Our Distribution business achieved strong organic growth, boosted by the successful integration of our business in South America, acquired in 2016, which has seen a trading profit performance ahead of plan. Our Distribution activities now contribute towards c.80% of Group profit, and are our strategic focus for future growth.

We embedded operations for Subaru in four new markets and gained market share in New Zealand as well as Australia, where we also successfully integrated the Peugeot and Citroën Distribution operations of Groupe PSA into our business.

Strengthening and deepening our relationships with our brand partners is a key focus of our Ignite strategy. This year, we celebrated 50 years of partnership with the Toyota Group, whom we now represent in 19 national markets. We also continued to strengthen our relationship with our key partner BMW, who awarded us sole Distribution contracts in Estonia and also in Guam, our first BMW Distribution contract in Asia, added in January 2018.

Our Retail businesses had a more challenging year, with growth in New Car sales slowing in some developed markets. The UK market declined in the second half of the year, putting pressure on margins. Both the Australia and UK Retail markets were also impacted by the product cycle of some brands that we represent. In Russia, by contrast, pleasingly we saw strong trading profit recovery largely supported by progress with Ignite in the region.

Although Distribution is our core focus for future growth, both organically and by M&A, our Retail operations remain strategically important. They underpin and enhance our relationships with our brand partners, and thus our Distribution business, and also provide proven Ignite best practice to leverage throughout the wider business. We therefore continue to invest for the long term development of Retail.

The Aftersales market continued to grow this year, with an 8% constant currency increase in gross profit for the Group, excluding the effects of the acquired Subaru and Hino Distribution business in South America. Performance in Retail was in-line with this strong performance and reinforces our confidence that further value creation resides in our Retail business beyond New Car sales. In addition, our focus on procurement has now achieved £20m of annualised cost savings, with further savings opportunities still targeted.

We know that the global automotive market is changing rapidly. For customers, the car buying experience is now increasingly digital and mobile, with many more interactions taking place online, instead of in



## Uniquely positioned to drive growth in a changing industry

The global automotive industry continues to evolve. Technology-driven trends are rapidly evolving customer behaviours and expectations. Digitisation, increasing automation, growing connectivity and the development and increasing deployment of the autonomous car are just some of the trends developing with consumer preferences. Our strategy focuses on leveraging opportunities from these exciting changes while building on Inchcape's unique position as an independent, global multi-brand Distributor and Retailer.

retail centres. Inchcape is innovating fast to respond to changing customer behaviour and demands, and we remain focused on providing a differentiated and excellent quality of service, no matter where our customers choose to interact with us.

You can read more about the Inchcape Customer Experience programme on page 6.

### TOP-LINE FINANCIAL RESULTS

You can read a more detailed overview of Group and regional performance in our Operating Review on page 20 To give you a quick overview of progress, however, I will briefly outline the top line results and regional trends here.

Over 2017 Inchcape grew revenues 14% year-on-year in actual currency and 9% in constant currency, with earnings before exceptionals, interest and tax up 14% in actual currency and 9% in constant currency. Pleasingly, our free cash flow conversion was strong again in 2017 at 77% and we ended the year with a net funds balance of £80m.

80% of our profits now come from fast-growing Emerging Markets and the APAC region, which we expect to drive robust organic growth over the medium term, boosted by strategic M&A.

We remain firmly focused on the efficient allocation of capital and have approved a new £100m share buyback to be completed over the next 12 months. We are also proposing a full year dividend of 26.8p per share, up 13% year-on-year.

## Regional overview

### OUR DISTRIBUTION OPERATIONS

#### Asia

In Asia we delivered double-digit profit growth, driven partly by a good performance in Singapore. Our Singaporean commercial vehicles business performed particularly well, growing volumes by 32% year-on-year.

Hong Kong performance was also encouraging, regaining stability following a challenging trading environment during 2016. In Thailand, we successfully embedded the Jaguar Land Rover Distribution business we acquired during 2016, and our strengthened presence in this market received recognition as we won the award for Retailer of the Year for Jaguar Land Rover Tapio, within the smaller operations category in Asia.

The profit growth across Asia was complemented by a reduction in overheads, achieved by the integration of our North and South Asia business, into one regional operation. This is an early indication of the effectiveness of the fixed-cost review that we announced in last year's Annual Report.

#### Australasia

Australasian Distribution achieved profit growth of 12% in constant currency, excluding an unfavourable exchange rate between Japanese Yen and Australian Dollar. This was largely driven by the ongoing success of our Subaru Distribution operations in Australia that pleasingly gained market share, taking our position to 4.4%, a new full year record. The successful launch of the Subaru XV SUV and the popularity of the latest Impreza acted as strong performance boosts in 2017.

We also successfully integrated two new brands into our global portfolio – Peugeot and Citroën – following the win of the Groupe PSA contract. The performance of the PSA network was strong over the second half of the year, particularly following the September launch of the Peugeot 3008 SUV. Volumes have grown 46% under our ownership and we doubled market share. We see much further scope to continue building the Australian business for this new brand partner.

#### Emerging Markets

Emerging Markets Distribution operations performed exceptionally well in 2017, with overall profit growth in constant currency of 70% during the year. Without the contribution of our major acquisition in South America in December 2016, this stood at 11% at constant currency.

Following the acquisition, we successfully implemented a new regional structure across South America to unify the existing and new businesses. This new structure and the implementation of best practice contributed very strongly to the profit growth in the region, particularly thanks to an excellent performance by Subaru in Chile and Peru. We also saw good growth with Suzuki in Argentina, almost doubling our market share.

BMW in South America continued to go from strength to strength in 2017, with market share increases in both Chile and Peru.

In Ethiopia, the political situation which led to disruption in 2016 improved over 2017, and a strong New Vehicle sales performance led a good recovery during the year.

### Europe

Our European Distribution operations delivered solid revenue growth in 2017, reflecting a decline in Belgium and growth across all other markets, including strong growth in our Eastern European operations. Within the Greek New Vehicle market which continued to recover, growing by 12%, we delivered a good performance in our Toyota and Lexus business. This was supported by higher Finance and Insurance (F&I) profit, following strategic innovations, and improved New Vehicle margins.

Our Eastern European profit performance was strong, and we continue to benefit from structural growth, across our value drivers. A highlight for the year was the acquisition of the BMW Distribution operations for Estonia, complementing our existing presence and taking our Baltic BMW representation to two of the three markets.

### OUR RETAIL OPERATIONS

Despite our strategic focus on Distribution, our Retail operations retain a key strategic importance, both as a pillar of our wider brand partner relationships and as a platform for our Aftersales and F&I value drivers.

At the start of 2017, we set out our expectations for a challenging year and predicted declining sales volumes in the UK New Car market. This proved to be the case, with an overall decline of 6% from the peak year of 2016. In this market context, margins have been under pressure and profit has consequently declined. As expected, our UK and Europe region saw profit this year reduced by 17% at constant currency, with a marked downturn in the second half of the year.

We are therefore encouraged by our focus on Aftersales as a means of realising the inherent value in the UK's record Total Industry Volume (TIV). This shows the advantage created by our diversified revenue streams, which give us a unique ability to deliver long-term stability in all market conditions.

Australia Retail was similarly impacted from our brand exposure in the market, but we were pleased with the Aftersales performance given our investments in the business.

The star performers among our Retail operations were those in Eastern Europe, where positive market trends have encouraged us to invest strongly for the future. In Poznan, Poland, we opened our third and largest BMW retail centre in the country, an investment that reflects our strong Retail growth in the region.

## Our Ignite strategy

Our results for 2017 reflect the progress we continue to make with our strategy for growth, Ignite.



## 1. LEAD IN CUSTOMER EXPERIENCE

We recognise that digital technologies and expertise are vital to delivering a better customer experience. This conviction is at the heart of our new Inchcape Customer Experience programme, which aims to optimise the customer experience throughout buying and ownership.

Critically, this is a programme for the digital age, optimising data usage, professionalising processes and increasingly deploying new tools and techniques across all our markets to make interaction with us easy, effective and enjoyable for our customers, whether online, on a mobile device or in person.

You can read more about our Customer Experience Programme and activities on page 6.

## 2. BECOME THE OEM'S PARTNER OF CHOICE

Strong relationships with our brand partners are absolutely central to performance delivery, and this has been a continued area of focus for us in 2017.

Key developments have included increasing our Subaru market share to 4.4% in Australia, being awarded our first BMW contract in Asia (in January 2018), winning the UK Mercedes-Benz awards for service and parts in the UK for an unprecedented second year, and delivering a good set of results for Subaru and Hino in our first year of trading these brands in South America, including entering the Hino 1,000 club for excellence in sales in Chile.

We have also strengthened relationships with our existing partners across new and existing territories, introduced new OEMs into our portfolio and have invested in improving the infrastructure and OEM footprint in our markets, where we represent them.

## 3. DELIVER FULL POTENTIAL ON ALL REVENUE STREAMS

In 2017, our Distribution Aftersales profits, excluding the acquisition in South America, grew 7% constant currency, reflecting targeted investment in this area, for example, in recruitment programmes for technicians in key markets.

Russia is also an excellent example of how Ignite is driving the business forward with meaningful profit growth year-on-year in what remains a challenging market for our brands. From the learnings the Russian team took from UK Retail pilots they have increased Used to New Car volumes from 47% over the second half of 2016 to 68% in the second half of 2017. They have also grown Aftersales gross profit by 2% in constant currency by implementing UK practices in their contact centre. This is a good result against a declining 1-5 year Car Parc.

Over the year we also conducted an extensive global review of our Finance and Insurance (F&I) revenue streams. We know that there exists meaningful future opportunity to enhance our profitability through this revenue stream, through both improved selling processes and through the related products we offer.

## 4. LEVERAGE OUR GLOBAL SCALE

There are efficiency gains to be made in almost every business structure. This is seldom more true than with a global organisation such as Inchcape, with 17,000 employees active in 29 markets across the world. Our focus on procurement efficiency has now achieved £20m of annualised cost savings, in line with our expectations, and we continue to see opportunities to further streamline our supply chain throughout the business.

Whilst an excellent outcome, leveraging our global scale is about more than efficiency savings. It is also about running our regional and local teams more effectively, sharing best practice throughout our Group, transferring knowledge and sharing our expert pan-regional resources to heighten the professionalism of all our operations. Our organisational structure and capabilities have been enhanced throughout the business to drive future sustainable growth.

## 5. INVEST TO ACCELERATE GROWTH

Inchcape is one of a very few independent, global Distributors in a highly fragmented global marketplace. We are therefore a natural consolidator. The opportunity to drive growth through acquisitions to build our presence in key geographies, or to enhance OEM partner relationships, is considerable. Our OEMs are supportive and sometimes even initiators of acquisition opportunities.

During 2017, we focused on integrating strategic acquisitions from 2016 in our South American and Asian operations. The Subaru and Hino Distribution businesses in South America performed ahead of plan, contributing £30m of trading profit to our 2017 full year results. Our acquisitions in Estonia and Australia also contributed to our earnings in our European and Australasian markets.

Our intention, as stated previously, is to build and seek to actualise our M&A pipeline. Our exceptional ability to rapidly integrate new acquisitions also enables them to deliver value to the Group quickly.

I am particularly pleased with our Russian business performance in 2017 that recovered to report a £4m trading profit from broadly break even last year. While the market for New Vehicles strengthened during the year, government incentives to buy locally manufactured volume brands created a challenging sales environment, as we represent global premium brands. However, the emphasis on Used Car sales under our Ignite strategy proved very successful during 2017, and we saw substantial growth in this segment.

Overall, gross profit in constant currency in Retail Aftersales grew 8% over the year. This highlights the importance of maintaining a portfolio of business activities with diversified revenue streams.

Looking ahead, the market environment is expected to remain challenging. We are working to further develop profit streams in Used Cars and Aftersales, to counteract the uncertain environment for New Car sales. We are confident of further development in these businesses in 2018.

### **SOUTH AMERICA – AN OUTSTANDING RESULT FOR A YEAR OF INTEGRATION**

The integration of the South American Distribution business, acquired in Dec 2016, generated £30m of trading profit over the year, driven by solid trading improvements.

We have seen double digit volume growth for Subaru, with record Subaru sales in Chile, Colombia and Peru. In addition Hino Chile have hit a very important milestone with more than 1,000 trucks sold in Chile.

Our regional management integration was recently completed, combining the new and existing South American businesses into one. This should generate synergies in 2018, so we are expecting a good year for the business.



### **PEOPLE**

Inchcape could not have achieved such a strong performance this year without the expertise and dedication of all our people, around the world. I never fail to be impressed by the strength of their passion and commitment. On behalf of the whole Board, I would like to thank them.

Creating exciting and rewarding career paths and developing the skills of our people are a key focus for Inchcape. Quite simply, we want to be renowned for being the best place to work in our industry.

During the year, we significantly enhanced the capabilities of our regional operations across the world, delivering a new marketing organisation, more efficient procurement, better sharing of best practice between national teams and clearer direction in delivering business objectives.

### **DIRECTORATE CHANGE**

In January 2018, Ken Hanna, Chairman of the Inchcape Board of Directors, announced that he will retire from the Inchcape Board in May. Ken has been Chairman for nine years and has been a member of the Board since 2001. Ken has played an important role in steering Inchcape through the global financial crisis and in developing the Group's strategy over the last decade. We all have a debt of gratitude to Ken and he will be proud, I know, of what the Group has achieved.

Nigel Stein will succeed Ken as Chairman. Nigel has been a Non-Executive Director of Inchcape plc since October 2015 and has a deep understanding of the Group, and has been part of the development of the Ignite strategy. He was appointed Chief Executive of GKN in January 2012 after a number of years in other senior roles within the company. Nigel has significant experience in the commercial vehicle, manufacturing and global automotive industry. He is a member of the Institute of Chartered Accountants of Scotland and former non-executive Director of Wolseley plc. He is currently Chairman of the Automotive Council.

I look forward to working with Ken, Nigel and the rest of the Inchcape Board over the coming months to ensure a smooth and comprehensive handover.



## BUILDING THE ORGANISATIONAL STRUCTURE FOR THE FUTURE

Since the launch of Ignite in 2016, we have reorganised the business and invested to ensure we have the right capabilities within the business.

We have created new global roles to deliver many of the Ignite components and have also reorganised the business within regions in order to leverage scale at the more local level.

I would like to welcome the two newly appointed senior leaders who are now responsible for directing our businesses in Singapore and Hong Kong, Jasmine Wong and Stevie Wong. Both Jasmine and Stevie bring with them a wealth of knowledge and experience, and I look forward to seeing them build their operations over the years to come.

## OUTLOOK

Our strong set of results for 2017 reflects the strength of our unique business model and focus on driving the Ignite strategy in our businesses. I am particularly pleased with the performance across our Distribution and Emerging Markets operations which more than mitigated the challenging Retail environments in the UK and Australia.

We have a diversified portfolio business, operating at all points of a vehicle's life cycle, with a strategic focus on higher margin Distribution activities and higher growth geographies. Asia and Emerging Markets have performed strongly this year and our South American business, which we acquired in December 2016, is performing ahead of plan.

Our industry is changing rapidly and our 'Ignite' strategy has been designed to make sure that we stay one step ahead of those changes, and win from them. We expect to see the pace of change gather momentum and we are evolving our business to ensure that we maintain our market leading positions and unique relevance to our OEM brand partners and customers.

In summary, 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 unique spread of markets. Whilst we anticipate continuing challenges across some of our Retail operations, continued momentum across the rest of the Group gives us confidence that we will meet our expectations for 2018.



**Stefan Bomhard**  
Group Chief Executive

# OUR GLOBAL LEADERSHIP TEAM

Our Group Executive Committee is a global leadership team of experts that brings together a wealth of experience from a range of industries as well as deep local market knowledge, with a focus on operational excellence. The Executive team drives the vision and direction of the Company on behalf of the Board.



**Stefan Bomhard**  
Group Chief Executive



**Richard Howes**  
Chief Financial Officer



**Aris Aravanis**  
CEO Continental Europe



**George Ashford**  
CEO Asia



**Stéphane Chatal**  
Chief Information Officer



**Alison Clarke**  
Chief Human Resources Officer



**James Brearley**  
CEO Inchcape UK



**Ruslan Kinebas**  
CEO Emerging Markets



**Bertrand Mallet**  
Chief Development Officer



**Nick Senior**  
CEO Australasia



View full biographies online at  
[www.inchcape.com](http://www.inchcape.com)

# DRIVING FORWARD

## Another year of earnings growth and strong cash generation

Group sales of £8.9bn are up 9.4% year-on-year. The Group saw organic sales growth in all regions with a particularly strong performance in Emerging Markets, growing by 14.4% excluding the acquired Subaru and Hino business in South America. We also saw a robust performance in Australasia. Together these regions offset slower top-line growth in UK and Europe and Asia. The Group delivered strong organic growth, excluding the South America acquisition, of 4.4%.

The Group delivered an operating profit before exceptional items of £407.5m, 8.8% up year-on-year and up 0.8% excluding the new South American operations. Our Distribution business continues to be the growth engine of the Group, with trading profit up 17.5% and, excluding the accretion of the new South American businesses, still growing strongly by 7.3%, with all regions demonstrating underlying growth over the period. Our operating margin is in-line with 2016 at 4.6%, with growth in our higher margin Distribution businesses offsetting margin pressure in some of our main Retail markets given a supply and demand imbalance, and adverse Australasian transactional currency.

Profit before tax and exceptional items of £382.5m is up 5.3% year-on-year, a solid performance in the context of a difficult Retail trading environment and the transactional currency headwind. Interest increased £15m at actual rates year-on-year, reflecting adverse foreign exchange, the financing of our South American acquisition, higher stock financing costs, a lower pension surplus and higher fixed rate US private placement costs.

The Group delivered strong free cash flow of £313.9m, up 65% versus 2016, representing a conversion rate of 77%, ahead of the prior year level of 53%.

Working capital continues to be a key focus area and we ended the year at £11m, an improvement year-on-year of £78m, benefitting from structural improvements in our acquired South American business and Asia, in addition to year-on-year timing benefits across some of our markets. This improvement supported our strong cash conversion and free cash flow generation of £313.9m.



**Richard Howes**  
Chief Financial Officer

Net capital expenditure in 2017 was £101m. This was ahead of the prior year, but consistent with our guidance that 2017 would include catch-up expenditure. We have invested to develop our facilities in the UK, including a number of projects for Jaguar Land Rover under the new Arch retail format, as well as important new developments in Emerging Markets and in Australia. We also continue to invest in our IT infrastructure, including our multi-year iPower ERP project and investments behind the digitisation of the customer experience.

Net cash at the end of the year was £80m.

Return on capital employed (ROCE) for the Group remained at 30%, reflecting disciplined management of the Group's balance sheet.

During 2017, we completed the second half (£50m) of our 2016 announced £100m share buyback programme at an average price of 816p.

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 2018 outlook commentary is also referenced at constant currency.

## KEY PERFORMANCE INDICATORS – RESULTS

	Year ended 2017 £m	Year ended 2016 £m	% change	% change in constant currency
Sales	<b>8,949.2</b>	7,838.4	14.2%	9.4%
Operating margin	<b>4.6%</b>	4.6%	–	–
Profit before tax and exceptional items	<b>382.5</b>	349.4	9.5%	5.3%
Free cash flow	<b>313.9</b>	190.5	64.8%	
Return on capital employed	<b>30%</b>	30%	–	–

## REGIONAL ANALYSIS

	2017 £m	2017 Exceptional items £m	2017 Reported £m	2016 £m	2016 Exceptional items £m	2016 Reported £m
Asia	<b>157.7</b>	<b>(0.1)</b>	<b>157.6</b>	136.7	(11.6)	125.1
Australasia	<b>102.1</b>	<b>(0.1)</b>	<b>102.0</b>	102.4	(5.2)	97.2
UK and Europe	<b>89.8</b>	<b>(8.0)</b>	<b>81.8</b>	97.1	(36.7)	60.4
Emerging Markets	<b>89.9</b>	<b>(3.5)</b>	<b>86.4</b>	52.4	(0.9)	51.5
<b>Trading profit</b>	<b>439.5</b>	<b>(11.7)</b>	<b>427.8</b>	388.6	(54.4)	334.2
Central costs	<b>(32.0)</b>	<b>(0.9)</b>	<b>(32.9)</b>	(29.5)	(27.2)	(56.7)
Operating profit	<b>407.5</b>	<b>(12.6)</b>	<b>394.9</b>	359.1	(81.6)	277.5

## BUSINESS ANALYSIS

	Year ended 2017 £m	Year ended 2016 £m	% change	% change in constant currency
<b>Sales</b>				
Distribution	<b>4,203.4</b>	3,424.4	22.7%	16.5%
Retail	<b>4,745.8</b>	4,414.0	7.5%	3.8%
<b>Trading profit</b>				
Distribution	<b>346.3</b>	283.3	22.2%	17.5%
Retail	<b>93.2</b>	105.3	(11.5%)	(14.2%)

## DISTRIBUTION

The Distribution segment delivered a strong performance at constant currency, growing revenue year-on-year by 16.5% and by 5.2% excluding the new South American operations. This was driven by strong growth in Asia, where Singapore benefitted from commercial vehicle strength, although it was dampened by slower growth in Hong Kong and some of the smaller markets in the Asia region. Our Emerging Markets, including our BMW businesses in Chile and Peru and our Toyota-led operations in Ethiopia, performed well. Australasia's top-line growth was robust, supported by the new Subaru Impreza and XV models and a strong performance in our New Zealand business. Furthermore, our European Distribution operations delivered robust growth, driven by our Balkan and Baltic markets.

Trading profit grew ahead of sales, up 17.5% in constant currency and up 7.3% organically, excluding the new South America acquisition. Singapore, Australasia (despite a net negative £10m Yen transactional impact) and Ethiopia were key drivers of this performance. Group Distribution trading margin declined 10bps to 8.2%, despite a strong improvement of 70bps in our Asia business underpinned by the benefit of greater cost efficiency as we better leverage our scale across the region. This was offset by the decline in the Australasia margin as a result of the transactional currency headwind and product margin mix, as well as the margin dilutive impact of the new South American business.

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.

## RETAIL

The Retail segment delivered a resilient revenue performance, growing by 3.8% despite a challenging UK market and underperformance of some European brands in the Australian markets. All regional segments saw revenue growth, with strong performance in most of our European business and 15.4% revenue growth in Russia.

Trading profit declined by 14.2% year-on-year, with margins down 40bps. In the UK we have been impacted by a sharp contraction in New Car volumes leading to a supply and demand imbalance which has weighed on margins. Both the UK and Australia businesses felt margin pressure with some key European brand partners having relatively fewer new products launched in comparison to peers recently. Australia was also impacted by investments being made in the business for Aftersales as well as Finance and Insurance (F&I) regulation change.

Pleasingly 2017 saw a meaningful improvement in our Russian business, supported by strong growth under our Ignite focus on Used Cars. Whilst we have seen margin pressure across Vehicle sales, Aftersales gross profit within Retail grew 8.1%, highlighting the importance of Inchcape's exposure across the life cycle of a vehicle.

## VALUE DRIVERS

In line with our 2016 Annual Report we provide disclosure on the value drivers behind our revenue and profit. This includes:

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

This 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'.

Over the year we saw 0.7% increase in Vehicle gross profit and 7.7% increase in Aftersales gross profit, both excluding the South America acquisition. Inchcape operates across the automotive value chain and over the year generated 37% of gross profit through Aftersales.

The increase in Distribution Vehicles gross profit of 27.1%, up 7.9% excluding the new South American operations, at constant currency reflects the organic levers of a strong underlying Emerging Market performance, higher New Vehicle margins in Asia supporting gross profit growth, offset partially by the transactional currency headwind of £10m in Australasia.

The Distribution Aftersales gross profit increase of 14.8%, up 7.4% excluding the new South American operations, was driven by the underlying Emerging Market growth as well as a strong growth in our Australasia segment, benefitting from a strong performance in our Subaru parts business.

The Retail business saw a 6.5% decline in Vehicles gross profit, reflecting the challenging market environment in the UK and Australia for New and nearly New Vehicles, as well as faster growth in our entry-level Subaru models, Impreza and XV in Australia.

A highlight of 2017 was stronger growth in our Russian operations where Vehicle gross profit growth improved from being down 7.0% for the first half of the year to being ahead by 2.5% for the full year, driven by the Ignite driven focus of improving our Used Car operations.

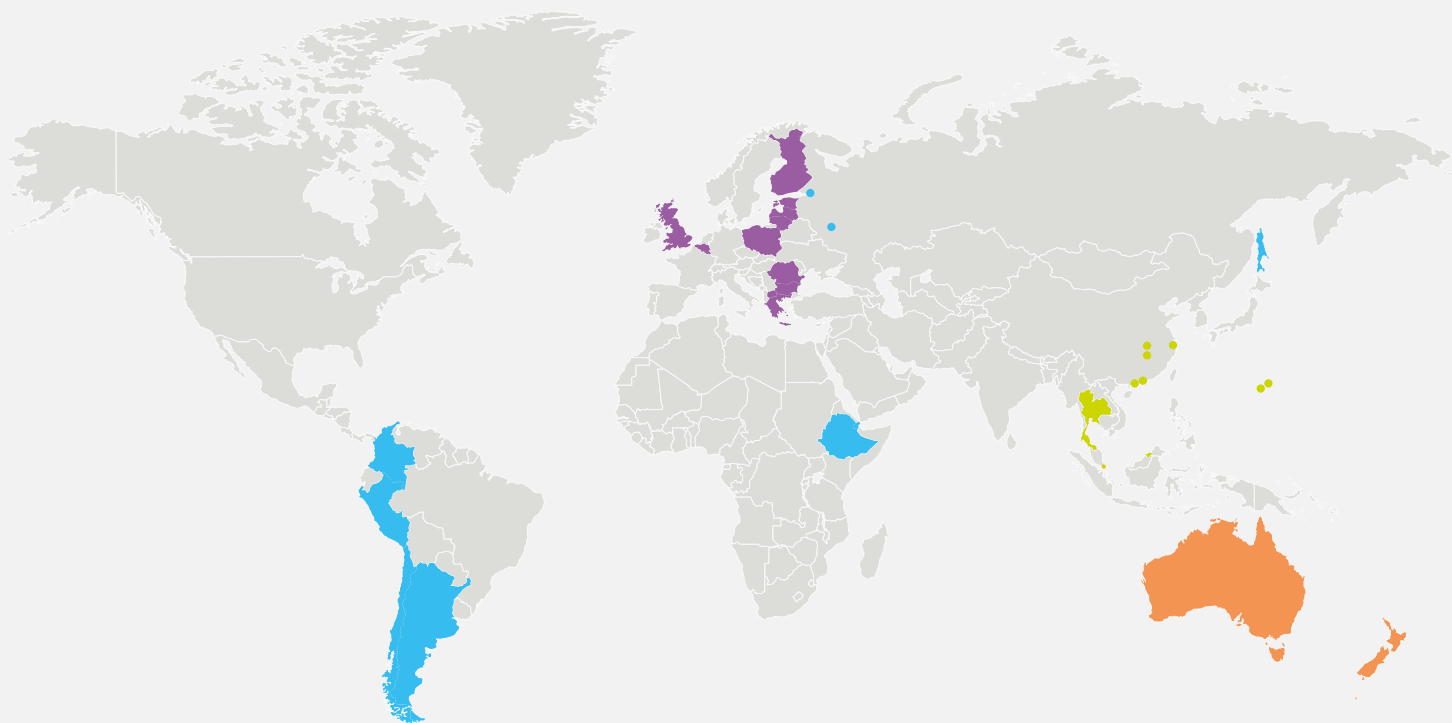
The Retail Aftersales gross profit increased by 8.1% year-on-year. This reflects strong growth in our Australasia segment due to increased technician headcount and extended trading hours in our Retail operations. This is coupled with solid growth in our UK operations, as we drove improvements through our operations by recruiting more technicians and introducing a new pay plan.

## VALUE DRIVERS

Group		Gross profit £m		% change	% change in constant currency
		Year ended 2017	Year ended 2016		
<b>Group</b>	Vehicles	<b>785.2</b>	678.7	15.7%	10.4%
	Aftersales	<b>466.9</b>	400.4	16.6%	12.3%
	Total	<b>1,252.1</b>	1,079.1	16.0%	11.1%
<b>Distribution</b>	Vehicles	<b>458.9</b>	341.9	34.2%	27.1%
	Aftersales	<b>290.1</b>	242.4	19.7%	14.8%
	Total	<b>749.0</b>	584.3	28.2%	22.0%
<b>Retail</b>	Vehicles	<b>326.3</b>	336.8	(3.1%)	(6.5%)
	Aftersales	<b>176.8</b>	158.0	11.9%	8.1%
	Total	<b>503.1</b>	494.8	1.7%	(2.3%)



# OUR OPERATING REGIONS



## ASIA

Strong profit performance, leveraging our regional scale

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## AUSTRALASIA

Strong top-line growth despite currency headwinds

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## UK AND EUROPE

Challenging UK market, growth in Europe

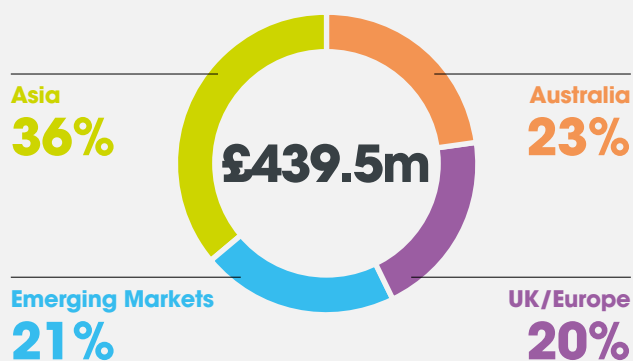
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## EMERGING MARKETS

Strong performance across all key markets

Page 27

## TRADING PROFIT CONTRIBUTION



# ASIA STRONG PROFIT PERFORMANCE, LEVERAGING OUR REGIONAL SCALE

## OPERATING PERFORMANCE

Our total Asian revenue growth of 2.7% was due to a strong performance in Singapore offset by lower growth across other markets including Hong Kong.

























The Singaporean New Vehicle market grew by 5%, ahead of our expectations for the year, with the increase in availability of Certificates of Entitlements (COEs) and therefore good growth for the higher margin commercial vehicle segment. Our market share in Singapore expanded by 90bps to just under 15%, with new SUV models for Toyota supporting this growth, namely the CH-R and Harrier models, enabling us to compete strongly in this growing segment.

In Hong Kong, following a very challenging 2016 where the New Car market declined by 21%, the market stabilised and delivered 6% growth in 2017. Our performance reflected this stabilisation, although was impacted to an extent by competitor clearance of lower demand stock, including diesel vehicles. Given our long-term focus on protecting our brand positioning we were careful within this trading environment.

Our Guam business won the Distribution rights for BMW in the fourth quarter of 2017, which represents a strong addition to our portfolio of brands in a country where we have consistently led the market for many years. Whilst the market for BMW is small, incremental business in an existing territory further builds on our relationship with a key existing brand partner. In Thailand our

## BUSINESS MODEL

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

Country	Route to market	Brands
Hong Kong, Macau	Distribution and Exclusive Retail	     
Singapore	Distribution and Exclusive Retail	   
Brunei	Distribution and Exclusive Retail	 
Guam	Distribution and Exclusive Retail	   
Saipan	Distribution and Exclusive Retail	
Thailand	Distribution and Exclusive Retail	 
China	Retail	    

## KEY FINANCIAL HIGHLIGHTS

	£m Year ended 2017	£m Year ended 2016	% change	% change in constant currency
Sales	1,700.6	1,591.6	6.8%	2.7%
Trading profit	157.7	136.7	15.4%	10.7%
Trading margin %	9.3%	8.6%	0.7ppt	0.7ppt

Jaguar Land Rover business, in its first full year of operation for Inchcape, performed in-line with our plan, albeit this was a small loss.

Trading profit for the segment in 2017 was up 10.7% year-on-year driven by the top-line factors outlined above and supported by improved overhead efficiency following the decision in 2016 to operate all of Asia as one region and better leverage our significant scale. Trading profit for the period benefitted from a gain on disposal of a retail site in China following an ongoing review of our site portfolio; however the year-on-year impact for the segment was limited given a gain in the prior year on a property disposal in Hong Kong.

During 2017 we welcomed new executives to lead our Singapore and Greater China including Hong Kong businesses. Both new executives bring a great wealth of expertise to our Asia operations and position us well for the future in these dynamic markets.

## OUTLOOK

We expect 2018 to be a challenging year for profit in Asia given the outlook for Vehicles in our largest profit contributor to the region, Singapore, where we expect a 15% decline in market volume. In addition we see a flat volume trend in the second largest profit market, Hong Kong. The region is focused on constantly improving the efficiency of the businesses and driving opportunities across our diverse value drivers.

# AUSTRALASIA STRONG TOP-LINE GROWTH DESPITE CURRENCY HEADWINDS

## OPERATING PERFORMANCE
















Our Australasia segment delivered revenue growth of 6.6% for the year, with Distribution and Retail growing at the same rate. Our Australasian segment saw profit decline in the year, reflecting a good underlying performance in our Distribution business offset by pressure in our Retail operations and a net c.£10m transactional currency headwind.

The Australian car market reached a new record level at just under 1.2m units, up 1% on 2016 and with growth continuing to be driven by the SUV segment, which expanded by 6%. Our Subaru operations achieved a new record for national volume at over 52k units, driving an excellent market share of 4.4%, 40bps ahead of 2016 and at a global leading level. The new Subaru Impreza and XV models in 2017 benefitted our volume performance and a better supply of vehicles compared to recent years supported our growth. Our operations in Australia were expanded during 2017, as we won the Distribution rights for Peugeot and Citroën to complement our existing business. PSA has delivered as planned with total volumes over the second half ahead by 46%, with market share more than doubling in the second half compared to the first half.

A number of premium and luxury European retail brands underperformed the market in 2017, placing pressure on our Retail performance during the year. In the fourth quarter of 2017 we opened a new facility for Jaguar Land Rover in Sydney, in the Bondi area.

## BUSINESS MODEL

We are the Distributor for Subaru in both Australia and New Zealand, in addition to Peugeot and Citroën in Australia. We also operate multi-franchise Retail operations in Sydney, Melbourne and Brisbane. At the end of 2017, we owned 35 retail centres and managed a network of 115 independent Subaru sites and 35 for Peugeot and Citroën.

Country	Route to market	Brands
Australia	Distribution and Retail	  
	Retail	               
New Zealand	Distribution	

## KEY FINANCIAL HIGHLIGHTS

	£m Year ended 2017	£m Year ended 2016	% change	% change in constant currency
<b>Sales</b>	<b>1,641.0</b>	<b>1,429.1</b>	<b>14.8%</b>	<b>6.6%</b>
Retail	805.9	701.3	14.9%	6.7%
Distribution	835.1	727.8	14.7%	6.6%
<b>Trading profit</b>	<b>102.1</b>	<b>102.4</b>	<b>(0.3%)</b>	<b>(7.4%)</b>
Retail	30.8	34.6	(11.0%)	(17.4%)
Distribution	71.3	67.8	5.2%	(2.3%)
<b>Trading margin %</b>	<b>6.2%</b>	<b>7.2%</b>	<b>(1.0ppt)</b>	<b>(1.0ppt)</b>
Retail	3.8%	4.9%	(1.1ppt)	(1.1ppt)
Distribution	8.5%	9.3%	(0.8ppt)	(0.8ppt)

Trading profit was below last year, with growth in our Distribution business reflecting the good volume performance but dampened by the significant £10m transactional currency headwind and margin mix of the Impreza and XV model launches. Our Retail profit performance reflected the model mix impact in our Subaru business, a challenging premium and luxury vehicle brand environment across both New and nearly New Vehicles as well as lower Finance and Insurance profit following industry changes and investment in the Aftersales business. Offsetting some of these headwinds, our Retail operations saw good profit growth in our Aftersales operations as we leverage the expanding Car Parc under our Ignite strategy and investments here. Our Retail business benefitted from a small increase in property profit year on year.

The Distribution margin decline was driven by the transactional currency headwind, while the factors listed in this section are the drivers of the decline in the Retail margin.

## OUTLOOK

We expect to deliver a robust 2018 performance in Australasia. We see continued market share growth for our Subaru business, and are set to further benefit from an improved transactional currency pair, as well as continuing to build our PSA business and leverage our Ignite strategy to drive improvements in our Retail operations.

# UK AND EUROPE CHALLENGING UK MARKET, GROWTH IN EUROPE

## OPERATING PERFORMANCE

We delivered resilient revenue growth across our UK and Europe segment with revenue up 2.2%. This top line performance reflects low growth in the UK, with good performances across Greece and some of the smaller Balkan and Baltic markets.

The UK New Car market declined in 2017 by 6%, following five consecutive years of growth, which was in line with our outlook for the market. Our UK performance was bifurcated across brands which traded broadly in-line with the prior year and those which saw greater challenges across both gross profit for New and nearly New Vehicles. Trading during 2017 deteriorated notably for some of our brands into the second half of the year, with the first quarter particularly strong given a pull forward in demand ahead of Vehicle Excise Duty changes.

Under our Ignite strategy we continue to develop the sophistication of our Used Car trading and the quality of our Aftersales operations. Our UK profitability saw benefits in the year from procurement savings in the year and we remain focused on overhead discipline. Overall, our UK business delivered revenue of £3.0bn, up 0.6% on last year.

The Greek market was up 12% 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 gross profit per unit on New Vehicles as well as higher Finance and Insurance income to support strong profit growth.

## 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	Distribution and Retail	
Belgium, Luxembourg, Greece, Romania, Bulgaria, Macedonia	Distribution and Retail	
Finland	Distribution	
Estonia	Distribution and Retail	
Latvia	Distribution and Retail	
Lithuania	Distribution and Retail	
Poland	Retail	

## KEY FINANCIAL HIGHLIGHTS

	£m Year ended 2017	£m Year ended 2016	% change	% change in constant currency
<b>Sales</b>	<b>4,229.2</b>	<b>4,062.9</b>	<b>4.1%</b>	<b>2.2%</b>
Retail	3,356.1	3,291.3	2.0%	1.3%
Distribution	873.1	771.6	13.2%	5.8%
<b>Trading profit</b>	<b>89.8</b>	<b>97.1</b>	<b>(7.5%)</b>	<b>(9.7%)</b>
Retail	58.8	70.3	(16.4%)	(16.9%)
Distribution	31.0	26.8	15.7%	8.1%
<b>Trading margin %</b>	<b>2.1%</b>	<b>2.4%</b>	<b>(0.3ppt)</b>	<b>(0.3ppt)</b>
Retail	1.8%	2.1%	(0.3ppt)	(0.3ppt)
Distribution	3.6%	3.5%	0.1ppt	0.1ppt

In Belgium, the Passenger Car market grew by 3%. However, and consistent with recent years, the market remained competitive placing pressure on New Vehicle margins.

Our Balkan and Baltic operations continued to structurally grow across our value drivers in 2017. Supporting this organic growth we acquired the BMW Distribution operations for Estonia, complementing our existing presence and taking our Baltic BMW representation to two of the three markets.

The trading profit decrease of 9.7% year-on-year was driven by the reduced profitability of our UK operations partially offset by growth across the majority of our Western and Eastern European businesses.

## OUTLOOK

We expect to deliver a resilient performance in 2018. This reflects a further expected decline in the UK New Vehicle market, and continued competitive environment, partially offset by our strategic push to expand and grow the profitability of our Used Car operations, as well as growth in our Aftersales business. In our Western European operations we expect a stable Belgian market and a continuation of the recovery of the Greek market. In Eastern Europe, we anticipate further expansion across our value drivers and benefit from the first full year of operation for our BMW business in Estonia.



# EMERGING MARKETS STRONG PERFORMANCE ACROSS ALL KEY MARKETS

## OPERATING PERFORMANCE

Our Emerging Markets segment was again a growth engine for the Group in 2017, delivering 62.4% headline revenue growth and growing strongly organically at 14.4%, excluding the new South American business. The strong performance was driven by growth across all three regions within our Emerging Markets segment, Africa, South America and Russia.

























Trading profit for the region increased significantly by 75.7% and strongly by 17.1% excluding the South American addition. Excluding Africa, all other Emerging Market sub regions saw margin growth in the year.

The new South American operations in Chile, Peru, Colombia and Argentina delivered on the growth trajectory we anticipated when acquiring the business. Within the country set Chile was the driver of the growth, offsetting some commercial vehicle challenges in Colombia. Trading profit for the business was £30.0m and strongly ahead of the level at the point we acquired the business. We recently integrated our South American businesses under one regional structure and anticipate synergies from this in 2018.

Our pre-existing South American BMW Distribution business, in Chile and Peru, delivered double-digit revenue and trading profit growth, led by the growth of our Chilean operations. The Chilean new passenger vehicle market was up by 18%, with BMW growing registrations by 32%. In Peru BMW registrations grew by 42% compared to the new passenger vehicle market growth of 5%.

## BUSINESS MODEL

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

Country	Route to market	Brands
Ethiopia & Djibouti	Distribution and Exclusive Retail	    
Russia	Retail	       
Chile	Distribution and Retail	   
Peru	Distribution and Retail	 
Colombia	Distribution and Retail	  
Argentina	Retail	 

## KEY FINANCIAL HIGHLIGHTS

	£m Year ended 2017	£m Year ended 2016	% change	% change in constant currency
<b>Sales</b>	<b>1,378.4</b>	<b>754.8</b>	<b>82.6%</b>	<b>62.4%</b>
Retail	583.8	421.4	38.5%	15.4%
Distribution	794.6	333.4	138.3%	131.6%
<b>Trading profit</b>	<b>89.9</b>	<b>52.4</b>	<b>71.6%</b>	<b>75.7%</b>
Retail	3.6	0.4	800.0%	562.6%
Distribution	86.3	52.0	66.0%	70.4%
<b>Trading margin%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>(0.4ppt)</b>	<b>0.5ppt</b>
Retail	0.6%	0.1%	0.5ppt	0.5ppt
Distribution	10.9%	15.6%	(4.7ppt)	(3.9ppt)

In Africa we delivered a positive outcome as we continue to grow alongside the broader economy and leverage our long-term investment to expand our capacity across our value drivers. In the final quarter of 2017 we acquired additional land near Addis Ababa as we look to expand our Aftersales footprint. The Ethiopian currency devaluation of 35% in 2017 impacted our results translation into Sterling but locally we have started the process of passing on the inflationary increase without dampening demand materially to date.

Our Russian Retail business saw 15% revenue growth. The total Russian New Car market grew by 12% with Inchcape's premium and luxury brands being flat year-on-year, but with the trend improving into the second half of the year. Our Ignite strategy focused on seeking Used Car opportunities across our markets saw excellent progress in Russia with a 70% increase year-on-year in Used Car volumes over the second half. Trading profit for our Russian business expanded from close to break-even to £3.6m and represented a margin improvement of 50bps to 0.6%.

## OUTLOOK

We expect another year of strong profit growth in our Emerging Markets. Continued New Vehicle growth in our South American markets will underpin strength in this region and continue to contribute more vehicles into our Car Parks for higher margin Aftersales. In Africa, we plan to continue to invest in this long-run growth market, but may see some pressure on reported results from the devaluation of the Ethiopian Birr in the second half of 2017.

## CENTRAL COSTS

Unallocated central costs for the full year are £32.0m before exceptional items (2016: £29.5m). Our costs remain well controlled with moderate inflationary increases in our underlying costs. However, we have incurred £2m of costs relating to business development activities in the year.

## OPERATING EXCEPTIONAL ITEMS

In 2017, the Group has recorded exceptional operating costs of £12.6m (2016: £81.6m). The charge in 2017 is comprised of restructuring costs of £10.5m (2016: £24.8m) associated with the global cost reduction programme and £2.1m (2016: £8.8m) in relation to the acquisition and integration of the Subaru and Hino Distribution business in South America. In 2016, the exceptional charge also included a non-cash impairment of £24.9m in respect of the goodwill associated with businesses in Lithuania and Estonia and a non-cash impairment of £23.1m relating to superseded functionality within the iPower ERP system. Further detail can be found in note 2, p.117.

## NET FINANCING COSTS

Net financing costs for the year are £25.0m (2016: £9.6m). The increase is due to increased levels of debt following the acquisition of the business in South America at the end of 2016, higher supplier financing costs, a lower return on the net pension asset as a result of the decrease in corporate bond rates used to discount pension liabilities, and a higher rate of fixed interest on the refinanced US Private Placement.

## TAX

The effective tax rate for the year before exceptional items was 25.0% (2016: 25.2%). The underlying rate broadly reflects the Group's profit mix and weighted average tax rate. The underlying tax rate in 2016 included the impact of the Foreign Income Dividend claim receipt (on which tax at 45% was withheld) resulting in a marginally higher rate in that year. During 2017, tax cash flow was £85.9m (2016: £99.5m) with the decrease principally driven by the timing of tax instalment payments in Australia resulting in a repayment in 2017.

