Inchcape

2017 Annual Results Announcement

Results for the year ended 31 December 2017

DRIVING FORWARD