## NON-CONTROLLING INTERESTS

Profits attributable to our non-controlling interests were £7.9m, compared to £6.9m in 2016. 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 the year, the Group derived a gain of £15.2m (2016: a gain of £32.5m) from the translation of its overseas profits before tax into Sterling at the 2017 average exchange rate when compared with the average exchange rates used for translation in 2016.

## DIVIDEND

The Board recommends a final ordinary dividend of 18.9p per ordinary share which is subject to the approval of shareholders at the 2018 Annual General Meeting. This gives a total dividend for the year of 26.8p per ordinary share (2016: 23.8p), an increase of 12.6% vs. 2016.

## PENSIONS

In 2017, the IAS 19 net post-retirement surplus was £72.3m (2016: £37.3m), with the increase in the surplus driven 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 £2.7m (2016: £2.1m). We have agreed with the Trustees that future cash contributions will continue at broadly this level.

During 2017, Aviva has started to issue individual policies to members in relation to the liabilities of the transferred TKM pension scheme and it is expected that the remaining policies will be issued to members during the first half of 2018.

## ACQUISITIONS AND DISPOSALS

During the year, the Group acquired premium automotive operations in Estonia, focused on exclusive distribution for BMW Group, from United Motors AS, entered into a distribution contract with Groupe PSA to distribute the Peugeot and Citroën brands in Australia and acquired four sites in Australia. The total cost of these acquisitions was £19.3m. In addition, the Group also made a completion payment of £4.4m in relation to the Subaru and Hino Distribution business in South America. In 2017, the Group also disposed of its Lexus operations in Shanghai, generating disposal proceeds of £5.6m.

In 2016, the Group acquired a multi-country scale Distribution business in South America focused on Subaru and Hino in the growth markets of Chile, Colombia, Peru and Argentina. The initial cost of the acquisition, net of cash acquired, was £196.8m.

In 2016, the Group also acquired and disposed 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. The Group also disposed of a site in Australia and finalised the liquidation of a joint venture in Greece. Consideration for the acquisitions was £4.3m and disposal proceeds were £2.8m.

## FINANCING

In December 2016, the Group successfully concluded a US Private Placement (USPP) transaction, raising £210.0m with tenors of 7, 10 and 12 years to refinance existing USPP Loan Notes maturing in May 2017. In January 2017, the Group received £70.0m under the new Loan Note issuance with the balance of £140.0m received in May 2017. During the year, the Group also repaid £138.5m of USPP Loan Notes which matured in May.

In January 2017, the Group successfully concluded the second one year extension of the £400.0m Revolving Credit Facility with all the Group's relationship banks participating. In the second half of the year, the Group entered into bilateral facilities totalling c.£100m with three

new relationship banks with terms in line with those of the existing Revolving Credit Facilities. The Group now has committed facilities of c.£500m maturing January 2022.

In combination, these refinancing events extend the Group's committed facilities at attractive financing rates.

## CAPITAL EXPENDITURE

During the year, the Group invested £101.4m (2016: £72.1m) 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 2017 the Group invested in greenfield sites and the enlargement of existing facilities, including the optimisation of the Jaguar Land Rover footprint in the UK, a new BMW site in Poznan in Poland, a new Jaguar Land Rover site in Sydney, Australia and further spend in our Ethiopian business.

## CASH FLOW AND NET FUNDS

The Group delivered free cash flow of £313.9m (2016: £190.5m). After the payment of the final dividend for 2016, the interim dividend for 2017 and buying back shares at a cost of £50.2m, the Group had net funds of £80.2m (2016: net funds of £26.5m).

### Reconciliation of free cash flow

	£m	£m
Net cash generated from operating activities		389.5
Add: Payments in respect of exceptional items		32.1
Net cash generated from operating activities, before exceptional items		421.6
Purchase of property, plant and equipment	(103.2)	
Purchase of intangible assets	(24.0)	
Proceeds from disposal of property, plant and equipment	25.8	
Net capital expenditure		(101.4)
Dividends paid to non-controlling interests		(6.3)
Free cash flow		<b>313.9</b>

# PLANNING FORWARD

Managing our risks in a professional and consistent way allows us to operate with 'peace of mind'.

## INCHCAPE PEACE OF MIND — OUR APPROACH TO RISK

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

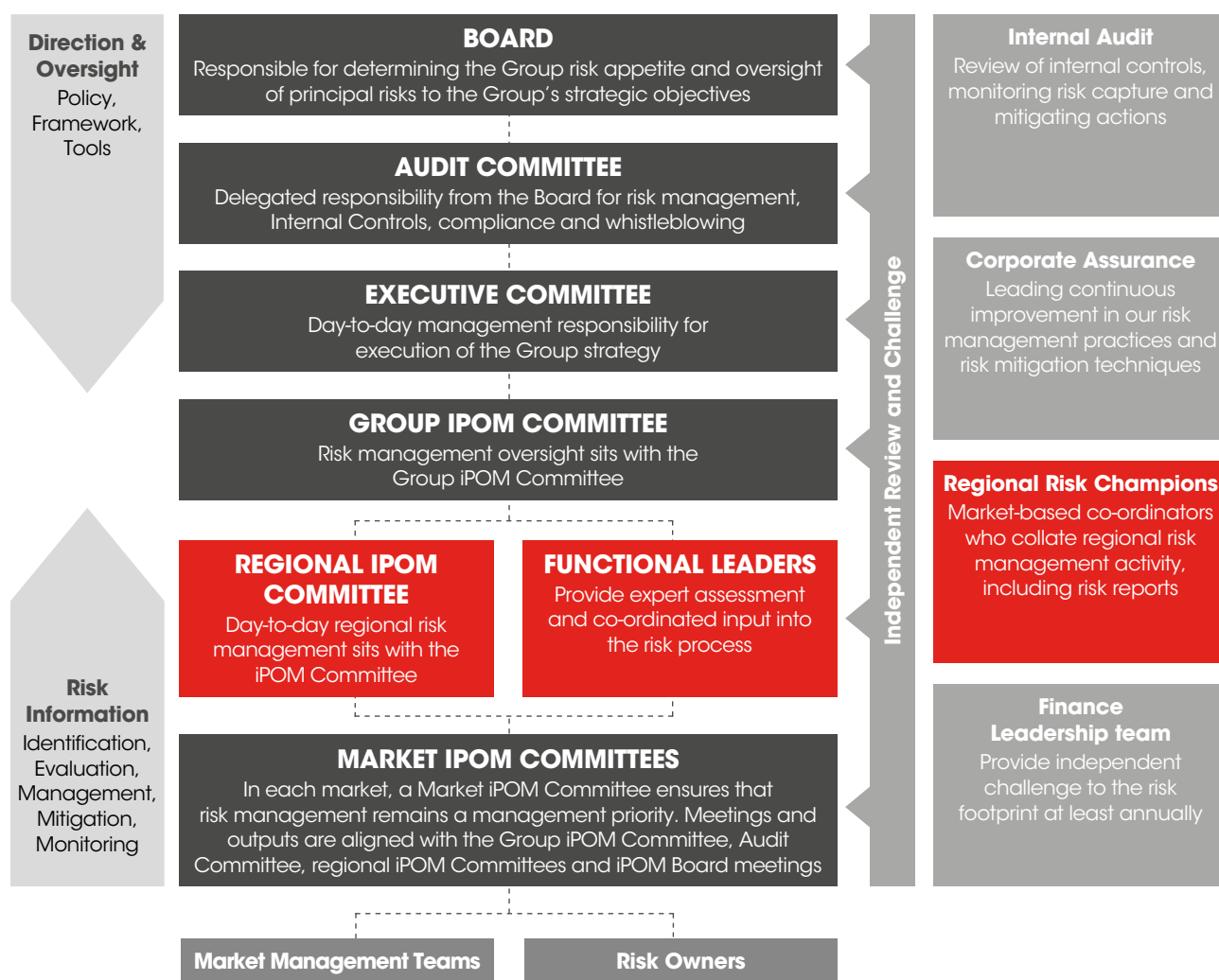
Led by the Group iPOM Committee, market and regional level iPOM Committees in each of our territories perform ongoing risk assessments which form the basis of the principal risk evaluations undertaken by the Group Executive Committee and functional heads.

Continuously reviewing and building on our 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.

During 2017 the Group iPOM Committee has reviewed the risk management framework and structure and has made several key improvements designed to:

- clarify expectations of our leadership and employees;
- reduce the reporting burden;
- enhance leadership focus on quality and depth of risk assessment; and
- build consistency of approach across the Group.

## RISK MANAGEMENT GOVERNANCE STRUCTURE





### Aligned risk management to the regional management structure

The iPOM framework has been aligned with the new regional management structure of the Group. Regional iPOM Committees now oversee risk management activity across their own region and support the existing market iPOM Committees with risk evaluations and mitigating action tracking.

Operating under common, clearly defined terms of reference, and administered through designated regional risk champions, the regional committees are responsible for the oversight and delivery of risk agenda and consolidation of regional risk registers which will form the basis of the Group risk assessment.

### Better leveraged functional expertise

We have introduced the requirement for Group functions to formally maintain their own 'functional' risk registers. Functional and department leads at Group level will record and monitor the principal risks within their particular areas of expertise. These function level risk registers act as a further check of completeness of our bottom-up risk assessment and ensure a more rounded evaluation with consistent, moderated action plans.

### Reduced the reporting processes, but increased the focus on quality

The Group iPOM Committee has streamlined the reporting requirements for risk management by mandating that the frequency of both market and regional meetings will reduce to quarterly (from six times per year). The formal reporting burden to the Group has been reduced further in that each region will only be required to oversee and submit a full risk assessment and evaluation twice per year.

Streamlining the annual agenda in this way will reduce the reporting burden across operational teams, allowing for a greater focus on the quality of risk assessment and follow through of appropriate mitigating actions.

### Consolidated internal guidance and policies

We have consolidated the various risk management policies, procedures, templates and forms which are in existence into a single Enterprise Risk Management ("ERM") Manual.

Delivered interactively through iConnect, the ERM Manual will enable our market and regional iPOM Committees, and leadership teams, to deliver high quality, well-articulated risk evaluations and mitigating action plans to address the key risks in line with Group expectations, corporate governance requirements and accepted standards.

## INCIDENT MANAGEMENT

During the year the central risk function refreshed the Group's approach to responding to a major incident which affects our people, our reputation or our continuity of operations. The ability to respond to a major crisis effectively and with pace has been identified as a key capability which underpins our efforts to address many of our key risks.

With input from the Group Communications, HR, Legal, Risk and IT departments, the review built upon our existing business continuity plans and focused on the key principles of crisis response, defining and clarifying responsibilities and authorities and, most importantly, the actions that can be taken to plan and prepare in advance our response to a range of given scenarios.

The team also developed detailed guidance and templates to enable each of our regional and market management teams to plan and prepare locally, with clear escalation protocols for Group level issues, while remaining consistent with the Group approach.

In addition to planning and preparation, detailed Response Action Plan documents tailored to individual core functions were developed to describe and enable the detailed actions and decisions to be taken in the first few hours and days of an incident. These are maintained in multiple formats both in physical copy and online to allow ease and speed of access when needed.

## INCHCAPE PRINCIPAL RISK FOOTPRINT

The principal risk footprint comprises the most significant risks that could cause the greatest damage to the reputation or financial strength of the Company if not effectively evaluated, understood and managed. The risk footprint is distilled from Group-wide risk registers and iPOM Committee discussions and is regularly reviewed by the Group Executive Committee, the Group iPOM Committee and the Board.

The key risks, which are given in further detail on pages 34 to 36, are a subset of our principal risks which we believe could have the most immediate and damaging impact and therefore are of particular focus to the Group iPOM and Executive Committees, under oversight of the Board.

We recognise, and are actively managing, further risks (both at Group level and within individual business units)

as identified by our comprehensive risk management process, but these are deemed less material than the 17 principal risk factors noted on the footprint.

Given the size and geographical diversity of our business, we understand there may be additional risks not currently known to management and we continuously improve our iPOM processes to identify, evaluate and mitigate these risks.

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

## PRINCIPAL RISKS

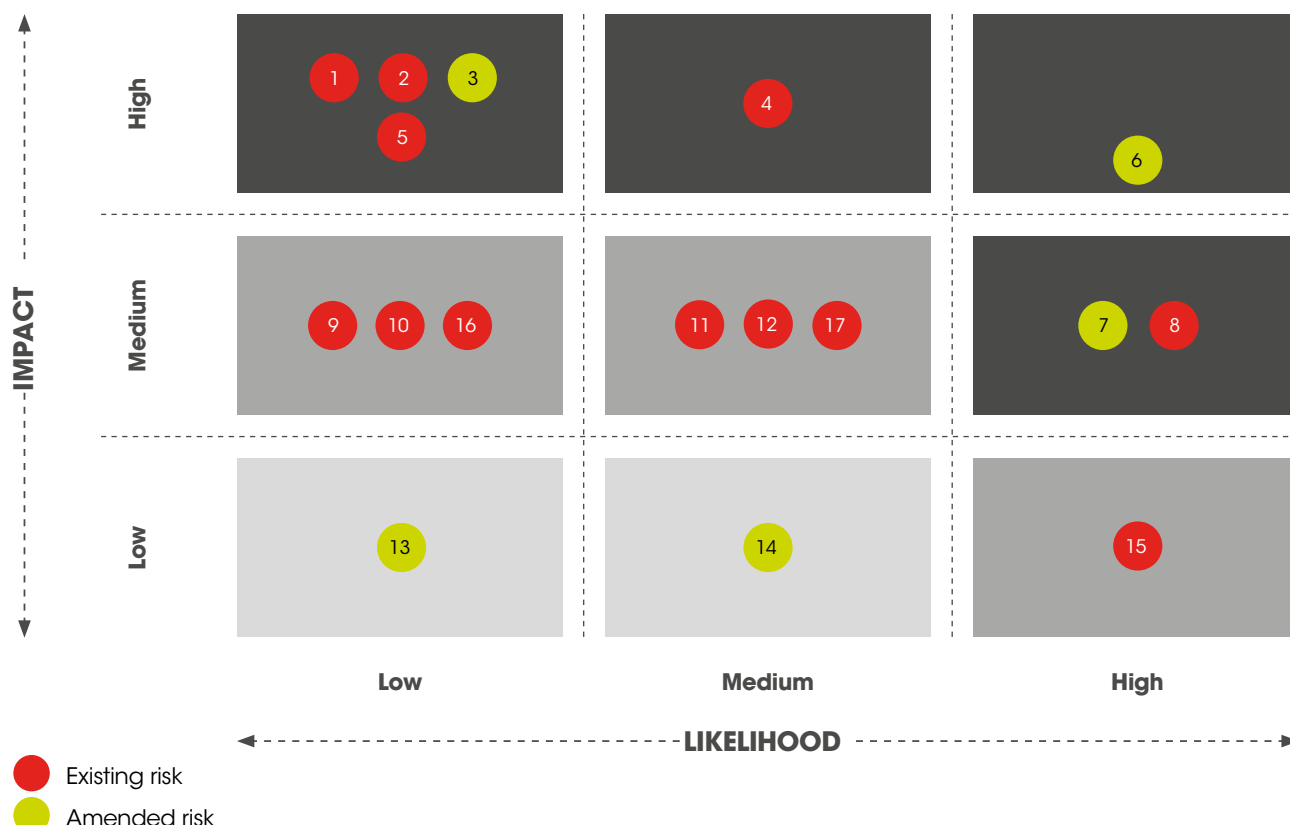
The principal risks to achievement of our strategy are:

### Key risks

1	Loss of distribution contract with major brand partner
2	Significant retrenchment of credit available to customers, dealer network or Inchcape plc negatively impacts vehicle sales and/or operational capability
3	Brand failure or major interruption to OEM operations or product supply negatively impacts vehicle sales
4	Major loss of confidential or sensitive data results in financial penalty and/or reputational damage
5	Failure to extract value from acquisitions
6	Impact of disruptive technologies and/or new entrants to the industry threatens our position in the value chain
7	Failure to engage the next generation of (connected) customers impacts on revenues and/or OEM relations
8	Fluctuations in exchange rates with negative impact on financial performance

### Other principal risks

9	Interruption to iPower or major systems failure impacts on ability to service customers and/or operational efficiency
10	Failure to safeguard our customers and employees by not consistently applying EH&S standards across the Group
11	Internal controls failure of sufficient scale to materially affect financial performance or reputation
12	Individual governments increasing restrictions on cross-border currency movements leading to higher incidents of trapped cash across the Group
13	Dynamic changes in local or international tax rules (e.g. domestic tax reform in markets in which we operate, or changes to transfer pricing rules as a result of the OECD's Base Erosion and Profit Sharing initiative)
14	Social, political and regulatory instability leads to market interruption and/or threat to safety
15	Changes in legislation directly affecting customer demand
16	Failure to comply with changes in laws and regulations leads to sanctions, financial penalty and/or reputational damage
17	Failure to attract, retain and develop our people leads to knowledge drain and operational inefficiency





Following an in-depth review of the principal risk footprint, by the Group Executive Committee and Board, the following changes have been made during the year, to best reflect the current principal risks facing the Group.

#### AMENDMENT/CONSOLIDATIONS

- The risk 'impact of disruptive technologies and/or methods of engaging the next generation of customers' has been split into two separate risks to reflect our approach to managing the factors underlying these risks and the potential impact. The new risks added are
  - Impact of disruptive technologies and/or new entrants to the industry threatens our position in the value chain.
  - Failure to engage the next generation of (connected) customers impacts on revenues and/or OEM relations.
- The risk of social, political and regulatory instability in Emerging Markets has been widened to remove the restriction to Emerging Markets to reflect the potential for instability in all our markets, not only those that are not emerging.
- We have broadened our view of tax related risks to encompass all areas of tax compliance recognising changes in tax legislation in our markets, including but not limited to the new laws surrounding facilitation of tax evasion in the UK.
- We have included a reference to product supply interruption in the existing risk around interruption to OEM operations.

# KEY RISKS

Description	Impact	Principal mitigating activity
<b>LOSS OF DISTRIBUTION CONTRACT WITH MAJOR BRAND PARTNER</b> 		
<p>Distribution and Retail contracts are fundamental to our business model.</p> <p>Although our brand diversification strategy is designed to mitigate this risk, an event which leads to any of these contracts being cancelled, or not renewed, may have a significant long-term impact on revenue and profit. The underlying factors which could contribute to this risk may include:</p> <ul style="list-style-type: none"> <li>– Failure to deliver a sufficiently attractive value proposition to brand partners.</li> <li>– Consistent failure to deliver to standards or targets in major markets or across multiple markets.</li> <li>– Failure to deliver on growth strategy or defend our business model against new entrants.</li> <li>– Major fraud, bribery, data security or other systemic compliance failure.</li> <li>– Failure to connect with the next generation of customers.</li> </ul>	<p>Loss of significant contribution to revenue and operating profit.</p> <p>Significant impact on reputation.</p> <p>Cost of business interruption/closure and staff termination costs.</p>	<ul style="list-style-type: none"> <li>– High quality operational, commercial and digital standards.</li> <li>– In-depth, regular performance reporting and business performance reviews.</li> <li>– Clear compliance and risk management framework in place (including Minimum Control Framework) to address compliance issues.</li> <li>– Strong anti-fraud procedures including whistleblowing hotline.</li> <li>– Dedicated in-house business development function overseeing M&amp;A and strategic direction.</li> <li>– Connected customers a core element of strategic direction.</li> </ul>
<b>SIGNIFICANT RETRENCHMENT OF CREDIT AVAILABLE TO CUSTOMERS, DEALER NETWORK OR INCHCAPE PLC NEGATIVELY IMPACTS VEHICLE SALES AND/OR OPERATIONAL CAPABILITY</b> 		
<p>Economic shocks may lead to a significant constriction in global liquidity, so that funding is unavailable to Inchcape plc, floor plan financing disappears and customer credit dries up.</p> <p>New vehicle sales volumes rely on our customers (both end users and dealers) being able to access affordable credit lines.</p> <p>Credit availability globally, whilst improving, remains uncertain and a significant retrenchment would adversely impact new vehicle volumes.</p> <p>Underlying factors include:</p> <ul style="list-style-type: none"> <li>– Difficulty in securing credit for customers and floor plan financing.</li> <li>– Independent dealers face challenges obtaining credit.</li> <li>– Funding unavailable, or unaffordable, for Inchcape Group either from commercial lenders or from supplier-related funding.</li> </ul>	<p>Adverse impact on retail volumes.</p> <p>Dealers unable to finance inventory, impacting Distribution volumes.</p>	<ul style="list-style-type: none"> <li>– Maintenance of accounts with relationship banks.</li> <li>– Continuous monitoring of credit lines to customers and independent dealer network.</li> <li>– Close management of credit extended to independent dealer network including short-term support where needed.</li> <li>– Adequate cash reserves maintained.</li> <li>– Headroom funding model to monitor cash flow.</li> </ul>



**Description****Impact****Principal mitigating activity****BRAND FAILURE OR MAJOR INTERRUPTION TO OEM OPERATIONS OR PRODUCT SUPPLY NEGATIVELY IMPACTS VEHICLE SALES**

An event undermining the reputation of one of our brand partners could lead to the failure of that partner, with a resultant loss of our contract.

For example:

- A major recall or similar event causes loss of product reputation and severe drop off in customer demand.
- An event of sufficient significance could also affect the reputation of our OEM brand partners to the extent that viability of that brand is affected.

Interruptions to our supply chain or an event which adversely impacts the reputation of the products we sell could have a knock-on effect on our revenues, margins or reputation.

Specific incidents could include:

- Damage to product reputation in light of product recalls.
- Significant failure in the supply chain for key components or products.

Loss of reputation of product leading to significantly reduced demand.

Loss of company reputation leading to failure of brand partner.

Adverse impact on supply of inventory.

Adverse effect on volumes, margin and reputation.

- Internal monitoring process and response plan for major incidents.
- Brand diversification strategy.
- Established monitoring procedures to anticipate and address product recalls and quality issues.
- Monitoring of product recall events and continuous liaison with OEM brand partners regarding quality/competitiveness of product line-up.
- Diversification of suppliers where possible.
- Incident response and business continuity plan in place.
- Lobbying and communication with OEM brand partners regarding competitiveness of models.

**MAJOR LOSS OF CONFIDENTIAL OR SENSITIVE DATA RESULTS IN FINANCIAL PENALTY AND/OR REPUTATIONAL DAMAGE**

As a business we hold a large amount of confidential data pertaining to ourselves, as well as our customers and brand partners.

Whilst we only hold and use this data for the purposes of continuously improving the customer experience, we recognise our responsibility to protect this information and preserve its integrity.

Failure to protect confidential or sensitive data, whether held electronically or otherwise, could result in significant operational and reputational damage.

Impact on customer and/or OEM brand partner relationship and erosion of reputation.

Adverse financial impact as a result of civil or criminal action.

- Global IT security team in place.
- Clear IT security policies and procedures.
- Clearly understood data protection standards and processes.
- Information assets defined and security controls benchmarked to ensure best practice.
- Minimum standards developed and implemented.

**FAILURE TO EXTRACT VALUE FROM ACQUISITIONS**

Inchcape complements its organic growth agenda by pursuing inorganic growth through acquisition.

Failure to identify and acquire the right targets or to efficiently integrate new businesses into our operation will adversely impact our ability to recognise the synergies and benefits from those acquisitions.

Inefficient or ineffective use of capital.

Lost revenue opportunities.

Adverse impact on control environment.

- Specialist Business Development team to oversee acquisition process.
- Central synergy plan developed to inform business development activity and due diligence.
- Detailed acquisition planning.
- Group and regional functions facilitate business integration, with external support where needed.
- Financial, legal and reputational due diligence performed in advance on all acquisitions.
- Post-acquisition reviews and detailed integration processes.

**Description**

**Impact**

**Principal mitigating activity**

**IMPACT OF DISRUPTIVE TECHNOLOGIES AND/OR NEW ENTRANTS TO THE INDUSTRY THREATENS OUR POSITION IN THE VALUE CHAIN**



Over the longer time horizon, major new competitors are likely to enter the automotive market from the technology sector as the lines between automotive and technology become ever more blurred, changing attitudes to vehicle ownership and threatening the existing Distribution and Retail model.

Specific risk factors include electrification of vehicle drivetrains, automated vehicles and connected cars.

Volume and margin are adversely impacted across our markets.

Adverse impact on value of Retail sites.

Reduced ability to drive demand/margin.

- Brand diversification.
- Business performance reviews and regular margin monitoring.
- Continuous review of operating procedures and commercial offering to ensure potential is maximised.
- Continuing dialogue with OEM brand partners to build awareness of the commercial benefit of our involvement in the process.
- Close monitoring of developments in new technologies alongside our brand partners.
- Review investment opportunities in non-traditional automotive markets.

**FAILURE TO ENGAGE THE NEXT GENERATION OF (CONNECTED) CUSTOMERS IMPACTS ON REVENUES AND/OR OEM RELATIONS**



The digitalisation of the customer journey and growth of online customer platforms presents real opportunity to improve the customer offering, whilst at the same time presenting new risks around data protection, maintenance of standards and customer engagement through, for example, social media.

Digital platforms also allow our OEM brand partners to reach out to our customer base directly, in effect bypassing the relationship between the retailer and even the distributor in favour of a direct relationship with the customer. This may impact the quality and intensity of the relationship that we as an intermediary hold with our customers and impact our ability to drive demand and margin.

Volume and margin are adversely impacted across our markets.

Adverse impact on value of Retail sites.

Reduced ability to drive demand/margin.

Loss of customer relationships and possibly reduction in loyalty.

- Investment in omni-channel brand experience.
- Leading in customer experience a core part of the Ignite strategy, including controlled use of digital communications channels.
- Business performance reviews and regular margin monitoring.
- Continuous review of operating procedures and commercial offering to ensure potential is maximised.

**FLUCTUATIONS IN EXCHANGE RATES WITH NEGATIVE IMPACT ON FINANCIAL PERFORMANCE**



Inchcape has a broad geographical footprint and therefore many of our subsidiaries operate with functional currencies that are not GBP.

Given recent economic and political events, coupled with continuing uncertainty over the strength of the global economy, we have seen increasing volatility in currency rates in recent years.

Negative transactional impact on trading profits.

Adverse translational impact on profitability.

- Centralised Group Treasury function responsible for ensuring that foreign currency exchange risks are identified and managed.
- Hedging of net currency flows.
- Geographically diverse operations.

**The Board** carried out an assessment of the Group's principal risks during the year. The Board considered the risks most likely to impact the business and achievement of the Ignite strategy. To reflect the changing business environment the principal risks were updated during the review and the changes are given on page 33.

Risks are also considered throughout the year as part of the Board's review of each strategic objective of the Ignite strategy. This enables the Board to ensure that the nature and extent of risks the Group is willing to take in achieving its strategic objectives is at an acceptable level.

The Board also reviewed and approved the viability statement including its assessment of the methodology used by management to reach its conclusion. The viability statement is given on page 38.

**The Audit Committee** reviews the effectiveness of the risk management process throughout the year via regular reporting from the Corporate Assurance and Internal Audit functions. The information considered by the Audit Committee allows it to:

- Assess the effectiveness of the risk management system and internal control processes in place across the Group;
- Review compliance with the Minimum Control Framework and Enterprise Risk Management Manual;
- Monitor progress against action plans for particular risks and controls where failures or gaps have been identified; and
- Review fraud and whistleblowing reports and assess the remedial actions taken by management.

The Committee chair reports to the Board after each meeting to ensure full oversight of the risks within the Group's operations. Further information on the work of the Audit Committee can be found on pages 50 to 55.

#### **The Group Executive Committee**

During the year, the Group Executive Committee undertook a routine evaluation of the principal risk footprint, based on various inputs including the risk registers maintained within each of our markets. This evaluation comprised a review of the impact and likelihood of the principal risks the Group faces, the underlying causal factors, and the mitigating actions required to address those factors. The resulting changes to the risk footprint were agreed with the Board. The risk footprint and associated mitigating actions will continue to be monitored by the Group Executive Committee on an ongoing basis. Risks facing the Group are discussed on an ongoing basis at both market and Group level through the iPOM Committee framework with the most pressing issues escalated to the Group Executive Committee and the Board as appropriate.

**The Group iPOM Committee** meets a minimum of four times a year to manage oversight of risk, at Group level and throughout the markets. The purpose of the iPOM Committee is to ensure that:

- There is an appropriate mechanism in place to identify the risks the Group faces;
- Management teams have the correct focus on those risks and, in particular, action plans to mitigate or respond to those risks;
- A compliance programme is in place in all markets that meets or exceeds external benchmarks and is appropriate in terms of legal requirements, content, sector, cost and resources;
- Internal controls are appropriate, well designed, and operating consistently across the Group; and
- The Group's fraud and whistleblowing programme is appropriately managed to reduce the risk of fraud, or respond quickly and decisively in the event the Group falls victim to fraud.

**Regional iPOM Committees** provide direct oversight of our risk management activity across each region. They meet quarterly to review the principal risks and mitigating action plans for all markets within the region, ensuring completeness of the assessments and that risks are being adequately addressed.

Administered by Regional Risk Champions on behalf of the Committee Chair, the Regional iPOM Committees provide formal risk reporting to the Group iPOM Committee.

**The Market iPOM Committees** are the representative of iPOM in each of our markets. The Market iPOM Committees have primary responsibility to identify and control market risks, maintain local risk registers, regularly update mitigation plans and update the Group's risk mitigation monitoring system. The Committees meet quarterly to review all systemic and dynamic risks and ensure that the mitigation plans are up to date. Evaluation of each risk's potential impact and likelihood is defined by guidelines issued by the Group Corporate Assurance team which are consistent across the Group.

## VIABILITY STATEMENT

The Group's business model and strategy are outlined on pages 2 to 19 and the long-term viability of Group is intrinsically linked to the delivery of this strategy and the cash-generative nature of this business model.

It is in the nature of our business that our continued viability is dependent upon the continuation of our relationships with our OEM brand partners. Based on the longevity of our relationships with OEM brand partners, it is reasonable for us to expect that, when viewed across a three year time horizon, a sufficient number of those contracts will be renewed such that the Company will continue in viable operation.

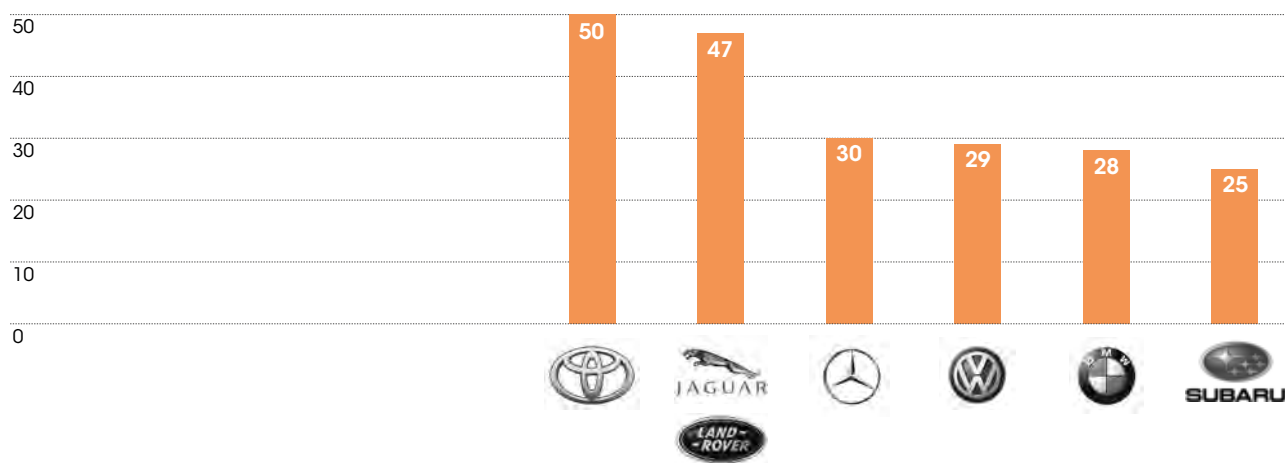
In seeking to become and remain the OEMs' partner of choice, we expect to continue to build on the long-term strategic relationships we have developed with our OEM brand partners over the years to grow our businesses together over a far longer timeframe.

The plans and projections prepared as part of the Group's annual strategic planning process consider the Group's cash flows, committed and uncommitted funding positions, forecast future funding requirements and lending covenants.

As a component part of the strategic planning process, the Board adopts a rigorous approach to the identification of the principal risks facing the Group and to the monitoring of the actions taken to mitigate these risks as outlined in this report.

## OEM RELATIONSHIP

NO. OF YEARS



The Board has prioritised a subset of these principal risks for the purposes of assessing the longer-term viability of the Group. The three risks modelled for the purpose are:

- the loss of a Distribution contract with a major brand partner in its largest market;
- brand failure or major interruption to OEM operations or product; and
- a significant retrenchment of credit available to customers, dealer networks or the Group.

Sensitivity analysis is undertaken to stress-test the resilience of the Group and its business model. For the purposes of viability testing we modelled both the loss of a Distribution contract with a major brand partner in its largest market and the failure or major interruption to OEM operations or product. The third risk, liquidity/credit shock, has been modelled as a sensitivity on top of both of these risks.

The recent successful refinancing of the Group, both in the US Private Placement market and through our syndicate of relationship banks, coupled with the existing cash-generative nature of our business model, combine to generate sufficient cashflow headroom under the extreme scenarios tested.

On the basis of an assessment of the principal risks, and on the assumption that the principal risks set out on pages 32 to 36 are managed and mitigated in the ways described and based on the Board's review of the strategic plan and the results of the sensitivity analysis undertaken, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2020.



# DRIVING TRUST



We have an ambition to be the world's most trusted automotive Distributor and Retailer, and our Corporate Responsibility (CR) strategy is a key enabler in delivering this goal.

In 2017 we made good progress on our CR agenda and demonstrated our ongoing commitment to embedding our CR across Inchcape globally.

Our CR initiatives are focused on the five areas below, to align activities throughout the Group, and create value for all our stakeholders.

- Building sustainable communities
- Driving a Health & Safety culture
- Managing our business sustainably
- Listening to our customers and OEM brand partners
- Growing sustainable talent

The following report highlights the activities that have taken place during the year in support of our local communities, the management of our carbon and emissions, as well as detail on how we maintain and promote a health and safety culture. Activities around our Customers, Brand Partners and People are addressed in the Strategic Report on pages 1 to 10.

The work of the CR Committee is set out in the Corporate Governance Report on page 58.

## DRIVING COMMUNITY INVOLVEMENT

At Inchcape we are passionate about supporting local charities that benefit the communities in which we live and work. Every year our colleagues in all countries look for projects to enhance the community and focus their charitable work. The organisation supports colleagues with time off and resources to volunteer or organise events. The projects we support make a difference to the communities and recipients and also build engagement as teams work on causes close to their hearts. All of their endeavours support our vision to be the most trusted automotive Distributor and Retailer. This year there are many stories illustrated in the case studies. Over 2017, to further build our CR culture, we shared CR stories and best practice on our new intranet iConnect, to create momentum through sharing great ideas and success stories.

### CASE STUDY

The Greek team this year provided the charity ELEPAP with a Toyota Aygo as the main prize in their annual Lottery. They have supported the charity in this way for six consecutive years.

ELEPAP has helped more than 100,000 children with physical disabilities by supporting them throughout their childhoods and into adulthood. ELEPAP's objective is to provide integrated rehabilitation services to children and their families, within a safe and familiar environment, and more than 1,500 children participate in the daily therapeutic, counselling and educational programmes.

Christina Marougka-Katsouridis, ELEPAP General Secretary, and Claire Chatzigianni, Communication and Public Relations Director at TOYOTA Hellas, presented the car to the lucky winner in April.



Inchcape UK supported cancer charity Macmillan during 2017 and held various events throughout the year. Overall, the partnership with Macmillan has been hugely successful, raising £125,000 in two years purely through colleague fundraising. It is an incredible achievement and Macmillan has awarded Inchcape UK the 'Building a Partnership' award for their efforts in driving engagement and reaching their fundraising target.

### THE GREAT INCH CAKE BAKE OFF

Inchcape UK's competition for the most creative cake received fantastic engagement, and included cakes in the shapes of a Mercedes key fob, the BMW logo and our Inchcape vision and strategy. It was a great success and as such will become an annual competition.



### THE COLLA-BEAR-ATOR CHALLENGE

The challenge was to transport a teddy bear from Sunderland to Exeter ensuring he visited every Inchcape centre along the way. The name of the challenge comes from DRIVE5, Inchcape's Performance Framework. The 'I collaborate' Performance Driver supports our objective of being the 'Partner of Choice' and shows colleagues' commitment to working together to share knowledge and ideas to make a stronger, more successful business. The bear travelled across the UK, with many highlights along the way including a visit to Chester Zoo, Colchester Football Ground and the set of Coronation Street. The bear arrived safely in Exeter, with donations collected along the way, before being auctioned off in support of Macmillan.



### LAND ROVER TOGETHER FOR THE FLOOD

During 2017 floods in Southern Thailand caused devastation with hundreds of homes submerged without warning. The team at Inchcape's Jaguar Land Rover operations commissioned several Land Rovers to deliver a thousand bottles of drinking water and other goods to those affected, including the Bang Sai Temple and Bann Hua Lam Phu School at Pak-Panang district, Nakhon Sri Thammarat province.

Mr. Charnchai Mahantakhun, Manager Director, said, "We got to see many smiles both from our team and from those affected by the flood and I would like to thank our employees and our customers for their help and support."

### HELPING A SCHOOL IN VYSHNY VOLOCHYOK

Our colleagues in Russia raised money for the Vyshny Volochyok boarding school which has 105 pupils, including 15 orphans and 64 disabled children. The donation was used to buy chemistry, biology and English textbooks along with art materials and, much to the children's delight, sweets.

The visit was so successful that the team is setting up a mentoring programme to provide help and advice to the children, and to provide a support network when the children leave school.

## DRIVING A HEALTH & SAFETY CULTURE

The health and safety of our people and customers is the cornerstone of our business practices. We are committed to the promotion of safe, healthy behaviours and practices to avoid illness or injury on our sites or in our care. Our ambition is for zero avoidable safety incidents, which we can achieve by continually challenging our existing efforts, building on existing best practices and committing resource and investment where needed.

To assess the current Health & Safety culture within the Group, we undertook a detailed review of all markets' performance against these elements:

- management focus and culture
- policy, procedure and practice
- resources, training and competence
- compliance, reporting and monitoring
- incident management

Each of our senior country CEOs and Managing Directors undertook a detailed assessment of their location's performance against the above key drivers based on a set of criteria under each element. The assessment included an explanation of the current activity, a rating of its effectiveness, and a description of the evidence. The assessments were co-ordinated, reviewed and benchmarked centrally by the Group Risk function.

Following the review, we developed a Group-wide improvement programme and, alongside each market, began to develop specific action plans to embed new policies and best practices within their countries.

## PROGRESS TO DATE

During 2017 we have made real progress against our plan:

- We have created two new senior roles in Asia and Europe to coordinate our strategy and coach the in Market leads to ensure we are delivering against plan.
- We have now rolled out the Asia IT tracking system, Cintellate, to all of Asia Pacific to improve reporting and analysis.
- A new overarching policy statement which sets out accountabilities and responsibilities for our senior leaders, and all staff.
- Detailed Health & Safety standards, to serve as an operational benchmark across all markets raising our processes to a common standard, regardless of local legislation.
- A more comprehensive self-audit process and template which enables all markets to evaluate their own compliance with our standards.
- A comprehensive accident reporting procedure which we have widened to include hazards and near misses, even where no injury has occurred.
- A clear resourcing plan at both market and regional level, including appointment or engagement of dedicated Health & Safety experts to oversee compliance and continuous improvement, and use of external experts where required.

### CASE STUDY: INCHCAPE CHILE

In recognition of the high quality of its health and safety performance standards, Inchcape in Chile has once again received the Outstanding Award for its certification in PEC (Programa Empresa Competitiva) from the Mutual de Seguridad C.Ch.C (Mutual Insurance Society of Chile).

The PEC is a nationwide programme, designed to promote excellence and continuous improvement in occupational health and safety management. It consists of a risk prevention tool made up of 10 different modules such as Personal Protection Equipment Management and Emergency Plans and Procedures, and helps to generate a business culture that promotes a safe workspace through the active participation of an entire organisation.

Claudia Norambuena, HR Director and Health & Safety lead in Chile, notes:

"The only way of maintaining health and safety excellence is by continually making the workplace safe for everyone. We regularly talk about and promote safety at work for the continuous improvement of it in all corners of the organisation. During 2017 we are carrying out a very similar programme for all branches."

## CASE STUDY

Brian Dalby, recently appointed OHSS Manager for Asia Pacific, is now rolling out the successful framework he implemented in Australia to our Asia region, leveraging our global scale to share best practices across the Group.

Brian commented: "In Australia we moved away from simply being reactive to H&S incidents to being pro-active in the prevention of incidents and ultimately building the self awareness that really underpins a strong health & safety culture. This is what we aim to do in Asia."

Brian explains how he intends to achieve this ambition.

### **What do you think the biggest challenge is when building a Health & Safety culture?**

Undoubtedly the biggest consideration is winning the hearts and minds of the people. You can be competent at Health & Safety by understanding and following processes and procedures, but to be outstanding you have to build that culture of self-awareness where it really matters to people.

### **How will you address that?**

The first step was to get buy-in from the regional leadership team, which we've already done at the very start as we presented the roadmap for success. The next step is to work out where we are by establishing a benchmark based on site baseline audits. That tells us where to focus and how much work we need to do to bring everyone up to standard.

I follow a system based approach, giving everyone in the business access to a centrally controlled management, training and reporting solution that we use to manage all aspects of Health & Safety. This really makes it easy for our people to know what they need to do, when and how.

### **How will you know that you have succeeded?**

We'll set up a comprehensive set of KPIs, as we have in Australia, to measure not only our success, but the level of engagement that we have from people using the system. That way we can continually improve and best focus our resources to do that. It goes without saying that it is important that we do independently audit our sites periodically to ensure that the standards are maintained on the ground.

## DRIVING A SUSTAINABLE FUTURE

During 2017 we continued working with The Carbon Trust to understand our carbon footprint and explore how we can effectively manage and reduce our emissions and plan for a sustainable future.

With this assistance, we have been reviewing a science-based target approach to carbon emissions reduction to ensure that our operations are directly aligned with the reductions consistent with the Paris Agreement's commitment to keep global warming below 2°C above the pre-industrial average.

The Carbon Trust carried out a case study of our business in Continental Europe, which includes both Retail and Distribution operations. The case study looked at two methodologies which would best represent our business, Sectoral Decarbonisation Approach ("SDA") and the Corporate Finance Approach to Climate-Stabilising Targets ("C-Fact"). The case study looked at the growth assumptions for floor space and economic value added. Target modelling results were given for SDA scope 1&2 and C-Fact scope 1&2 for target years 2020, 2025 and 2030. The modelling formed the base for discussions

with the Group Executive Committee to consider whether adopting science-based targets would be appropriate for the Group. It was agreed that further case studies would be carried out for Australia and Asia and work is continuing in 2018 on these projects.

Following the successful case study in Continental Europe, The Carbon Trust carried out various energy assessments on a selection of sites to identify carbon reduction projects. The opportunities for investment to improve energy efficiency are representative of potential opportunities across the full portfolio of sites throughout the European region.

The energy audit completed in November 2017 identified several projects for consideration such as lighting, heating, ventilation and air conditioning, air compressors and energy management. The audit also identified more long-term projects such as renewable energy sources.

The next step will be for the CR working group, the Group Executive Committee and the CR Committee to analyse the results and to agree an action plan for 2018.



### Greenhouse gas emissions

Data is collected for our scope one and scope two emissions:

- Energy – electricity and fuel usage
- Transport – movement of cars and parts

### Methodology

The methodology used to calculate the Group's greenhouse gas emissions is based on the Environmental Reporting Guidelines, and uses both BEIS 2017 conversion factors and international electricity emissions factors as published in the International Energy Agency's CO<sub>2</sub> Emissions from Fuel Combustion (2017 edition).

### Data collection and reporting period

Data has been collected for all markets from 1 January 2017 to 31 December 2017. The level at which we report is by business unit for each market. This covers our Retail operations, Distribution operations and business service operations.

### Total greenhouse gas emissions in 2017

#### GHG emissions

Scope 1 and 2 emissions	Total emissions (tonnes CO <sub>2</sub> e)		Change in emissions
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	
Scope 1 (Direct emissions from combustion of fuels and operation of facilities)	<b>12,081</b>	11,760	+3%
Scope 2 (Electricity, heat, steam and cooling purchased for own use)	<b>49,121</b>	44,795	+9%
Total scope 1 and 2 emissions	<b>61,202</b>	56,555	+8%

Operational emissions intensity	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Change
Intensity metric – total revenue (£m) <sup>1</sup>	<b>8,949</b>	7,838	+14%
Total scope 1 and 2 emissions (tonnes CO <sub>2</sub> e)	<b>61,202</b>	56,555	+8%
<b>Scope 1 and 2 emissions per £m (tCO<sub>2</sub>e/£m)</b>	<b>6.8</b>	<b>7.2</b>	<b>-5%</b>

<sup>1</sup> Stated at actual rate.

### Intensity ratio

The Group's intensity ratio is revenue per tonne of CO<sub>2</sub>e. This allows for a fair comparison over time of CO<sub>2</sub>e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity.

### 2017 results

The 2017 data includes the various businesses acquired during the year including the South American business. It also includes the JLR Distribution business in Thailand which was acquired in 2016.

Whilst emissions have increased during the year due to the growth in business operations, the tCO<sub>2</sub>e per £m has decreased year-on-year.

# DRIVING INCHCAPE FORWARD



**Ken Hanna**  
**Chairman**

*Appointed:*  
September 2001

Ken Hanna will retire from the Group following the AGM on 24 May 2018.

*Skills and experience:*  
Ken has extensive international financial experience gained in a number of business sectors. He also possesses strong leadership and governance skills obtained in a variety of leading UK plc's, including Cadbury plc and Aggreko plc.

*Other appointments:*  
Chair of Aggreko plc.  
Chair of Shooting Star Chase.

*Committee membership:*  
Chair of the Nomination Committee, member of Remuneration and CR Committees.



**Stefan Bomhard**  
**Group Chief Executive**

*Appointed:*  
April 2015

*Skills and experience:*  
Stefan has senior level experience gained in a wide range of retail and FMCG businesses. Prior to joining the Group, he was President of Bacardi Limited's European region and was also responsible for Bacardi's global commercial organisation and global travel retail.

*Other appointments:*  
Non-Executive Director of Compass plc.



**Richard Howes**  
**Chief Financial Officer**

*Appointed:*  
April 2016

*Skills and experience:*  
Richard has a wealth of experience across the financial and commercial sectors, working for multi-site businesses with substantial global footprints. He joined the Group from Coats plc where he was Chief Financial Officer.

Richard is a chartered accountant.



**Jerry Buhlmann**  
**Non-Executive Director**

*Appointed:*  
March 2017

*Skills and experience:*  
Jerry has over 30 years' experience in the media and advertising industries. More recently he was CEO of Aegis Group PLC from 2010 – 2013, and following the acquisition of Aegis Group by Dentsu Inc. become CEO of Dentsu Aegis, a post he retains today. Jerry is also a director of Madison Sports Group and the Media Trust

*Committee membership:*  
Remuneration, CR and Nomination Committees.



**Rachel Empey**  
**Non-Executive Director**

*Appointed:*  
May 2016

*Skills and experience:*  
Rachel was appointed Chief Financial Officer of Fresenius SE & Co. KGaA, a top healthcare company listed on the DAX index, on August 2017.

Previously Rachel was Chief Financial and Strategy Officer of Telefónica Deutschland Holding AG ("Telefónica Deutschland"). Rachel is a chartered accountant.

*Committee membership:*  
Audit and Nomination Committees.



**John Langston**  
**Non-Executive Director**

*Appointed:*  
August 2013

*Skills and experience:*

John has corporate finance, accounting and international experience acquired in senior financial roles in the engineering sector. He is an experienced Non-Executive Director who has a strong governance background and was the Audit Committee Chair of Rexam PLC until its sale to Ball Group in 2016.

John is a chartered accountant.

*Committee*

*membership:*  
Chair of Audit Committee and member of Nomination Committee.



**Coline McConville**  
**Non-Executive Director**

*Appointed:*  
June 2014

*Skills and experience:*

Coline has extensive remuneration experience as the Remuneration Committee Chair of Travis Perkins plc, Fevertree plc and of TUI Travel plc until its merger with TUI AG. Coline is an experienced Non-Executive Director and has served as a director on several UK boards.

*Other appointments:*

Non-Executive Director of Fevertree Drinks plc, Travis Perkins plc and a member of the supervisory board of TUI AG.

*Committee membership:*

Chair of Remuneration Committee and member of Nomination and CR Committees.



**Nigel Northridge**  
**Senior Independent Director**

*Appointed:*  
July 2009

*Skills and experience:*

Nigel brings international and commercial experience acquired across a number of sectors. He is an experienced Non-Executive Director and has served as a director on the boards of several large UK and global plc's.

*Other appointments:*

Chairman of Hogg Robinson plc, Chairman of Scandinavian Tobacco Group A/S and non-executive Chairman of Belfast City Airport.

*Committee*

*membership:*  
Remuneration, Audit and Nomination Committees.



**Nigel Stein**  
**Non-Executive Director**

*Appointed:*  
October 2015

Subject to his re-appointment by shareholders at the AGM on 24 May 2018, Nigel Stein will become Chairman following Ken Hanna's retirement.

*Skills and experience:*

Nigel became Chief Executive of GKN in January 2012 and retired in December 2017. He has a wide range of international, general management and finance experience gained in various roles at GKN plc and also has experience in the automotive and manufacturing sector.

Nigel is a chartered accountant.

*Committee*

*membership:*  
Audit, Remuneration and Nomination Committees.



**Till Vestring**  
**Non-Executive Director**

*Appointed:*  
September 2011

*Skills and experience:*

Till is an Advisory Partner with Bain & Co, based in Singapore. He has extensive experience advising multinationals on growth strategy across Asia and leading Asian companies on strategy, M&A and organisation.

*Other appointments:*

Non-Executive Director of Keppel Corporation.

*Committee*

*membership:*  
Chair of CR Committee and member of Remuneration and Nomination Committees.

# DRIVING THE GOVERNANCE CULTURE

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Inchcape's Corporate Governance Report for the year ended 31 December 2017. Routine disclosures required under the UK Corporate Governance Code are detailed in the Compliance Report on pages 82 to 86 which should be read in conjunction with this report.

As previously announced, I will be retiring as Chairman following the AGM in May and I am delighted that Nigel Stein will become Chairman after my departure. Nigel has considerable skills and expertise with a proven track record both at a financial and operational level and as a Non-Executive Director. A Q&A with Nigel is given on page 48.

I have been on the Board of Inchcape since 2001 and at that time the Group had recently become an automotive only business following a successful divestment programme in 1999. Since then, Inchcape has become the leading independent multi-brand automotive Distributor and Retailer with acquisitions in the UK, Russia, Australia and most recently South America. As a Board we have had to tackle some challenging conditions as well as the many successes over the years and it is a testament to our strong leadership that we were able to navigate these successfully. It also shows that Inchcape has a proven and resilient business model. In fact, over the years the Group has developed into a highly focused and agile business and is in a strong position to successfully deliver on its Ignite strategy and to deal with the many changes likely to affect the automotive industry in the years to come.

I have thoroughly enjoyed my years with Inchcape, especially working with so many talented colleagues both on the Board and in the business, and I know that I am leaving the Group in very good hands.

## DIVIDEND

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2017 of 18.9p. This gives a total dividend for 2017 of 26.8p, a 13.0% increase on 2016 (23.8p). Subject to approval at the Annual General Meeting on 24 May 2018, the final dividend will be paid on 22 June 2018 to shareholders of the Company on the register of members at the close of business on 18 May 2018.

## 2018 OUTLOOK

Inchcape has delivered a strong set of results for 2017 supported by initiatives within our Ignite strategy. The South American acquisition has been a key component of these results. Overall, Inchcape's diversified revenue streams and geographic exposure continue to provide



a strong platform for continued growth in the medium term. The fundamentals of the business model remain strong with strong cash conversion over the year indicative of that.

The Group continues to identify opportunities to leverage our scale and respond to the slower market outlook in some of our businesses, in particular the UK and Singapore. We have already taken action to protect the profitability of our business and see meaningful opportunity for further efficiencies. In addition, we expect other regions, in particular our Emerging Markets business, to see continued strong growth.

I hope you find this report informative and I would like to take this opportunity to thank my Inchcape colleagues for all their hard work in 2017 and I wish them, and the Group, all the very best for the future.

A handwritten signature in dark ink, appearing to read "Ken Hanna".

**Ken Hanna**  
Chairman

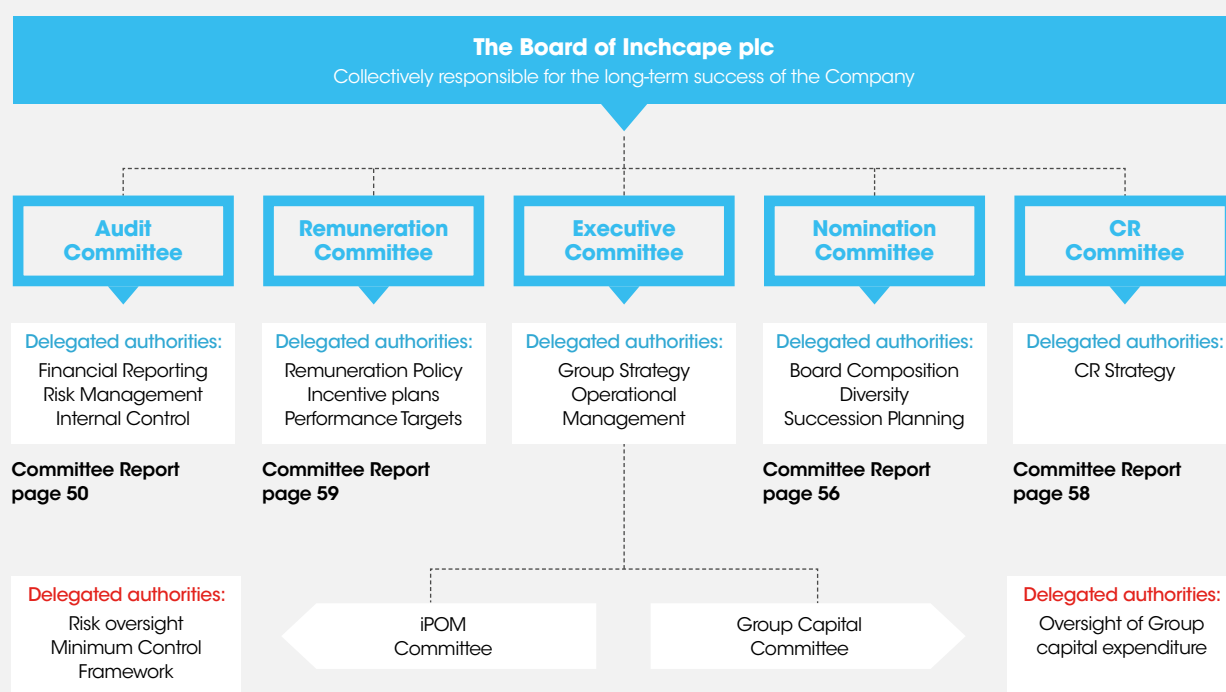


## STATEMENT OF CODE COMPLIANCE

The Company was compliant with the provisions of the 2016 UK Corporate Governance Code throughout the year. The Code can be found on the FRC's website [www.frc.org.uk](http://www.frc.org.uk)

The information required under DTR 7 is given on pages 46 to 86 and forms part of this report.

## GOVERNANCE STRUCTURE



### Board meeting

### Key activities

January	South American acquisition update	
March	Full year results, Annual Report and Accounts, final dividend, share buyback, 2017 AOP update Modern Slavery Statement 2016 internal Board evaluation results	Ignite strategy – Lead in customer experience
May	Annual Strategy Review	Annual General Meeting
July	Interim results, interim dividend, share buyback Talent planning	Market review – Continental Europe
October	Overseas visit to Santiago, Chile Annual Risk Review	Ignite strategy – OEM partner of choice Market review – Emerging Markets
December	9+3 update, 2018 Annual Operating Plan Delegated Authorities Policy Defence Planning External Board evaluation	Market review – Ethiopia



**Nigel Stein**  
Non-Executive Director

**What are you most looking forward to when you become Chairman?**

I feel honoured to be given the opportunity to Chair Inchcape, a company with a fantastic history and track record of success. In my time on the Board I have found everyone I have worked with to be of the highest quality. I am looking forward to working with them to take Inchcape on to even greater success, in an evolving industry, which I'm sure will be both challenging and extremely rewarding.

After the AGM in May, as part of my induction as Chairman, I will travel to some of our global operations that I have not previously visited, to meet more colleagues and develop an even deeper understanding of 'how we do business' at Inchcape. During 2018, I also plan to meet shareholders and other investors to hear their views on Inchcape.

**You've been on the Board for two years now. What do you think the strengths of the Inchcape Board are?**

Inchcape has a strong Board led by Ken Hanna, an excellent Chairman. During his many years with Inchcape, Ken has built a Board with a good mix of Directors, some of whom are very experienced in the Company or industry, some of whom bring new perspectives to the NED role. This balance of skills and experience increases the Board's effectiveness.

The Board also has strongly governance-focused committees which give assurance to the Board on the matters delegated to them. I also see the Board's very open and constructive relationship with the Chief Executive, Stefan Bomhard, and the rest of the Executive Committee as one of its strengths. As such, the Board has a deep understanding of the Ignite strategy, how this is being delivered, and the risks to the Group. Preserving this transparent dialogue and way of working is very important to me.

**What do you see as the main focus for your first year as Chairman?**

My first priority will be to ensure there is a smooth, seamless transition when Ken steps down in May. I want to make sure we keep a strong Board and Executive team, with good succession plans for both, therefore the diversity agenda at Board and Executive level will be as much of a focus for me as it has been in the past.

I'm very much looking forward to my first year as Chairman, especially as the Group is growing and the pace of change in the industry is accelerating. This is an exciting time and it's important for the Board to keep the strategy in focus to ensure Inchcape is well-positioned to seize the opportunities which will arise.

As Chairman, clearly I also want to ensure Inchcape maintains its reputation for strong corporate governance and as a Board we will spend time considering the implications of the upcoming governance changes during 2018.

**What is the importance of the Board's role in shaping, monitoring and overseeing Inchcape's company culture?**

The 'tone' of any organisation starts at the top. I believe the culture and behaviours of an organisation need to be demonstrated at all levels and the Board has a pivotal role to play shaping Inchcape's culture, in support of Stefan and the Executive team as they seek to deliver the strategic and operational objectives.

Inchcape's Ignite strategy, centred around our vision of becoming the most trusted automotive Retailer and Distributor, ultimately helps to steer our people to deliver against our objectives in the right way. And Stefan is very clear in setting expectations and leading by example every day by fostering a culture of trust and personal accountability.

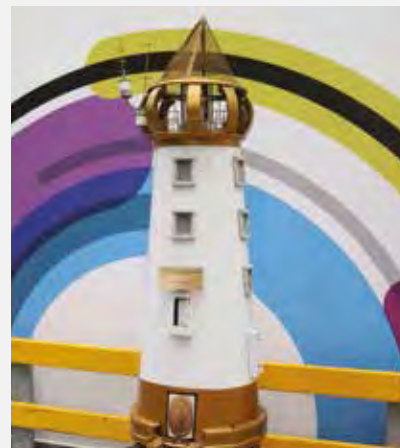
As the Board, we also seek to foster a culture of trust and respect amongst our team. This means having open, constructive and supportive discussions whilst recognising our accountability for our actions. In this way I believe we will provide the best service to all Inchcape stakeholders and drive long-term value creation.

## OVERSEAS VISIT

In 2017, the Board visited the businesses in Santiago, Chile which included the existing BMW business, William Balfour, and the South American businesses acquired from Indumotora in December 2016.

The Board were given regular updates on the integration of the South American businesses throughout the year and the Emerging Markets leadership team have managed a smooth and successful transition. Initial on-boarding was completed by 31 March 2017 with emphasis on functional alignment with the Inchcape Group and communication of the Inchcape culture cascaded down the organisation.

In addition, a new regional communication channel was launched. The new businesses quickly became part of the Inchcape family and it was a pleasure to meet our new colleagues in October.



'Inchcape Lighthouse' made from spare parts by Alejandro Urra, Evelyn Vergara and Ester Campos, Inchcape LatAm for the Board visit.

## BOARD EVALUATION

The 2017 Board evaluation was externally facilitated in accordance with provision B6.2 of the 2016 UK Corporate Governance Code. Several consultants were considered by the Chairman and Company Secretary and it was determined that Independent Board Evaluation ("IBE") be appointed to perform the external review. IBE has no other connection to the Company.

After a comprehensive briefing and the provision of support material from the Chairman and Company Secretary, Lisa Thomas of IBE carried out the review from July to September with the results presented to the Board at the November meeting. Lisa observed the July Board and Audit Committee meetings followed by one to one interviews over the next few months with the Board members. In addition, IBE met with the Company Secretary, Chief HR Officer, Chief Marketing Officer, Chief Business Development Officer and the CEOs of Emerging Markets and Europe. IBE also spoke with the external auditors and remuneration consultants to obtain a comprehensive view of the operation of the Board. Feedback was taken on the main Board, each of the committees, the Chairman and the individual Directors. Reports were based on the information and views supplied during interviews. IBE's recommendations for the Board's action plan were based on the UK Corporate Governance Code and best practice.

The broad message from the Directors during the course of the review was that they were very satisfied with many areas of the Board's operation. A particular strength was felt to be Board culture, which was described as open, respectful and transparent, allowing the Board to support management and challenge them in a constructive manner. Board processes were said to be smooth and well-functioning, and agendas focused on the right issues over the last year. The consensus view was that whilst the Board is collaborative and focused, it nonetheless presented tough challenge. Other areas

of strength were felt to be shareholder relationships, and the clarity of the Ignite strategy, which was thought to be well understood and executed through the Company, and well monitored and scrutinised by the Board.

During the course of the review, IBE made a number of recommendations for the Board's consideration. Of those, the Board has identified the following for its immediate action plan for 2018:

- Ensuring that future Board composition always maximises challenge to management as they crystallise the longer-term strategy beyond Ignite, by keeping Board skills and terms under regular review and in line with strategy.
- Expanding the work of the Nomination Committee to enable broader discussions amongst Board members about NED and Executive succession, development and learning, and maintain the balance between experienced Directors, future Chairs and newer 'PLC' NEDs.
- Expanding the work of the Nomination Committee to cover items of governance to ensure appropriate focus for the Group.
- Reviewing the Board pack to broaden the spectrum of information provided to the Board, for example on competitors, or international territories, especially as future strategy discussions develop.

The Senior Independent Director reviewed the feedback on the Chairman, which was universally positive. Board members have appreciated the Chairman's Company experience and guidance, his open and inclusive chairing style, as well as his excellent and balanced relationships with the Executive Directors.

The Chairman reviewed the individual Directors reports and discussed the feedback with each Director, in order to formulate personal development plans for 2018 and develop goals for each with regard to their Board contribution.

# ENSURING INTEGRITY AND CONTROLS

### DEAR SHAREHOLDER

I am pleased to present the report of the Audit Committee for the year ended 31 December 2017. Certain disclosures, including how the Committee has complied with the UK Corporate Governance Code, are detailed in the Compliance Report on pages 82 to 86 which should be read in conjunction with this report.

### Audit tender

During the year the Committee successfully completed an audit tender process which is detailed on pages 54 to 55. PwC and its predecessor firms have been the Group's auditor for over 20 years and I would like to take this opportunity to thank PwC for their hard work and dedication to the Company over the years.

I am pleased that Deloitte LLP has agreed to accept the role of auditor subject to shareholder approval at the 2018 AGM in May. The team from Deloitte shadowed PwC during the 2017 year-end audit in order to ensure a seamless transition.

### Internal Audit and risk management

The Committee approved an Internal Audit Charter and agreed that an external evaluation of the Internal Audit function would be considered in 2019. Further information on Internal Audit can be found on page 52.

The Risk Management function refreshed the risk management approach and framework which were approved by the Committee and the Board. Further information can be found on page 51 and in the Risk Management Report on pages 30 to 38.

The Internal Audit and Risk reports are now considered separately by the Audit Committee in order to enhance focus on enterprise risk management and further the independence of the Internal Audit team.

The key activities of the Committee are given in the table on page 51 and the following pages set out the work carried out by the Committee during the year, the significant issues considered, and the key decisions made by the Committee.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.



**John Langston**  
Chair of the Audit Committee



**John Langston**  
Chair of the Audit Committee

### COMMITTEE MEMBERS

Alison Cooper  
resigned February 2017  
Rachel Empey

Nigel Northridge  
Nigel Stein

### FINANCIAL REPORTING

The Committee monitors the integrity of the financial statements by:

- Assessing and reviewing the final and interim results – by reviewing supporting papers and assessing key disclosures to ensure adequacy, clarity and completeness.
- Considering key audit issues, accounting treatment and judgements – by assessing information presented by management to ensure issues have been dealt with appropriately.
- Challenging management on the assumptions and judgements that had been applied – including the assessment of viability given on page 38 and going concern given on page 80 and considering reports of the external auditor.

In addition to the significant issues considered by the Committee which are given on page 53, the Committee also considered the following matters for the year ended 31 December 2017:

- Information security; and
- A review of the South American business's tax governance.

**Committee meeting****Key activities**

March	<ul style="list-style-type: none"> <li>– Annual Report and Accounts including financial statements, accounting judgements, IFRS 8, changes to KPIs, impairment review, going concern, viability statement and acquisition accounting (see page 53)</li> <li>– PwC auditor report, PwC independence review</li> <li>– Internal Audit and Risk Management Report</li> <li>– Tax update, Group Litigation update</li> <li>– Approval of Non-Audit Services Policy and review of non-audit services</li> </ul>
May	<ul style="list-style-type: none"> <li>– PwC Internal controls review, PwC effectiveness review</li> <li>– Internal Audit and Risk Management Report</li> <li>– Information Security Report</li> <li>– Risk and Compliance Resourcing</li> <li>– Group Audit tender</li> </ul>
July	<ul style="list-style-type: none"> <li>– Interim results including accounting judgements and going concern</li> <li>– PwC interim report, PwC 2017 Audit Plan</li> <li>– Internal Audit and Risk Management Report</li> <li>– Non-Audit Services update, Tax update, Group Litigation update</li> <li>– Group Audit Tender</li> </ul>
November	<ul style="list-style-type: none"> <li>– Group Audit tender</li> <li>– Impairment testing review, ERP systems useful life review</li> <li>– PwC Audit Plan update</li> <li>– Internal Audit Report including IA strategy, IA charter and 2018 Internal Audit Plan</li> <li>– Risk Management Report</li> <li>– Inchcape LatAm Tax update</li> <li>– Review of terms of reference and committee membership, adoption of new terms of reference for 2018</li> </ul>

**RISK MANAGEMENT AND INTERNAL CONTROL**

The Committee is responsible for ensuring that:

- There is an appropriate mechanism in place to identify the risks the Group faces;
- Management teams have the correct focus on those risks and, in particular, action plans to mitigate or respond to those risks;
- A compliance programme is in place in all markets and offices that meets or exceeds external benchmarks and is appropriate in terms of legal requirements, content, sector, cost and resources;
- Internal controls are appropriate, well designed and operating consistently across the Group; and
- The Group's fraud and whistleblowing programme is appropriately managed to reduce the risk of fraud, or respond quickly and decisively in the event the Group falls victim to fraud.

The Group has adopted the three lines of defence model. The first line of defence is the Group's organisational activities, policies and procedures implemented by local management teams. The second line of defence comprises oversight functions and Group or regional management who set direction and define policy. Further information can be found in the Risk Management Report on pages 30 to 38.

The third line of defence is Internal Audit. Each function provides independent challenge to the levels of assurance provided by the first two lines of defence.

This approach allows the Audit Committee and the Board to provide effective risk oversight. Regular reports from Internal Audit and the external auditors give an overview of the control environment including findings from its reviews of the Minimum Control Framework and other financial, operational and compliance controls. Further information is given on page 53.

**Risk management**

During the year the Committee:

- Reviewed and approved the risk management approach and framework (further details are given in the Risk Management Report on pages 30 to 38);
- Received a report on the refreshed incident response plan which was updated to provide guidance to each market on how to prepare and deal with major incidents and when to escalate to Group;
- Received an update on the Health & Safety Framework (further details are given in the CR Report on pages 39 to 43); and
- Received regular updates on all reports made to the InConfidence whistleblowing service – to ensure the issues raised are being dealt with and considered by the appropriate person to ensure independent investigation.

The Committee assesses management's response to any identified risk areas and, where necessary, challenges the suggested mitigating plans to ensure that suitable actions are being taken.



## **INTERNAL AUDIT**

In July 2017, a new Head of Internal Audit joined the Group and introduced an updated Global Internal Audit Strategy. The key components of the new strategy include a specific focus on internal control governance, setting up a regional presence of the audit function globally, and further improvements to the audit process in line with expected professional development and the Ignite strategy.

This approach was approved by the Committee in November and will be rolled out in 2018.

During the year the Committee also:

- Reviewed and approved the Internal Audit Plan for 2018;
- Monitored progress against the 2017 plan throughout the year;
- Reviewed the status of open audit issues;
- Reviewed and approved the Internal Audit Charter;
- Received updates on internal control failings and reviewed the appropriateness of mitigation actions put in place by management;
- Received updates on risk based reviews for Treasury activities, incentives and Finance and Insurance.

The effectiveness of the Global Internal Audit Strategy will be assessed by the Committee in 2018.

The Group Head of Audit attends every Audit Committee meeting and also meets with the Audit Committee without the presence of management to discuss the findings of the Group Internal Audit team, if required.

## **EXTERNAL AUDIT**

### **Auditors effectiveness and independence**

The Committee is responsible for assessing the robustness of the external audit process. It does this by:

- Monitoring the implementation and fulfilment of the audit plan.
- Reviewing and assessing the auditors reports on the significant accounting judgements and its challenge to management.
- Reviewing the level of support and service provided by PwC.
- Reviewing the results of the external audit effectiveness survey.

The Committee satisfied itself that PwC remains independent and objective by:

- Reviewing the safeguards operating within PwC.
- Considering PwC's Independence Report presented to the Committee.
- Assessing the level and type of non-audit services provided by PwC.

To assist the Audit Committee with the assessment of PwC's effectiveness, management complete an annual effectiveness survey. This approach provides the Audit Committee with information on the overall efficiency, integrity and effectiveness of the external audit, views of the senior finance personnel in each of the Group's principal territories together with Group Finance, Tax and Company Secretariat. The survey consisted of a two page questionnaire in which respondents were asked to answer a number of questions about PwC's performance and give feedback on what could be improved.

The results from the 2016 audit, reviewed by the Audit Committee in 2017, indicated that the overall score remained broadly consistent with the prior year which, in the context of significant corporate activity during the year with the South American acquisition, impairment of certain iPower assets and the restructuring programme, is a satisfactory result.

Two areas were identified for improvement, Chile and UK Retail. Scores in Chile declined year-on-year whilst the average score in the UK Retail business was below the Group averages, and PwC reported on the opportunities for improvement in these areas.

PwC also updated the Committee on the areas for improvement identified in the prior year and the actions taken to resolve the issues, reporting that the scores in these areas had improved year-on-year which include improving efficiency of audit procedures and the approach to the year end cycle.

The Committee is satisfied that PwC is independent, objective and effective. It reached this conclusion by reviewing PwC's internal control procedures, its reports to the Committee and the challenges it made to management's treatment and findings on key accounting issues. The review included consideration of PwC's confirmation that it remained independent and objective within the context of applicable professional standards.

The current audit partner, Neil Grimes, has been in place for three years.

## SIGNIFICANT ISSUES

The following issues were identified by the Committee as being significant in the context of the financial statements or as matters of significance to the Group and were debated by the Committee during the year.

<b>Acquisition accounting</b> (see note 28 on page 151)	<p><b>The issue and management's view</b></p> <p>Management presented details on the acquisition accounting for the South American business acquired in December 2016, together with other acquisitions in the period, and the judgements applied in preparing the Group's results for the year ended 31 December 2016 and 2017 and the period ended 30 June 2017. These judgements included the initial purchase price allocation, the alignment of accounting policies and the determination of any associated fair value adjustments.</p> <p><b>Conclusion reached by the Committee</b></p> <p>The Committee concluded that the business combination had been accounted for appropriately and in line with the principles set out in IFRS 3, Business Combinations.</p> <p><b>Rationale for the Committee's conclusion</b></p> <p>The Committee received reports from management which covered the acquisition accounting process and which demonstrated how the accounting principles had been applied. The Committee reviewed the judgements made and considered the application of the accounting principles to be appropriate.</p>
<b>Asset impairment</b> (see notes 11 and 12 on pages 129 to 132)	<p><b>The issue and management's view</b></p> <p>Management presented a detailed overview of impairment testing to the Committee covering goodwill; a number of properties; and the indefinite life intangibles arising as a result of business acquisitions. The Committee reviewed and challenged value-in-use calculations, sensitivity analysis and a review of the draft disclosure in the financial statements.</p> <p><b>Conclusion reached by the Committee</b></p> <p>The Committee concluded that the value-in-use of the goodwill, indefinite life intangibles and properties reviewed exceeded book value and as such no impairment was required.</p> <p><b>Rationale for the Committee's conclusion</b></p> <p>The Committee noted that there had been a decrease in new vehicle registrations in the UK in the second half of the year, that the sensitivity analysis prepared by management on the UK goodwill value-in-use model incorporated reasonably possible changes to the key assumptions and that the outcome of the sensitivity analysis indicated that value-in-use continued to exceed book value.</p>
<b>Changes to KPIs</b>	<p><b>The issue and management's view</b></p> <p>The Key Performance Indicators (KPIs) disclosed in the Strategic Report provide insight into how the Board monitors the Group's strategic and financial performance. Management reviewed the existing KPIs in light of the change of leadership and the Ignite strategy and proposed certain changes.</p> <p><b>Conclusion reached by the Committee</b></p> <p>The Committee reviewed the proposed changes and management's rationale for change. The Committee agreed to the addition of ROCE, which is a key measure of the Ignite objective to invest to accelerate growth as it demonstrates the Group's ability to drive better returns for investors on the capital invested. The Committee also agreed to the replacement of trading margin with operating margin and cash from operations with free cash flow. The Committee also agreed to the removal of trading profit, working capital and like-for-like sales.</p> <p><b>Rationale for the Committee's conclusion</b></p> <p>The Committee concluded that the changes to the KPI disclosure better align the KPIs with the Ignite strategy and management have strengthened the KPI disclosure by adding a short narrative for each, highlighting why it is measured and its link to the Ignite strategy, which provides enhanced understanding for stakeholders.</p>
<b>Minimum Control Framework ("MCF")</b>	<p><b>The issue and management's view</b></p> <p>The Committee conducted a detailed review of the progress against the MCF in each market including a review of inventory controls in significant markets. The 2017 internal audits were based on the MCF as the core and consistent scope for all markets which includes a more objective grading of compliance based on prescriptive and defined controls/evidence.</p> <p><b>Conclusion reached by the Committee</b></p> <p>The Committee concluded that engagement with and adherence to the MCF standards had improved with follow-through and implementation of standards in all markets continuing.</p> <p><b>Rationale for the Committee's conclusion</b></p> <p>The Committee received updates from the Group Head of Internal Audit at each meeting setting out the compliance across the Group, detailed findings from audits and recommended mitigation plans for identified control gaps.</p>

## AUDIT TENDER

Recent EU audit reforms require companies to put their audit out to tender at least every 10 years and to change their auditor at least every 20 years. As disclosed last year, the Audit Committee commenced a tendering

process in 2017 which is set out below. The Audit Committee recommended to the Board that Deloitte LLP be appointed as the Group's auditor for the year ended 31 December 2018. A resolution to appoint Deloitte LLP will be put to shareholders at the AGM on 24 May 2018.

### AUDIT TENDER PROCESS

<b>November 2016</b>	<ul style="list-style-type: none"> <li>– Audit tender process commences</li> <li>– Audit Committee and management consider suitable audit firms to determine their capabilities and prospective audit partners</li> <li>– A short list of audit firms is agreed including two audit firms outside of the 'big four'.</li> </ul>
<b>May 2017</b>	<ul style="list-style-type: none"> <li>– Two of the firms confirm they will actively participate in the audit tender.</li> </ul>
<b>July 2017</b>	<ul style="list-style-type: none"> <li>– A Decision Making Panel consisting of John Langston and Nigel Northridge along with the Chief Financial Officer, Group Financial Controller and Group Head of Internal Audit was appointed</li> <li>– Selection criteria agreed by the Audit Committee</li> </ul>
<b>August/September 2017</b>	<ul style="list-style-type: none"> <li>– Request for proposal document drafted and approved by the Decision Making Panel</li> <li>– Scoring matrix agreed by the Decision Making Panel</li> <li>– Sent to audit firms for their consideration</li> </ul>
<b>September 2017 / October 2017</b>	<ul style="list-style-type: none"> <li>– Site visits scheduled for Russia, Chile, Singapore and UK</li> <li>– Meetings held with key stakeholders including Tax, Treasury and Group IS functions.</li> <li>– Secure online data room made available to audit firms to support tender submissions.</li> </ul>
<b>November 2017</b>	<ul style="list-style-type: none"> <li>– Tenders submitted and formal presentations made to the Decision Making Panel</li> <li>– Results of the selection criteria scoring matrix presented to the Audit Committee</li> <li>– Audit Committee makes its decision on preferred firm and makes a recommendation to the Board for approval</li> <li>– Board approved the appointment of Deloitte LLP</li> </ul>
<b>May 2018</b>	<ul style="list-style-type: none"> <li>– Resolution to appoint new auditor put to shareholders at the 2018 Annual General Meeting.</li> </ul>

## SELECTION CRITERIA

A range of candidates was considered, including audit firms outside the big four accounting firms. The Decision Making Panel agreed the selection criteria and agreed which firms would be invited to tender. The selection criteria included:

- Key elements of the proposal and why it meets company needs

- General aspects of the audit firm – geographical coverage, office size in relevant markets, independence, conflicts of interests
- Understanding of the business and industry – audit credentials in Automotive/Distribution, demonstration of understanding of Inchcape's business, industry thought leadership

- Audit approach – proposed scope, coverage and rotation, approach to technical judgements, approach to testing controls, availability of audit tools, time management
- Audit planning – timetable, regional teams, approach to working with management, internal quality assurance processes, approach to resolving issues.
- Partner and team – details of lead partner and their skill set, team structure, continuity and succession planning
- Fees and terms.

### INVITATION TO TENDER

KPMG LLP and Deloitte LLP were invited to tender. EY were also invited to tender but decided not to participate due to other services they currently provide to the Group including tax advice and other non-audit services. Given the Group's global footprint, the Committee decided not to invite firms outside of the 'big four' which were being considered.

Each firm submitted a detailed tender document which included a presentation and a proposal for external audit services setting out technical expertise, scope and practical audit approach.

### FINAL SELECTION

The Committee agreed that both firms submitted excellent, professional and thorough tender proposals. However, after taking into account the process as a whole, the views of colleagues who met with each firm and the presentations and results of the scoring matrix, the Committee identified Deloitte LLP as the preferred new external auditor. Deloitte LLP shadowed PwC during the 2017 external audit process.

### NON-AUDIT SERVICES

The policy for non-audit services has been updated to take into account the new EU audit regulations and was approved by the Committee in February 2017. The policy sets out the permitted and non-permitted non-audit services as well as the approval levels required by the Audit Committee. The policy is designed to ensure that the external auditor's objectivity is not compromised by earning a disproportionate level of fees for non-audit services or by performing work that, by its nature, may compromise the auditor's independence. However, using advisors who have an understanding of the Group's business can be a benefit and the Committee will consider non-audit services supplied on an ongoing basis.

The provision of permitted non-audit services will only be approved by the Audit Committee if:

- Engagement of the auditor to provide the services does not impair the independence or objectivity of the external auditors;
- The skills and experience of the external auditors makes it the most suitable supplier of the non audit service;
- The auditor does not have a conflict of interest due to a relationship with another entity; and
- The aggregate fees incurred for permitted non-audit services relative to the audit fee do not exceed 70% of the average audit fee over the previous three years.

Permitted non-audit services above a certain level are approved on a case-by-case basis by the Audit Committee. During 2017, PwC carried out the interim review. No other permitted non-audit services were provided by PwC.

### TERMS OF REFERENCE

Companies are required to go through a formal process of considering their internal audit and control procedures, assessing the effectiveness of the external audit process and overseeing the relationship with their external auditors. As part of this process, it is essential that the audit committee is properly constituted with a clear remit and identified authority, and that it has processes in place to enable directors serving on audit committees to perform their role.

The Audit Committee's responsibilities are set out in its terms of reference. Compliance with the terms of reference is reviewed annually. During 2017, ICSA: the Governance Institute updated its model terms of reference for audit committees. The updated terms of reference reflect the April 2016 revisions to the UK Corporate Governance Code and the FRC Guidance on Audit Committees. They also take into account the changes to the Code in 2014 which required directors to publish a viability statement. The terms of reference are based on updated guidance and best practice as carried out in UK listed companies.

The Audit Committee carried out a review of its terms of reference during the year and approved the adoption of the updated terms for 2018. The new terms can be found on the website at [www.inchcape.com/governance](http://www.inchcape.com/governance).

# ENSURING AN EFFECTIVE BOARD

## DEAR SHAREHOLDER

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2017. This report should be read in conjunction with the Compliance Report on pages 82 to 86.

In order to ensure that the Company is headed by an effective Board, now and in the future, the Committee reviews the following on an annual basis:

- Length of time served – to ensure that progressive refreshing of the Board is considered on an ongoing basis.
- Skills and experience – to ensure that the Directors have the appropriate skills to assist with the delivery of the Ignite strategy.
- Time commitment – to ensure that the Non-Executive Directors are able to give sufficient time to the Company.
- Other appointments – to ensure that the number of other directorships held do not affect a Director's ability to commit the appropriate time to the Company.

## BOARD COMPOSITION

The review of skills and experience is carried out by the Committee annually by way of a skills assessment completed by the Board members. During the year, the skills review identified the technology sector as an area which could be further strengthened on the Board. Due to the changing nature of the business and the evolution of the Ignite strategy, this is an area which is likely to become increasingly important over time and as such was also a key consideration when planning the succession of Board members.

The length of service of the Non-Executive Directors and the Board's diversity policy are also considered by the Committee to ensure the appropriateness of succession plans.



**Ken Hanna**

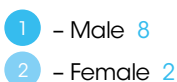
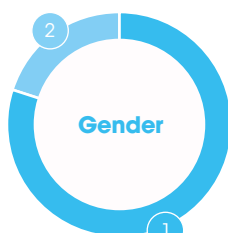
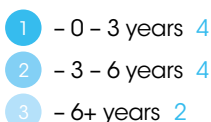
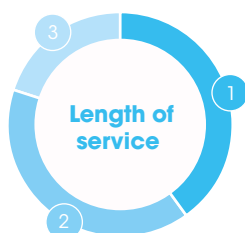
Chair of the Nomination Committee

## COMMITTEE MEMBERS

Jerry Buhlmann – joined March 2017	Nigel Northridge
Rachel Empey	Nigel Stein
John Langston	Till Vestring
Coline McConville	

Nigel Northridge will complete nine years' service in July 2018, however he has agreed to remain on the Board for a further 12 months to assist with the Chairman transition.

Jerry Buhlmann joined the Board in March 2017. Jerry is currently Chief Executive Officer of Dentsu Aegis Network and brings extensive Asia, B2B, digital and marketing experience which will further strengthen the skills and experience on the Board to fully deliver on the Ignite strategy. Jerry Buhlmann's induction consisted of meetings with key senior management. He also met with the Group's remuneration consultants, Kepler Associates, to gain an understanding of the Group's remuneration structure and culture for rewarding performance, and





**Committee meeting****Key activities**

March	<ul style="list-style-type: none"> <li>– Appointment of Jerry Buhlmann as a Non-Executive Director.</li> <li>– Approval of the Nomination Committee Report in the Annual Report and Accounts, time commitment, policy on multiple board appointments, election/re-election at AGM, length of service.</li> </ul>
November	<ul style="list-style-type: none"> <li>– Review of skills and experience, update on Board and Chairman succession, independence of Non-Executive Directors, review of terms of reference and committee membership.</li> </ul>

Makinson Cowell, to gain an understanding of the views of the Group's shareholders. To provide an understanding of the Group's operations inductions for new Directors also include a visit to a dealership. James Brearley, CEO UK Retail, gave Jerry an in-depth tour of the flagship VW dealership in Chiswick which included a comprehensive overview of the UK businesses.

**APPOINTMENT PROCESS**

The Lygon Group was appointed to assist with the search for Non-Executive Directors during the year. The Lygon Group has worked with the Group for several years and is familiar with the current Board's skills set and the potential requirements for the future. During the recruitment process, I meet with the consultants to review our needs and to draw up a long-list of suitable candidates for consideration. When a short-list has been established, potential candidates will meet with other Board members, after which the Committee will decide on the most suitable candidate and recommend the appointment of the Non-Executive Director to the Board for its approval. The Lygon Group is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not have any other connection to the Company. The Company continually updates its list of potential candidates, taking into account the Ignite strategy, the business needs of the Group and the Board's diversity policy, and should the situation arise when a Director departs unexpectedly, the recruitment process can begin immediately.

Nigel Northridge, Senior Independent Director, led the Chairman succession planning process during the year. The Nomination Committee met without the presence of Nigel Stein to consider the Chairman succession and formally approved his appointment in January 2018.

**DIVERSITY POLICY**

The Committee recognises the benefits of having a diverse Board and sees this as an essential element in delivering the Group's strategic objectives. We value diversity of skills and industry experience as well as background, race, age and gender as we believe this adds fresh perspectives which enrich our decision making and the aim of the policy is to reflect this ethos. The Board's policy on diversity is a verbally agreed principles based policy. It is clearly understood by our recruitment consultants and is taken into account when considering succession planning and external hires. The Board considers all aspects of diversity to be relevant and all Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective. The Board has not set specific targets, however aims to achieve the recommendations in the Hampton-Alexander and Parker Reviews.

The Board philosophy on diversity is also reflected throughout Inchcape where we employ a diverse workforce across 29 countries. We value the unique contribution that each person brings to Inchcape and we aim to employ people who reflect the diverse nature of society, regardless of age, sex, disability, sexual orientation, race, colour, religion, ethnic origin and political belief. The Group has not set specific targets, however the case study shows the work carried out during in 2017.



**Ken Hanna**  
Chairman

**CREATING DIVERSE OPPORTUNITIES IN THE WORKPLACE**

We have made good progress on further strengthening and diversifying the talent pool during the year. The focus on ensuring we have diverse short-lists has meant we have increased our gender diversity in the business while going for the best candidate for the job. We have recruited women to the following senior positions: General Manager, Singapore; Managing Director, Greater China; General Manager PSA Australia; Group Financial Controller, Group Head of Internal Audit and Head of Investor Relations. Progress is also being made in initiatives for revised role definition and reward to help the business attract candidates from other sectors. In the UK, we are also:

- Actively engaging with key forums, the wider community and education bodies to promote and encourage more females into the automotive profession
- Examining labour flows and female progression within the business
- Reviewing the Diversity and Inclusion culture across the business and identifying potential opportunities and obstacles
- Considering setting goals for greater female inclusion/representation throughout the recruitment process (both internal and external)
- Reviewing family friendly policies and working practices to identify opportunities
- Reviewing the requirement for unconscious bias training.

# ENSURING FOCUS ON SUSTAINABILITY

### DEAR SHAREHOLDER

I am pleased to present the report of the CR Committee for the year ended 31 December 2017.

I am delighted that Jerry Buhlmann joined the Committee in 2017. Jerry is the Chief Executive of Dentsu Aegis and his experience gained from their own sustainability strategy will no doubt add a new focus to our sustainability discussions and development in the future.

Maintaining a robust and transparent approach to CR is important for the long-term sustainability of our business, and we take our responsibilities towards all our stakeholders and the world at large seriously. This is why this Committee consists of both independent Non-Executive Directors and Executive Committee members, to ensure that we have a clear understanding of what CR means to the business and how we can ensure that an effective CR culture is embedded within the whole of the organisation.

The key stakeholders for the Group: People, OEM brand Partners and Customers, have detailed updates in the Strategic Report on pages 1 to 43.

The Committee also reviewed progress in the following areas:

#### Health & Safety

During the year we continued to drive a 'Health & Safety culture' within the organisation. A detailed evaluation of the current processes was undertaken which has resulted in:

- A refreshed, overarching policy statement which sets out accountabilities and responsibilities.
- Detailed Health & Safety standards, to serve as an operational benchmark raising our processes to a common standard.
- A more comprehensive self-audit process which enables all markets to evaluate their own compliance with our standards.
- A comprehensive accident reporting procedure which includes hazards and near misses.
- A clear resourcing plan to oversee compliance and continuous improvement.

#### Communities

The Committee has been excited to hear about the inspiring community work carried out by so many of Inchcape's businesses.

The Company encourages community involvement, fund raising and donations through both Company partnership and by individuals. We are now building an internal community where colleagues can share their stories and best practice.



**Till Vestring**  
Chair of the CR Committee

#### COMMITTEE MEMBERS

Stefan Bomhard  
Jerry Buhlmann  
Alison Clarke

Ken Hanna  
Coline McConville

#### Committee meeting

#### Key activities

March	<ul style="list-style-type: none"><li>- CR Committee Report in Annual Report and Accounts</li><li>- Review of CR strategy</li></ul>
November	<ul style="list-style-type: none"><li>- Update of CR strategy, agreeing key CR themes, outline of reporting process, review of terms of reference and committee membership.</li></ul>

#### Environment

The Committee has continued to look at the ways we can manage and reduce our carbon emissions and understand what the environmental impacts of our operations are globally and concrete initiatives are being evaluated on the work done.

We continue to work with The Carbon Trust to explore how adopting a science-based target approach to carbon reduction would work for us. During the year an comprehensive energy audit pilot was completed for Continental Europe which will be reviewed during 2018 to ascertain where we can make a difference. We have a very diverse business and it is important to us that we adopt the approach which will not just deliver short-term results but will help us build an effective reduction programme for the next 30 years and beyond.

Further information on these key stakeholders is given in the CR Report on pages 39 to 43.

A handwritten signature in dark ink, appearing to read 'T. Vestring'.

**Till Vestring**  
Chair of the CR Committee

# ENSURING ALIGNMENT OF PERFORMANCE AND REWARD

## DEAR SHAREHOLDER

I am pleased to present the Directors' Report on Remuneration for the year ended 31 December 2017. This report should be read in conjunction with the Compliance Report on pages 82 to 86.

The Annual Report on Remuneration (the "Report") and the Remuneration Policy (the "Policy") were both voted on by shareholders at the AGM in May 2017. The Report received a vote in favour of 97.13% and the Policy received a vote in favour of 96.79%. As we undertook a comprehensive engagement process with our shareholders, their views were clearly understood when considering the Policy. I believe that the positive voting result is a testament to the engagement of the Committee, management and investors.

The Committee was further strengthened during 2017 with the addition of Nigel Stein and Jerry Buhlmann as members. Both Jerry and Nigel have extensive executive and operational experience from their respective CEO roles and will be able to add views from a wider workforce perspective to the Committee's deliberations.

## 2017 PERFORMANCE OUTCOMES AND AWARDS

The Group has delivered sales of £8.9bn, operating profit before exceptional items of £407.5m, EPS of 67.0p (adjusted) and ROCE of 30%. The rewards payable for the Executive Directors as a result of the Group's performance are set out on pages 70 to 73, along with long-term incentive awards granted during the year.

The Committee is satisfied that the total remuneration received by Executive Directors in 2017 appropriately reflects the Company's performance over the year and is consistent with the approach taken for other relevant employees. The Committee is also satisfied that the approach to setting the remuneration underpins the effective and proper management of risk by rewarding fairly for sustainable profit growth and long-term returns for shareholders.

## 2018 key activities

The Committee is committed to ensuring that the Group's remuneration arrangements continue to reflect the Ignite strategy, reward strong performance and align Executive Directors and senior management's interests with those of shareholders. We are not expecting any changes for the coming year and the Committee will continue to keep up to date with evolving corporate governance throughout 2018, including the new Corporate Governance Code to be issued in the summer, and will carefully consider this and other guidance particularly on the CEO pay ratio, cap on total pay opportunities and employee engagement to ensure that our remuneration arrangements meet stakeholder interests.



**Coline McConville**

Chair of the Remuneration Committee

## COMMITTEE MEMBERS

Jerry Buhlmann

Ken Hanna

Coline McConville

Nigel Northridge

Nigel Stein

Till Vestring

## Committee meeting

## Key activities

February	– 2016 Directors' Report on Remuneration, 2016 annual bonus pay-out, achievement of performance targets for long-term incentives, senior management 2017 remuneration proposals, new Remuneration Policy
May	– Shareholder approval for the Remuneration Policy, amendment to LTI plan rules to incorporate malus and clawback.
November	– Review SAYE, review of trends in remuneration, gender pay reporting, review of terms of reference and Committee membership.

## Gender pay gap

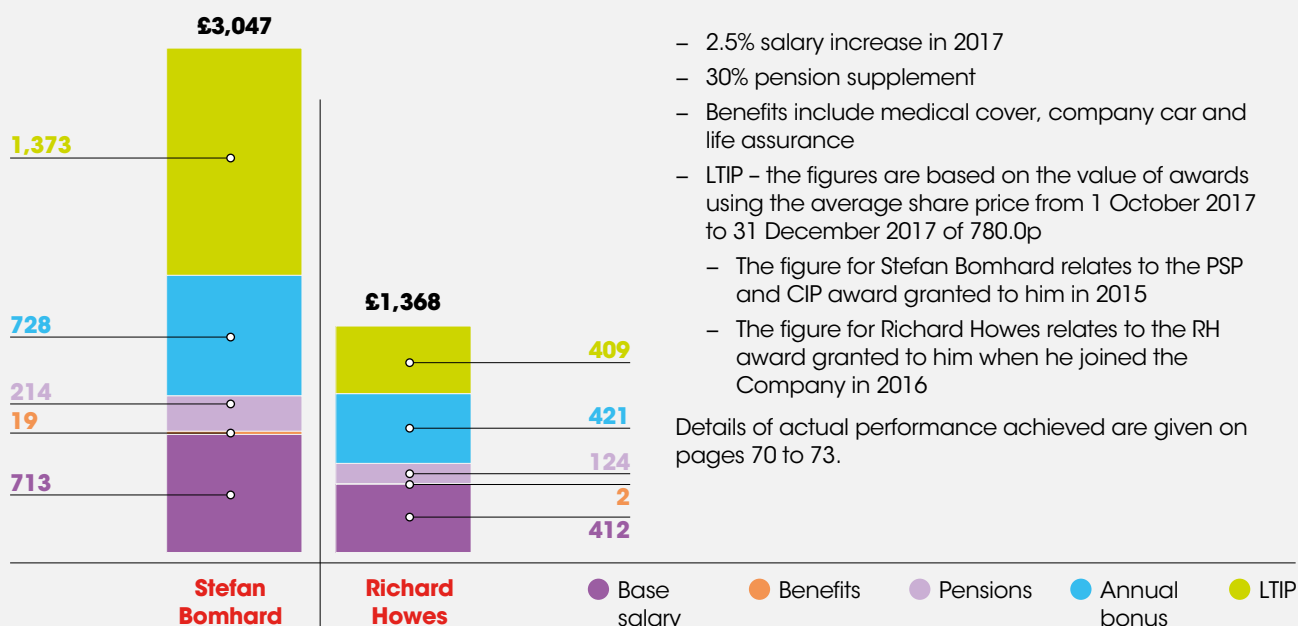
In addition to its other activities, the Committee reviewed the gender pay gap disclosure for the UK business which will be published on its website [www.inchcape.co.uk](http://www.inchcape.co.uk), in due course. We have a commitment to become an increasingly gender diverse business and our planned initiatives for revised role definition and reward offering will help improve the results. Further details of the steps taken by the UK business will be given in the disclosure.

**Coline McConville**

Chair of the Remuneration Committee

# REMUNERATION AT A GLANCE

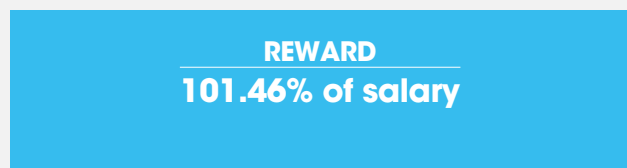
## WHAT EXECUTIVE DIRECTORS EARNED DURING 2017 (£'000)



## ALIGNMENT OF PERFORMANCE AND REMUNERATION FOR 2017

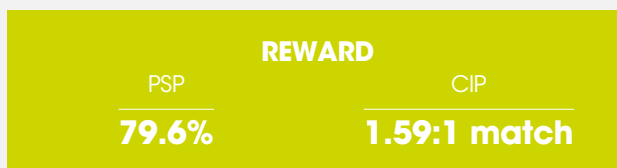
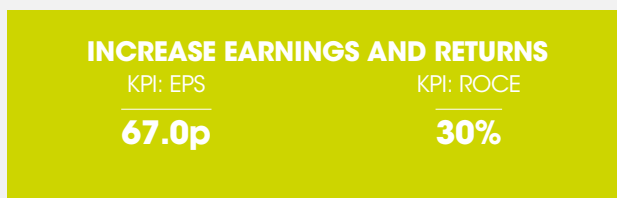
### ANNUAL BONUS

To motivate and reward the achievement of the Company's strategic and operational objectives



### LONG-TERM INCENTIVES

To motivate and reward performance linked to long-term success



Further information on annual bonus and long-term incentive plans can be found on pages 70 to 73 respectively.

# PART 1 — DIRECTORS' REMUNERATION POLICY

This section of the report sets out the remuneration policy approved by shareholders at the AGM on 25 May 2017. The principal changes compared to the previously approved policy are as follows and the full policy is given on pages 61 to 68:

- Strategic measures have been included within the annual bonus. NPS has now been incorporated within the Ignite strategic measures
- Clawback and malus provisions apply to all incentives (PSP, CIP and annual bonus) from 2017 onwards. Previously malus provisions only applied to the PSP
- PSP awards as a percentage of salary rather than as a fixed number of shares
- 'Enhanced' PSP share awards have been removed
- There is no longer a limit of 450% of salary under exceptional circumstances for PSP awards. The maximum PSP award level is 300%
- Investment opportunity under the CIP is capped at 50% of salary (previously in exceptional circumstances, investment opportunity could be increased to 100% of salary)
- A mandatory post-vesting holding period of two years on any PSP and CIP awards from 2017 onwards has been introduced for Executive Directors
- PSP and CIP grants for new recruits will be capped in line with the limits in the main policy
- Reduction in maximum cash supplement in lieu of pension from 40% to 30% of base salary

## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
<b>Base salary</b>	To pay a competitive salary which attracts, retains and motivates talent to make decisions which drive the Company's strategy and create value for stakeholders.	Salaries are reviewed annually and any increases typically take effect from 1 April of each year. Adjustments to salary will take account of: – Increases awarded across the Group as a whole, and conditions elsewhere in the Group; – Experience and performance of the individual; – Pay levels at organisations of a similar size, complexity and type; and – Changes in responsibilities or scope of the role.	Increases are not expected to exceed average increase for senior management, unless a change in scope or complexity of role applies.
<b>Annual bonus</b>	To motivate and reward for the achievement of the Company's strategic annual objectives.	Based at least 70% on annual financial performance. Financial measures may include (but are not limited to) revenue and operating profit. Non-financial measures may include strategic measures directly linked to the Company's priorities. Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the CIP. Bonus payouts are subject to malus and clawback provisions.	150% of salary maximum payable for achieving stretch performance against all measures. 60% of salary payable for target performance. 12% of salary payable for entry level performance.
<b>Performance Share Plan (PSP)</b>	To provide a meaningful reward to senior executives linked to the long-term success of the business. The use of performance shares enables the delivery of median pay for median performance and upper quartile pay for upper quartile performance.	Vesting of the performance shares is based on performance measures linked to the Group's strategic priorities and may vary year-on-year. Vesting of the PSP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year. For awards granted to the Executive Directors from 2017, vested awards will be subject to an additional two year holding period. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. PSP awards granted from 2017 are subject to malus and clawback provisions.	PSP opportunities will be 180% of salary. Award levels are subject to an individual limit of 300% of salary. Threshold level performance will result in 25% vesting of the PSP award.



## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
<b>Co-Investment Plan (CIP)</b>	<p>To encourage executive share ownership and reinforce long-term success.</p> <p>Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p>	<p>A voluntary investment opportunity in return for a performance based match.</p> <p>Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p> <p>Invested shares can be withdrawn at any time but the entitlement to a match would be lost if the invested shares are withdrawn before the end of the relevant three year vesting period.</p> <p>Vesting of the CIP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year.</p> <p>For awards granted to the Executive Directors from 2017, vested awards will be subject to an additional two year holding period.</p> <p>Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest.</p> <p>CIP awards granted from 2017 are subject to malus and clawback provisions.</p>	<p>Executive Directors may invest up to an overall maximum of 50% of salary. Maximum match of 2:1, threshold of 0.5:1.</p> <p>Maximum matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary.</p>
<b>Save As You Earn (SAYE)</b>	<p>To encourage share ownership.</p>	<p>UK employees are able to make monthly savings, over a three year period. At the end of the savings period, the funds are used to purchase shares under option. As this is an all-employee scheme and Executive Directors participate on the same terms as other employees, the acquisition of shares is not subject to the satisfaction of a performance target.</p>	<p>Participation limits are those set by the UK tax authorities from time to time.</p>
<b>Pension</b>	<p>To provide market competitive pension benefits where it is cost-effective and tax-efficient to do so.</p>	<p>The Group's pension scheme, Cash+, is a cash balance retirement scheme which accrues 16% of earnings (capped at £250,000 p.a.) paid as a lump sum at the age of 65.</p> <p>Members are required to contribute 7% of pensionable salary.</p> <p>Executive Directors may also receive a salary supplement in lieu of pension contributions.</p>	<p>Eligibility to join the Cash+ scheme at a minimum level to meet regulatory requirements.</p> <p>Cash supplement up to 30% of base salary for Executive Directors.</p>
<b>Other benefits</b>	<p>To provide market competitive benefits where it is cost-effective and tax-efficient to do so.</p>	<p>Benefits currently include (but are not limited to):</p> <ul style="list-style-type: none"> <li>– Company cars;</li> <li>– Medical care; and</li> <li>– Life assurance premiums.</li> </ul>	<p>It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for existing Executive Directors.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation).</p>

To encourage share ownership and ensure alignment of executive interests with those of shareholders, Executive Directors are required to hold a number of shares equivalent to 200% of base salary. Executive Directors have five years from the date of appointment to reach this shareholding.

## NOTES TO THE POLICY

### Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the remuneration policy detailed in this report. Such awards include vested but unexercised options.

### Selection of performance measures and target setting

The Committee regularly reviews the appropriateness of performance measures used by the Group.

- The annual bonus measures have been selected to incentivise sustainable growth in profits. The matrix structure provides a balanced focus between commercial and cash initiatives. A basket of strategic measures will be selected each year to reinforce the Group's strategic objectives.
- The Committee believes that EPS continues to be the best measure of long-term performance for the Group and is currently therefore the primary long-term incentive measure. It provides strong line of sight for executives who are familiar with the existing basis of EPS performance measurement, and is consistent with the Group's long-term strategy focusing on sustainable growth.
- ROCE supports the Group's cash initiatives of controlling working capital and capital expenditure and, when combined with EPS, provides a balance between growth and returns.
- Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates.
- The Committee has considered the use of other performance measures to reinforce the Company's long-term objectives, including relative TSR and cash flow. However, given the diversity of the Group's operations, it would be difficult to set a relevant and robust comparator group for assessing relative TSR performance and there would be some difficulty in cascading many of the other measures appropriately down the organisation.
- Targets are set taking into account a range of reference points including the Ignite strategy and broker forecasts for the Group. The Committee believes that the performance targets set are appropriately stretching, and that the maximum will only be achievable for truly outstanding performance. Please see page 74 for further details on the target ranges.

- The Committee retains discretion to adjust the annual bonus outcome up or down to ensure that it is a fair reflection of the Group's underlying performance.
- The Committee also has the discretion to adjust the performance conditions for long-term incentive plans in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions.
- Any discretion exercised by the Committee in the adjustment of performance conditions will be fully explained to shareholders in the relevant Annual Report on Remuneration. If the discretion is material and upwards, the Committee will consult with major shareholders in advance. No such discretion was exercised during 2017.

### Malus and clawback

These provisions allow the Committee in certain circumstances (such as gross misconduct or a material misstatement of the Group financial statements) the discretion to:

- reduce bonus, PSP and/or CIP;
- cancel entitlement of bonus;
- prevent vesting of the PSP and/or CIP; or
- allow the Company within two years of payment/vesting of award to claim back up to 100% of the award.

### Composition of remuneration arrangements

A significant proportion of Executive Directors' pay is variable, long term and remains 'at risk' (i.e. subject to malus and clawback provisions).

Charts are based on maximum payout scenarios for Executive Directors.

#### Fixed vs. variable (%)



#### Short-term vs. long-term (%)



### REMUNERATION POLICY FOR OTHER EMPLOYEES

Our approach to salary reviews is consistent across the Group with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies (using remuneration surveys, where appropriate) and the Company's ability to pay.

Senior managers (c. 400 individuals) participate in an annual bonus scheme which has similar performance targets to those of the Executive Directors. Below this level, local incentive schemes are in place for management and non-management employees. Opportunities and performance conditions vary by country and organisational level, with business unit-specific metrics incorporated where appropriate. Commission-based arrangements are also operated for certain roles.

Senior managers also receive PSP awards while participation in the CIP is limited to Executive Directors, Group Executive Committee members and the next level of executives (c. 20 individuals). Performance conditions are consistent for all participants while award sizes vary by organisational level. Share ownership guidelines apply to Executive Directors and Group Executive Committee members.

All UK employees are eligible to participate in the SAYE scheme on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations within the Group.

## REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Objective and link to strategy	Operation and performance metrics	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the role.	<p>Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits, except the Chairman who receives medical cover.</p> <p>Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (excluding the Nomination Committee).</p> <p>The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors.</p> <p>Non-Executive Directors may elect to receive up to 20% of their net fees p.a. as Company shares.</p>	<p>Appropriate adjustments may be made to fee levels, taking account of:</p> <ul style="list-style-type: none"> <li>– increases awarded across the Group as a whole and conditions elsewhere in the Group;</li> <li>– fee levels within organisations of a similar size, complexity and type; and</li> <li>– changes in complexity, responsibility or time commitment required for the role.</li> </ul>

Fees paid to Non-Executive Directors are within the limits set by shareholders from time to time. This limit, currently at an aggregate of £1,000,000, was last approved by shareholders at the 2015 AGM.

### CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

Prior to the annual salary review, the Committee receives an update from the Chief Human Resources Officer on the average salary increases across the Group. This is considered by the Committee when determining salary increases for the Executive Directors and the Group Executive Committee.

The Company has a diverse international spread of businesses as well as a wide variety of roles from petrol pump attendants and valeters through to Chief Executives of our individual businesses and therefore pay levels and structures vary to reflect local market conditions. Although the Company has not carried out a formal employee consultation regarding executive remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

### CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee takes into account the guidelines of representative investor bodies and shareholder views.

The Committee is always open to feedback from shareholders on remuneration policy and arrangements. We are committed to undertaking shareholder consultation in advance of any changes to remuneration policy, as evidenced by our recent consultation with shareholders representing two-thirds of the Company's issued share capital on proposed changes. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

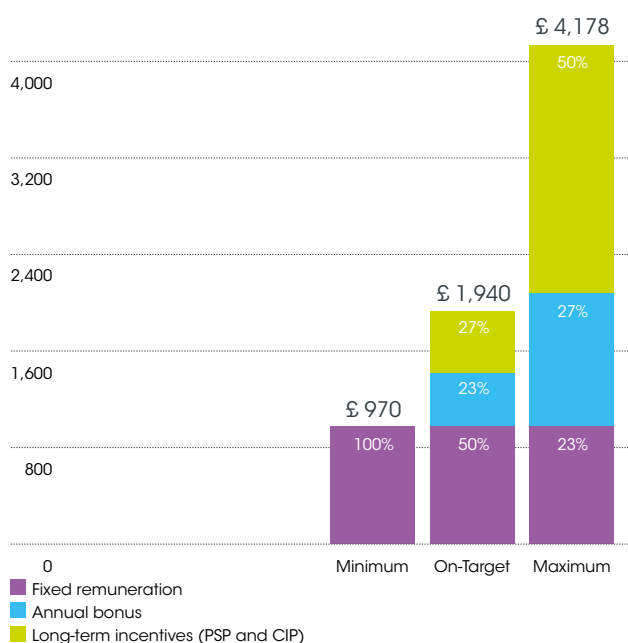
The votes received at the 2017 AGM on the 2016 Directors' Report on Remuneration and the Remuneration Policy are provided on page 77.

## PERFORMANCE SCENARIOS

The charts below show the remuneration that Executive Directors could expect to obtain based on varying performance scenarios. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting periods of awards. The charts have been updated for 2018 salaries and the 2018 long-term incentive grants.

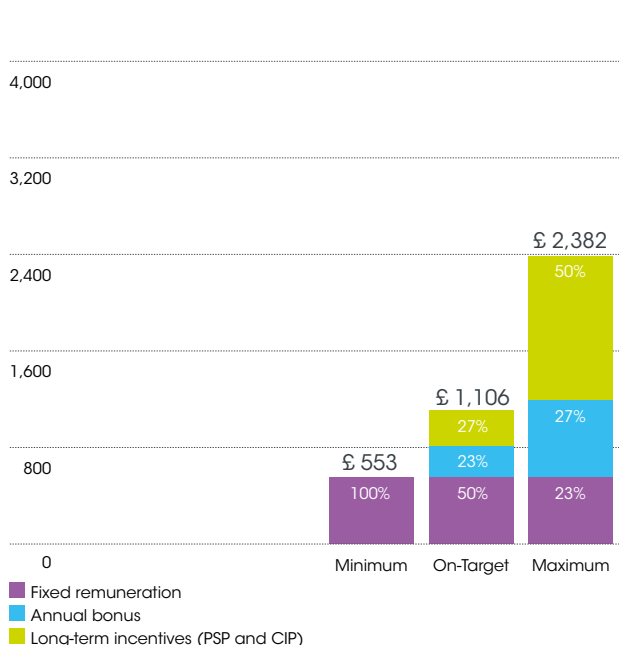
### Stefan Bomhard – Group Chief Executive

Total remuneration (£'000s)



### Richard Howes – Chief Financial Officer

Total remuneration (£'000s)



### Notes on the performance scenarios:

The projected values exclude the impact of share price movements and dividend accrual.

#### Element

#### Assumptions

<b>Fixed remuneration</b>	Total remuneration comprises base salary, benefits and pensions			
	Base salary – effective from 1 April 2018			
	Benefits – as provided in the single figure table on page 69			
	Pension – cash in lieu of pension			
<b>Variable pay</b>		Minimum	On-target	Maximum
	Annual bonus	No payout	Target payout (40% of maximum)	Maximum payout
	CIP	No vesting	Assumes full voluntary investment	
	PSP		Threshold match of 0.5:1	Maximum vesting
		No vesting	Threshold vesting (25% of maximum)	Maximum vesting



## APPROACH TO RECRUITMENT REMUNERATION

### External appointments

When appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value	
<b>Base salary</b>	The base salaries of new appointees will be determined by reference to the scope of the role, experience of the individual, pay levels at organisations of a similar size, complexity and type, pay and conditions elsewhere in the Group, implications for total remuneration, internal relativities and the candidate's current base salary.	n/a	
<b>Pension</b>	New appointees will be eligible to participate in the Group's pension plan (or receive a cash supplement in lieu) on similar terms to existing Executive Directors.	n/a	
<b>Benefits</b>	New appointees will be eligible to receive normal benefits available to senior management, including (but not limited to) company cars, medical care and life assurance.	n/a	
<b>Annual bonus</b>	The annual bonus described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	150% of salary	
<b>PSP</b>	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	300% of salary	The combined maximum is not intended to exceed 400% of salary
<b>CIP</b>	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	100% of salary	
<b>Other</b>	<p>The Committee will consider on a case-by-case basis if all or some of the incentives forfeited on leaving a previous employer will be 'bought-out'.</p> <p>If the Committee decides to buy-out forfeited awards, the award will be structured on a comparable basis, taking into account any performance conditions attached, time to vesting and share price at the time of buy-out.</p> <p>The Committee retains the discretion to make use of the relevant Listing Rule to facilitate such a buy-out.</p>	n/a	

### Notes to recruitment remuneration policy

In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of the Group and its shareholders.

### Internal appointments

In cases of internal promotions to the Board, the Committee will determine remuneration in line with the policy for external appointees as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Incentive opportunities for employees below Board level are typically no higher than for Executive Directors.

### Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on page 65. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as the Chairman of Audit, Remuneration and CR Committees as appropriate.

## EXIT PAYMENT POLICY, SERVICE CONTRACTS AND CHANGE OF CONTROL

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

In addition, the Company retains discretion to settle any other amount reasonably due to the Executive Director, for example, to meet legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee as well as the rules of any incentive plans. When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

The table below summarises how the awards under the annual bonus, PSP and CIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Component	Circumstance	Treatment	Payment/vesting date (if relevant)
<b>Annual bonus</b>	Resignation.	Bonus will lapse unless the date of leaving is after the year end. The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved.	Either the end of the performance period or at the Committee's discretion.
	Death, ill-health, redundancy, retirement or any other reason which the Committee may, in its absolute discretion, permit.	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved. Any bonus payment will be pro-rated for time served during the year.	Either the end of the performance period or at the Committee's discretion.
	Change of control.	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved. Any bonus payment will be pro-rated for time served during the year.	Either the end of the performance period or at the Committee's discretion.
<b>PSP and CIP</b>	Resignation.	Unvested awards will lapse on date of leaving. Any vested awards can be exercised.	Either the end of the performance period or at the Committee's discretion.
	Death, ill-health, redundancy, retirement (CIP only) or any other reason which the Committee may, in its absolute discretion, permit.	Any unvested awards will be pro-rated for time and performance.	Either the end of the performance period or at the Committee's discretion.
	Change of control.	Any unvested awards will be pro-rated for time and performance.	Either the end of the performance period or at the Committee's discretion.

## SERVICE CONTRACTS

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

Name	Date of contract	Notice period	Unexpired term
Stefan Bomhard	1 April 2015	12 months	To retirement age
Richard Howes	11 April 2016	12 months	To retirement age

The Company may terminate an Executive Director's contract by paying a sum equal to base salary and, in certain circumstances, benefits including pension and life assurance, company car and entitlement to holiday pay for the 12 month period. Executive Directors' service contracts are available to view at the Company's registered office.

# PART 2 — ANNUAL REPORT ON REMUNERATION

The names of the Committee members are given on page 59 and their biographies can be found on pages 44 to 45. The work of the Committee during the year is summarised in the letter to shareholders on page 59 and given in full detail in the following report.

The following section provides details of how the Company's remuneration policy was implemented during the financial year to 31 December 2017 and how it will be implemented in the financial year to 31 December 2018.

## SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2017:

Name	Base salary/fees £'000		Taxable benefits (a) £'000		Single-year variable (b) £'000		Multiple-year variable (c) £'000		Pension (d) £'000		Other (e) £'000		Total £'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Current Executive Directors</b>														
Stefan Bomhard	713	688	19	84	728	424	1,373	–	214	207	0	0	3,047	1,403
Richard Howes	412	294	2	1	421	184	–	–	124	88	409	356	1,368	923
<b>Current Non-Executive Directors (f)</b>														
Ken Hanna	320	320	3	2	–	–	–	–	–	–	–	–	323	322
Jerry Buhlmann*	50	–	–	–	–	–	–	–	–	–	–	–	50	–
Rachel Empey	60	36	–	–	–	–	–	–	–	–	–	–	60	36
John Langston	75	75	–	–	–	–	–	–	–	–	–	–	75	75
Coline McConville	75	75	–	–	–	–	–	–	–	–	–	–	75	75
Nigel Northridge	81	81	–	–	–	–	–	–	–	–	–	–	81	81
Nigel Stein	60	60	–	–	–	–	–	–	–	–	–	–	60	60
Till Vestring	70	70	–	–	–	–	–	–	–	–	–	–	70	70
<b>Previous Non-Executive Directors</b>														
Alison Cooper*	10	60	–	–	–	–	–	–	–	–	–	–	10	60
<b>Total</b>	<b>1,926</b>	<b>1,759</b>	<b>24</b>	<b>87</b>	<b>1,149</b>	<b>608</b>	<b>1,373</b>	<b>–</b>	<b>338</b>	<b>295</b>	<b>409</b>	<b>356</b>	<b>5,219</b>	<b>3,105</b>

\* Jerry Buhlmann joined the Group during the year. Alison Cooper left during the year.

a Taxable benefits comprise car allowance, medical cover and mileage allowance.

b Payment for performance during the year under the annual bonus, including amounts paid in shares.

c The 2017 figure for Stefan Bomhard is based on awards vesting during the year, valued on the average share price from 1 October 2017 to 31 December 2017 of 780.0p. Richard Howes joined the Group in 2016 and therefore did not receive an award in 2015. Actual performance against targets is given on page 72.

d During the year the Executive Directors received a cash supplement of 30% of base salary in lieu of pension contributions.

e The 2017 figure for Richard Howes is the value of the RH award which was granted to him as a buyout on joining the Company, which becomes exercisable on 11 April 2018, based on the average share price from 1 October 2017 to 31 December 2017 of 780.0p. See page 73 for actual performance against targets. The 2016 figure for Richard Howes includes the value of the award granted in lieu of forfeited incentives from his previous employer and the embedded value of the 2016 SAYE at date of grant.

f The fees of the Chairman, Non-Executive Directors and the Senior Independent Director are given on page 70.

## BASE SALARY

Salaries are reviewed annually and typically take effect from 1 April each year. The quantum of total executive remuneration was reviewed against four comparator groups: retailers, distributors, companies of a similar market cap, and companies with similar revenues.

Salaries for 2018 were determined taking into account this benchmarking data, as well as the other factors detailed in the policy table.

The salaries for 2016, 2017 and 2018 are set out below, together with the average increases across the Group.

Name	1 April 2016	1 April 2017	1 April 2018
Stefan Bomhard	£700,000	£717,500	£746,200 – 4.0% increase
Richard Howes	£405,000	£415,125	£425,503 – 2.5% increase
Average increase across Group	3.4%	2.18%	2.5%

The Committee carefully considered Stefan Bomhard's salary in relation to market positioning and his strong leadership. The Committee agreed a 4% increase in salary as appropriate which, although above the average increase across the Group, is within the range of increases offered to other employees. Richard Howes' salary was increased by 2.5% which is in line with the average increase across the Group.

## CHAIRMAN'S AND NON-EXECUTIVE DIRECTORS' FEES

The Chairman receives a fee of £320,000 p.a. The Senior Independent Director receives a fee of £81,000 p.a. The Non-Executive Directors' receive a fee of £60,000 p.a with an additional £15,000 p.a for the chair of the Audit and Remuneration Committees and an additional £10,000 p.a for the chair of the CR Committee.

The Chairman and Non-Executive Directors fees were last reviewed in 2015. There are no changes proposed for 2018.

## ANNUAL BONUS

The annual bonus is based on annual financial performance measures and non-financial measures. The non-financial measures may include personal objectives linked to the delivery of the Ignite strategy. The measures are selected to incentivise sustainable growth and the financial matrix is designed to provide a balanced focus between commercial and cash initiatives. The non-financial measures are selected each year to reinforce the Group's strategic objectives.

The maximum opportunity is 150% of salary which is payable for achieving stretch performance against all measures. Any bonus earned above 100% of salary is automatically invested into the CIP. Bonus payouts in 2017 are subject to malus and clawback provisions.

In line with the Committee's commitment to disclose bonus targets, the table on page 71 illustrates targets, performance and resulting bonus outcomes for the Executive Directors for the 2017 bonuses.

## 2017 BONUS

In recent years our annual bonus has been based purely on financial performance and customer service levels against targets. For 2017, the Committee agreed that 80% of the bonus should be based on financial performance of revenue and operating profit and 20% of the bonus should be based on strategic objectives, therefore linking an individual's bonus outcome to their contribution to the Ignite strategy.

The principles for setting the new framework are such that it:

- Drives the desired behaviours underpinned by our Performance Drivers
- May be easily cascaded through the organisation to reinforce alignment of our collective goals
- Has clear measures and targets

### The strategic element of bonus performance is aligned with Ignite



#### Lead in customer experience

Customer service innovation, including progress on the digital customer journey



#### Become the OEM partner of choice

Improving strategic business partnerships with our OEM brand partners



#### Deliver full potential on all our revenue streams

Developing business opportunities and improving focus on all our revenue streams



#### Leverage our global scale

Improvement in business processes

## ACTUAL PERFORMANCE AGAINST TARGETS:

Financial measures				Strategic measures	Total payment	
	Revenue	Threshold £7,962.1m	Target £8,381.2m	Stretch £8,800.3m	Max 30%	% of salary £000
Stefan Bomhard	<b>Actual performance</b>	<b>£8,550.9m</b>			28.5%	101.46% £727,976
	Operating profit	Threshold £341.6m	Target £379.5m	Stretch £417.5m		
	<b>Actual performance</b>	<b>£389.3m</b>				
Richard Howes	Revenue	Threshold £7,962.1m	Target £8,381.2m	Stretch £8,800.3m	Max 30%	% of salary £000
	<b>Actual performance</b>	<b>£8,550.9m</b>			28.5%	101.46% £421,186
	Operating profit	Threshold £341.6m	Target £379.5m	Stretch £417.5m		
	<b>Actual performance</b>	<b>£389.3m</b>				

Actual performance for determining bonus outcomes has been calculated using the same currency rates as used to set the bonus target. This ensures that bonus outcomes are linked to, and reward for, underlying financial performance.

### Lead in customer experience

We set ourselves some very stretching internal targets for customer experience, one which was narrowly missed by 1.9% and the other which was met at threshold. We also successfully initiated a number of process changes over the year to improve our ability to turn NPS feedback into actions and further strengthen our customer experience.

### Become the OEM partner of choice

In order to improve our strategic business partnerships with our OEM brand partners we set ourselves a number of stretching targets based on our OEMs expectations for unit volume, market share and customer satisfaction. Over the year we improved our delivery against our OEMs expectations, exceeding the agreed targets.

### Deliver full potential on all revenue streams

As a means of recognising the need to have diversification of value drivers and to deliver strong returns in all market conditions, we have focused on improving productivity, deepening our expertise and investing in technicians to maximise the potential of our current assets. Further, we set – and met – stretch targets on improvements on Finance and Insurance with additional focus on the development of new products and services which will lead to improvement in profit from an additional revenue stream in many markets.

### Leverage our global scale

Our dedicated focus on procurement has achieved £20m of annualised cost savings.

## ANNUAL BONUS FOR 2018

The maximum annual bonus opportunity in 2018 will remain unchanged from previous years and will be 150% of salary.

For the Executive Directors, 80% of the bonus will be based on the same financial performance matrix as 2017, which is linked to revenue and operating profit, and 20% of the bonus will be based on a basket of specific, measurable objectives that relate to the Ignite strategy.

### Up to 80% of total bonus or 120% of salary

Revenue			
Stretch	24%	72%	120%
Target	16%	48%	96%
Threshold	12%	36%	72%
	Threshold	Target	Stretch
			Operating profit



### Up to 20% of total bonus or 30% of salary



Given the close link between performance targets and the longer-term strategy and the advantage this may give competitors, the 2018 targets are not disclosed in this report because of their commercial sensitivity. The Committee intends to publish the financial targets and provide more detail on the basket of strategic measures in next year's Directors' Report on Remuneration.



## AWARDS VESTING DURING THE YEAR

In 2015, Inchcape granted awards under the PSP and CIP schemes which vested dependent on certain performance targets over three years to 31 December 2017. Richard Howes joined the Group in 2016 and therefore did not receive an award.

### 2015 Normal PSP/CIP

Three year EPS growth p.a. (75% weighting)	Vesting %	Three year average ROCE (25% weighting)	Vesting %
Less than 5%	0%	Less than 21%	0%
5%	25%	21%	25%
13%	100%	25%	100%
Between 5% and 13%	Straight line basis	Between 21% and 25%	Straight line basis

### 2015 Enhanced PSP

Three year EPS growth p.a.	Vesting %
Less than 13%	0%
18%	100%
Between 13% and 18%	Straight line basis

### 2015 vesting of PSP/CIP

Award	Performance measure	Wtg.	Vesting outcome (% of element)
Normal PSP	EPS	75%	72.8%
	ROCE	25%	100%
Enhanced PSP	EPS	100%	0%
Total (overall vesting outcome of normal PSP)			79.6%

	Performance measure	Wtg.	Vesting outcome (% of element)
CIP	EPS	75%	1.46:1 match
	ROCE	25%	2:1 match
Total (overall vesting outcome of CIP)			1.59:1 match

Stefan Bomhard was granted a 2015 PSP and 2015 CIP award and is therefore entitled to the following shares on vesting:

	Interest held	Vesting %	Interest vesting	Vesting date	Assumed market price (p) <sup>1</sup>	Estimated value
<b>Stefan Bomhard</b>						
Normal PSP	143,734	79.6%	114,412	17 April 2018	780.0p	£892,416
Enhanced PSP	15,971	0.0%	0	17 April 2018	780.0p	£0
CIP	77,408	79.6%	61,616	17 April 2018	780.0p	£480,605

<sup>1</sup> As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value of the last three months of 2017.

### SB award

Stefan Bomhard received an award of 205,125 nil-cost options when he joined the Group on 1 April 2015. These options were in lieu of forfeited incentives from his previous employer and have an exercise price of 10.0p. Vesting is dependent on continued employment.

On 1 April 2017, the second tranche (68,375 options) vested at a share price of 841.5p. The remaining options will vest on 1 April 2018, dependent on continued employment. During the year he exercised the first and second tranches of the SB award. Further details are given on page 74.

### RH award

As disclosed in last year's report and detailed in the single figure table for 2016, Richard Howes received an award in lieu of forfeited incentives from his previous employer when he joined the Group on 11 April 2016. This award consists of 124,909 nil-cost options with an exercise price of 10.0p and has the following conditions:

- 51,759 nil-cost options; half of this award vests on each of the first and second anniversaries of the grant date (i.e. 11 April 2017 and 2018) dependent on continued employment. This award is in lieu of forfeited incentives from his previous employer which did not have any performance conditions attached to the awards. On 11 April 2017, the first tranche of this award (25,879 options) vested at a share price of 842.0p.
- 73,150 nil-cost options; award will vest on 11 April 2018 dependent on 2015 PSP performance conditions being met. The option is structured as the PSP with 90% as 'normal' awards and 10% as 'enhanced' awards. This award is in lieu of forfeited incentives from his previous employer which had performance conditions attached to the award. As disclosed on page 72, 79.6% of the 'normal' element will vest and the 10% 'enhanced' element will lapse. Therefore 52,404 options will vest on 11 April 2018.

### AWARDS MADE DURING THE YEAR

Awards were made to the Executive Directors and other senior executives under the PSP and CIP. The PSP awards were granted as a percentage of salary and both Stefan Bomhard and Richard Howes were granted PSP awards at 180% of salary.

Under the CIP, Stefan Bomhard and Richard Howes invested 50% of salary and received an award of 100% of salary. Performance conditions for awards made in 2017 are as follows:

#### 2017 PSP/CIP

Three year EPS growth p.a. (60% weighting)	Vesting %	Three year average ROCE (40% weighting)	Vesting %
Less than 4%	0%	Less than 22%	0%
4%	25%	22%	25%
12%	100%	26%	100%
Between 4% and 12%	Straight line basis	Between 22% and 26%	Straight line basis

Threshold level performance will result in 25% of the 2017 PSP and CIP awards vesting.

#### Awards made during the year are:

	Date of grant	Share price (p) <sup>1</sup>	Number of shares/options awarded	Face value at grant <sup>2</sup>	Performance period	Exercise period
<b>Stefan Bomhard</b>						
PSP	26 May 2017	836.5p	150,982	£1,262,964	Jan 2017 – Dec 2019	May 2020 – May 2021
CIP	27 June 2017	769.0p	92,247	£709,379	Jan 2017 – Dec 2019	June 2020 – Dec 2021
<b>Richard Howes</b>						
PSP	26 May 2017	836.5p	87,354	£730,716	Jan 2017 – Dec 2019	May 2020 – May 2021
CIP	27 June 2017	769.0p	53,371	£410,423	Jan 2017 – Dec 2019	June 2020 – Dec 2021

1 Mid-market share price on date of grant.

2 Face value has been calculated using the share price at date of grant.

## LONG-TERM INCENTIVES FOR 2018

The PSP and CIP awards for 2018 will be granted with the following weightings and targets. Stefan Bomhard and Richard Howes will both be granted a PSP award to the value of 180% of base salary in 2018 and will be invited to participate in the CIP in line with policy.

### 2018 PSP/CIP

Three year EPS growth p.a. (60% weighting)	Vesting %	Three year average ROCE (40% weighting)	Vesting %
Less than 4%	0%	Less than 22%	0%
4%	25%	22%	25%
12%	100%	26%	100%
Between 4% and 12%	Straight line basis	Between 22% and 26%	Straight line basis

## PENSION

During the year, the Executive Directors received a cash supplement of 30% of base salary in lieu of pension contributions, and were eligible to join the Cash+ pension scheme. Neither Stefan Bomhard nor Richard Howes participated in the pension scheme.

For 2018, this arrangement remains unchanged.

## EXECUTIVE SHARE OWNERSHIP AND DIRECTORS' INTERESTS (AUDITED)

The table below shows the total number of shares, options and awards held by each Director at 31 December 2017.

	Shares held at 31 December 2017	Share award held		Options held		Vested but not yet exercised	Guideline met
		Subject to performance conditions	Subject to deferral	Not subject to performance targets	Subject to deferral		
Stefan Bomhard	160,624	740,650	0	68,375	1,557	0	No
Jerry Buhlmann	15,000	n/a	n/a	n/a	n/a	n/a	n/a
Rachel Empey	6,760	n/a	n/a	n/a	n/a	n/a	n/a
Ken Hanna	70,000	n/a	n/a	n/a	n/a	n/a	n/a
Richard Howes	30,566	390,658	0	51,759	1,598	0	No
John Langston	4,299	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville	2,977	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Northridge	28,391	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Stein	10,102	n/a	n/a	n/a	n/a	n/a	n/a
Till Vestring	40,777	n/a	n/a	n/a	n/a	n/a	n/a

There have been no changes to the number of shares held by the Directors between 31 December 2017 and 26 February 2018.

### Share ownership policy

The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. They have five years from the date of appointment to reach this shareholding. Stefan Bomhard and Richard Howes held 175% and 58% of salary respectively as at 31 December 2017.

### Awards exercised during the year

Stefan Bomhard exercised the first and second tranches of the SB award during 2017.

The first tranche (70,131 shares including dividend shares accrued) was exercised on 27 March 2017. The share price on exercise was 842.5p. He sold 33,472 shares upon exercise to cover tax and costs and kept the remaining 36,659 shares. The second tranche (72,374 shares including dividend shares accrued) was exercised on 21 June 2017. The share price on exercise was 776.5p. He sold 34,579 shares upon exercise to cover tax and costs and kept the remaining 37,795 shares.

John McConnell, who left the Group in February 2016, exercised his 2013 PSP award (91,037 shares) on 5 April 2017. He sold 42,241 shares to cover tax and costs and kept the remaining 48,296 shares. The share price on the date of exercise was 828.0p

There were no further exercises in 2017.

## PERCENTAGE CHANGE IN GROUP CHIEF EXECUTIVE REMUNERATION

The table shows the percentage change in Group Chief Executive remuneration from 2016 compared with the average percentage change in remuneration for senior management. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and annual bonus only.

	Change in remuneration from 2016 to 2017	
	Group Chief Executive	Senior management
Salary	3.7%	2.84%
Taxable benefits <sup>1</sup>	(77.4)%	0%
Taxable benefits <sup>2</sup>	18.8%	-
Single-year variable	171.7%	45.2%
<b>Total</b>	<b>(0.18)%</b>	<b>13.1%</b>

1 Percentage change in benefits for the CEO including relocation allowance which was paid until March 2016.

2 Percentage change in benefits for the CEO excluding relocation allowance.

Employees representing the most senior executives (c.90) have been selected as this group is large enough to provide a robust comparison, whilst also providing data that is readily available on a matched sample basis. These employees also participate in bonus schemes of a similar nature to Executive Directors and therefore remuneration will be similarly influenced by Company performance.

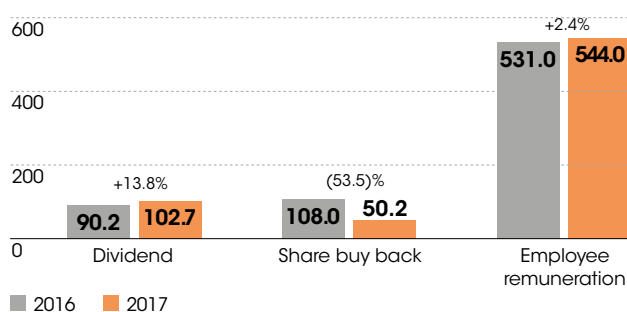
## RELATIVE IMPORTANCE OF SPEND ON PAY

The chart shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from 2016 to 2017.

As at 31 December 2017, £50.2m had been returned to shareholders under the share buyback programmes.

The Directors are proposing a final dividend for 2017 of 18.9p per share (2016: 16.8p).

### Relative importance of spend on pay (£M)



## DILUTION LIMITS

During the year, options and awards granted under the Group's incentive plans were satisfied on exercise by market purchase shares. Dilution limits are monitored throughout the year by the Committee and the Company complies with the limits set by the Investment Association.

Issued share capital as at 31 December 2017	415m
All schemes – 10% over 10 year rolling period	41m
Remaining headroom for all schemes	22m
Executive schemes – 5% over a 10 year rolling period	21m
Remaining headroom for executive schemes	7m

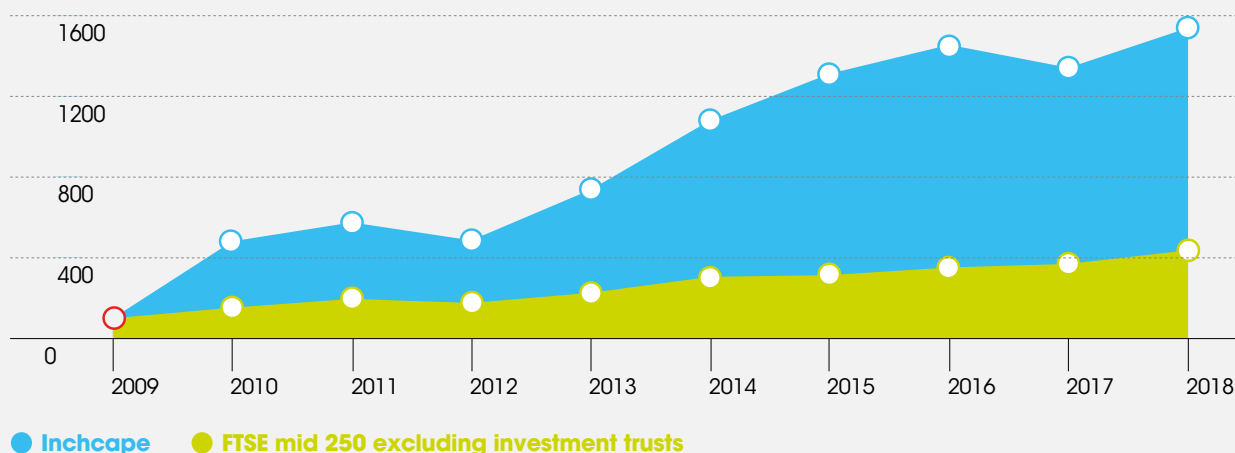
## PAY FOR PERFORMANCE

The graph below shows the Total Shareholder Return (TSR) of the Company over the nine year period to 31 December 2017. The FTSE mid 250 excluding investment trusts has been chosen as the most suitable comparator group as it is the general market index in which the Company appears. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

## HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the nine years to 31 December 2017  
Value of £100 invested at 1 January 2009

### Value of £100 invested at 1 January 2009



	Group Chief Executive	2009	2010	2011	2012	2013	2014	2015	2016	2017
CEO single figure of remuneration (£'000)	André Lacroix	1,984	1,984	2,993	2,165	4,400	5,265	294 <sup>1</sup>	n/a	n/a
	Stefan Bomhard	n/a	n/a	n/a	n/a	n/a	n/a	2,906 <sup>2</sup>	1,403	3,047
Annual bonus outcome (% of maximum)		100%	100%	52%	68%	48%	100%	56.8%	40.3%	67.6%
LTI vesting <sup>3</sup> outcome (% of maximum)		0%	0%	100%	100%	66%	68%	n/a <sup>4</sup>	n/a <sup>5</sup>	79.6%

1 The amount for André Lacroix reflects remuneration received until he left the Group in March 2015.

2 The amount for Stefan Bomhard is pro-rated for time in role and includes relocation allowance and the share award made in lieu of his forfeited awards.

3 LTI includes CIP, 'normal' PSP, 'enhanced' PSP and options prior to 2013.

4 Neither André Lacroix nor Stefan Bomhard received a vested award under the 2013 PSP or CIP. However, for those participants who did receive an award, 65.5% of the 2013 normal PSP vested and there was a 1.31 match for each share invested into the 2013 CIP.

5 Stefan Bomhard did not receive an award under the 2014 PSP or CIP. However, for those participants who did receive an award, 86.5% of the normal PSP vested and there was a 1.73:1 match for each share invested into the CIP.



## SHAREHOLDER CONTEXT

The table below shows the advisory vote on the Remuneration Report at the 2017 AGM.

	Total number of votes	% of votes cast
For (including discretionary)	334,960,188	97.13%
Against	9,887,728	2.87%
Total votes cast (excluding votes withheld)	344,847,916	100%
Votes withheld <sup>1</sup>	4,070,387	
Total votes cast (including votes withheld)	348,918,303	

The table below shows the binding vote on the Remuneration Policy at the 2017 AGM

	Total number of votes	% of votes cast
For (including discretionary)	337,335,918	96.79%
Against	11,173,431	3.21%
Total votes cast (excluding votes withheld)	348,509,349	100%
Votes withheld <sup>1</sup>	408,954	
Total votes cast (including votes withheld)	348,918,303	

<sup>1</sup> Withheld votes are not included in the final proxy figures as they are not recognised as a vote in law.

## EXIT PAYMENTS DURING THE YEAR

None.

## PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors in 2017.

## OTHER DIRECTORSHIPS

The Executive Directors are generally permitted to take one non-executive directorship as long as it does not lead to conflicts of interest or undue time commitment.

Stefan Bomhard is a Non-Executive Director of Compass Group plc, for which he received a fee of £84,000 during 2017.

## ADVISORS TO THE COMMITTEE

Kepler, a brand of Mercer (and part of the MMC group), acted as the independent remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chair and is a signatory and adheres to the Code of Conduct for Remuneration Consultants (which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com)). Kepler was appointed by the Committee in 2010 after a comprehensive tendering process carried out by the Committee.

Mercer also supplies unrelated services to the Group in relation to IAS 19. The Committee is satisfied that the advice it receives from Kepler is objective and independent and that Kepler does not have any connection with the Company that may impair its independence. Kepler's fees are charged at an hourly rate in accordance with the terms and conditions set out in the Engagement Letter. Kepler were paid fees of £80,664.09 for its services during the year, excluding expenses and VAT.

The Directors' Report on Remuneration was approved by the Board and has been signed by Coline McConville on its behalf.



**Coline McConville**

Chairman of the Remuneration Committee

### BOARD OF DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Stefan Bomhard

Jerry Buhlmann – joined March 2017

Alison Cooper – resigned February 2017

Rachel Empey

Ken Hanna

Richard Howes

Coline McConville

Nigel Northridge

Nigel Stein

Till Vestring

In accordance with the 2016 UK Corporate Governance Code, the Directors will stand for election or re-election at the Annual General Meeting (AGM) on 24 May 2018, apart from Alison Cooper who left the Group in February 2017 and Ken Hanna who will step down from the Board following the AGM.

The Directors' Report for the year ended 31 December 2017 comprises pages 78 to 81 of this report (together with sections incorporated by reference). Some matters normally included in the Directors' Report are included in the Strategic Report on pages 30 to 45, including future business development and risk management. Details on the breakdown of gender for the Directors, senior managers and employees of the Company required to be given in the Strategic Report under the Companies Act 2006 are given on page 81 of this report.

### CORPORATE GOVERNANCE STATEMENT

The statement of compliance with the 2016 UK Corporate Governance Code and the information required under DTR7 is given in the Corporate Governance Report on page 47.

### RESULTS AND DIVIDENDS

The Group's audited consolidated financial statements for the year ended 31 December 2017 are shown on pages 94 to 172. The Board recommends a final ordinary dividend of 18.9p per ordinary share. If approved at the 2018 AGM, the final ordinary dividend will be paid on 22 June 2018 to shareholders registered in the books of the Company at the close of business on 18 May 2018. Together with the interim dividend of 7.9p per ordinary share paid on 6 September 2017, this makes a total ordinary dividend for the year of 26.8p per ordinary share (2016 – 23.8p).

### AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware. The Directors have taken all the steps that

they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### DIRECTORS' INDEMNITY

A qualifying third party indemnity (QTPI), as permitted by the Company's Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director. The indemnity has been in force for the financial year ended 31 December 2017 and until the date of approval of this report.

### SHARE CAPITAL

As at 31 December 2017, the Company's issued share capital of £41,501,828 comprised 415,018,286 ordinary shares of 10.0p. Holders of ordinary shares are entitled to receive the Company's Report and Accounts, to attend and speak at General Meetings and to appoint proxies and exercise voting rights. The shares do not carry any special rights with regard to control of the Company. The rights are set out in the Articles of Association of the Company.

### RESTRICTIONS ON TRANSFER OF SECURITIES

There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares. Shares acquired through the Company share schemes rank *pari passu* with the shares in issue and have no special rights.

### AUTHORITY TO PURCHASE SHARES

At the Company's AGM on 25 May 2017, the Company was authorised to make market purchases of up to 42,081,616 ordinary shares (representing approximately 10.0% of its issued share capital).

In the year ended 31 December 2017, the Company purchased, for cancellation, 6,129,028 ordinary shares of 10.0p each at a cost of £50.2m, representing 1.48% of the issued share capital at that date, as part of the Board's commitment to return additional surplus cash to shareholders under the share buyback programme.

### INTERESTS IN VOTING RIGHTS

During the year, the Company had been notified of the following interests pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have

changed since notified to the Company. However, further notification of any change is not required until the next threshold is crossed.

Shareholder	Number of shares	Date notified	Percentage notified
Standard Life Investments	66,365,020	06/09/2017	15.99
BlackRock Inc	26,771,128	27/02/2017	6.35
Aberdeen Asset Management	20,690,060	13/06/2017	4.95

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

There have been no changes to the number of shares held by Directors between 31 December 2017 and 26 February 2018.

## RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

## EMPLOYEE BENEFIT TRUST

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (the "Trust") and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2017, the Trust's shareholding totalled 553,678 ordinary shares.

In respect of LR 9.8.4R(12) and (13), the trustee of the Trust agrees to waive dividends payable on the shares it holds for satisfying awards under the various share plans.

## DIRECTORS' INTERESTS

The table showing the beneficial interests, other than share options, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2017 is shown in the Directors' Report on Remuneration on page 74.

There have been no changes to the number of shares held by Directors between 31 December 2017 and 26 February 2018.

## DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements

unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

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

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company;

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Directors considered the key messages contained in the Strategic Report along with the disclosures made throughout to ensure that they are consistent, transparent and a true reflection of the business. The Directors also reviewed supporting documentation which addresses specific statements made in the report and the evidence to support those statements.

Following this review, the Directors consider, when taken as a whole, that the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 38, the Directors consider it appropriate to adopt the going concern basis of accounting in the financial statements for the next 12 months.

### ARTICLES OF ASSOCIATION

The appointment and replacement of Directors is governed by the Company's Articles of Association, the 2016 UK Corporate Governance Code, the Companies Act 2006 and related legislation.

The Directors have authority to issue and allot ordinary shares pursuant to article 9 of the Articles of Association and shareholder authority is requested at each AGM. The Directors have authority to make market purchases for ordinary shares and this authority is also renewed annually at the AGM.

The Articles of Association may be amended by a special resolution of the shareholders. Subject to the Articles, the Companies Act 2006 and any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.

### CONFLICTS OF INTEREST

The Articles of Association permit the Board to authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. When authorising a conflict of interest the Board must do so without the conflicting Director counting as part of the quorum. In the event that

the Board considers it appropriate, the conflicted Director may be permitted to participate in the debate, but will be permitted neither to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is their responsibility to inform the Board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

### CHANGE OF CONTROL

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, certain of the Group's third party funding arrangements would terminate upon a change of control of the Company.

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

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees to vest on a takeover.

### TRANSACTIONS WITH DIRECTORS

No transaction, arrangement or agreement, other than remuneration, required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties' was outstanding at 31 December 2017, or was entered into during the year for any Director and/or connected person (2016 – none).

### GREENHOUSE GAS EMISSIONS

The greenhouse gas emissions are given in the Environment section of the Corporate Responsibility Report on page 43.

### EMPLOYEES AND EMPLOYEE INVOLVEMENT

The Company is committed to a policy of treating all its colleagues and job applicants equally. We are committed to the employment of people with disabilities and will interview those candidates who meet the minimum selection criteria.

We provide training and career development for our employees, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued development in their role, including consulting them about their requirements, making appropriate adjustments and providing suitable alternative positions.

In 2017, our new performance and talent framework, DRIVE5, was rolled out across the Group. The framework

sets performance expectations, behaviours and values for our people and was developed using inputs from colleague and customer focus groups, and incorporates our OEM brand partners' existing frameworks of skills and behaviours to ensure that we can deliver against our stakeholders' expectations in support of our ambition to be the world's most trusted Retailer and Distributor.

The Company has various employee policies in place covering a wide range of issues such as family friendly policies, employment rights and equal opportunities. Policies are implemented at a local level and comply with any relevant legislation in that market. All policies are available on the Group's intranet and compliance is monitored at local level.

## HUMAN RIGHTS

We embrace, support and respect the human rights of everyone we work with and we comply fully with appropriate human rights legislation in the countries in which we operate. We don't use or accept forced, bonded or involuntary prison or child labour. We only employ people who choose to work freely and respect their rights to equal opportunities and freedom of association.

## ANTI-BRIBERY AND CORRUPTION

The Company has in place an anti-bribery and corruption training programme which employees are required to complete. This programme is being refreshed in 2018 and employees will be required to undertake a new online training module which will also be included in the induction programme for new employees where applicable. Our anti-bribery and corruption policy sets out our zero tolerance stance to bribery and corruption. Compliance is monitored via reports to InConfidence, the whistleblowing line, and adherence to other relevant policies such as the gifts and hospitality policy.

## PRINCIPAL FINANCIAL RISK FACTORS

These risks are shown on pages 32 and 36.

## GENDER DIVERSITY

The breakdown of the number of female and male employees who were (i) Directors of the Company (ii) senior managers and (iii) employees of the Company as at 31 December 2017 is as follows:

	Male		Female		Total
Board	8	80%	2	20%	<b>10</b>
Senior management	80	74.8%	18	18.4%	<b>98</b>
All employees	12,510	73.2%	4,583	26.8%	<b>17,093</b>

## FINANCIAL INSTRUMENTS

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of financial instruments is given in note 23 to the financial statements on pages 141 to 147.

## EVENTS AFTER THE REPORTING PERIOD

None.

## OTHER INFORMATION - LISTING RULES

For the purposes of LR 9.8.4 R, the information required to be disclosed by LR 9.8.4 R can be found on the pages set out below:

Section	Information	Page
1	Interest capitalised	Not material to the Group
2	Publication of unaudited financial information	76 (TSR Graph)
4	Details of long-term incentive schemes	72 - 74
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issue by a major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waiver of dividends	79
13	Shareholder waiver of future dividends	79
14	Agreements with controlling shareholders	Not applicable

## ANNUAL GENERAL MEETING

The AGM will be held at 11.00 a.m. on Thursday, 24 May 2018 at Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London EC2N 2DB. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

The Group's current auditors, PricewaterhouseCoopers, have decided not to seek re-election at the AGM. As such, the Directors are recommending to shareholders the appointment of Deloitte LLP as the Group's auditor for the year ended 31 December 2018. A resolution to appoint Deloitte LLP as auditor will be proposed at the AGM.

The Directors' Report and the Strategic Report were approved by the Board and have been signed by the secretary of the Company.



**Tamsin Waterhouse**  
Group Company Secretary



## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This section sets out the Company's compliance with the 2016 UK Corporate Governance Code (the "Code"). This section should be read in conjunction with the Corporate Governance Report as a whole, which is set out on pages 46 to 81.

### A. LEADERSHIP

#### A.1. The Role of the Board

The Board is collectively responsible for the long-term success of the Company and achieves this by setting its strategic aims whilst ensuring that the necessary financial and human resources are available. The Board also ensures that the correct controls are in place to drive the right culture throughout the organisation to achieve the strategic objectives in a sustainable manner. The Board also reviews the performance of management to monitor the progress of implementing the strategy. Details of the Directors are given on pages 44 to 45.

There is a schedule of formal matters reserved for the Board which can be found at [www.inchcape.com/governance](http://www.inchcape.com/governance).

The table below shows the Board and Committee meetings held during the year. There were additional Board calls and Committee meetings throughout the year to discuss specific issues as they arose.

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	CR Committee
	Scheduled/attended	Scheduled/attended	Scheduled/attended	Scheduled/attended	Scheduled/attended
Stefan Bomhard	6/6	–	–	–	2/2
Jerry Buhlmann*	4/3	–	1/0	1/0	1/0
Alison Cooper*	2/2	1/1	–	1/1	–
Rachel Empey	6/6	4/4	–	2/2	–
Ken Hanna	6/6	–	2/2	2/2	2/2
Richard Howes	6/6	–	–	–	–
John Langston	6/6	4/4	–	2/2	–
Coline McConville	6/6	–	2/2	2/2	2/2
Nigel Northridge	6/6	4/4	2/2	2/2	–
Nigel Stein	6/6	4/4	–	2/2	–
Till Vestring	6/6	–	2/2	2/2	2/2

\* Jerry Buhlmann joined during the year. Alison Cooper left during the year. Jerry Buhlmann was unable to attend the Board and Committee meetings in November 2017 due to a prior commitment before joining the Board.

#### A.2. Division of responsibilities

The Chairman and Group Chief Executive have separate roles and responsibilities.

Ken Hanna, as Chairman, is responsible for leading an effective Board, ensuring timely, accurate and relevant information is received by Board members, planning the composition of the Board and is Chair of the Nomination Committee.

Stefan Bomhard, as Group Chief Executive, is responsible for developing the Group's strategy, running the day-to-day operations, reporting to the Board on performance, implementation of strategy and any significant developments, leading the Group Executive Committee including managing risk and internal control and engaging with shareholders.

Their responsibilities are set out at appointment and are agreed by the Board.

#### A.3. The Chairman

The Chairman sets the Board's agenda and ensures that appropriate time is allocated to discuss each agenda item. He is also responsible for ensuring there is a culture of openness and debate and that constructive relationships exist between the Non-Executive Directors and Executive Directors.

The feedback on the Chairman's performance from the external evaluation was universally positive with the Board members noting that his style is open and inclusive.

Ken Hanna was considered independent upon appointment as Chairman.

#### A.4. Non-Executive Directors

The Non-Executive Directors are appointed to offer a wide range of skills and experience in order to challenge management and help develop strategy. The Non-Executive Directors make up the Committees which have responsibilities for various aspects and details of their work can be found on pages 50 to 77.

Nigel Northridge is the Senior Independent Director and is available to shareholders if they do not want to speak to the Chairman or the Group Chief Executive Officer.

The Non-Executive Directors meet without the Executive Directors on an annual basis and also meet without the Chairman to discuss his performance.

If a Director has a concern about the running of the Company which cannot be resolved it would be recorded in the Board minutes. No such concerns arose in 2017.

## **B. EFFECTIVENESS**

### **B.1. The composition of the Board**

The skills, experience and independence of the Directors are reviewed by the Nomination Committee and further details can be found on pages 56 to 57. The Board is satisfied that all Non-Executive Directors are considered independent in accordance with the Code. The Board consists of the Chairman, seven Non-Executive Directors and two Executive Directors.

### **B.2. Appointments to the Board**

The Nomination Committee consists of seven members all of whom are independent Non-Executive Directors and is chaired by Ken Hanna. Its terms of reference can be found at [www.inchcape.com/governance](http://www.inchcape.com/governance).

Non-Executive Directors are appointed for a period of three years. After each three year period the performance of the Director is reviewed by the Chairman, and the Committee will approve any further terms. All appointments are subject to annual re-election at the AGM.

Nigel Northridge has been a member of the Board for eight years and his tenure is subject to rigorous annual review. He will complete nine years' service in July 2018. The Board has carefully considered his length of service and his continued performance in accordance with the Code and agreed that it would be beneficial for Nigel to continue as Senior Independent Director for a further 12 months to provide continuity for Nigel Stein during his first year as Chairman. It is the intention that Nigel Northridge will retire at the 2019 AGM.

### **B.3. Commitment**

The Directors are required to allocate sufficient time to the Company to discharge their responsibilities and the Board dates are agreed two years in advance to ensure that Directors are able to plan accordingly and for other commitments to be taken into account. Non-Executive Directors are informed of the time commitment expected from them upon appointment and this is reviewed annually to ensure that the time expected is still relevant in light of the Company's strategic agenda.

The Board understands that the Executive Directors can gain valuable business experience as a non-executive director of another company. The Group's policy is to limit non-executive directorships within a FTSE 100 company to one appointment only. Stefan Bomhard is also a

Non-Executive Director of Compass Group plc. Details of the fees paid to him are given on page 77 of the Directors' Report on Remuneration.

Other directorships held by Directors are given in their biographies on pages 44 to 45.

The letters of appointment for Non-Executive Directors are available at the AGM and upon request.

### **B.4. Development**

All Directors receive a tailored induction programme upon appointment designed to ensure that they have sufficient knowledge of the business and the context in which it operates. The induction consists of one-to-one meetings with the Group Executive Committee members and other key management and a site visit designed to give the Director an in-depth understanding of the Retail and Distribution businesses. Details of the induction for Jerry Buhlmann are given on page 56.

The Non-Executive Directors are expected to update their knowledge and skills regularly and training is provided for the Board and individual Directors as required. During the year, external experts are invited to Board meetings to speak on relevant topics to give additional insight and context to the business. During the overseas Board meeting held in Santiago the Board received a presentation from the former president of the Bank of Chile on the economic and political outlook for South America which provided the Board with a unique perspective on this important region for the Group.

The Chairman discussed any training or development needs of each Director during the evaluation process.

### **B.5 Information and support**

The Group Company Secretary is responsible for ensuring the Board has access to relevant and accurate information. The Board agendas are agreed in advance by the Chairman and the Group Chief Executive and include regular items such as reports from the Group Chief Executive, the Chief Financial Officer and Investor Relations. The reports include information on operational matters, financial performance and strategic developments. Regional updates, designed to give a deeper view of the markets, are given throughout the year by the relevant market Chief Executive Officers.

The Group Company Secretary also supports the Board by providing advice and services, including access to independent advice, and ensures that an accurate record of the meeting is taken. If a Director has any concerns about the Company or any of the decisions being taken, this would be recorded in the minutes. No such concerns arose during 2017.

## B.6 Evaluation

The Company undertakes an evaluation of the Board every year with every third year being an externally facilitated evaluation by an independent consultant. The internal evaluations take the form of a Company Secretary-led questionnaire or a Chairman-led interview-based evaluation. Internal evaluations typically look at oversight responsibilities which include strategy, finance, performance, the market, investor relations, talent and succession planning, reputation, risk and governance. Board effectiveness and the performance of the Committees are also evaluated.

## B.7 Re-election

All Directors will stand for election or re-election at the AGM apart from Alison Cooper who left the Board in February 2017 and Ken Hanna who will retire from the Board following the AGM. The biographies of the Directors can be found on pages 44 to 45 and the Board has set out its views on why the Directors should be elected or re-elected in the Notice of Meeting.

# C ACCOUNTABILITY

## C.1 Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The Board is satisfied that appropriate processes are in place to enable it to make this statement and to provide the necessary information on position and performance, business model and strategy to allow users to make a fair assessment of the business. A statement of the Directors' responsibilities is set out on pages 79 to 80. The going concern statement is set out on page 80 and the strategy and business model are set out on pages 2 to 19.

During the year the Board reviewed the Annual Report and Accounts, the interim results and any other trading updates which are released to the public. During each review the Board challenged management on the assumptions and judgements used, taking into account the strategy, business model, resources and future trends affecting the business.

## C.2 Risk management and internal control

The Board is responsible for determining the nature and extent of the risks it is willing to take to achieve its strategic objectives. The Board confirms it carries out a robust review of the principal risks facing the Company on an annual basis and the Audit Committee reviews risks on an ongoing basis as part of their delegated responsibilities.

The risk management and internal control systems are designed to ensure:

- risks are identified, evaluated and mitigated;
- information is reliable, accurate and timely;
- we comply with plans, procedures, laws, regulations and contracts;
- assets (including people) are safeguarded;
- resources are used effectively and efficiently; and
- objectives and goals are met.

A description of risks, an explanation of how they are being managed and mitigated and the Board's viability statement can be found in the Risk Management Report on pages 30 to 38. The Board also reviewed and approved the viability statement including its assessment of the methodology used by management to reach its conclusion. The viability statement is given on page 38.

The Board has delegated responsibility for reviewing the effectiveness of the system of internal controls to the Audit Committee. Further information can be found in the Audit Committee Report on page 50 to 55.

In addition to the reviews carried out by the Audit Committee, the key control processes, described below, enable the Directors to review the effectiveness of the risk management and internal control systems throughout the year:

- The Annual Operating Plan (AOP) is reviewed and approved by the Board.
- Monthly actual results are reviewed by management against the AOP and, where appropriate, revised forecasts are presented to the Board.
- Financial information is reported to the Board on a monthly basis including cash flow, balance sheet and key performance indicators.
- Key operational and compliance processes and controls are reviewed regularly by Group Internal Audit and the findings are reported to the Audit Committee at each meeting.
- The Audit Committee reviewed the effectiveness of the Minimum Control Framework ("MCF") throughout the year. The Audit Committee did not identify any significant control failings.
- Clearly defined authority limits including capital expenditure approval procedures.
- Each business unit is required to implement a rigorous set of internal controls covering operations, financial and compliance. The Chief Executive Officer and Finance Director of each business unit provide annual written confirmation that the effectiveness of the internal control systems has been reviewed, adhered to and remains appropriate.

- Appropriate regulatory training including anti-bribery is in place in all business units and is monitored by the Head of Corporate Assurance.

The risk management and internal controls process is designed to manage rather than eliminate the risk of failure to achieve business objectives. In establishing and reviewing the system of internal control, the Directors have regard to the nature and extent of the relevant risks, the likelihood of loss being incurred and the costs of control. The system can only provide a reasonable but not absolute assurance against any material mis-statement or loss and cannot eliminate business risk.

The Board has determined that there were no significant failings or weaknesses identified during the review of the risk management and internal control processes during the year and further confirms that these systems were in place during 2017 and up to the date of this report.

The Directors are satisfied that the Group's risk management and internal control systems accord with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

### **C.3 Audit Committee and the auditors**

It is the role of the Audit Committee to ensure the integrity of the financial reporting and audit processes, to ensure the internal control and risk management systems are effective, to review the Group's whistleblowing procedures and to establish and maintain an appropriate relationship with the external auditor.

The Audit Committee terms of reference can be found at [www.inchcape.com/governance](http://www.inchcape.com/governance).

The Audit Committee consists of four independent Non-Executive Directors. Of the four, John Langston, Rachel Empey and Nigel Stein are qualified chartered accountants and are considered to have recent and relevant financial experience. In addition, the Committee as a whole has competence in Retail which is the sector in which the Company operates.

The Committee met four times during the year to coincide with the financial calendar. Only members of the Committee are entitled to attend Committee meetings. However, the Chairman, Group Chief Executive, Chief Financial Officer, Group Financial Controller and Group Head of Audit attend the Committee meetings along with the external auditor. Other senior executives, such as the Group Tax Director and Group General Counsel, attend during the year to present to the Committee.

The Internal Audit team regularly assess the effectiveness of internal controls over financial reporting as well as the preparation of financial statements based on the framework contained in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the UK Corporate

Governance Code, and report their findings to the Audit Committee on a regular basis.

The Committee is supported by a number of sources of internal assurance from within the Group in order to review the control environment on an on-going basis and it also assesses the effectiveness of the system of internal control on an annual basis by considering any material control weaknesses identified by the external auditors as a result of their audit. There have been no significant changes to the control environment and the Audit Committee has concluded that the Group's internal system of controls was effective during the year.

The Group has an externally hosted whistleblowing line in place. InConfidence is a compliance and ethics reporting solution which allows both hotline and web reporting capabilities in multiple languages, integrated with case management software to support efficient and effective investigation, remediation and reporting.

Further details of the work of the Audit Committee can be found on pages 50 to 55.

## **D. REMUNERATION**

### **D.1 Level and components of remuneration**

Details of the remuneration paid to the Directors of the Group are given in the Directors' Report on Remuneration on pages 59 to 77.

### **D.2 Procedure**

It is the role of the Remuneration Committee to ensure that remuneration arrangements support the strategic aims of the business, encourage the right behaviours and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.

Its terms of reference can be found at [www.inchcape.com/governance](http://www.inchcape.com/governance) and details of the remuneration consultants can be found on page 77 of the Directors' Report on Remuneration.

The Remuneration Committee consists of three independent Non-Executive Directors and the Chairman. The Committee invites other individuals such as the Group Chief Executive, Chief Human Resources Officer and external consultants to attend its meetings. No Director takes any part in any decision affecting his or her own remuneration.

The limit to Non-Executive Director fees is set out in the Company's Articles of Association, a copy of which is available at [www.inchcape.com](http://www.inchcape.com).

Further details can be found in the Directors' Report on Remuneration given on pages 59 to 77.

## **E. RELATIONS WITH SHAREHOLDERS**

### **E.1 Dialogue with shareholders**

The Head of Investor Relations, Group Chief Executive Officer and Chief Financial Officer met with approx. 200 investors and potential investors during the year. Roadshows are held regularly during which the Group's strategy and financial performance are discussed with investors. Ken Hanna also met with several major shareholders to discuss various strategic and governance topics.

A dialogue with shareholders ensures that the Company is fully aware of shareholders' views and their expectations of the Group's strategy and performance both in the short and long-term. The views of shareholders are communicated to the Board after each meeting and through regular Investor Relations reports, and analysts and brokers briefings.

We will be holding a Capital Markets Day on 6 June 2018. Further details of this event will be available on [www.inchcape.com](http://www.inchcape.com)

### **E2. Constructive use of General Meetings**

The AGM gives shareholders an opportunity to meet the Board and ask any questions they have regarding the Group, its performance and its strategy.

The Board encourages participation of private shareholders at the AGM however, the Board understands that it is not always possible for shareholders to attend in person. Shareholders are encouraged to contact the Company with any questions they wish to raise with the Board of Directors via the Company Secretary.

The Company complies with the Code as it relates to voting, the proposal of separate resolutions on each substantially separate issue and the attendance of the Committee Chairs at the AGM. Details of the votes received for the resolutions put to shareholders at the AGM are available on the Company's website.

The Company's registrars, Computershare, act as scrutineers at the AGM and ensure that the votes are correctly counted and recorded.

All Directors are required to attend the AGM.

The Group is committed to reducing its impact on the environment and encourages shareholders to receive communications electronically to reduce paper usage. Shareholders can also register for news alerts via email. Please visit the website [www.inchcape.com/investors](http://www.inchcape.com/investors) for more information. It is important for shareholders to receive communications in the form most appropriate to their needs and they can change the way they receive information at any time.



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# Independent auditors' report to the members of Inchcape plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion:

- Inchcape plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

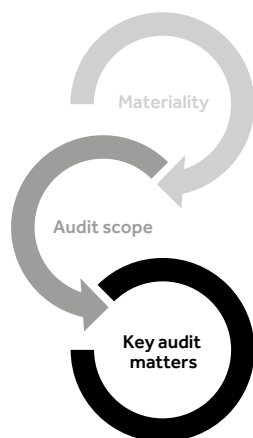
### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 January 2017 to 31 December 2017.

## Our audit approach Overview



- Overall Group materiality: £19,100,000 (2016: £17,500,000), based on 5% of profit before taxation and exceptional items.
- Overall parent company materiality: £20,600,000 (2016: £16,200,000), based on 1% of total assets.

- We conducted our work in 20 countries covering 28 reporting units.
- The reporting units where we conducted our audit work accounted for 97% of the Group's revenue and 93% of the Group's profit before taxation.

- Goodwill and acquired intangible assets impairment assessment.
- Manufacturer's bonuses and rebates.
- Carrying value of inventory.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and parent company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

**Goodwill and acquired intangible assets impairment assessment**

Inchcape plc has £391.8 million of goodwill generated from Cash Generating Units ("CGUs") spanning seven countries as at 31 December 2017 and indefinite lived intangible assets of £170.7 million relating principally to the acquired Subaru and Hino distribution agreements. The risk is that these balances are overstated.

The determination of recoverable amount of both the CGUs containing goodwill and the indefinite lived intangible assets, being the higher of value in use and fair value less costs to dispose, requires judgements on the part of management. Recoverable amounts are based on management's view of future trading performance and profitability and the most appropriate discount and long-term growth rates. As required by accounting standards, management tests all CGUs containing goodwill and indefinite life intangible assets for impairment on an annual basis.

The risk is most prominent in the UK Retail CGU, given the limited headroom between the carrying value of goodwill and calculated value in use.

We evaluated management's future cash flow forecasts and the process by which they were drawn up, including testing the underlying calculations and comparing them with the latest Board approved budgets. We challenged:

- projected vehicle volume and margin forecasts over the next five years by comparing them with external industry forecasts, where available, and historical and current results;
- the long-term growth rate used to extrapolate the cash flows beyond year five (the period covered by Board approved forecasts) into perpetuity, by comparing them with historical results and wider industry forecasts; and
- the discount rate, by independently calculating the cost of capital for the Group.

We evaluated the historical accuracy of budgets and forecasts, for example, comparing the budgets used in the prior year value-in-use model against the actual performance of the business in the current year. These procedures enabled us to assess the accuracy of the forecasting process.

We challenged management on the appropriateness of its sensitivity calculations, in particular the assumptions relating to revenue growth/decline, gross and operating margins, and the level of working capital required to support trading. We determined that the goodwill calculations were most sensitive to forecast revenue growth and sales margins whilst the indefinite lived intangible assets were most sensitive to discount rates and revenue growth.

For all CGUs and the indefinite lived intangible assets, we calculated the degree to which these assumptions would need to move before an impairment charge would have to be recognised.

We satisfied ourselves as to the reasonableness of the assumptions used and judgements made by management in determining that there was no need to impair the carrying value of goodwill or indefinite lived intangible assets.

**Manufacturers' bonuses and rebates**

In certain markets, principally the UK, the Group receives rebates which are based in part on sales targets set by the Original Equipment Manufacturers (OEMs). The Group is also entitled to further OEM bonuses and rebates dependent on achieving other targets – including non-financial metrics. The quantum of these amounts is material.

The manufacturers' bonuses and rebates are usually determined by the OEMs and have varying terms, the majority of which are governed by annual agreements, whilst others are based on shorter term arrangements entered into during the year.

We focused on this area as the amounts are material and because not all bonuses and rebates are directly linked to quantitative measures, which means that the recognition of elements of these amounts requires management judgement and estimation in determining whether they have been earned as at the balance sheet date.

We understood and evaluated the controls and processes with respect to manufacturers' bonuses and rebates.

We performed reconciliation of the bonuses recognised in the income statement to credit notes obtained from the OEMs and to the bank statement during the period.

We reconciled the year-end accrued bonus to the detailed listing; performing subsequent receipts testing for the accrued income balance at year-end.

We recalculated a sample of the year-end accrued bonuses using the communication from OEMs and previously audited revenue information.

To address the risk that income had been recorded in the incorrect period, on a sample basis we agreed the information on the credit note on a vehicle by vehicle basis back to audited revenue information to validate the bonus had been earned in the correct period.

No significant issues were identified during our testing.

**Key audit matter****How our audit addressed the key audit matter****Carrying value of inventory**

As at 31 December 2017, inventory of £1,768.6 million is held across multiple locations. Inventory should be recorded at the lower of cost and net realisable value, being selling price less estimated selling costs.

As gross margins on sales of vehicle inventory can be low and inventory is sometimes sold at a loss, provisions are recorded against inventory to write it down to management's best estimate of its recoverable amount.

Management has established a formal provisioning policy based on historical performance and their future trading forecasts.

We considered the Group's past trading performance, including testing the levels of losses incurred on vehicle sales historically and subsequent to the year-end, to evaluate the level of provisioning and to assess the reasonableness and accuracy of management's provisioning methodology.

We established that the inventory provisions were reasonable by independently recalculating the inventory provisions in each country, using the provisioning policy, and comparing the results with the actual provision level.

We also verified the completeness and accuracy of any additional provisions made by management outside of its standard policy where specific events or circumstances warranted additional provisioning.

Our testing confirmed that the provisions were reasonable.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

We conducted our work in 20 countries covering 28 reporting units.

The reporting units where we conducted our audit work accounted for 97% of the Group's revenues and 93% of the Group's profit before taxation.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£19,100,000 (2016: £17,500,000).	£20,600,000 (2016: £16,200,000).
How we determined it	5% of profit before taxation and exceptional items.	1% of total assets.
Rationale for benchmark applied	We believe that profit before taxation and exceptional items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate measure as Inchcape Plc acts as an investment holding parent company rather than a profit oriented trading company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,000,000 and £12,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,000,000 (Group audit) (2016: £870,000) and £1,000,000 (parent company audit) (2016: £810,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.



### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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### **STRATEGIC REPORT AND DIRECTORS' REPORT**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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### **THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP**

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 84 to 85 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 38 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules).

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### **OTHER CODE PROVISIONS**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 80, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on pages 50 to 55 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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### **DIRECTORS' REMUNERATION**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

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## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities section of the Directors' Report set out on pages 79 to 80, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

We were appointed on 31 October 1958 to audit the financial statements for the year ended 31 December 1958 and subsequent financial periods. The period of total uninterrupted engagement is 60 years, covering the years ended 31 December 1958 to 31 December 2017.

Neil Grimes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 February 2018

# Consolidated income statement

For the year ended 31 December 2017

	Notes	Before exceptional items 2017 £m	Exceptional items (note 2) 2017 £m	Total 2017 £m	Before exceptional items 2016 £m	Exceptional items (note 2) 2016 £m	Total 2016 £m
<b>Revenue</b>	1, 3	<b>8,949.2</b>	<b>-</b>	<b>8,949.2</b>	7,838.4	-	7,838.4
Cost of sales		<b>(7,697.1)</b>	<b>-</b>	<b>(7,697.1)</b>	(6,759.3)	-	(6,759.3)
<b>Gross profit</b>		<b>1,252.1</b>	<b>-</b>	<b>1,252.1</b>	1,079.1	-	1,079.1
Net operating expenses	3	<b>(844.6)</b>	<b>(12.6)</b>	<b>(857.2)</b>	(720.0)	(81.6)	(801.6)
<b>Operating profit</b>		<b>407.5</b>	<b>(12.6)</b>	<b>394.9</b>	359.1	(81.6)	277.5
Share of (loss) / profit after tax of joint ventures and associates	13	-	-	-	(0.1)	-	(0.1)
<b>Profit before finance and tax</b>		<b>407.5</b>	<b>(12.6)</b>	<b>394.9</b>	359.0	(81.6)	277.4
Finance income	6	<b>14.6</b>	<b>-</b>	<b>14.6</b>	17.0	-	17.0
Finance costs	7	<b>(39.6)</b>	<b>-</b>	<b>(39.6)</b>	(26.6)	-	(26.6)
<b>Profit before tax</b>		<b>382.5</b>	<b>(12.6)</b>	<b>369.9</b>	349.4	(81.6)	267.8
Tax	8	<b>(95.8)</b>	<b>2.7</b>	<b>(93.1)</b>	(88.0)	11.5	(76.5)
<b>Profit for the year</b>		<b>286.7</b>	<b>(9.9)</b>	<b>276.8</b>	261.4	(70.1)	191.3
<b>Profit attributable to:</b>							
- Owners of the parent				<b>268.9</b>			184.4
- Non-controlling interests				<b>7.9</b>			6.9
				<b>276.8</b>			191.3
Basic earnings per share (pence)	9			<b>64.6p</b>			43.2p
Diluted earnings per share (pence)	9			<b>63.9p</b>			42.6p

The notes on pages 109 to 154 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
<b>Profit for the year</b>		<b>276.8</b>	191.3
<b>Other comprehensive (loss) / income:</b>			
<i>Items that will not be reclassified to the consolidated income statement</i>			
Defined benefit pension scheme remeasurements	5	<b>37.9</b>	(60.3)
Current tax recognised in consolidated statement of comprehensive income		-	0.1
Deferred tax recognised in consolidated statement of comprehensive income	16	<b>(5.5)</b>	10.8
		<b>32.4</b>	(49.4)
<i>Items that may be or have been reclassified subsequently to the consolidated income statement</i>			
Cash flow hedges		<b>15.5</b>	(35.3)
Effect of foreign exchange rate changes		<b>(68.1)</b>	215.3
Deferred tax recognised in consolidated statement of comprehensive income	16	<b>(5.0)</b>	10.5
		<b>(57.6)</b>	190.5
Other comprehensive (loss) / income for the year, net of tax		<b>(25.2)</b>	141.1
<b>Total comprehensive income for the year</b>		<b>251.6</b>	332.4
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		<b>243.3</b>	324.5
- Non-controlling interests		<b>8.3</b>	7.9
		<b>251.6</b>	332.4

The notes on pages 109 to 154 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 £m	2016 £m
<b>Non-current assets</b>			
Intangible assets	11	639.5	614.5
Property, plant and equipment	12	802.0	778.6
Investments in joint ventures and associates	13	4.2	4.1
Available for sale financial assets	14	7.3	3.6
Trade and other receivables	15	44.8	50.9
Deferred tax assets	16	37.0	31.7
Retirement benefit asset	5	105.9	80.0
		<b>1,640.7</b>	1,563.4
<b>Current assets</b>			
Inventories	17	1,768.6	1,549.4
Trade and other receivables	15	463.5	446.0
Available for sale financial assets	14	0.2	0.2
Derivative financial instruments	23	52.4	160.1
Current tax assets		10.1	13.6
Cash and cash equivalents	18	926.9	645.2
		<b>3,221.7</b>	2,814.5
Assets held for sale	19	13.8	3.2
		<b>3,235.5</b>	2,817.7
<b>Total assets</b>		<b>4,876.2</b>	4,381.1
<b>Current liabilities</b>			
Trade and other payables	20	(2,235.5)	(1,911.6)
Derivative financial instruments	23	(21.6)	(53.6)
Current tax liabilities		(73.7)	(68.5)
Provisions	21	(27.2)	(37.0)
Borrowings	22	(534.5)	(481.7)
		<b>(2,892.5)</b>	(2,552.4)
<b>Non-current liabilities</b>			
Trade and other payables	20	(22.6)	(18.0)
Provisions	21	(32.3)	(32.7)
Deferred tax liabilities	16	(78.5)	(80.8)
Borrowings	22	(361.9)	(292.0)
Retirement benefit liability	5	(33.6)	(42.7)
		<b>(528.9)</b>	(466.2)
<b>Total liabilities</b>		<b>(3,421.4)</b>	(3,018.6)
<b>Net assets</b>		<b>1,454.8</b>	1,362.5
<b>Equity</b>			
Share capital	24	41.6	42.2
Share premium		146.7	146.7
Capital redemption reserve		139.0	138.4
Other reserves	25	(83.6)	(25.6)
Retained earnings	26	1,190.5	1,042.2
<b>Equity attributable to owners of the parent</b>		<b>1,434.2</b>	1,343.9
Non-controlling interests		20.6	18.6
<b>Total equity</b>		<b>1,454.8</b>	1,362.5

The notes on pages 109 to 154 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 94 to 154 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

**Stefan Bomhard,**  
Group Chief Executive

**Richard Howes,**  
Chief Financial Officer



# Consolidated statement of changes in equity

For the year ended 31 December 2017

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 25) £m	Retained earnings (note 26) £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 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	4,16	-	-	-	-	11.3	11.3	-	11.3
Share buyback programme	24	(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	10	-	-	-	-	(90.2)	(90.2)	-	(90.2)
- Non-controlling interests		-	-	-	-	-	-	(12.2)	(12.2)
At 1 January 2017		42.2	146.7	138.4	(25.6)	1,042.2	1,343.9	18.6	1,362.5
Profit for the year		-	-	-	-	268.9	268.9	7.9	276.8
Other comprehensive (loss) / income for the year		-	-	-	(58.0)	32.4	(25.6)	0.4	(25.2)
Total comprehensive income / (loss) for the year		-	-	-	(58.0)	301.3	243.3	8.3	251.6
Share-based payments, net of tax	4,16	-	-	-	-	11.0	11.0	-	11.0
Share buyback programme	24	(0.6)	-	0.6	-	(50.2)	(50.2)	-	(50.2)
Net purchase of own shares by the Inchcape Employee Trust		-	-	-	-	(11.1)	(11.1)	-	(11.1)
Dividends:									
- Owners of the parent	10	-	-	-	-	(102.7)	(102.7)	-	(102.7)
- Non-controlling interests		-	-	-	-	-	-	(6.3)	(6.3)
<b>At 31 December 2017</b>		<b>41.6</b>	<b>146.7</b>	<b>139.0</b>	<b>(83.6)</b>	<b>1,190.5</b>	<b>1,434.2</b>	<b>20.6</b>	<b>1,454.8</b>

The notes on pages 109 to 154 are an integral part of these consolidated financial statements.

Share-based payments include a net tax credit of £0.8m (current tax credit of £0.4m and a deferred tax credit of £0.4m) (2016 – net tax charge of £0.8m (current tax credit of £0.2m and a deferred tax charge of £1.0m)).

# Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	27a	<b>500.4</b>	382.8
Tax paid		<b>(85.9)</b>	(99.5)
Interest received		<b>14.6</b>	12.4
Interest paid		<b>(39.6)</b>	(24.1)
<b>Net cash generated from operating activities</b>		<b>389.5</b>	271.6
<b>Cash flows from investing activities</b>			
Acquisition of businesses, net of cash and overdrafts acquired	28	<b>(23.7)</b>	(201.1)
Net cash inflow from sale of businesses	28	<b>5.6</b>	2.8
Purchase of property, plant and equipment		<b>(103.2)</b>	(71.1)
Purchase of intangible assets		<b>(24.0)</b>	(22.7)
Proceeds from disposal of property, plant and equipment		<b>25.8</b>	21.7
<b>Net cash used in investing activities</b>		<b>(119.5)</b>	(270.4)
<b>Cash flows from financing activities</b>			
Share buyback programme		<b>(50.2)</b>	(109.8)
Net purchase of own shares by the Inchcape Employee Trust		<b>(11.1)</b>	(10.9)
Cash inflow from Private Placement loan notes		<b>210.0</b>	-
Repayment of Private Placement loan notes		<b>(138.5)</b>	-
Net cash (outflow) / inflow from other borrowings		<b>(119.3)</b>	133.3
Payment of capital element of finance leases		<b>(1.4)</b>	(1.2)
Equity dividends paid	10	<b>(102.7)</b>	(90.2)
Dividends paid to non-controlling interests		<b>(6.3)</b>	(12.2)
<b>Net cash used in financing activities</b>		<b>(219.5)</b>	(91.0)
<b>Net increase / (decrease) in cash and cash equivalents</b>	27b	<b>50.5</b>	(89.8)
Cash and cash equivalents at the beginning of the year		<b>416.0</b>	375.3
Effect of foreign exchange rate changes		<b>(49.9)</b>	130.5
Cash and cash equivalents at the end of the year		<b>416.6</b>	416.0

	Notes	2017 £m	2016 £m
<b>Cash and cash equivalents consist of:</b>			
- Cash at bank and cash equivalents	18	<b>820.0</b>	473.7
- Short-term deposits	18	<b>106.9</b>	171.5
- Bank overdrafts	22	<b>(510.3)</b>	(229.2)
		<b>416.6</b>	416.0

The notes on pages 109 to 154 are an integral part of these consolidated financial statements.

## Accounting policies

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

### ACCOUNTING CONVENTION

The consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets, and those financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss, which are measured at fair value.

### GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

### CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies have been applied consistently throughout the reporting period, other than where new policies have been adopted as presented below. Where appropriate, comparative information has been reclassified to conform to the presentation in the current year.

The following standards were in issue but were not effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2018 subject to EU endorsement.

- IFRIC 22, 'Foreign currency transactions and advance consideration'.
- IAS 40, 'Investment property'.
- IFRS 2, 'Amendment to IFRS 2, Share based payments'.
- IFRS 4, 'Amendment to IFRS 4, Insurance contracts'.
- IFRS 9, 'Financial instruments'.
- IFRS 9, 'Amendment to IFRS 9, Financial instruments'.
- IFRS 15, 'Revenue from contracts with customers'.
- IFRS 15, 'Amendment to IFRS 15, Revenue from contracts with customers'.
- IFRS 16, 'Leases'.
- Annual improvements (2014 – 2016).
- Annual improvements (2015 – 2017).

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

#### IFRS 9 *Financial Instruments*

IFRS 9 brings together the classification and measurement, impairment and hedge accounting aspects of the International Accounting Standards Board's project to replace IAS 39. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group holds during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application.

#### Classification and measurement

IFRS 9 amends the classification and measurement of financial assets:

- Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL);
- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL; and
- All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in other comprehensive income (OCI). Dividends will be recognised in profit or loss.

Based on the Group's preliminary assessment, there will be no impact on the classification and measurement of the following financial assets held by the Group: available for sale financial assets, trade and other receivables, cash and short-term deposits. There will also be no change in the accounting for any of the Group's financial liabilities.

#### Impairment

The new impairment model in IFRS 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity should account for expected credit losses and changes in those expected credit losses. A simplified impairment model is applicable to trade and other contractual receivables with maturities that are less than 12 months. For trade and other contractual receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. The Group's preliminary calculation of the loss allowance for these assets as at 1 January 2018 indicates that it is not materially different to the loss allowance calculated under IAS 39.

### Hedge accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply IFRS 9 hedge accounting requirements because they are more closely aligned with the way that the Group manages its risks. Under the new hedge accounting requirements:

- The 80-125% highly effective threshold has been removed;
- Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable;
- An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure;
- When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI;
- When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes recognised in OCI; and
- Net foreign exchange cash flow positions can qualify for hedge accounting.

The Group currently applies hedge accounting to:

- the Group's cross currency interest rate swaps that are used to hedge the fixed interest rate risk and the forward foreign currency risks associated with the Group's Private Placement loan notes denominated in US dollars; and
- the transactional currency exposures on the purchases of vehicles and parts in a currency other than an operating unit's functional currency.

An assessment of the Group's hedging relationships under IFRS 9 has been performed and it has been determined that the relationships will qualify as continuing hedging relationships under the new standard and that the application of IFRS 9 will not have a material impact on the Group's consolidated financial statements.

The Group has elected not to restate comparatives on initial application of IFRS 9.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the previous revenue recognition guidance including IAS 18 *Revenue* and IAS 11 *Construction Contracts*, and is effective for the Group from 1 January 2018. The Group will therefore adopt IFRS 15 for the year ending 31 December 2018 and will adopt the full retrospective approach with restatement of comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

The following revenue streams have been identified as being impacted by the adoption of the new standard:

Area	Current treatment	New treatment under IFRS 15
The provision of extended warranties to customers over and above the OEM warranty where the Group acts as the principal in the supply of the warranty service.	The Group provides an estimate of the cost of fulfilling the future obligation on the sale of the vehicle. The cost of fulfilling the obligation when it arises is then charged against the provision.	A proportion of revenue will be allocated to the extended warranty obligation and deferred to the balance sheet. The revenue will subsequently be recognised over time along with the costs incurred in fulfilling any warranty obligations.
The sale of vehicles which are subject to a buyback commitment and the possibility of the buyback being exercised by the customer is not highly likely as the buyback price set is below the expected market value.	Revenue and profit associated with vehicles sold subject to a buyback commitment are deferred and recognised over the period of the commitment.	Revenue is recognised in full when the vehicle is sold. However, an estimate of the value of the buyback payments is deducted from revenue and deferred to the balance sheet. Similarly, an estimate of the value of the vehicles to be returned is deducted from cost of sales and also deferred to the balance sheet.
Payments made by a Distribution business to a dealer in the form of a discount, rebate, credit note or some other form of incentive.	In most cases, these are deducted from revenue.	The new standard clarifies that all transactions that fall within this category should be accounted for as reduction in revenue by the Distributor and not as an expense within cost of sales.

Area	Current treatment	New treatment under IFRS 15
Additional services included in the sale of a vehicle to a customer as part of the total vehicle package (e.g. free servicing, roadside assistance, fuel coupons etc) where the Group is acting as a principal in the fulfilment of the service at a future date, rather than simply as an agent in selling the additional service and with no continuing obligation.	Varies dependent on the conclusions reached with regards to whether the Group is acting as principal or agent. Where the Group is acting as an agent, revenue is recognised in full on the sale of a vehicle. Where the Group is acting as principal, revenue is deferred.	<p>The new standard set outs more comprehensive guidance on principal and agent relationships.</p> <p>Where the Group acts as principal, the value of the additional services should be separately identified, deducted from revenue, recognised as deferred revenue on the balance sheet and subsequently recognised as revenue when the service is provided, or over the period to which the service relates.</p> <p>Where the Group acts as an agent, the net amount retained after the deduction of any costs paid to the principal is recognised as revenue. If a product or service is provided free to a customer, then the costs paid to the principal should be deducted from revenue rather than charged to cost of sales.</p>
Vehicle registration and similar fees which are charged to the customer on the sale of a vehicle and which are collected by the Group on behalf of an authority.	In most, but not all, cases these are excluded from revenue.	<p>The new standard set outs more comprehensive guidance on principal and agent relationships.</p> <p>As a consequence of the new guidance, where it is concluded that the Group is acting as an agent of a government in the collection of such fees, the amount of the vehicle registration fee should be excluded from revenue.</p>

The Group estimates that the net impact of applying IFRS 15 to its reported results for the year ended 31 December 2017 would have been a reduction in operating profit of c.£1m. Management is currently assessing the potential impact of the agency versus principal considerations on certain revenue streams, however these are not expected to have an impact on reported profit.

### IFRS 16 Leases

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

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases will be on balance sheet except for short-term leases and leases of low value assets.

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £410.7m (see note 30). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low value leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements. Management are currently assessing the potential impact and at this stage it is not practicable to provide a reasonable estimate of the financial effect until this review is complete.

### **BASIS OF CONSOLIDATION**

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

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

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

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

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

### **FOREIGN CURRENCY TRANSLATION**

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

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

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

### **REVENUE, OTHER INCOME AND COST OF SALES**

Revenue is measured at the fair value of consideration receivable, net of any discounts, rebates, trade allowances or amounts collected on behalf of third parties. It is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue excludes sales related taxes and intra-group transactions. In practice this means that:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the customer and the revenue can reliably be measured. Risk and rewards are considered to have passed to the customer when the vehicles or parts are invoiced and physically dispatched or collected.

Revenue from the rendering of services is recognised when the service has been undertaken.

Where the Group acts as an agent on behalf of a principal in relation to finance, insurance and similar products, the associated commission income is recognised within revenue in the period in which the related finance or insurance product is sold and receipt of payment can be assured.

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

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

Where a vehicle is sold to a leasing company and the Group undertakes to repurchase the vehicle for a specified value at a predetermined date, the sale is not recognised on the basis that the significant risks and rewards of ownership are not deemed to have been recognised outside of the Group. Consequently, such vehicles are retained within 'property, plant and



equipment' in the consolidated statement of financial position at cost and are depreciated to their residual value over the life of the lease. The difference between the initial amounts received from the leasing company and the repurchase commitment is recognised as deferred income in the consolidated statement of financial position and is released to the consolidated income statement on a straight line basis over the life of the lease. The repurchase commitment, which reflects the price at which the vehicle will be bought back, is held within 'trade and other payables', according to the date of the commitment.

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

## SHARE-BASED PAYMENTS

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

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

## FINANCE COSTS

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

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

## INCOME TAX

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

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

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

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

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

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

## EXCEPTIONAL ITEMS

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

## GOODWILL

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

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

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

## OTHER INTANGIBLE ASSETS

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

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the benefit of the intangible asset is obtained through contractual or other legal rights and the fair value can be measured reliably on initial recognition. The principal intangible assets are agreements with manufacturers for the distribution of new vehicles and parts, which represent the estimated value of distribution rights acquired in business combinations. Such agreements have varying terms and periods of renewal and have historically been renewed indefinitely without substantial cost. The Group therefore expects these agreements to be renewed indefinitely and accordingly no amortisation is charged on these assets. The Group assesses these distribution rights for impairment on an annual basis.

Other intangible assets acquired in a business combination may include order books and customer contracts. These intangible assets are amortised on a straight line basis over their estimated useful life, which is generally less than a year.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is included within 'net operating expenses' in the consolidated income statement, with the exception of depreciation on 'interest in leased vehicles' which is charged to 'cost of sales'. It is provided on a straight line basis over the estimated useful life of the asset, except for freehold land which is not depreciated. For the following categories, the annual rates used are:

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

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

## IMPAIRMENT

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment losses are included within 'net operating expenses' in the consolidated income statement.

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

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

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

## INVENTORIES

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

Vehicles held on consignment are included within inventories as the Group is considered to have the risks and rewards of ownership. The corresponding liability is included within 'trade and other payables'.

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

An inventory provision is recognised in situations where net realisable value is likely to be less than cost (such as obsolescence, deterioration, fall in selling price). When calculating the provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability, determined on conditions that exist at the end of the reporting period. With the exception of parts, generally net realisable value adjustments are applied on an item-by-item basis.

## TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are recognised as current assets if collection is due in one year or less. If collection is due in over a year, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

## TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables include the liability for vehicles held on consignment, with the corresponding asset included within inventories.

## BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

## PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of retirement benefit schemes.

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

The current service cost and gains and losses on settlements and curtailments are included in 'cost of sales' or 'net operating expenses' in the consolidated income statement. Past service costs are similarly recognised in the consolidated income statement. Administrative scheme expenses associated with the plans are recorded within 'net operating expenses' when incurred, in line with IAS 19 (revised). Net interest income or interest cost relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Changes in the retirement benefit obligation or asset due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

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

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

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

## PROVISIONS

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

## PRODUCT WARRANTY PROVISION

A product warranty provision corresponds to self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends.

## VACANT LEASEHOLD PROVISION

A vacant leasehold provision is recognised when the Group is committed to certain leasehold premises for which it no longer has a commercial use. It is made to the extent of the estimated future net cost, including existing subtenant arrangements if any.

## LITIGATION PROVISION

A litigation provision is recognised when a litigation case is outstanding at the end of the reporting period and there is a likelihood that the legal claim will be settled.

## DISPOSAL GROUP AND ASSETS HELD FOR SALE

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

## SEGMENTAL REPORTING

Segment information is reported in accordance with IFRS 8, 'Operating segments', which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group's operating segments are countries or groups of countries and the market channels, Distribution and Retail. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

## FINANCIAL INSTRUMENTS

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

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

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

Financial liabilities measured at amortised cost include non-derivative financial liabilities which are held at original cost, less amortisation or provisions raised.

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

## CASH AND CASH EQUIVALENTS

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

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

## LEASES

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

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

## OFFSETTING

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

## FAIR VALUE HEDGE

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

## CASH FLOW HEDGE

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

## AVAILABLE FOR SALE FINANCIAL ASSETS

Gains and losses on available for sale financial assets are recognised in other comprehensive income, until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated income statement. Cumulative gains and losses on investments held for operational reasons are included within 'net operating expenses'. Cumulative gains and losses on investments held for financing purposes are included within 'finance income' and 'finance costs' respectively.

## SHARE CAPITAL

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

## DIVIDENDS

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

## SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Directors have made a number of estimates and assumptions regarding the future, and made some significant judgements in applying the Group's accounting policies. These are discussed below:

### GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

Goodwill and other indefinite life intangible assets are tested at least annually for impairment in accordance with the accounting policy set out above. The recoverable amount of cash generating units is determined based on value in use calculations. These impairment calculations require the use of estimates including projected future cash flows (see note 11).

### INCENTIVES AND OTHER REBATES FROM BRAND PARTNERS

The Group receives income in the form of various incentives which are determined by our brand partners. The amount we receive is generally based on achieving specific objectives, such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but are not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Objectives are generally set and measured on either a quarterly or annual basis.

Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as a reduction in cost of sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered or when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as a reduction in cost of sales when it is reasonably certain that the incentive will be received for the relevant period.

The Group may also receive contributions towards advertising and promotional expenditure. Where such contributions are received, they are recognised as a reduction in the related expenditure in the period to which they relate.

### PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Pension and other post-retirement benefit liabilities are determined based on the actuarial assumptions detailed in note 5. A number of these assumptions require a considerable degree of judgement, including the rate of inflation, discount rate and expected mortality rates. These assumptions are subject to a review on an annual basis and are determined in conjunction with an external actuary. The use of different assumptions could have a material effect on the value of the relevant liabilities and could result in a material change to amounts recognised in the income statement over time.

In November 2015, the TKM Group Pension Scheme completed a buy-in transaction whereby the assets of the scheme were invested in a bulk purchase annuity contract that matches the benefits payable to the members of the scheme. The contract has been structured to enable the scheme, in time, to move to a full buy-out, following which the insurance company will become directly responsible for the pension payments under the scheme. As at 31 December 2017, the insurance company had started to issue individual policies to members and £51.2m of liabilities had been derecognised together with the associated asset. The remainder of the bulk purchase annuity has been accounted for as an asset of the scheme and valued on the same basis as the liabilities that it matches.

## **TAX**

The Group is subject to income taxes in a number of jurisdictions. Some degree of estimation is required in determining the worldwide provision for income taxes (see note 8). There are a number of transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on best estimates of whether additional taxes will be due without taking into account whether tax authorities would detect any particular issue. The estimate is made separately for each jurisdiction and takes into account management's view of the relevant tax laws and environment applicable to the operations of the Group in those jurisdictions. No single item is expected to give rise to a material adjustment in the following or subsequent years.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised (see notes 8 and 16). In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

## **PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

Property, plant and equipment and intangible assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows (see notes 11 and 12).

## **REPURCHASE COMMITMENTS**

The Group has entered into commitments in relation to certain leased vehicles to repurchase the vehicle for a specified value at a predetermined date. These commitments are an estimate of future market value at a specified point in time. The actual market value of vehicles bought back may vary from the committed purchase value. To the extent that the actual market value of such vehicles is expected to be less than the repurchase commitment, a provision is recognised and is included with Other Provisions in note 21.

Where the repurchase commitment is in respect of a vehicle sold by the Group to a leasing company, the repurchase commitment is held within 'trade and other payables'. Where the Group has entered into a repurchase commitment in respect of vehicles that have not been sourced from within the Group, then the repurchase commitment is included as a purchase commitment (see note 30).

## **PRODUCT WARRANTY PROVISION**

The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims (see note 21).



## 1 SEGMENTAL ANALYSIS

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

Distribution	Australasia	Distribution of new vehicles and parts in Australia and New Zealand together with associated marketing and logistics operations.
	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 & 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.

Following the acquisition of the BMW Distribution operations in Estonia, operations with similar economic characteristics in UK and Europe have been reclassified from Retail to Distribution in the prior period comparatives for consistency.

					Distribution
	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
<b>2017</b>					
<b>Revenue</b>					
Total revenue	1,103.2	1,059.2	1,700.6	794.6	4,657.6
Inter-segment revenue	(268.1)	(186.1)	-	-	(454.2)
Revenue from third parties	835.1	873.1	1,700.6	794.6	4,203.4
<b>Results</b>					
Trading profit / (loss)	71.3	31.0	157.7	86.3	346.3
Operating exceptional items	(0.1)	(5.2)	(0.1)	(2.4)	(7.8)
Operating profit / (loss) after exceptional items	71.2	25.8	157.6	83.9	338.5
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					

**1 SEGMENTAL ANALYSIS CONTINUED**

				Retail			
2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Revenue</b>							
Total revenue	805.9	3,356.1	583.8	4,745.8	9,403.4	-	9,403.4
Inter-segment revenue	-	-	-	-	(454.2)	-	(454.2)
Revenue from third parties	805.9	3,356.1	583.8	4,745.8	8,949.2	-	8,949.2
<b>Results</b>							
Trading profit / (loss)	30.8	58.8	3.6	93.2	439.5	(32.0)	407.5
Operating exceptional items	-	(2.8)	(1.1)	(3.9)	(11.7)	(0.9)	(12.6)
Operating profit / (loss) after exceptional items	30.8	56.0	2.5	89.3	427.8	(32.9)	394.9
Share of loss after tax of joint ventures and associates							-
Profit before finance and tax							394.9
Finance income							14.6
Finance costs							(39.6)
Profit before tax							369.9
Tax							(93.1)
Profit for the year							276.8

Net finance costs of £25.0m 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:

2017	£m
UK	3,049.0
Rest of the world	5,900.2
<b>Group</b>	<b>8,949.2</b>

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

2017	Vehicles £m	Aftersales £m	Total £m
Distribution	458.9	290.1	749.0
Retail	326.3	176.8	503.1
<b>Group</b>	<b>785.2</b>	<b>466.9</b>	<b>1,252.1</b>

## 1 SEGMENTAL ANALYSIS CONTINUED

					Distribution
2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
<b>Segment assets and liabilities</b>					
Segment assets	170.9	282.0	341.1	282.6	1,076.6
Other current assets					
Other non-current assets					
Segment liabilities	(362.0)	(250.9)	(346.2)	(235.5)	(1,194.6)
Other liabilities					
<b>Net assets</b>					

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

					Distribution
2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
<b>Other segment items</b>					
Capital expenditure:					
– Property, plant and equipment	11.4	9.3	9.7	17.0	47.4
– Interest in leased vehicles	-	8.9	9.9	0.8	19.6
– Intangible assets	2.8	3.8	0.3	1.5	8.4
Depreciation:					
– Property, plant and equipment	3.1	1.4	10.7	6.8	22.0
– Interest in leased vehicles	-	1.8	4.8	0.2	6.8
Amortisation of intangible assets	1.9	0.8	2.6	0.9	6.2
Impairment of goodwill	-	-	-	-	-
Impairment of other intangible assets	-	-	-	-	-
Net provisions charged / (credited) to the consolidated income statement	1.0	13.1	14.3	0.2	28.6

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

**1 SEGMENTAL ANALYSIS CONTINUED**

				Retail	
2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
<b>Segment assets and liabilities</b>					
Segment assets	212.6	862.0	124.3	1,198.9	2,275.5
Other current assets					1,004.8
Other non-current assets					1,595.9
Segment liabilities	(207.3)	(843.5)	(69.0)	(1,119.8)	(2,314.4)
Other liabilities					(1,107.0)
<b>Net assets</b>					<b>1,454.8</b>

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

				Retail			
2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Other segment items</b>							
Capital expenditure:							
– Property, plant and equipment	1.1	48.5	7.3	56.9	104.3	0.1	104.4
– Interest in leased vehicles	0.1	7.8	–	7.9	27.5	–	27.5
– Intangible assets	1.5	1.8	0.3	3.6	12.0	14.2	26.2
Depreciation:							
– Property, plant and equipment	1.5	15.6	4.3	21.4	43.4	0.4	43.8
– Interest in leased vehicles	–	3.6	–	3.6	10.4	–	10.4
Amortisation of intangible assets	–	4.2	2.6	6.8	13.0	0.8	13.8
Impairment of goodwill	–	–	–	–	–	–	–
Impairment of other intangible assets	–	–	–	–	–	–	–
Net provisions charged / (credited) to the consolidated income statement	2.7	40.9	1.6	45.2	73.8	(2.0)	71.8

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

# 1 SEGMENTAL ANALYSIS CONTINUED

					Distribution
2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
<b>Revenue</b>					
Total revenue	953.0	937.4	1,591.6	333.4	3,815.4
Inter-segment revenue	(225.2)	(165.8)	–	–	(391.0)
Revenue from third parties	727.8	771.6	1,591.6	333.4	3,424.4
<b>Results</b>					
Trading profit / (loss)	67.8	26.8	136.7	52.0	283.3
Operating exceptional items	(0.5)	(32.1)	(11.6)	(0.5)	(44.7)
Operating profit / (loss) after exceptional items	67.3	(5.3)	125.1	51.5	238.6
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					

**1 SEGMENTAL ANALYSIS CONTINUED**

	Retail						
2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Revenue</b>							
Total revenue	701.3	3,291.3	421.4	4,414.0	8,229.4	–	8,229.4
Inter-segment revenue	–	–	–	–	(391.0)	–	(391.0)
Revenue from third parties	701.3	3,291.3	421.4	4,414.0	7,838.4	–	7,838.4
<b>Results</b>							
Trading profit / (loss)	34.6	70.3	0.4	105.3	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	65.7	–	95.6	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
<b>Group</b>	<b>7,838.4</b>

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

2016	Vehicles £m	Aftersales £m	Total £m
Distribution	341.9	242.4	584.3
Retail	336.8	158.0	494.8
<b>Group</b>	<b>678.7</b>	<b>400.4</b>	<b>1,079.1</b>



# 1 SEGMENTAL ANALYSIS CONTINUED

					Distribution
2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
<b>Segment assets and liabilities</b>					
Segment assets	129.8	228.3	372.2	276.0	1,006.3
Other current assets					
Other non-current assets					
Segment liabilities	(354.4)	(177.5)	(329.4)	(184.4)	(1,045.7)
Other liabilities					
<b>Net assets</b>					

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
<b>Other segment items</b>					
Capital expenditure:					
– Property, plant and equipment	12.7	4.1	21.9	5.3	44.0
– 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	1.5	8.6	4.0	16.4
– 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.

**1 SEGMENTAL ANALYSIS CONTINUED**

				Retail	
2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
<b>Segment assets and liabilities</b>					
Segment assets	179.2	743.6	116.7	1,039.5	2,045.8
Other current assets					822.8
Other non-current assets					1,512.5
Segment liabilities	(160.5)	(736.2)	(74.5)	(971.2)	(2,016.9)
Other liabilities					(1,001.7)
<b>Net assets</b>					<b>1,362.5</b>

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

				Retail			
2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
<b>Other segment items</b>							
Capital expenditure:							
- Property, plant and equipment	1.1	23.7	2.1	26.9	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	15.1	3.9	21.2	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.

## 2 EXCEPTIONAL ITEMS

	2017 £m	2016 £m
Restructuring costs	(10.5)	(24.8)
Acquisition of businesses	(2.1)	(8.8)
Goodwill impairment (see note 11)	-	(24.9)
Impairment of software and associated assets (see notes 11 and 12)	-	(23.1)
Total exceptional items before tax	(12.6)	(81.6)
Exceptional tax (see note 8)	2.7	11.5
Total exceptional items	(9.9)	(70.1)

During the year the Group has incurred restructuring costs of £10.5m (2016 – £24.8m) as part of a Group-wide programme commenced in 2016 to better align the organisation with the Ignite strategy. The costs incurred comprise headcount reduction and costs associated with the redevelopment of the third party Retail network in certain markets.

Exceptional costs of £2.1m (2016 – £8.8m) have been incurred in connection with the acquisition and integration of the Subaru, Hino and associated Distribution businesses in South America which were acquired in 2016.

In 2016, the Group made configuration changes to the iPower system to better reflect the Ignite strategy, resulting in a non-cash impairment charge of £23.1m, and impaired the carrying value of goodwill relating to businesses in Lithuania and Estonia.

## 3 REVENUE AND EXPENSES

### a. Revenue

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

	2017 £m	2016 £m
Sale of goods	8,222.8	7,232.1
Provision of services	726.4	606.3
	8,949.2	7,838.4

### b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2017 £m	Exceptional items 2017 £m	Net operating expenses 2017 £m	Net operating expenses before exceptional items 2016 £m	Exceptional items 2016 £m	Net operating expenses 2016 £m
Distribution costs	483.3	-	483.3	431.7	2.4	434.1
Administrative expenses	375.2	12.6	387.8	314.6	31.2	345.8
Other operating (income) / expense	(13.9)	-	(13.9)	(26.3)	48.0	21.7
	844.6	12.6	857.2	720.0	81.6	801.6

### c. Profit before tax is stated after the following charges / (credits):

	2017 £m	2016 £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	43.8	38.0
– Interest in leased vehicles	10.4	10.6
Amortisation of intangible assets	13.8	14.9
Impairment of goodwill	-	24.9
Impairment of other intangible assets	-	22.8
Impairment of property, plant and equipment	-	1.3
Impairment of trade receivables	1.6	1.1
Profit on sale of property, plant and equipment	(10.6)	(12.7)
Operating lease rentals	71.3	62.8

Profit on the sale of property, plant and equipment in 2017 relates to the sale of surplus sites in Australia and Russia. In 2016, the Group disposed of surplus assets in Australia and Russia and rationalised its service facilities in Hong Kong and its Retail portfolio in the UK.

**3 REVENUE AND EXPENSES CONTINUED****d. Auditors' remuneration**

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2017 £m	2016 £m
Audit services:		
Fees payable to the Company's auditors and its associates for the audit of the parent company and the consolidated financial statements	<b>0.5</b>	0.5
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries	<b>2.1</b>	2.3
– Audit related assurance services	<b>0.1</b>	0.2
– Tax advisory services	–	0.1
– Tax compliance services	–	0.1
– All other services	<b>0.1</b>	0.3
Total fees payable to PricewaterhouseCoopers LLP	<b>2.8</b>	3.5
Audit fees – firms other than PricewaterhouseCoopers LLP	<b>0.4</b>	0.2

**e. Staff costs**

	2017 £m	2016 £m
Wages and salaries	<b>524.2</b>	458.2
Social security costs	<b>50.5</b>	42.1
Other pension costs	<b>23.5</b>	18.6
Share-based payment charge	<b>10.2</b>	12.1
	<b>608.4</b>	531.0

Other pension costs correspond to the current service charge and contributions to the defined contribution schemes (see note 5).

Information on Directors' emoluments and interests which forms part of these audited consolidated financial statements is given in the Directors' Report on Remuneration which can be found on pages 59 to 77 of this document. Information on compensation of key management personnel is set out in note 31b.

**f. Average monthly number of employees**

	Distribution		Retail		Total	
	2017 Number	2016 Number	2017 Number	2016 Number	2017 Number	2016 Number
Australasia	<b>539</b>	490	<b>1,163</b>	1,065	<b>1,702</b>	1,555
UK and Europe	<b>852</b>	787	<b>6,723</b>	6,416	<b>7,575</b>	7,203
Asia	<b>2,742</b>	3,104	–	–	<b>2,742</b>	3,104
Emerging Markets	<b>2,903</b>	1,314	<b>1,718</b>	1,587	<b>4,621</b>	2,901
Total operational	<b>7,036</b>	5,695	<b>9,604</b>	9,068	<b>16,640</b>	14,763
Central					<b>149</b>	132
					<b>16,789</b>	14,895

Average monthly number of employees in the Emerging Markets Distribution segment in 2017 includes the employees of the Distribution business in South America acquired on 22 December 2016.

#### 4 SHARE-BASED PAYMENTS

The terms and conditions of the Group's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from awards granted under share-based payment plans was £10.2m (2016 – £12.1m), all of which was equity-settled.

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

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

2017	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£4.48	4,630,496	355,159	2,051,995	1,286,746
Granted	£6.66	1,457,828	–	675,726	637,223
Exercised	£3.41	(1,082,419)	(284,480)	(441,502)	(423,530)
Lapsed	£5.74	(660,226)	(1,613)	(387,946)	(114,603)
<b>Outstanding at 31 December</b>	<b>£5.36</b>	<b>4,345,679</b>	<b>69,066</b>	<b>1,898,273</b>	<b>1,385,836</b>
Exercisable at 31 December	£3.33	410,145	69,066	77,365	34,346

2016	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£4.51	4,908,991	390,177	2,148,491	1,190,277
Granted	£4.87	1,627,939	–	806,099	509,333
Exercised	£4.51	(885,350)	(35,018)	(493,270)	(295,759)
Lapsed	£5.54	(1,021,084)	–	(409,325)	(117,105)
<b>Outstanding at 31 December</b>	<b>£4.48</b>	<b>4,630,496</b>	<b>355,159</b>	<b>2,051,995</b>	<b>1,286,746</b>
Exercisable at 31 December	£1.89	294,139	355,159	7,431	100,825

\* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

The weighted average remaining contractual life for the awards outstanding at 31 December 2017 is 2.7 years (2016 – 3.2 years).

The range of exercise prices for options outstanding at the end of the year was £0.10 to £6.66 (2016 – £0.10 to £5.78). See note 24 for further details.

The fair value of options granted under the Save As You Earn Plan and Other Share Plans is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of nil cost awards granted under the Performance Share Plan and Other Share Plans is the market value of the related shares at the time of grant. The following table lists the main inputs to the model for awards granted during the years ended 31 December 2017 and 31 December 2016:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2017	2016	2017	2016	2017	2016
Weighted average share price at grant date	£8.46	£6.85	£8.44	£6.57	£7.82	£6.89
Weighted average share price at date of exercise	£8.15	£6.98	£7.74	£6.51	£8.16	£7.22
Weighted average exercise price*	n/a	n/a	£6.66	£5.63	n/a	£0.10
Vesting period	3.0 years	3.0 years	3.0 years	3.0 years	2.5 years	2.7 years
Expected volatility	n/a	n/a	23.0%	23.9%	n/a	30.8%
Expected life of award	3.0 years	3.0 years	3.2 years	3.2 years	2.5 years	3.7 years
Weighted average risk free rate	n/a	n/a	0.5%	0.1%	n/a	0.9%
Expected dividend yield	n/a	n/a	2.9%	3.2%	n/a	n/a
Weighted average fair value per option	£8.46	£6.85	£1.81	£1.14	£7.82	£6.86

\* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

No options were granted under the Executive Share Option Plan in 2017 or 2016.

The expected life and volatility of the options are based upon historical data.

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its businesses, primarily in the UK.

### a. UK schemes: benefits, governance, cash flow obligations and investments

The Group operates three main defined benefit final salary pension schemes in the UK which are all closed to new employees and largely closed to future benefit accrual. The schemes are the Inchcape Motors Pension Scheme (comprising the Group, Motors, Normand and Cash+ sections), the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. Cash+ is a defined benefit cash balance scheme, open to accrual for current and new employees, which is designed to meet regulatory requirements for auto-enrolment legislation.

#### Benefit structure

Final salary schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on final salary at retirement (or leaving date, if earlier) and length of service. The Group underwrites investment, mortality and inflation risks necessary to meet the obligations under the schemes. In the event of poor returns, increased life expectancy or higher than expected inflation, the Group is required to address any shortfall through a combination of an increase in contributions or by making appropriate adjustments to the schemes.

Cash balance schemes like Cash+ allow members to accrue a percentage of their earnings each year, which then grows to provide a lump sum payment on retirement. Members have accrued benefits under this scheme with effect from 1 January 2013. The Group underwrites the investment risk to normal retirement age (65), but all inflation and mortality risks associated with benefits are borne solely by the members. Across the schemes a number of exercises have been undertaken to significantly mitigate these key funding risks.

#### Governance

Our UK schemes are registered with HMRC and comply fully with the regulatory framework published by the UK Pensions Regulator.

Benefits are paid to members from separate funds administered by an independent trustee company (the Trustee) appointed by the Group. The Trustee is required to act in the best interest of the members, and is responsible for making funding and investment decisions in conjunction with the Group.

The Group also has some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

#### Scheme specific cash obligation / investment detail

##### Inchcape Motors Pension Scheme

##### Group, Motors and Normand sections (closed sections)

The latest actuarial valuations for these sections were carried out at 5 April 2016 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 18 years and that a small surplus existed. The Group contributes £0.6m p.a. towards the administrative costs of running these sections and no further review is scheduled until April 2019. For the Normand section, the Group also currently pays deficit reduction contributions of £1.1m p.a., rising by 3.05% p.a. up until 5 April 2026 (at which point the funding shortfall is expected to be eliminated).

Each section's investment strategy sees it holding a proportion of its assets in matching assets (75% for the Group section and 40% for the Motors and Normand sections) with the remainder in growth assets. The matching assets are invested in a liability driven investment solution complemented with absolute return bonds. They are designed to hedge inflation and interest rate risk in a capitally efficient manner. The growth assets are invested in assets that are expected to grow at rates significantly faster than each sections' liabilities and include diversified growth funds and property.

##### Cash+ section

This scheme is a defined benefit scheme under which members accrue benefits with effect from 1 January 2013, or date of joining if later. The latest actuarial valuation was carried out at 5 April 2016 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The valuation showed the funding level to be 98%, with the Trustee expecting the small shortfall to be removed by the ongoing pension contributions and returns on the assets held. The Group contributes £0.2m p.a. towards the administrative costs of running the scheme and the next review is in April 2019.

The investment strategy is to be 60% invested in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. The remaining 40% is allocated to absolute return bonds.



## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

### Inchcape Overseas Pension Scheme

This scheme is managed from Guernsey and is subject to regulations similar to the UK. It is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out at 31 March 2015 and determined in accordance with the advice of independent professionally qualified actuaries based on the attained age method. The actuarial valuation determined that the duration of the liabilities was approximately 11 years and that the scheme was approximately 86% funded on a prudent funding basis. The Group contributes £0.8m p.a. towards scheme administrative costs and improving the funding ratio. The investments are managed under a Fiduciary Management arrangement with the level of investment risk inherent in the investment arrangements reducing as and when the funding level improves.

### TKM Group Pension Scheme (closed scheme)

In November 2015, the trustees of the TKM Group Pension Scheme completed a buy-in transaction whereby the assets of the scheme were used to acquire a bulk purchase annuity policy with Aviva under which the benefits payable to the members of the scheme are now fully insured. The insurance policy was purchased using the existing assets of the scheme with no additional funding required from the Group. The insurance policy has been structured to enable the scheme, in time, to move to full buy-out, following which Aviva will become directly responsible for the pension payments under the scheme. As at 31 December 2017, approximately 20% of the individual member policies had been issued by Aviva. The remainder of the bulk purchase annuity policy has been accounted for as an asset of the scheme and valued on the same basis as the liabilities that it matches.

### b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee and assets are held in trust in separately administered funds. These schemes are typically subject to triennial valuations. The overseas defined contribution schemes are principally linked to local statutory arrangements.

### c. Defined contribution plans

The total expense recognised in the consolidated income statement is £6.2m (2016 – £5.4m). There are outstanding contributions of £0.2m at the year end (2016 – £0.1m).

### d. Defined benefit plans

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

**5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED**

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2017 %	2016 %	2017 %	2016 %
Rate of increase in salaries	<b>3.1</b>	3.8	<b>3.8</b>	3.8
Rate of increase in pensions	<b>3.0</b>	3.2	<b>2.3</b>	1.8
Discount rate	<b>2.5</b>	2.6	<b>1.9</b>	2.0
Rate of inflation:				
– Retail price index	<b>3.2</b>	3.3	<b>2.1</b>	2.4
– Consumer price index	<b>2.1</b>	2.3	<b>n/a</b>	n/a

The rate of increase in healthcare costs is 5.4% (2016 – 5.4%) per annum.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 23.9 years (2016 – 23.8 years) for current pensioners and 25.8 years (2016 – 25.6 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Present value of funded obligations	<b>(1,007.2)</b>	(1,081.2)	<b>(47.6)</b>	(55.1)	<b>(1,054.8)</b>	(1,136.3)
Fair value of plan assets	<b>1,083.0</b>	1,129.3	<b>46.2</b>	46.6	<b>1,129.2</b>	1,175.9
Net surplus / (deficit) in funded obligations	<b>75.8</b>	48.1	<b>(1.4)</b>	(8.5)	<b>74.4</b>	39.6
Present value of unfunded obligations	<b>(0.7)</b>	(0.8)	<b>(1.4)</b>	(1.5)	<b>(2.1)</b>	(2.3)
	<b>75.1</b>	47.3	<b>(2.8)</b>	(10.0)	<b>72.3</b>	37.3

The net pension asset is analysed as follows:

Schemes in surplus	<b>105.5</b>	79.5	<b>0.4</b>	0.5	<b>105.9</b>	80.0
Schemes in deficit	<b>(30.4)</b>	(32.2)	<b>(3.2)</b>	(10.5)	<b>(33.6)</b>	(42.7)
	<b>75.1</b>	47.3	<b>(2.8)</b>	(10.0)	<b>72.3</b>	37.3

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Current service cost	<b>(14.2)</b>	(10.0)	<b>(3.1)</b>	(3.2)	<b>(17.3)</b>	(13.2)
Scheme expenses	<b>(1.6)</b>	(1.9)	<b>(0.1)</b>	(0.1)	<b>(1.7)</b>	(2.0)
Interest expense on plan liabilities	<b>(27.7)</b>	(33.6)	<b>(0.9)</b>	(0.8)	<b>(28.6)</b>	(34.4)
Interest income on plan assets	<b>29.2</b>	37.9	<b>0.8</b>	0.7	<b>30.0</b>	38.6
	<b>(14.3)</b>	(7.6)	<b>(3.3)</b>	(3.4)	<b>(17.6)</b>	(11.0)

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains	4.2	18.5	1.4	1.3	5.6	19.8
– Changes in demographic assumptions	12.3	(9.8)	–	–	12.3	(9.8)
– Changes in financial assumptions	(0.6)	(217.3)	(0.1)	0.9	(0.7)	(216.4)
Actuarial gains on assets:						
– Experience gains	13.7	145.5	7.0	0.6	20.7	146.1
	29.6	(63.1)	8.3	2.8	37.9	(60.3)

Analysis of the movement in the net asset / (liability):

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
At 1 January	47.3	108.4	(10.0)	(9.5)	37.3	98.9
Amount recognised in the consolidated income statement	(14.3)	(7.6)	(3.3)	(3.4)	(17.6)	(11.0)
Contributions by employer	12.5	9.6	1.7	1.7	14.2	11.3
Actuarial gains / (losses) recognised in the year	29.6	(63.1)	8.3	2.8	37.9	(60.3)
Effect of foreign exchange rates	–	–	0.5	(1.6)	0.5	(1.6)
<b>At 31 December</b>	<b>75.1</b>	<b>47.3</b>	<b>(2.8)</b>	<b>(10.0)</b>	<b>72.3</b>	<b>37.3</b>

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
At 1 January	(1,082.0)	(887.8)	(56.6)	(50.0)	(1,138.6)	(937.8)
Current service cost	(14.2)	(10.0)	(3.1)	(3.2)	(17.3)	(13.2)
Interest expense on plan liabilities	(27.7)	(33.6)	(0.9)	(0.8)	(28.6)	(34.4)
Actuarial gains / (losses):						
– Experience gains	4.2	18.5	1.4	1.3	5.6	19.8
– Changes in demographic assumptions	12.3	(9.8)	–	–	12.3	(9.8)
– Changes in financial assumptions	(0.6)	(217.3)	(0.1)	0.9	(0.7)	(216.4)
Contributions by employees	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Benefits paid	49.0	58.1	5.6	4.4	54.6	62.5
Plan settlements	51.2	–	–	–	51.2	–
Effect of foreign exchange rate changes	–	–	4.7	(9.2)	4.7	(9.2)
<b>At 31 December</b>	<b>(1,007.9)</b>	<b>(1,082.0)</b>	<b>(49.0)</b>	<b>(56.6)</b>	<b>(1,056.9)</b>	<b>(1,138.6)</b>

**5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED**

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
At 1 January	<b>1,129.3</b>	996.2	<b>46.6</b>	40.5	<b>1,175.9</b>	1,036.7
Interest income on plan assets	<b>29.2</b>	37.9	<b>0.8</b>	0.7	<b>30.0</b>	38.6
Scheme expenses	<b>(1.6)</b>	(1.9)	<b>(0.1)</b>	(0.1)	<b>(1.7)</b>	(2.0)
Actuarial gains:						
– Experience gains	<b>13.7</b>	145.5	<b>7.0</b>	0.6	<b>20.7</b>	146.1
Contributions by employer	<b>12.5</b>	9.6	<b>1.7</b>	1.7	<b>14.2</b>	11.3
Contributions by employees	<b>0.1</b>	0.1	–	–	<b>0.1</b>	0.1
Benefits paid	<b>(49.0)</b>	(58.1)	<b>(5.6)</b>	(4.4)	<b>(54.6)</b>	(62.5)
Plan settlements	<b>(51.2)</b>	–	–	–	<b>(51.2)</b>	–
Effect of foreign exchange rate changes	–	–	<b>(4.2)</b>	7.6	<b>(4.2)</b>	7.6
<b>At 31 December</b>	<b>1,083.0</b>	1,129.3	<b>46.2</b>	46.6	<b>1,129.2</b>	1,175.9

At the end of the reporting period, the percentage of the plan assets by category were as follows:

	United Kingdom		Overseas		Total	
	2017	2016	2017	2016	2017	2016
Equities (quoted)	<b>4.2%</b>	7.6%	<b>75.9%</b>	70.8%	<b>7.1%</b>	10.1%
Corporate bonds (quoted)	–	2.6%	<b>18.2%</b>	17.9%	<b>0.7%</b>	3.2%
Government bonds (quoted)	–	0.1%	<b>0.5%</b>	1.4%	–	0.1%
Investment funds (unquoted)	<b>53.6%</b>	42.6%	–	–	<b>51.4%</b>	40.9%
Bulk purchase annuity	<b>18.9%</b>	24.4%	–	–	<b>18.2%</b>	23.4%
Other (unquoted)	<b>23.3%</b>	22.7%	<b>5.4%</b>	9.9%	<b>22.6%</b>	22.3%
	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%

Investment funds and other assets include equities, bonds, property, derivatives and liability driven investments. Virtually all the equities and bonds have quoted prices in active markets. Derivatives and liability driven investments can be classified as Level 2 instruments and property as Level 3 instruments.

The schemes had no directly held employer related investment during the reporting period. The schemes' investment managers may potentially hold a small investment in Inchcape plc either through index weightings or stock selection (less than 0.5% of their respective fund values).

## 5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

The following disclosures relate to the Group's defined benefit plans only.

### e. Risk management

#### Asset volatility

Scheme liabilities are calculated on a discounted basis using a discount rate which is set with reference to corporate bond yields. If scheme assets underperform this yield, then this will create a deficit. The combined schemes hold approximately 75% of assets as defensive assets (liability driven investment solutions, absolute return bonds and annuity policies) which mitigate significant changes in yields, and active monitoring plans are in place to identify opportunities to increase the proportion of such assets further when economically possible.

As the schemes mature, the Trustees reduce investment risk by increasing the allocation to defensive assets, which are designed to better match scheme liabilities. However, the Trustees believe that due to the long-term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the long-term investment strategy.

#### Inflation risk

The majority of the Group's defined benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in the majority of cases there are caps on the level of inflationary increases to be applied to pension obligations. The Group's investment strategy across the schemes is to mitigate inflation risk through holding inflation-linked assets.

#### Life expectancy

The plans' obligations are to provide a pension for the life of the member, so realised increases in life expectancy will result in an increase in the plans' benefit payments. Future mortality rates cannot be predicted with certainty. All of the schemes conduct scheme-specific mortality investigations annually, to ensure the Group has a clear understanding of any potential increase in liability due to pensioners living for longer than assumed. The Trustees of the schemes hedge this risk by adopting a prudent approach in their assumption for future improvements.

### f. Sensitivity analysis

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in the assumptions used for the UK schemes. Changes in assumptions have an immaterial effect on the overseas schemes.

#### Impact on the defined benefit obligation

	United Kingdom	
	2017 £m	2016 £m
Discount rate -0.25%	<b>+44.8</b>	+43.5
Discount rate +0.25%	<b>-42.1</b>	-49.7
Inflation -0.25%	<b>-28.8</b>	-37.8
Inflation +0.25%	<b>+29.6</b>	+33.9
Life expectancy + 1 year	<b>+39.3</b>	+37.4

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above variances have been used as they are believed to be reasonably possible fluctuations.

### g. Expected future cash flows

The Group has agreed to pay approximately £2.7m to its defined benefit plans in 2018 on top of the ongoing employer contributions for the open Cash+ section. The Group does not expect any material changes to the annual cash contributions over the next three years given the funding position of the largest schemes, which account for 90% of the Group's total pension liabilities.

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 18 years for the UK schemes.

## 6 FINANCE INCOME

	2017 £m	2016 £m
Bank and other interest receivable	7.2	5.0
Net interest income on post-retirement plan assets and liabilities	1.4	4.2
Other finance income	6.0	7.8
<b>Total finance income</b>	<b>14.6</b>	<b>17.0</b>

## 7 FINANCE COSTS

	2017 £m	2016 £m
Interest payable on bank borrowings	7.7	2.6
Interest payable on Private Placement	6.0	3.3
Interest payable on other borrowings	0.2	0.3
Fair value adjustment on Private Placement	(34.3)	46.6
Fair value gain on cross currency interest rate swaps	33.1	(47.6)
Stock holding interest (see note 20)	24.3	20.1
Other finance costs	2.7	1.3
Capitalised borrowing costs	(0.1)	–
<b>Total finance costs</b>	<b>39.6</b>	<b>26.6</b>

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% (2016 – 2.0%).



## 8 TAX

	2017 £m	2016 £m
Current tax:		
– UK corporation tax	3.9	6.0
– Overseas tax	98.3	79.2
	102.2	85.2
Adjustments to prior year liabilities:		
– UK	2.2	(1.5)
– Overseas	(0.5)	(1.2)
Current tax	103.9	82.5
Deferred tax (note 16)	(10.8)	(6.0)
Total tax charge	93.1	76.5

The total tax charge is analysed as follows:

– Tax charge on profit before exceptional items	95.8	88.0
– Tax credit on exceptional items	(2.7)	(11.5)
Total tax charge	93.1	76.5

Details of the exceptional items for the year can be found in note 2. 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.

### Factors affecting the tax expense for the year

The effective tax rate for the year after exceptional items is 25.2% (2016 – 28.6%). The underlying effective tax rate before the impact of exceptional items is 25.0% (2016 – 25.2%). The weighted average tax rate is 24.0% (2016 – 24.1%). 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.

	2017 £m	2016 £m
Profit before tax	369.9	267.8
Profit before tax multiplied by the weighted average tax rate of 24.0% (2016 – 24.1%)	88.8	64.6
<b>Non-exceptional items</b>		
– Permanent differences	2.9	9.9
– Non-taxable income	(3.5)	(4.9)
– Prior year items	(0.8)	(2.2)
– Unrecognised deferred tax movement	2.1	(2.2)
– Overseas tax audits and settlements	1.3	1.5
– Taxes on undistributed earnings	5.1	3.2
– Impact of the FID Claim receipt taxed at 45% (note 29)	–	1.6
– Other items (including tax rate differentials)	(3.2)	(1.7)
<b>Exceptional items</b>		
– Goodwill impairment	–	3.9
– Restructuring costs	0.2	1.0
– Acquisition of businesses	0.2	1.8
Total tax charge	93.1	76.5

## 8 TAX CONTINUED

### Factors affecting the tax expense of future years

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.

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. More detail of the Group's tax losses and deferred tax assets can be found in note 16.

During the year governments in a number of markets in which the Group operates implemented tax reform programmes which included significant rule changes or reductions in corporate tax rates, or both. As such the tax charge for the year includes the estimated cost of the transition tax resulting from US tax reforms in relation to the Group's operations in Guam and Saipan included in "Taxes on undistributed earnings" (£1.8m). This amount is partially offset by remeasurement of deferred tax balances at the new US corporate tax rate of 21% included in "Other items (including tax rate differentials and changes)" (£0.4m).

## 9 EARNINGS PER SHARE

	2017 £m	2016 £m
<b>Profit for the year</b>	<b>276.8</b>	191.3
Non-controlling interests	(7.9)	(6.9)
<b>Basic earnings</b>	<b>268.9</b>	184.4
Exceptional items	9.9	70.1
<b>Adjusted earnings</b>	<b>278.8</b>	254.5
Basic earnings per share	64.6p	43.2p
Diluted earnings per share	63.9p	42.6p
Basic Adjusted earnings per share	67.0p	59.6p
Diluted Adjusted earnings per share	66.3p	58.9p

	2017 number	2016 number
Weighted average number of fully paid ordinary shares in issue during the year	417,209,998	428,090,784
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	(1,181,859)	(1,182,428)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	416,028,139	426,908,356
Dilutive effect of potential ordinary shares	4,735,677	5,534,805
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	420,763,816	432,443,161

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 buyback 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 buyback programme.

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

## 10 DIVIDENDS

The following dividends were paid by the Group:

	2017 £m	2016 £m
Interim dividend for the six months ended 30 June 2017 of 7.9p per share (30 June 2016 – 7.0p per share)	32.7	29.9
Final dividend for the year ended 31 December 2016 of 16.8p per share (31 December 2015 – 14.1p per share)	70.0	60.3
	<b>102.7</b>	<b>90.2</b>

A final proposed dividend for the year ended 31 December 2017 of 18.9p per share amounting to £78.4m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2017.

## 11 INTANGIBLE ASSETS

	Goodwill £m	Distribution agreements £m	Computer software £m	Other intangible assets £m	Total £m
<b>Cost</b>					
At 1 January 2016	490.2	–	131.6	–	621.8
Businesses acquired (see note 28)	51.4	162.4	2.7	0.9	217.4
Businesses sold	(0.6)	–	–	–	(0.6)
Additions	–	–	22.4	–	22.4
Disposals	–	–	(1.9)	–	(1.9)
Retirement of fully amortised assets not in use	–	–	(5.9)	–	(5.9)
Effect of foreign exchange rate changes	58.0	–	14.2	–	72.2
At 1 January 2017	<b>599.0</b>	<b>162.4</b>	<b>163.1</b>	<b>0.9</b>	<b>925.4</b>
Businesses acquired (see note 28)	8.0	9.2	(0.4)	(0.9)	15.9
Businesses sold	–	–	(0.3)	–	(0.3)
Additions	–	–	26.1	0.1	26.2
Disposals	–	–	(0.2)	–	(0.2)
Retirement of fully amortised assets not in use	–	–	(4.3)	–	(4.3)
Effect of foreign exchange rate changes	(2.0)	(0.9)	(1.8)	–	(4.7)
<b>At 31 December 2017</b>	<b>605.0</b>	<b>170.7</b>	<b>182.2</b>	<b>0.1</b>	<b>958.0</b>
<b>Accumulated amortisation and impairment</b>					
At 1 January 2016	(144.9)	–	(58.5)	–	(203.4)
Amortisation charge for the year	–	–	(14.9)	–	(14.9)
Impairment charge for the year	(24.9)	–	(22.8)	–	(47.7)
Disposals	–	–	1.3	–	1.3
Retirement of fully amortised assets not in use	–	–	5.9	–	5.9
Effect of foreign exchange rate changes	(44.2)	–	(7.9)	–	(52.1)
At 1 January 2017	<b>(214.0)</b>	<b>–</b>	<b>(96.9)</b>	<b>–</b>	<b>(310.9)</b>
Amortisation charge for the year	–	–	(13.8)	–	(13.8)
Businesses sold	–	–	0.2	–	0.2
Disposals	–	–	0.1	–	0.1
Retirement of fully amortised assets not in use	–	–	4.3	–	4.3
Effect of foreign exchange rate changes	0.8	–	0.8	–	1.6
<b>At 31 December 2017</b>	<b>(213.2)</b>	<b>–</b>	<b>(105.3)</b>	<b>–</b>	<b>(318.5)</b>
<b>Net book value at 31 December 2017</b>	<b>391.8</b>	<b>170.7</b>	<b>76.9</b>	<b>0.1</b>	<b>639.5</b>
Net book value at 31 December 2016	385.0	162.4	66.2	0.9	614.5

As at 31 December 2017, capitalised borrowing costs of £nil (2016 – £nil) were included within 'computer software'. No borrowing costs were capitalised during the year (2016 – £nil).

During the year, the Group reviewed the useful life of ERP software assets in use in the business. As a result of this review, the useful life was changed from five years to eight years. This change has been applied prospectively and has resulted in a reduction in the amortisation charge for the year of c.£3m.

## 11 INTANGIBLE ASSETS CONTINUED

### Goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination. These CGU groups represent the lowest level within the Group at which the associated goodwill is monitored for management purposes.

The carrying amount of goodwill has been allocated to CGU groups within the following reporting segments:

Reporting segment	CGU group	2017 £m	2016 £m
UK and Europe Retail	UK Retail	265.7	265.6
Emerging Markets Distribution	South America	54.7	51.2
Asia	Singapore	22.4	22.8
Australasia Retail	Australia Retail	47.0	45.4
Australasia Distribution	Peugeot Citroën Australia	2.0	–
		<b>391.8</b>	<b>385.0</b>

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGU groups during the year ended 31 December 2017.

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

Cash flows after the five year period are extrapolated for each market using declining growth rates of between 4.5% and 2.0% for a further five years. A terminal value calculation is used to estimate the cash flows after year ten using a long-term growth rate of 2%.

Cash flows are discounted back to present value using a risk adjusted discount rate. The discount rates used are calculated as the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant country. The pre-tax discount rates used vary between 10% and 13% and reflect long-term country risk.

### Sensitivities

A reasonably possible change in a key assumption will not cause a material impairment of goodwill in any of the CGU groups. However, the Group's value in use calculations are sensitive to a change in the key assumptions used.

The base case value in use calculation for the UK Retail CGU resulted in headroom of approximately 24%. Given the current trading conditions in the UK Retail market, sensitivities were applied to the base case calculation to model a 1% underperformance against forecast revenue, with no consequential changes to other assumptions, which reduced the headroom to approximately 10%.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
<b>Cost</b>					
At 1 January 2016	659.2	193.8	853.0	66.5	919.5
Businesses acquired	26.2	7.3	33.5	-	33.5
Businesses sold	-	(0.1)	(0.1)	-	(0.1)
Additions	45.2	25.8	71.0	27.3	98.3
Disposals	(6.8)	(15.7)	(22.5)	-	(22.5)
Transferred to inventory	-	(1.0)	(1.0)	(25.4)	(26.4)
Retirement of fully depreciated assets not in use	-	(1.5)	(1.5)	-	(1.5)
Reclassified to assets held for sale (note 19)	(4.2)	-	(4.2)	-	(4.2)
Effect of foreign exchange rate changes	79.7	28.1	107.8	8.0	115.8
At 1 January 2017	<b>799.3</b>	<b>236.7</b>	<b>1,036.0</b>	<b>76.4</b>	<b>1,112.4</b>
Businesses acquired	<b>0.8</b>	<b>(0.4)</b>	<b>0.4</b>	-	<b>0.4</b>
Businesses sold	<b>(3.4)</b>	<b>(0.8)</b>	<b>(4.2)</b>	-	<b>(4.2)</b>
Additions	<b>68.0</b>	<b>36.4</b>	<b>104.4</b>	<b>27.5</b>	<b>131.9</b>
Disposals	<b>(12.9)</b>	<b>(15.0)</b>	<b>(27.9)</b>	-	<b>(27.9)</b>
Transferred to inventory	-	<b>(1.4)</b>	<b>(1.4)</b>	<b>(22.4)</b>	<b>(23.8)</b>
Retirement of fully depreciated assets not in use	-	<b>0.4</b>	<b>0.4</b>	-	<b>0.4</b>
Reclassified to assets held for sale (note 19)	<b>(16.1)</b>	-	<b>(16.1)</b>	-	<b>(16.1)</b>
Effect of foreign exchange rate changes	<b>(12.6)</b>	<b>(8.8)</b>	<b>(21.4)</b>	<b>(1.4)</b>	<b>(22.8)</b>
<b>At 31 December 2017</b>	<b>823.1</b>	<b>247.1</b>	<b>1,070.2</b>	<b>80.1</b>	<b>1,150.3</b>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2016	(130.9)	(125.7)	(256.6)	(18.9)	(275.5)
Businesses sold	-	0.1	0.1	-	0.1
Depreciation charge for the year	(14.7)	(23.3)	(38.0)	(10.6)	(48.6)
Disposals	1.2	14.9	16.1	-	16.1
Impairment losses recognised during the year	(1.0)	(0.3)	(1.3)	-	(1.3)
Transferred to inventory	-	0.6	0.6	9.9	10.5
Retirement of fully depreciated assets not in use	-	1.5	1.5	-	1.5
Reclassified to assets held for sale (note 19)	1.0	-	1.0	-	1.0
Effect of foreign exchange rate changes	(16.5)	(19.2)	(35.7)	(1.9)	(37.6)
At 1 January 2017	<b>(160.9)</b>	<b>(151.4)</b>	<b>(312.3)</b>	<b>(21.5)</b>	<b>(333.8)</b>
Businesses sold	<b>1.3</b>	<b>0.6</b>	<b>1.9</b>	-	<b>1.9</b>
Depreciation charge for the year	<b>(19.3)</b>	<b>(24.5)</b>	<b>(43.8)</b>	<b>(10.4)</b>	<b>(54.2)</b>
Disposals	<b>3.3</b>	<b>10.5</b>	<b>13.8</b>	-	<b>13.8</b>
Transferred to inventory	-	<b>0.7</b>	<b>0.7</b>	<b>11.4</b>	<b>12.1</b>
Retirement of fully depreciated assets not in use	-	<b>(0.4)</b>	<b>(0.4)</b>	-	<b>(0.4)</b>
Reclassified to assets held for sale (note 19)	<b>4.4</b>	-	<b>4.4</b>	-	<b>4.4</b>
Effect of foreign exchange rate changes	<b>2.1</b>	<b>5.2</b>	<b>7.3</b>	<b>0.6</b>	<b>7.9</b>
<b>At 31 December 2017</b>	<b>(169.1)</b>	<b>(159.3)</b>	<b>(328.4)</b>	<b>(19.9)</b>	<b>(348.3)</b>
<b>Net book value at 31 December 2017</b>	<b>654.0</b>	<b>87.8</b>	<b>741.8</b>	<b>60.2</b>	<b>802.0</b>
Net book value at 31 December 2016	638.4	85.3	723.7	54.9	778.6

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

## 12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Assets held under finance leases have the following net book values:

	2017 £m	2016 £m
Leasehold buildings	<b>0.9</b>	1.8

The book value of land and buildings is analysed between:

	2017 £m	2016 £m
Freehold	<b>445.8</b>	432.1
Leasehold with over 50 years unexpired	<b>43.8</b>	34.1
Short leasehold	<b>164.4</b>	172.2
	<b>654.0</b>	638.4

Land and buildings includes properties with a net book value of £10.8m (2016 – £10.6m) that are let to third parties on a short-term basis.

As at 31 December 2017, £5.1m (2016 – £5.0m) of capitalised borrowing costs were included within 'land and buildings', £0.1m of which was capitalised in 2017 (2016 – £nil).

## 13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Details of the interests held by the Group in joint ventures and associates can be found in note 15 to the Inchcape Plc Company financial statements on page 164. Amounts recognised in the statement of financial position in respect of joint ventures and associates are as follows:

	2017 £m	2016 £m
At 1 January	<b>4.1</b>	5.3
Disposals	–	(1.6)
Share of loss after tax of joint ventures and associates	–	(0.1)
Effect of foreign exchange rate changes	<b>0.1</b>	0.5
<b>At 31 December</b>	<b>4.2</b>	4.1

### Net assets of joint ventures and associates

	2017 £m	2016 £m
Non-current assets	–	–
Current assets	<b>9.9</b>	9.0
Total assets	<b>9.9</b>	9.0
Current liabilities	<b>(1.5)</b>	(0.8)
Non-current liabilities	–	–
Total liabilities	<b>(1.5)</b>	(0.8)
Net assets	<b>8.4</b>	8.2

### Results of joint ventures and associates

	2017 £m	2016 £m
Revenue	–	–
Expenses	–	(0.2)
Loss before tax	–	(0.2)
Tax	–	–
Loss after tax of joint ventures and associates	–	(0.2)



### 13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES CONTINUED

Summarised financial information of joint ventures and associates

	2017 £m	2016 £m
Opening net assets at 1 January	8.2	10.6
Loss for the year	-	(0.2)
Disposals	-	(3.2)
Other comprehensive income for the year	0.2	1.0
<b>Closing net assets at 31 December</b>	<b>8.4</b>	<b>8.2</b>
Carrying value of interest in joint ventures and associates	4.2	4.1

As at 31 December 2017, no guarantees were provided in respect of joint ventures and associates borrowings (2016 – £nil).

### 14 AVAILABLE FOR SALE FINANCIAL ASSETS

	2017 £m	2016 £m
At 1 January	3.8	1.4
Businesses acquired	4.4	2.2
Disposals	(0.1)	-
Effect of foreign exchange rate changes	(0.6)	0.2
<b>At 31 December</b>	<b>7.5</b>	<b>3.8</b>

Analysed as:

	2017 £m	2016 £m
Current	0.2	0.2
Non-current	7.3	3.6
	<b>7.5</b>	<b>3.8</b>

Assets held are analysed as follows:

	2017 £m	2016 £m
Equity securities	6.3	2.2
Bonds	0.5	0.7
Other	0.7	0.9
	<b>7.5</b>	<b>3.8</b>

'Equity securities' includes a 15% equity interest in Hino Motors Manufacturing Company SAS.

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

## 15 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade receivables	<b>309.4</b>	295.7	-	-
Less: provision for impairment of trade receivables	<b>(10.2)</b>	(8.6)	-	-
Net trade receivables	<b>299.2</b>	287.1	-	-
Prepayments and accrued income	<b>122.2</b>	115.6	<b>40.0</b>	41.2
Other receivables	<b>42.1</b>	43.3	<b>4.8</b>	9.7
	<b>463.5</b>	446.0	<b>44.8</b>	50.9

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

	2017 £m	2016 £m
At 1 January	<b>(8.6)</b>	(6.7)
Businesses acquired	<b>(1.9)</b>	(1.0)
Charge for the year	<b>(1.6)</b>	(1.1)
Amounts written off	<b>0.3</b>	0.8
Unused amounts reversed	<b>1.2</b>	0.7
Effect of foreign exchange rate changes	<b>0.4</b>	(1.3)
<b>At 31 December</b>	<b>(10.2)</b>	(8.6)

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

	Total £m	Neither past due nor impaired £m	Past due but not impaired			Impaired £m
			0 – 30 days £m	30 – 90 days £m	> 90 days £m	
<b>2017</b>	<b>309.4</b>	<b>195.1</b>	<b>54.0</b>	<b>29.0</b>	<b>21.1</b>	<b>10.2</b>
2016	295.7	213.3	39.2	19.8	14.8	8.6

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

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

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

## 16 DEFERRED TAX

Net deferred tax (liability) / asset	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Distribution agreements £m	Total £m
At 1 January 2017	(11.4)	7.4	2.5	4.7	(12.2)	10.1	(50.2)	(49.1)
Credited to the consolidated income statement	0.4	0.5	0.4	2.7	3.8	3.0	-	10.8
(Charged) / credited to equity and other comprehensive income	(5.5)	(5.0)	0.4	-	-	-	-	(10.1)
Businesses acquired	-	(0.2)	-	0.7	5.1	1.2	-	6.8
Effect of foreign exchange rate changes	(0.1)	-	(0.1)	0.1	0.5	(0.6)	0.3	0.1
<b>At 31 December 2017</b>	<b>(16.6)</b>	<b>2.7</b>	<b>3.2</b>	<b>8.2</b>	<b>(2.8)</b>	<b>13.7</b>	<b>(49.9)</b>	<b>(41.5)</b>

Analysed as:

	2017 £m	2016 £m
Deferred tax assets	37.0	31.7
Deferred tax liabilities	(78.5)	(80.8)
	<b>(41.5)</b>	<b>(49.1)</b>

Measured at relevant local statutory rates, the Group has an unrecognised deferred tax asset of £36m (2016 – £38m) relating to tax relief on trading losses. The unrecognised asset represents £174m (2016 – £167m) of losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future.

The Group has unrecognised deferred tax assets of £23m (2016 – £23m) relating to capital losses. The asset represents £136m (2016 – £138m) of losses at the UK standard rate of 17.0% (2016 – 17.0%). The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries on the basis that the Group can control the timing of dividends. In addition, the majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment. This principally relates to Ethiopia where dividend tax of £3.3m (2016 – £3.2m) is accrued based on current year after tax earnings.

The net deferred tax asset on provisions and other timing differences is principally made up of a deferred tax liability on non-qualifying property £13.8m (2016 – £17.0m) offset by deferred tax assets on trade related accounting provisions in the Group's operating companies £27.5m (2016 – £27.1m).

The deferred tax liability on distribution agreements of £49.9m (2016 – £50.2m) has been recorded as a result of the business acquisitions during 2016.

The deferred tax asset on tax trading losses of £8.2m (2016 – £4.7m) relates to territories and entities where future taxable profits are considered probable.

## 17 INVENTORIES

	2017 £m	2016 £m
Raw materials and work in progress	20.3	19.5
Finished goods and merchandise	1,748.3	1,529.9
	<b>1,768.6</b>	<b>1,549.4</b>

Vehicles held on consignment which are in substance assets of the Group amount to £189.5m (2016 – £205.1m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £56.5m (2016 – £51.5m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £7,156.6m (2016 – £6,316.3m). The write down of inventory to net realisable value recognised as an expense during the year was £52.5m (2016 – £36.3m). All of these items have been included within 'cost of sales' in the consolidated income statement.

## 18 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank and cash equivalents	820.0	473.7
Short-term deposits	106.9	171.5
	<b>926.9</b>	<b>645.2</b>

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2017, the weighted average floating rate was 0.3% (2016 – 0.4%).

£67.3m (2016 – £78.0m) of cash and cash equivalents are held in countries where prior approval is required to transfer funds abroad. If the Group complies with the required procedures, such liquid funds are at its disposition within a reasonable period of time.

At 31 December 2017, short-term deposits have a weighted average period to maturity of 21 days (2016 – 16 days).

## 19 ASSETS HELD FOR SALE

	2017 £m	2016 £m
Assets held for sale	<b>13.8</b>	3.2

Assets held for sale relate to surplus properties within the UK and Russia, which are actively marketed with a view to sale.

## 20 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade payables: payments received on account	<b>75.6</b>	67.4	<b>1.0</b>	0.6
vehicle funding agreements	<b>424.0</b>	378.2	-	-
other trade payables	<b>1,356.5</b>	1,128.1	<b>10.0</b>	7.2
Other taxation and social security payable	<b>58.2</b>	43.9	-	-
Accruals and deferred income	<b>303.1</b>	274.9	<b>11.6</b>	10.2
Amounts payable to related parties	<b>0.1</b>	0.1	-	-
Other payables	<b>18.0</b>	19.0	-	-
	<b>2,235.5</b>	1,911.6	<b>22.6</b>	18.0

In certain markets, the Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Amounts due to brand partners (including their captive finance companies) are included within other trade payables together with amounts due to other suppliers. Amounts due to facility providers unrelated to the brand partners are disclosed under vehicle funding arrangements. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest. At 31 December 2017, trade payables includes £1,032.4m (2016 – £927.7m) of liabilities where payment is made on deferred terms and which were subject to a weighted average interest rate of 2.3% (2016 – 2.6%).

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

**21 PROVISIONS**

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2017	36.0	8.4	3.4	21.9	69.7
Businesses acquired	3.2	-	-	0.2	3.4
Charged to the consolidated income statement	16.2	1.0	0.3	13.2	30.7
Released to the consolidated income statement	(4.2)	(0.6)	(2.1)	(4.9)	(11.8)
Effect of unwinding of discount factor	0.2	-	-	-	0.2
Utilised during the year	(13.6)	(6.8)	-	(11.1)	(31.5)
Effect of foreign exchange rate changes	(0.5)	(0.3)	-	(0.4)	(1.2)
<b>At 31 December 2017</b>	<b>37.3</b>	<b>1.7</b>	<b>1.6</b>	<b>18.9</b>	<b>59.5</b>

Analysed as:

	2017 £m	2016 £m
Current	27.2	37.0
Non-current	32.3	32.7
	<b>59.5</b>	<b>69.7</b>

**Product warranty**

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

**Vacant leasehold**

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

**Litigation**

This includes a number of litigation provisions in respect of claims that have been brought against various Group companies. The claims are generally expected to be concluded within the next three years.

**Other**

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



## 22 BORROWINGS

2017	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2017 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
<b>Current</b>							
Bank overdrafts	510.3	0.5	-	-	510.3	-	510.3
Bank loans	19.9	1.1	2.6	5.3	22.5	-	22.5
Finance leases	-	-	1.7	3.7	1.7	-	1.7
	530.2	0.5	4.3	4.7	534.5	-	534.5
<b>Non-current</b>							
Bank loans	37.0	0.9	4.1	5.3	41.1	-	41.1
Private Placement	109.4	1.1	210.0	3.0	319.4	-	319.4
Finance leases	-	-	1.4	7.0	1.4	-	1.4
	146.4	1.0	215.5	3.1	361.9	-	361.9
<b>Total borrowings</b>	<b>676.6</b>	<b>0.6</b>	<b>219.8</b>	<b>3.1</b>	<b>896.4</b>	<b>-</b>	<b>896.4</b>

Bank overdrafts include £508.0m (2016 – £180.2m) held in cash pooling arrangements which have not been offset in the consolidated statement of financial position (see note 23b).

2016	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2016 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
<b>Current</b>							
Bank overdrafts	229.2	0.3	-	-	229.2	-	229.2
Bank loans	20.0	1.7	4.7	1.6	24.7	-	24.7
Private Placement	226.5	1.5	-	-	226.5	-	226.5
Finance leases	-	-	1.3	6.2	1.3	-	1.3
	475.7	0.9	6.0	2.6	481.7	-	481.7
<b>Non-current</b>							
Bank loans	148.2	0.8	11.4	1.6	159.6	-	159.6
Private Placement	129.0	1.5	-	-	129.0	-	129.0
Finance leases	-	-	3.4	4.2	3.4	-	3.4
	277.2	1.1	14.8	2.2	292.0	-	292.0
<b>Total borrowings</b>	<b>752.9</b>	<b>1.0</b>	<b>20.8</b>	<b>2.3</b>	<b>773.7</b>	<b>-</b>	<b>773.7</b>

The above analysis is presented after taking account of the cross currency fixed to floating interest rate swap on the US dollar Private Placement loan notes of US\$161m (2016 – US\$436m).

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value, with the exception of the US dollar Private Placement loan notes which includes a fair value basis adjustment of £9.8m (2016 – £1.2m).

£15.6m of the Group's bank loans are secured by term deposits placed under a standby letter of credit and related facility arrangements (2016 – £nil). The Group's bank overdrafts are secured by related offsetting cash balances held under pooling arrangements. The Group's remaining borrowings are unsecured.

At 31 December 2017, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £400m (2016 – £400m), bilateral revolving credit facilities of £101m (2016 – £nil), US dollar Private Placement loan notes totalling US\$161m (2016 – US\$436m) and sterling Private Placement loan notes totalling £210m (2016 – £nil).

The £400m syndicated revolving credit facility was entered into in January 2015 and after exercising extension options the expiry date is January 2022. At 31 December 2017, £25m of the £400m was drawn down (2016 – £135m). In 2017, three new bilateral revolving credit facilities totalling £101m were entered into all with expiry dates of January 2022. As at 31 December 2017, £12m was drawn on these facilities (2016 – £nil).

## 22 BORROWINGS CONTINUED

In December 2016, the Group concluded a US Private Placement transaction raising £210m to refinance existing US Private Placement borrowings which matured in May 2017. During 2017, the Group received funds under the new facilities as follows:

Funding date	January 2017	January 2017	May 2017	May 2017
Amount borrowed	£30.0m	£40.0m	£70.0m	£70.0m
Fixed rate coupon	3.02%	3.10%	2.85%	3.12%
Maturity date	May 2027	May 2029	May 2024	May 2027

All of the Group's remaining US\$161m US dollar Private Placement loan notes are swapped into Sterling and are all repayable in May 2019.

The table below sets out the maturity profile of the Group's existing borrowings that are exposed to interest rate risk. This analysis is presented after taking account of the cross currency fixed to floating interest rate swap on US\$161m (2016 – US\$436m) of the Private Placement.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
<b>2017</b>							
<b>Fixed rate</b>							
Bank loans	2.6	2.8	1.3	-	-	-	6.7
Private Placement	-	-	-	-	-	210.0	210.0
Finance leases	1.7	-	0.1	0.1	0.1	1.1	3.1
<b>Floating rate</b>							
Bank overdrafts	510.3	-	-	-	-	-	510.3
Bank loans	19.9	-	-	-	37.0	-	56.9
Private Placement	-	109.4	-	-	-	-	109.4
<b>2016</b>							
<b>Fixed rate</b>							
Bank loans	4.7	-	-	11.4	-	-	16.1
Finance leases	1.3	0.2	-	-	-	3.2	4.7
<b>Floating rate</b>							
Bank overdrafts	229.2	-	-	-	-	-	229.2
Bank loans	20.0	2.7	2.7	7.8	-	135.0	168.2
Private Placement	226.5	-	129.0	-	-	-	355.5

## 23 FINANCIAL INSTRUMENTS

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

The Group's primary derivative transactions are forward and swap currency contracts, and cross currency interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance. Group policy is that there is no trading or speculation in derivatives.

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

### a. Classes of financial instruments

2017	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
<b>Financial assets</b>						
Available for sale financial assets	-	7.5	-	-	-	7.5
Trade and other receivables	419.0	-	-	-	-	419.0
Derivative financial instruments	-	-	52.4	-	-	52.4
Cash and cash equivalents	-	-	-	-	926.9	926.9
<b>Total financial assets</b>	<b>419.0</b>	<b>7.5</b>	<b>52.4</b>	<b>-</b>	<b>926.9</b>	<b>1,405.8</b>
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	(2,068.2)	-	(2,068.2)
Derivative financial instruments	-	-	(21.6)	-	-	(21.6)
Borrowings	-	-	-	(896.4)	-	(896.4)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(21.6)</b>	<b>(2,964.6)</b>	<b>-</b>	<b>(2,986.2)</b>
	<b>419.0</b>	<b>7.5</b>	<b>30.8</b>	<b>(2,964.6)</b>	<b>926.9</b>	<b>(1,580.4)</b>

2016	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
<b>Financial assets</b>						
Available for sale financial assets	-	3.8	-	-	-	3.8
Trade and other receivables	401.0	-	-	-	-	401.0
Derivative financial instruments	-	-	160.1	-	-	160.1
Cash and cash equivalents	-	-	-	-	645.2	645.2
<b>Total financial assets</b>	<b>401.0</b>	<b>3.8</b>	<b>160.1</b>	<b>-</b>	<b>645.2</b>	<b>1,210.1</b>
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	(1,786.9)	-	(1,786.9)
Derivative financial instruments	-	-	(53.6)	-	-	(53.6)
Borrowings	-	-	-	(773.7)	-	(773.7)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(53.6)</b>	<b>(2,560.6)</b>	<b>-</b>	<b>(2,614.2)</b>
	<b>401.0</b>	<b>3.8</b>	<b>106.5</b>	<b>(2,560.6)</b>	<b>645.2</b>	<b>(1,404.1)</b>

**23 FINANCIAL INSTRUMENTS CONTINUED****b. Offsetting financial assets and financial liabilities**

The following financial assets are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial assets £m	Gross amounts of financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position		Net amount £m
				Financial instruments £m	Cash collateral received £m	
<b>As at 31 December 2017</b>						
Derivative financial assets	56.9	(4.5)	52.4	(2.7)	-	49.7
Cash and cash equivalents	926.9	-	926.9	(508.0)	-	418.9
Other receivables	1.0	(0.3)	0.7	-	-	0.7
<b>Total</b>	<b>984.8</b>	<b>(4.8)</b>	<b>980.0</b>	<b>(510.7)</b>	<b>-</b>	<b>469.3</b>
<b>As at 31 December 2016</b>						
Derivative financial assets	168.4	(8.3)	160.1	(21.9)	-	138.2
Cash and cash equivalents	645.2	-	645.2	(180.2)	-	465.0
Other receivables	2.5	(0.6)	1.9	-	-	1.9
<b>Total</b>	<b>816.1</b>	<b>(8.9)</b>	<b>807.2</b>	<b>(202.1)</b>	<b>-</b>	<b>605.1</b>

The following financial liabilities are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial liabilities £m	Gross amounts of financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position		Net amount £m
				Financial instruments £m	Cash collateral paid £m	
<b>As at 31 December 2017</b>						
Derivative liabilities	(26.1)	4.5	(21.6)	2.7	-	(18.9)
Bank overdrafts	(510.3)	-	(510.3)	508.0	-	(2.3)
Other payables	(0.3)	0.3	-	-	-	-
<b>Total</b>	<b>(536.7)</b>	<b>4.8</b>	<b>(531.9)</b>	<b>510.7</b>	<b>-</b>	<b>(21.2)</b>
<b>As at 31 December 2016</b>						
Derivative liabilities	(61.9)	8.3	(53.6)	21.9	-	(31.7)
Bank overdrafts	(229.2)	-	(229.2)	180.2	-	(49.0)
Other payables	(0.6)	0.6	-	-	-	-
<b>Total</b>	<b>(291.7)</b>	<b>8.9</b>	<b>(282.8)</b>	<b>202.1</b>	<b>-</b>	<b>(80.7)</b>

For the financial assets and liabilities subject to enforceable netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities if the amounts relate to the same transaction and are in the same currency. If the parties subject to the agreement do not elect to settle on a net basis, financial assets and liabilities will be settled on a gross basis. However, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of a default of the other party.

## 23 FINANCIAL INSTRUMENTS CONTINUED

### c. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Japanese yen exchange rate with both the Australian dollar and Chilean peso.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

### d. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates.

Instruments approved for the purpose of hedging interest rate risk include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's loan notes that expire in 2019, bank borrowings, supplier related finance and the returns available on surplus cash. In December 2016 the Group entered into agreements to issue new 3.0% fixed interest rate Private Placement loan notes to refinance the floating rate loan notes that matured in May 2017 (see note 22).

#### Interest rate risk table

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on bank borrowings, supplier related finance and cash balances as at 31 December 2017 with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
<b>2017</b>		
Sterling	75	(4.8)
Euro	50	-
Russian rouble	500	(0.9)
Australian dollar	100	(2.7)
<b>2016</b>		
Sterling	75	(6.8)
Euro	50	0.1
Russian rouble	500	(1.7)
Australian dollar	100	(3.1)

## 23 FINANCIAL INSTRUMENTS CONTINUED

### e. Foreign currency risk

The Group publishes its consolidated financial statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

#### Transaction exposure hedging

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than that unit's functional currency. For a significant proportion of the Group, these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exceptions are our business in Australia, which purchases vehicles and parts in Japanese yen, and our business in South America, which purchases vehicles in Japanese yen and US dollars.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39, hedges are documented and tested for hedge effectiveness on an ongoing basis.

#### Hedge of foreign currency debt

The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with the US\$161m Private Placement. The effective portion of the gain or loss on the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement.

#### Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase / (decrease) in exchange rate	Effect on equity £m
<b>2017</b>		
Yen	<b>+10%</b>	-
Yen	<b>-10%</b>	<b>(0.1)</b>
<b>2016</b>		
Yen	+10%	0.1
Yen	-10%	(0.1)

### f. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit limits are reviewed regularly.

The table below analyses the Group's short-term deposits and derivative assets by credit exposure excluding bank balances and cash in hand:

Credit rating of counterparty	2017		2016	
	Derivative assets £m	Short-term deposits £m	Derivative assets £m	Short-term deposits £m
AA-	29.5	3.1	86.6	-
A+	22.5	-	-	6.1
A	-	37.8	73.3	93.6
BBB+	0.4	0.6	0.2	16.8
BBB-	-	12.0	-	-
No rating*	-	53.4	-	55.0
	<b>52.4</b>	<b>106.9</b>	160.1	171.5

\* Counterparties in certain markets in which the Group operates do not have a credit rating.



## 23 FINANCIAL INSTRUMENTS CONTINUED

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for cash at bank, cash equivalents, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £820.0m (2016 – £473.7m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly.

### g. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2017 and 2016 based on expected contractual undiscounted cash flows:

	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
<b>2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	895.3	31.6	–	–	926.9
Trade and other receivables	390.7	19.0	8.2	1.1	419.0
Available for sale financial assets	–	0.2	–	7.3	7.5
Derivative financial instruments	1.7	10.8	178.3	–	190.8
	<b>1,287.7</b>	<b>61.6</b>	<b>186.5</b>	<b>8.4</b>	<b>1,544.2</b>
<b>Financial liabilities</b>					
Interest bearing loans and borrowings	(516.0)	(31.9)	(173.2)	(242.5)	(963.6)
Trade and other payables	(1,981.1)	(79.5)	(7.6)	–	(2,068.2)
Derivative financial instruments	(12.5)	(12.4)	(131.4)	–	(156.3)
	<b>(2,509.6)</b>	<b>(123.8)</b>	<b>(312.2)</b>	<b>(242.5)</b>	<b>(3,188.1)</b>
Net outflows	<b>(1,221.9)</b>	<b>(62.2)</b>	<b>(125.7)</b>	<b>(234.1)</b>	<b>(1,643.9)</b>
	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	634.8	10.4	–	–	645.2
Trade and other receivables	342.0	44.5	10.0	4.5	401.0
Available for sale financial assets	0.1	0.1	0.2	3.4	3.8
Derivative financial instruments	2.2	243.6	203.7	–	449.5
	<b>979.1</b>	<b>298.6</b>	<b>213.9</b>	<b>7.9</b>	<b>1,499.5</b>
<b>Financial liabilities</b>					
Interest bearing loans and borrowings	(231.1)	(265.2)	(162.8)	(138.2)	(797.3)
Trade and other payables	(1,681.6)	(95.1)	(10.2)	–	(1,786.9)
Derivative financial instruments	(23.4)	(173.1)	(137.7)	–	(334.2)
	<b>(1,936.1)</b>	<b>(533.4)</b>	<b>(310.7)</b>	<b>(138.2)</b>	<b>(2,918.4)</b>
Net outflows	<b>(957.0)</b>	<b>(234.8)</b>	<b>(96.8)</b>	<b>(130.3)</b>	<b>(1,418.9)</b>

**23 FINANCIAL INSTRUMENTS CONTINUED****h. Fair value measurement**

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	2017				2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>								
Derivatives used for hedging	-	52.4	-	52.4	-	160.1	-	160.1
Available for sale financial assets	1.3	-	6.2	7.5	1.6	-	2.2	3.8
	1.3	52.4	6.2	59.9	1.6	160.1	2.2	163.9
<b>Liabilities</b>								
Derivatives used for hedging	-	(21.6)	-	(21.6)	-	(53.6)	-	(53.6)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange and prevailing forward interest rates at 31 December 2017.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2017 £m	2016 £m	2017 £m	2016 £m
Cross currency interest rate swaps	49.7	155.0	-	-
Forward foreign exchange contracts	2.7	5.1	(21.6)	(53.6)
	52.4	160.1	(21.6)	(53.6)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounted to a gain of £1.2m (2016 – gain of £1.0m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounted to a gain of £nil (2016 – £nil).

## 23 FINANCIAL INSTRUMENTS CONTINUED

### Cash flow hedges

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months of the end of the reporting period (2016 – 12 months).

The nominal principal amount of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2017 was £910.4m (2016 – £1,078.7m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2017 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2016 – 12 months).

### Fair value hedge

At 31 December 2017, the Group had in place three cross currency interest rate swaps. Two of these total US\$200m, which hedge changes in the fair value of the Group's 12 year Private Placement loan notes. Under these swaps, the Group receives fixed rate US dollar interest of 6.04% on US\$200m and pays GBP LIBOR +90bps.

An additional US\$39.2m cross currency interest rate swap was put in place after the debt reduction in 2009 to offset the non-required portion of the original US\$200m swaps. Under this swap, the Group pays US dollar interest of 6.04% on US\$39.2m and receives GBP LIBOR +214bps. The loan notes and cross currency interest rate swaps have the same critical terms.

### i. Capital management

The Group's capital structure consists of equity and debt. Equity represents funds raised from shareholders and debt represents funds raised from banks and other financial institutions. The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to finance the Group's activities, both now and in the future, and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Directors consider the Group's capital structure and dividend policy at least twice a year prior to the announcement of results, taking into account the Group's ability to continue as a going concern and the requirements of its business plan.

The Group uses return on capital employed (ROCE) as a measure of its ability to drive better returns on the capital invested in the Group's operations.

	2017	2016
Return on capital employed	<b>30.1%</b>	29.8%

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors Group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation.

	2017	2016
Adjusted EBITA interest cover (times) *	<b>60.0</b>	300.9
Net debt to EBITDA (times) **	<b>n/a</b>	n/a
Net debt / market capitalisation (percentage) ***	<b>n/a</b>	n/a

\* Calculated as Adjusted EBITA / interest on consolidated borrowings.

\*\* Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation.

\*\*\* Calculated as net debt / market capitalisation as at 31 December.

**24 SHARE CAPITAL****a. Allotted, called up and fully paid up**

	2017 Number	2016 Number	2017 £m	2016 £m
<b>Ordinary shares (nominal value of 10.0p each)</b>				
At 1 January	421,004,809	436,810,096	42.2	43.8
Allotted under share option schemes	142,505	–	–	–
Cancelled under share buy back	(6,129,028)	(15,805,287)	(0.6)	(1.6)
<b>At 31 December</b>	<b>415,018,286</b>	<b>421,004,809</b>	<b>41.6</b>	<b>42.2</b>

**b. Share buyback programme**

During the year, the Group repurchased 6,129,028 (2016 – 15,805,287) of its own shares through purchases on the London Stock Exchange at a cost of £49.8m (2016 – £108.2m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.6m (2016 – £1.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.4m (2016 – £1.6m) associated with the transfer to the Group of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

**c. Substantial shareholdings**

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 26 February 2018 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

**d. Share options**

At 31 December 2017, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
<b>The Inchcape 1999 Share Option Plan</b>			<b>The Inchcape SAYE Share Option Scheme</b>		
<b>– approved (Part II – UK)</b>			<b>– approved</b>		
2	19 May 2019	2.00	54,095	1 May 2018	5.40
3	7 April 2020	3.10	620,451	1 May 2019	5.78
			584,479	1 May 2020	5.63
			639,248	1 May 2021	6.66
<b>– unapproved (Part I – UK)</b>			<b>Recruitment and Retention Plan</b>		
1,001	19 May 2019	2.00	68,375	31 March 2025	0.10
4,836	7 April 2020	3.10	124,909	10 April 2026	0.10
<b>– unapproved overseas (Part I – Overseas)</b>					
60,000	19 May 2019	2.00			
3,224	7 April 2020	3.10			

Included within the retained earnings reserve are 493,012 (2016 – 770,102) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2017 was £3.5m (2016 – £5.5m). The market value of these shares at 31 December 2017 and 26 February 2018 was £3.9m and £3.5m respectively (31 December 2016 – £5.4m, 28 February 2017 – £5.8m).

## 25 OTHER RESERVES

	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2016	(211.7)	(3.4)	(215.1)
Cash flow hedges:			
– Fair value movements	–	(59.3)	(59.3)
– Reclassified and reported in inventories	–	27.3	27.3
– Tax on cash flow hedges	–	9.6	9.6
Effect of foreign exchange rate changes	211.9	–	211.9
At 1 January 2017	<b>0.2</b>	<b>(25.8)</b>	<b>(25.6)</b>
Cash flow hedges:			
– Fair value movements	–	<b>30.5</b>	<b>30.5</b>
– Reclassified and reported in inventories	–	<b>(16.5)</b>	<b>(16.5)</b>
– Tax on cash flow hedges	–	<b>(4.7)</b>	<b>(4.7)</b>
Effect of foreign exchange rate changes	<b>(67.3)</b>	–	<b>(67.3)</b>
<b>At 31 December 2017</b>	<b>(67.1)</b>	<b>(16.5)</b>	<b>(83.6)</b>

The effect of foreign exchange rate changes includes a gain of £2.0m (2016 – £0.6m) on the sale and liquidation of overseas subsidiaries that has been reclassified to the consolidated income statement in accordance with IAS 21, 'The effects of changes in foreign exchange rates'.

### Available for sale reserve

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

### Translation reserve

The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

### Hedging reserve

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

## 26 RETAINED EARNINGS

	2017 £m	2016 £m
At 1 January	<b>1,042.2</b>	1,106.8
Total comprehensive income attributable to owners of the parent for the year:		
– Profit for the year	<b>268.9</b>	184.4
– Actuarial losses on defined pension benefits (note 5)	<b>37.9</b>	(60.3)
– Tax credited to reserves	<b>(5.5)</b>	10.9
Total comprehensive income for the year	<b>301.3</b>	135.0
Share-based payments, net of tax	<b>11.0</b>	11.3
Share buyback programme	<b>(50.2)</b>	(109.8)
Net purchase of own shares by Inchcape Employee Trust	<b>(11.1)</b>	(10.9)
Dividends paid (note 10)	<b>(102.7)</b>	(90.2)
<b>At 31 December</b>	<b>1,190.5</b>	1,042.2

**27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****a. Reconciliation of cash generated from operations**

	2017 £m	2016 £m
<b>Cash flows from operating activities</b>		
Operating profit	<b>394.9</b>	277.5
Exceptional items (see note 2)	<b>12.6</b>	81.6
Amortisation including non-exceptional impairment of intangible assets	<b>13.8</b>	14.9
Depreciation of property, plant and equipment	<b>43.8</b>	38.0
Profit on disposal of property, plant and equipment	<b>(10.6)</b>	(12.7)
Share-based payments charge	<b>10.2</b>	12.1
Increase in inventories	<b>(239.6)</b>	(110.7)
Increase in trade and other receivables	<b>(31.7)</b>	(10.2)
Increase in trade and other payables	<b>343.2</b>	99.0
Decrease in provisions	<b>(4.2)</b>	(9.4)
Pension contributions less than the pension charge for the year*	<b>3.1</b>	1.9
(Increase) / decrease in interest in leased vehicles	<b>(1.0)</b>	2.9
Payments in respect of operating exceptional items	<b>(32.1)</b>	(3.2)
Other non-cash items	<b>(2.0)</b>	1.1
<b>Cash generated from operations</b>	<b>500.4</b>	382.8

\* Includes additional payments of £2.7m (2016 – £2.1m).

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

	2017 £m	2016 £m
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>50.5</b>	(89.8)
Net cash outflow / (inflow) from borrowings and finance leases	<b>49.2</b>	(132.1)
Change in net cash and debt resulting from cash flows	<b>99.7</b>	(221.9)
Effect of foreign exchange rate changes on net cash and debt	<b>(47.2)</b>	129.7
Net movement in fair value	<b>1.2</b>	1.0
Net loans and finance leases relating to acquisitions and disposals	<b>-</b>	(48.7)
<b>Movement in net funds</b>	<b>53.7</b>	(139.9)
Opening net funds	<b>26.5</b>	166.4
<b>Closing net funds</b>	<b>80.2</b>	26.5

Net funds is analysed as follows:

	2017 £m	2016 £m
Cash and cash equivalents as per the statement of financial position	<b>926.9</b>	645.2
Borrowings – disclosed as current liabilities	<b>(534.5)</b>	(481.7)
Add back: amounts treated as debt financing (see below)	<b>24.2</b>	252.5
<b>Cash and cash equivalents as per the statement of cash flows</b>	<b>416.6</b>	416.0
<b>Debt financing</b>		
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	<b>(24.2)</b>	(252.5)
Borrowings – disclosed as non-current liabilities	<b>(361.9)</b>	(292.0)
Fair value of cross currency interest rate swaps	<b>49.7</b>	155.0
<b>Debt financing</b>	<b>(336.4)</b>	(389.5)
<b>Net funds</b>	<b>80.2</b>	26.5

## 28 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. Given the proximity of the acquisition prior to the 2016 year end, the assets and liabilities acquired were presented at provisional fair values largely based on book values at the acquisition date.

During the year, adjustments have been made to the assets and liabilities acquired as permitted by IFRS 3 'Business Combinations'. These fair value adjustments, presented below, were not material and therefore prior periods have not been restated. These changes, together with the finalisation of the purchase consideration, have resulted in an increase in the amount of goodwill recognised on acquisition of £3.8m.

	Provisional fair values £m	Fair value adjustments £m	Final fair values £m
<b>Assets and liabilities acquired</b>			
Intangible assets	3.6	(1.3)	2.3
Property, plant and equipment	29.6	(0.6)	29.0
Tax assets	9.7	0.2	9.9
Inventory	73.0	(3.2)	69.8
Trade and other receivables	67.4	(4.3)	63.1
Other assets	2.2	4.4	6.6
Cash and cash equivalents	29.9	–	29.9
Trade and other payables	(91.5)	–	(91.5)
Provisions	(4.4)	(0.2)	(4.6)
Borrowings	(48.7)	–	(48.7)
Tax liabilities	(7.2)	5.6	(1.6)
Other liabilities	(0.3)	–	(0.3)
Net assets acquired	<b>63.3</b>	<b>0.6</b>	<b>63.9</b>
Distribution agreements recognised on acquisition (net of deferred tax) (see notes 11 and 16)	112.2	–	112.2
Goodwill	51.2	3.8	55.0
Purchase consideration	<b>226.7</b>	<b>4.4</b>	<b>231.1</b>

During the year, the Group also acquired premium automotive operations in Estonia, focused on exclusive distribution for BMW Group, from United Motors AS; Northstar Motor Group and Bayford City Peugeot in the Australasia Retail segments; and entered into a distribution contract with Groupe PSA to distribute the Peugeot and Citroën brands in Australia. The total cost of these acquisitions was £19.3m with total goodwill and other indefinite life intangible assets arising on the transactions of £13.4m.

### b. Proforma full year information

The businesses acquired in the year contributed £64.0m revenue and £1.1m operating profit before exceptional items to the Group's reported figures between the dates of acquisition and 31 December 2017.

If the acquisitions had occurred on 1 January 2017, the approximate revenue and operating profit before exceptional items for the year ended 31 December 2017 of the Group would have been £9,022.7m and £408.3m respectively.

### c. Disposals

In 2017, the Group disposed of its Lexus operations in Shanghai generating disposal proceeds of £5.6m.



## 29 GUARANTEES AND CONTINGENCIES

	2017 £m	2016 £m
Guarantees, performance bonds and contingent liabilities	101.4	58.4

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

### Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HM Revenue and Customs (HMRC) in the Franked Investment Income Group Litigation Order (FII GLO). There are 25 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK.

As reported previously, HMRC has applied to the Supreme Court for permission to appeal the Court of Appeal's judgment of November 2016. However, the Supreme Court had deferred making a decision on HMRC's permission appeal pending the judgment in Littlewoods Retail versus HMRC. Although the Supreme Court handed down its judgment in Littlewoods on 1 November 2017, the Court has not yet considered HMRC's permission appeal any further. Therefore, resolution of the test case in the FII GLO remains incomplete.

As a consequence, no further receipts have been recognised in the year to 31 December 2017 in relation to the balance of Inchcape's claim in the FII GLO due to the uncertainty of the amounts and eventual outcome given the test case has not yet completed nor has Inchcape's specific claim been heard by the Courts.

### 30 COMMITMENTS

#### a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2017 £m	2016 £m
Property, plant and equipment	41.3	22.9

#### b. Lease commitments

##### Operating lease commitments – Group as lessee

The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights. None of these leases are considered to be individually significant.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Within one year	70.7	65.1
Between one and five years	171.2	148.7
After five years	168.8	181.0
	410.7	394.8

##### Operating lease commitments – Group as lessor

The Group has entered into non-cancellable operating leases on a number of its vehicles and certain properties. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Within one year	5.1	5.2
Between one and five years	9.5	10.6
After five years	5.1	6.1
	19.7	21.9

#### Finance leases and hire purchase contracts

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings), are as follows:

	2017 £m	2016 £m
Minimum lease payments:		
– Within one year	1.8	1.4
– Between one and five years	0.6	0.6
– After five years	1.9	4.6
Total minimum lease payments	4.3	6.6
Less: Future finance charges	(1.2)	(1.9)
Present value of finance lease liabilities	3.1	4.7

#### c. Residual value commitments

The Group has entered into agreements with leasing companies and other third parties to repurchase vehicles for a specified value at a predetermined date as follows:

	2017 £m	2016 £m
Vehicles subject to residual value commitments	88.0	87.8

Residual value commitments comprise the total repurchase liability on all vehicles where the Group has a residual value commitment. These commitments are largely expected to be settled over the next three years.

Where the repurchase commitment is in respect of a vehicle sold by the Group, the repurchase commitment is included within 'trade and other payables'. Included within the above are £12.8m (2016 – £10.7m) of residual value commitments that are included within 'trade and other payables'.

**31 RELATED PARTY DISCLOSURES****a. Trading transactions**

Intra-group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2017 £m	2016 £m	2017 £m	2016 £m
Other income paid to related parties	<b>0.6</b>	0.6	<b>0.1</b>	0.1

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2016 – £nil).

**b. Compensation of key management personnel**

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2017 £m	2016 £m
Wages and salaries	<b>6.7</b>	6.4
Post-retirement benefits	<b>0.6</b>	0.9
Share-based payments	<b>4.0</b>	5.8
Compensation for loss of office	<b>–</b>	0.4
	<b>11.3</b>	13.5

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Directors' Report on Remuneration.

**32 FOREIGN CURRENCY TRANSLATION**

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

	Average rates		Year end rates	
	2017	2016	2017	2016
Australian dollar	<b>1.69</b>	1.82	<b>1.73</b>	1.71
Chilean peso	<b>843.40</b>	915.94	<b>832.35</b>	826.59
Euro	<b>1.15</b>	1.23	<b>1.13</b>	1.17
Hong Kong dollar	<b>10.11</b>	10.51	<b>10.57</b>	9.57
Singapore dollar	<b>1.79</b>	1.87	<b>1.81</b>	1.78
Russian rouble	<b>75.56</b>	90.72	<b>77.88</b>	75.97

**33 EVENTS AFTER THE REPORTING PERIOD**

There have been no events subsequent to the year end that require additional disclosure.

## Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

<b>Consolidated income statement</b>	<b>2017 £m</b>	<b>2016 £m</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>
<b>Revenue</b>	<b>8,949.2</b>	<b>7,838.4</b>	<b>6,836.3</b>	<b>6,702.7</b>	<b>6,524.9</b>
Operating profit before exceptional items	<b>407.5</b>	359.1	324.7	318.4	286.9
Operating exceptional items	<b>(12.6)</b>	(81.6)	(49.5)	(47.4)	(8.5)
Operating profit	<b>394.9</b>	277.5	275.2	271.0	278.4
Share of (loss) / profit after tax of joint ventures and associates	<b>-</b>	(0.1)	0.7	(1.9)	-
Profit before finance and tax	<b>394.9</b>	277.4	275.9	269.1	278.4
Net finance costs before exceptional items	<b>(25.0)</b>	(9.6)	(13.3)	(13.3)	(12.3)
Profit before tax	<b>369.9</b>	267.8	262.6	255.8	266.1
Tax before exceptional tax	<b>(95.8)</b>	(88.0)	(74.9)	(68.6)	(65.9)
Exceptional tax	<b>2.7</b>	11.5	(4.8)	-	0.6
Profit after tax	<b>276.8</b>	191.3	182.9	187.2	200.8
Non-controlling interests	<b>(7.9)</b>	(6.9)	(7.1)	(7.6)	(6.6)
<b>Profit for the year</b>	<b>268.9</b>	<b>184.4</b>	<b>175.8</b>	<b>179.6</b>	<b>194.2</b>
Basic:					
- Profit before tax	<b>369.9</b>	267.8	262.6	255.8	266.1
- Earnings per share (pence)	<b>64.6p</b>	43.2p	39.8p	39.7p	41.8p
Adjusted (before exceptional items):					
- Profit before tax	<b>382.5</b>	349.4	312.1	303.2	274.6
- Earnings per share (pence)	<b>67.0p</b>	59.6p	52.1p	50.2p	43.5p
Dividends per share - interim paid and final proposed (pence)	<b>26.8p</b>	23.8p	20.9p	20.1p	17.4p
<b>Consolidated statement of financial position</b>					
Non-current assets	<b>1,640.7</b>	1,563.4	1,259.1	1,341.2	1,512.1
Other assets less (liabilities) excluding net funds	<b>(266.1)</b>	(227.4)	(183.6)	(233.3)	(135.9)
	<b>1,374.6</b>	1,336.0	1,075.5	1,107.9	1,376.2
Net funds	<b>80.2</b>	26.5	166.4	210.2	123.0
<b>Net assets</b>	<b>1,454.8</b>	<b>1,362.5</b>	<b>1,241.9</b>	<b>1,318.1</b>	<b>1,499.2</b>
Equity attributable to owners of the parent	<b>1,434.2</b>	1,343.9	1,219.0	1,292.9	1,470.0
Non-controlling interests	<b>20.6</b>	18.6	22.9	25.2	29.2
<b>Total equity</b>	<b>1,454.8</b>	<b>1,362.5</b>	<b>1,241.9</b>	<b>1,318.1</b>	<b>1,499.2</b>

# Company statement of financial position

As at 31 December 2017

	Notes	2017 £m	2016 £m
<b>Fixed assets</b>			
Intangible assets	3	<b>20.1</b>	17.3
Property, plant and equipment	4	<b>1.5</b>	1.5
Investment in subsidiaries	5	<b>1,649.1</b>	1,629.4
		<b>1,670.7</b>	1,648.2
<b>Current assets</b>			
Trade and other receivables:			
– Amounts due within one year	6	<b>54.2</b>	271.1
– Amounts due after more than one year	6	<b>330.2</b>	134.4
Cash and cash equivalents	7	<b>6.3</b>	7.3
		<b>390.7</b>	412.8
<b>Trade and other payables – amounts falling due within one year</b>	8	<b>(20.6)</b>	(264.1)
<b>Net current assets</b>		<b>370.1</b>	148.7
<b>Total assets less current liabilities</b>		<b>2,040.8</b>	1,796.9
<b>Trade and other payables – amounts falling due after more than one year</b>	9	<b>(1,145.5)</b>	(732.8)
<b>Provisions for liabilities</b>	11	<b>–</b>	(2.0)
<b>Net assets</b>		<b>895.3</b>	1,062.1
<b>Equity</b>			
Ordinary shares	13	<b>41.6</b>	42.2
Share premium		<b>146.7</b>	146.7
Capital redemption reserve		<b>139.0</b>	138.4
Retained earnings		<b>568.0</b>	734.8
<b>Total shareholders' funds</b>		<b>895.3</b>	1,062.1

The Company reported a loss for the financial year ended 31 December 2017 of £13.0m (2016 – a loss of £8.7m). The financial statements on pages 156 to 172 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

**Stefan Bomhard**  
Group Chief Executive

**Richard Howes**  
Chief Financial Officer

Registered Number: 609782  
Inchcape plc

# Company statement of changes in equity

For the year ended 31 December 2017

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
At 1 January 2016		43.8	146.7	136.8	942.3	1,269.6
Loss for the year		-	-	-	(8.7)	(8.7)
Total comprehensive loss for the year		-	-	-	(8.7)	(8.7)
Dividends	14	-	-	-	(90.2)	(90.2)
Net purchase of own shares by the Inchcape Employee Trust		-	-	-	(10.9)	(10.9)
Share buyback programme	13	(1.6)	-	1.6	(109.8)	(109.8)
Share-based payments, net of tax		-	-	-	12.1	12.1
At 1 January 2017		<b>42.2</b>	<b>146.7</b>	<b>138.4</b>	<b>734.8</b>	<b>1,062.1</b>
Loss for the year		-	-	-	(13.0)	(13.0)
Total comprehensive loss for the year		-	-	-	(13.0)	(13.0)
Dividends	14	-	-	-	(102.7)	(102.7)
Net purchase of own shares by the Inchcape Employee Trust		-	-	-	(11.1)	(11.1)
Share buyback programme	13	(0.6)	-	0.6	(50.2)	(50.2)
Share-based payments, net of tax		-	-	-	10.2	10.2
<b>At 31 December 2017</b>		<b>41.6</b>	<b>146.7</b>	<b>139.0</b>	<b>568.0</b>	<b>895.3</b>

Share-based payments include a net tax charge of £nil (2016 – £nil).

# Accounting policies

## GENERAL INFORMATION

These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2017. The Company is the ultimate parent entity of the Inchcape Group (the Group).

## BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements are prepared under the historical cost convention modified for fair values in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. The Directors of Inchcape plc manage the Group's risks at a group level rather than an individual business unit or company level. Further information on these risks and uncertainties, in the context of the Group as a whole, are included within the Group disclosures on pages 32 to 36.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise price of share options, and how the fair value of goods and services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

## GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

## FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange and differences are taken to the income statement.

## FINANCE COSTS

Finance costs consist of interest payable on the Private Placement borrowing. Costs are recognised as an expense in the period in which they are incurred.

## INVESTMENTS

Investments in subsidiaries are stated at cost, less provisions for impairment.



## OTHER INTANGIBLE ASSETS

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

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer hardware is five years.

## DEFERRED TAX

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

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

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

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

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

## PROVISIONS

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

## SHARE CAPITAL

Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

## DIVIDENDS

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

## SHARE-BASED PAYMENTS

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

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

## FINANCIAL INSTRUMENTS

The Company's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are the same as those set out in the Group's accounting policies on pages 99 to 108.

## Notes to the financial statements

### 1 AUDITORS' REMUNERATION

The Company incurred £0.1m (2016 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2017.

### 2 DIRECTORS' REMUNERATION

	2017 £m	2016 £m
Wages and salaries	4.4	4.2
Social security costs	0.3	0.2
Pension costs	0.3	0.3
	5.0	4.7

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 59 to 77.

### 3 INTANGIBLE ASSETS

	Computer software £m	Total £m
<b>Cost</b>		
At 1 January 2017	36.4	36.4
Additions	11.3	11.3
Transfer to Group companies	(8.1)	(8.1)
<b>At 31 December 2017</b>	<b>39.6</b>	<b>39.6</b>
<b>Accumulated amortisation and impairment</b>		
At 1 January 2017	(19.1)	(19.1)
Amortisation charge for the year	(0.4)	(0.4)
<b>At 31 December 2017</b>	<b>(19.5)</b>	<b>(19.5)</b>
<b>Net book value at 31 December 2017</b>	<b>20.1</b>	<b>20.1</b>
Net book value at 31 December 2016	17.3	17.3

### 4 PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment £m	Total £m
<b>Cost</b>		
At 1 January 2017	1.8	1.8
Additions	-	-
<b>At 31 December 2017</b>	<b>1.8</b>	<b>1.8</b>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2017	(0.3)	(0.3)
Amortisation charge for the year	-	-
<b>At 31 December 2017</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Net book value at 31 December 2017</b>	<b>1.5</b>	<b>1.5</b>
Net book value at 31 December 2016	1.5	1.5

## 5 INVESTMENT IN SUBSIDIARIES

	2017 £m	2016 £m
<b>Cost</b>		
At 1 January	1,711.0	1,712.6
Disposals	-	(1.6)
<b>At 31 December</b>	<b>1,711.0</b>	<b>1,711.0</b>
<b>Provisions</b>		
At 1 January	(81.6)	(81.1)
Provisions for impairment	(0.3)	(0.5)
Reversal of provisions for impairment	20.0	-
<b>At 31 December</b>	<b>(61.9)</b>	<b>(81.6)</b>
<b>Net book value</b>	<b>1,649.1</b>	<b>1,629.4</b>

The Directors believe that the carrying value of the individual investments is supported by their underlying net assets.

An impairment charge of £0.3m has been recognised in the year (2016 - £0.5m), together with the reversal of impairment charges in previous periods of £20.0m (2016 - £nil), to ensure that the carrying value of the individual investments is stated at the lower of cost and estimated recoverable amount. The reversal of impairment charges in previous periods arose as a result of an increase in the underlying net assets of the relevant subsidiaries.

## 6 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
<b>Amounts due within one year</b>		
Current tax asset	-	0.7
Amounts owed by Group undertakings	54.2	270.4
	<b>54.2</b>	<b>271.1</b>
<b>Amounts due after more than one year</b>		
Deferred tax asset (note 10)	0.3	0.7
Amounts owed by Group undertakings	329.9	133.7
	<b>330.2</b>	<b>134.4</b>

Amounts owed by Group undertakings that are due within one year consist of current account balances that are interest free and repayable on demand, as well as intercompany loans that bear interest at rates linked to source currency base rates.

Amounts owed by Group undertakings that are due after more than one year bear interest at rates linked to source currency base rates.

## 7 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash and cash equivalents	6.3	7.3

## 8 TRADE AND OTHER PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £m	2016 £m
Amounts owed to Group undertakings	16.5	35.7
Private Placement	-	223.6
Other taxation and social security payable	2.3	1.8
Other creditors	1.8	3.0
	<b>20.6</b>	<b>264.1</b>

Amounts owed to Group undertakings are interest free and repayable on demand.

**9 TRADE AND OTHER PAYABLES – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017 £m	2016 £m
Amounts owed to Group undertakings	<b>817.3</b>	602.1
Private Placement	<b>328.2</b>	130.7
	<b>1,145.5</b>	732.8

The Company has an amount of US\$160.8m under the Private Placement which bears interest at a fixed rate of 6.04% per annum and is repayable in 2019.

In December 2016, the Group concluded a US Private Placement transaction raising funds to refinance existing US Private Placement borrowings which matured in May 2017. During 2017, the Group received funds totalling £210m under the new facilities as follows:

Funding date	January 2017	January 2017	May 2017	May 2017
Tranche amount	£30.0m	£40.0m	£70.0m	£70.0m
Fixed rate coupon	3.02%	3.10%	2.85%	3.12%
Maturity date	May 2027	May 2029	May 2024	May 2027

Amounts owed to Group undertakings are repayable in more than one year and bear interest at rates linked to source currency base rates.

**10 DEFERRED TAX**

	Other timing differences £m	Total £m
<b>Net deferred tax asset</b>		
At 1 January 2017	<b>0.7</b>	<b>0.7</b>
Charged to the income statement	<b>(0.4)</b>	<b>(0.4)</b>
<b>At 31 December 2017</b>	<b>0.3</b>	<b>0.3</b>

**11 PROVISIONS FOR LIABILITIES**

	2017 £m	2016 £m
At 1 January	<b>2.0</b>	4.6
Released to the income statement	<b>(2.0)</b>	(2.6)
<b>At 31 December</b>	<b>-</b>	2.0

**12 CONTINGENT LIABILITY**

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2017 was £6.3m (2016 – £7.3m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 7).

In addition, the Company has given performance guarantees in the normal course of business in respect of the obligations of Group undertakings amounting to £84.7m (2016 – £84.7m).

**13 SHARE CAPITAL****a. Allotted, called up and fully paid up**

	2017 Number	2016 Number	2017 £m	2016 £m
<b>Ordinary shares</b>				
At 1 January	<b>421,004,809</b>	436,810,096	<b>42.2</b>	43.8
Allotted under share option schemes	<b>142,505</b>	-	-	-
Cancelled under share buyback	<b>(6,129,028)</b>	(15,805,287)	<b>(0.6)</b>	(1.6)
<b>At 31 December</b>	<b>415,018,286</b>	421,004,809	<b>41.6</b>	42.2

**b. Share buy back programme**

During the year, the Company repurchased 6,129,028 (2016 – 15,805,287) of its own shares through purchases on the London Stock Exchange, at a cost of £49.8m (2016 – £108.2m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.6m (2016 – £1.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.4m (2016 – £1.6m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

**c. Substantial shareholdings**

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 26 February 2018 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

## 13 SHARE CAPITAL CONTINUED

### d. Share options

At 31 December 2017, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
<b>The Inchcape 1999 Share Option Plan – approved (Part II – UK)</b>			<b>The Inchcape SAYE Share Option Scheme – approved</b>		
2	19 May 2019	2.00	54,095	1 May 2018	5.40
3	7 April 2020	3.10	620,451	1 May 2019	5.78
			584,479	1 May 2020	5.63
			639,248	1 May 2021	6.66
<b>– unapproved (Part I – UK)</b>			<b>Recruitment and Retention Plan</b>		
1,001	19 May 2019	2.00	68,375	31 March 2025	0.10
4,836	7 April 2020	3.10	124,909	10 April 2026	0.10
<b>– unapproved overseas (Part I – Overseas)</b>					
60,000	19 May 2019	2.00			
3,224	7 April 2020	3.10			

Included within the retained earnings reserve are 493,012 (2016 – 770,102) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2017 was £3.5m (2016 – £5.5m). The market value of these shares at both 31 December 2017 and 26 February 2018 was £3.9m and £3.5m respectively (31 December 2016 – £5.4m, 28 February 2017 – £5.8m).

### e. Share-based remuneration

Inchcape plc has two employees, the Group Chief Executive and the Chief Financial Officer.

The terms and conditions of the Company's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from share-based transactions during the year was £2.1m (2016 – £2.5m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £0.10 (2016 – £nil).

The weighted average remaining contractual life for the share options outstanding at 31 December 2017 is 7.8 years (2016 – 8.6 years) and the range of exercise prices for options outstanding at the end of the year was £0.10 to £6.66 (2016 – £0.10 to £5.78).

## 14 DIVIDENDS

The following dividends were paid by the Company:

	2017 £m	2016 £m
Interim dividend for the six months ended 30 June 2017 of 7.9p per share (30 June 2016 – 7.0p per share)	32.7	29.9
Final dividend for the year ended 31 December 2016 of 16.8p per share (31 December 2015 – 14.1p per share)	70.0	60.3
	102.7	90.2

A final proposed dividend for the year ended 31 December 2017 of 18.9p per share amounting to £78.4m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2017.

## 15 RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures as at 31 December 2017 is shown below:

### Subsidiaries

Name and address	Percentage owned
<b>Argentina</b>	
<i>Entre Ríos 2550, Martínez, Buenos Aires</i>	
Distribuidora Automatriz Argentina SA	100%
Indumotora Argentina SA	100%
<b>Australia</b>	
<i>Level 2, 4 Burbank Place, Baulkham Hills, NSW 2153</i>	
AutoNexus Pty Ltd	100%
Bespoke Automotive Australia Pty Ltd	100%
Inchcape Australia Ltd	(i) 100%
Trivett Automotive Retail Pty Ltd	100%
Inchcape European Automotive Pty Ltd	(ii) 100%
SMLB Pty Ltd	100%
Subaru (Aust) Pty Ltd	90%
TCH Unit Trust	100%
Trivett Automotive Group Pty Ltd	100%
Trivett Bespoke Automotive Pty Ltd	100%
Trivett Classic Garage Pty Ltd	100%
Trivett Classic Group Finance Pty Ltd	100%
Trivett Classic Holdings Pty Ltd	(iii) 100%
Trivett Classic Pty Ltd	(iv) 100%
Trivett Motorcycles Pty Ltd	100%
Trivett P/L	100%
Trivett Tyres Pty Ltd	100%
<b>Belgium</b>	
<i>Leuvensesteenweg 369, 1932 Sint-Stevens-Woluwe</i>	
Autoproducts NV	100%
Car Security NV	100%
Toyota Belgium NV/SA	100%
<i>Boulevard Industriel 198, 1070 Anderlecht</i>	
Garage Francorchamps SA	100%
Inchcape Retail Belgium	100%
<b>Brunei</b>	
<i>KM3.6, Jalan Gadong, Bandar Seri Begawan</i>	
Champion Motors (Brunei) Sdn Bhd	70%
NBT (Brunei) Sdn Bhd	70%
NBT Services Sdn Bhd	70%
<b>Bulgaria</b>	
<i>163 Tsarigradsko Shosse Str, Sofia</i>	
Inchcape Brokerage Bulgaria EOOD	100%
TM Auto EOOD	100%
Toyota Balkans EOOD	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>Chile</b>	
<i>Av. La Dehesa 265, Santiago, Región Metropolitana</i>	
Mobility Services Chile SpA	100%
Universal Motors SpA	100%
Williamson Balfour Motors SpA	100%
Williamson Balfour SA	100%
 <i>19 Ruta 5 Norte, 100, Lampa</i>	
Automotriz Autocar SA	100%
Hino Chile SA	100%
Inchcape Camiones y Buses SA	100%
 <i>455 Santa Rosa, Santiago</i>	
Inchcape Latam Internacional SA	100%
 <i>537 Santa Rosa, Santiago</i>	
Subaru Chile SA	100%
 <i>Apoquindo 3721, Piso 13, Las Condes, Santiago</i>	
Indigo Chile Holdings SpA	100%
Inchcape Commercial Chile SA	100%
 <b>China</b>	
<i>405 Shi Guang Road, Yang Pu District, Shanghai</i>	
Inchcape Investment Holding (China) Ltd	100%
 <i>4109, Wu Gong Shan Avenue, Wang Cheng District, Nanchang, Jiangxi</i>	
Jiangxi Inchcape Auto Sales & Services Co Ltd	100%
 <i>110 Jiurui Avenue, International Auto Park, Kiujiang Economic &amp; Technological Development Zone, Jiujiang City, Jiangxi</i>	
Jiujiang Inchcape Premium Auto Sales & Service Co Ltd	100%
 <i>755 Gaoxin Avenue, Nanchang, Jiangxi</i>	
Nanchang Inchcape Premium Auto Sales & Service Co Ltd	100%
 <i>Suite 208, Tower 1, 1135 Bo Tou Road, Yang Pu District, Shanghai</i>	
Shanghai Hongshi Consultancy Co Ltd	100%
 <i>Suite 319, Tower A, 169 Taigu Road, China (Shanghai) Pilot Free Trade Zone, Shanghai</i>	
Shanghai Bell Rock Auto Sales & Service Co Ltd	100%
 <i>6 Yu Yue Middle Road, Dou Men Town, Paojiang Industrial Zone, Shaoxing</i>	
Shaoxing Inchcape Lexus Auto Sales & Service Co Ltd	100%
 <i>QC-1, Keqiao Economic Development Zone, East of Jin Keqiao Avenue, South of Kehai, Shaoxing</i>	
Shaoxing Inchcape Premium Auto Sales & Service Co Ltd	100%



## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>Colombia</b>	
78-20 Avenida el Dorado, Bogotá	
Distribuidora Hino de Colombia SAS	100%
Impoquing Motor SAS	100%
Matrase SAS	100%
Praco Didacol SAS	100%
<b>Cook Islands</b>	
First Floor, BCI House, Avarua, Rarotonga	
IB Enterprises Ltd	100%
<b>Djibouti</b>	
Route de Venise – Djibouti Free Zone – LOB 124, PO Box 2645	
Red Sea Automotive FZCO	100%
<b>Estonia</b>	
Läike tee 38, Peetri küla, Rae vald, Harjumaa 75312	
Inchcape Motors Estonia OÜ	100%
<b>Ethiopia</b>	
Bole Sub City, Kebele 03, H.Nr. 2441, Addis Ababa	
The Motor & Engineering Company Of Ethiopia (Moenco) S.C.	94%
<b>Finland</b>	
Ansatie 6 a C, 01740 Vantaa, Kotipaikka, Helsinki	
Inchcape Motors Finland Oy	100%
<b>Greece</b>	
48 Ethnikis Antistaseos Street, Halandri 15231	
British Providence SA	100%
Eurolease Fleet Services SA	100%
Toyota Hellas SA	100%
11th Km, National Road Thessaloniki-Airport, Thessaloniki 60371	
Polis Inchcape Thessaloniki SA	100%
517 Vouliagmenis Avenue, Hlioupoli, Athens 16341	
Polis Inchcape Athens SA	100%
<b>Guam</b>	
443 South Marine Corps Drive, Tamuning, Guam 96913	
Atkins Kroll Inc	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>Hong Kong</b>	
<i>22nd Floor, Citicorp Centre, 18 Whitfield Road, North Point</i>	
British Motors Ltd	100%
Crown Motors Ltd	100%
Future Motors Ltd	100%
Inchcape Asia Pacific Ltd	100%
Inchcape Finance (HK) Ltd	100%
Inchcape Hong Kong Ltd	100%
Inchcape Mobility Limited	100%
Inchcape Motor Services Ltd	100%
Mega EV Ltd	100%
Nova Motors Ltd	100%
<b>Ireland</b>	
<i>7th Floor, Hume House, Ballsbridge, Dublin 4</i>	
Inchcape Finance (Ireland) Ltd	(v) 100%
<b>Ivory Coast</b>	
<i>01 BP 3893, Abidjan 01</i>	
Distribution Services Cote d'Ivoire SA	100%
Toyota Services Afrique SA	100%
<b>Latvia</b>	
<i>4a Skanstes Street, Riga, LV-1013</i>	
Baltic Motors Imports SIA	100%
Baltijas Ipasumu Fonds SIA	100%
BM Lizings SIA	100%
Ermans SIA	100%
Inchcape Motors Latvia SIA	100%
<i>Paula Stradina 29, Ventspils, LV-3602</i>	
Ventmotors SIA	100%
<b>Lithuania</b>	
<i>Laisves av. 137, Vilnius, LT-06118</i>	
UAB Autovista	67%
UAB Autovyntaras	67%
UAB Inchcape Motors	67%
<b>Luxembourg</b>	
<i>24 Rue de l'Ouest, L-2273</i>	
Car Company Luxembourg	100%
<i>6 ZAI Bourmicht L-8070, Bertrange</i>	
Grand Garage de Luxembourg	100%
<i>193 Route d'Arlon, L-1150</i>	
Jaguar Luxembourg	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>Macau</b>	
No. 223-225, Av. Do Dr. Rodrigo Rodrigues, 8/F Nam Kwong Building, Apt B-C	
Nova Motors (Macao) Ltd	100%
Yat Fung Motors Ltd	100%
<b>Macedonia</b>	
21 8th September Boulevard, 1000 Skopje	
Toyota Auto Center DOOEL	100%
<b>Netherlands</b>	
Strawinskylaan 3127, Atrium Building, 8th Floor, 1077 ZX Amsterdam	
Inchcape International Group BV	(1) 100%
Inchcape T Property BV	100%
<b>New Zealand</b>	
C/- Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland	
Inchcape Motors NZ Ltd	100%
<b>Panama</b>	
Via General Nicanor A. de Obarrio (Street 50), Plaza Bancomer	
Ilaothor SA	100%
Ilachile SA	100%
<b>Peru</b>	
Av. Republica de Panama 3330, San Isidro 15047, Lima 27	
Inchcape Motors Peru SA	100%
IMP Distribuidora SA	100%
Av. Morro Solar 812, Santiago de Surco	
Autocar del Peru SA	100%
Distribuidora Automotriz del Peru SA	100%
Indumotora del Peru SA	100%
Rentas e Inmobiliaria Sur Andina SA	100%
<b>Poland</b>	
Al. Prymasa Tysiąclecia 64, 01-424 Warszawa	
Inchcape Motors Polska Sp z o.o	100%
Al. Karkonoska 61, 53-015 Wrocław	
Interim Cars Sp z o.o	100%
<b>Romania</b>	
Pipera Boulevard No 1, Voluntari, Ilfov, 077190	
Inchcape Motors Srl	100%
Inchcape Real Estate Srl	100%
Toyota Romania Srl	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>Russia</b>	
<i>Building 1, 18 2-ya Magistralnaya street, Moscow 123290</i>	
LLC Inchcape Management Services Rus	100%
LLC Inchcape Holding	100%
<i>31 Litera A, Rustaveli Street, St Petersburg 195273</i>	
LLC Inchcape Olimp	100%
<i>Building 8, Kievskoe Shosse 24 km, Kartmazovo Village, Settlement Moskovskiy, Moscow 142784</i>	
LLC Inchcape T	100%
<i>10 Seslavinskaya Street, Moscow 121309</i>	
LLC Autopark	100%
LLC Autoproject	100%
<i>36 Yaroslavskoe Shosse, Moscow 129337</i>	
LLC Borishof 1	100%
<i>87 Litera A, ul. Sofiyskaya, St Petersburg 192289</i>	
LLC Concord	100%
<i>Building 22, 18 2-ya Magistralnaya Street, Moscow 123290</i>	
LLC Musa Motors JLR	100%
LLC Musa Motors Volvo	100%
<i>41 ul. Kuznetsovskaya, St Petersburg 196105</i>	
LLC Orgtekhstroy	100%
<b>Saipan</b>	
<i>PO Box 500267, MP 96950-0267</i>	
Atkins Kroll (Saipan) Inc	100%
<b>Singapore</b>	
<i>33 Leng Kee Road, 159102</i>	
Borneo Motors (Singapore) Pte Ltd	100%
Century Motors (Singapore) Ltd	100%
Champion Motors (1975) Pte Ltd	100%
Inchcape Automotive Services Pte Ltd	100%
Inchcape Motors Private Ltd	100%
<b>Spain</b>	
<i>C.Monte Esquinza, 26-2º dcha , 28010 Madrid</i>	
Inchcape Inversiones España, SLu	100%
<b>Thailand</b>	
<i>No. 4332 Rama IV Road, Prakhnong Sub-District, Klongtoey District, Bangkok</i>	
Inchcape (Thailand) Company Ltd	100%
Inchcape Services (Thailand) Co Ltd	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
<b>United Kingdom</b>	
<i>Inchcape House, Langford Lane, Kidlington, Oxford OX5 1HT</i>	
Armstrong Massey (York) Ltd	100%
Armstrong Massey Holdings Ltd	100%
Autobytel Ltd	100%
Automobiles of Distinction Ltd	100%
Bates Motors (Belcher) Ltd	100%
Casemount Holdings Ltd	100%
Castle Motors (York) Ltd	100%
Chapelgate Holdings Ltd	100%
Chapelgate Motors Ltd	100%
D J Smith Ltd	100%
Dane Motor Company (Chester) Ltd	100%
European Motor Holdings Ltd	100%
Ferrari Concessionaires Ltd	(vi) 100%
Gerard Mann Ltd	100%
H A Fox Ltd	100%
Inchcape East (2) Ltd	100%
Inchcape East (Acre) Ltd	100%
Inchcape East (Brook) Ltd	100%
Inchcape East (Hill) Ltd	100%
Inchcape East (Holdings) Ltd	100%
Inchcape East (Properties) Ltd	100%
Inchcape East Ltd	100%
Inchcape Estates Ltd	100%
Inchcape Fleet Solutions Ltd	100%
Inchcape Motors International Ltd	100%
Inchcape Motors Pension Trust Ltd	100%
Inchcape Midlands Ltd	100%
Inchcape North West Group Ltd	100%
Inchcape North West Ltd	100%
Inchcape Park Lane Ltd	100%
Inchcape Retail Ltd	100%
Inchcape Trade Parts Ltd	100%
Inchcape Transition Ltd	100%
Inchcape UK Ltd	100%
Inchcape UK Corporate Management Ltd	100%
James Edwards (Chester) Ltd	100%
L&C Auto Services (Croydon) Ltd	(vii) 100%
L&C Auto Services Ltd	(vii) 100%
L&C Banstead Ltd	100%
Malton Motors Fleet Ltd	100%
Malton Motors Ltd	100%
Mann Egerton & Co Ltd	100%
Mill Garages Ltd	100%
Nexus Corporation Ltd	100%
Normand Heathrow Ltd	100%
Normand Ltd	100%
Normand Motor Group Ltd	100%
Normand Trustees Ltd	100%

## 15 RELATED UNDERTAKINGS CONTINUED

Name and address	Percentage owned
Northfield Garage (Tetbury) Ltd	100%
Notneeded No. 144 Ltd	100%
Notneeded No. 145 Ltd	100%
Packaging Industries Ltd	100%
Penta Watford Ltd	88%
Smith Knight Faye (Holdings) Ltd	100%
Smith Knight Faye Ltd	100%
The Cooper Group Ltd	100%
Tozer International Holdings Ltd	100%
Tozer Kemsley Millbourn Automotive Ltd	100%
Wyvern (Wrexham) Ltd	100%
<i>22a St James's Square, London, SW1Y 5LP</i>	
Cavendish 1 Ltd	100%
Inchcape Baltic Motors Ltd	100%
Inchcape (Belgium) Ltd	(vii) 100%
Inchcape BMI Ltd	100%
Inchcape Corporate Services Ltd	100%
Inchcape Finance plc	100%
Inchcape Hellas Funding (unlimited)	100%
Inchcape Hellas UK (unlimited)	100%
Inchcape Imperial (unlimited)	100%
Inchcape Investments (no 1) Ltd	100%
Inchcape Investments (no 2) Ltd	100%
Inchcape International Holdings Ltd	100%
Inchcape Latvia Ltd	100%
Inchcape Management (Services) Ltd	100%
Inchcape Overseas Ltd	100%
Inchcape Russia (UK) Ltd	(vii) 100%
Inchcape (Singapore) Ltd	100%
Kenning Motor Group Ltd	100%
St Mary Axe Securities Ltd	100%
<i>PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey, Channel Islands GY1 4AT</i>	
St James's Insurance Ltd	100%
<i>4th Floor 115 George Street, Edinburgh EH2 4JN</i>	
Inchcape Investments & Asset Management Ltd	100%
<b>United States of America</b>	
<i>The Corporation Company, 30600 Telegraph Road Bingham Farms, MI 48025</i>	
Baltic Motors Corporation	100%
<i>Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801</i>	
SS Acquisition Corporation	100%

## 15 RELATED UNDERTAKINGS CONTINUED

### Joint ventures

Name and address	Percentage owned
<b>Greece</b>	
48 Ethnikis Antistaseos Street, Halandri 15231	
Tefin SA	50%
<b>United Kingdom</b>	
116 Cockfosters Road, Barnet, Hertfordshire, EN4 0DY	
Enterprise Car Finance Ltd	(i) 49%
Charterhall House, Charterhall Drive, Chester, Cheshire CH88 3AN	
Inchcape Financial Services Ltd	(i) 49%

Unless stated below, all holdings have one type of ordinary share capital:

- (i) Ordinary A and Ordinary B shares
- (ii) Ordinary shares, B Class shares, J Class shares and L Class shares
- (iii) Ordinary shares and E Class shares
- (iv) Ordinary shares, A Class shares, C Class shares, D Class shares and E Class shares
- (v) Ordinary shares, redeemable cumulative preference shares and non-redeemable preference shares
- (vi) Ordinary shares, Ordinary A shares and 8% non-cumulative redeemable preference shares
- (vii) Ordinary shares and redeemable cumulative preference shares

## Shareholder information

### REGISTERED OFFICE

#### Inchcape plc

22a St James's Square  
London SW1Y 5LP  
Tel: +44 (0) 20 7546 0022  
Fax: +44 (0) 20 7546 0010  
Registered number: 609782  
Registered in England and Wales

### ADVISORS

#### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors

### SHARE REGISTRARS

Computershare Investor Services PLC  
Registrar's Department, The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
Tel: +44 (0) 370 707 1076

### SOLICITORS

Slaughter and May  
Herbert Smith Freehills

### CORPORATE BROKERS

Deutsche Bank  
JP Morgan Cazenove

### INCHCAPE PEPS

Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained. Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB  
Tel: +44 (0) 1296 414144

### INCHCAPE ISA

Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA  
Tel: 0870 300 0430

International callers:

Tel: +44 121 441 7560

More information is available at [www.shareview.com](http://www.shareview.com)

### FINANCIAL CALENDAR

#### Annual General Meeting

24 May 2018

#### Announcement of 2018 Interim Results

26 July 2018



**EXPLORE OUR WEBSITE FOR ACCESS TO OUR  
LATEST ANNUAL REPORT AND MORE.**



The 2017 Online Annual Report includes:

- How we are Driving our Strategy
- a searchable PDF of the Annual Report
- download prior year Annual Reports
- Inchcape videos – watch and learn more about Inchcape and what we do



**[www.inchcape.com/annualreport](http://www.inchcape.com/annualreport)**



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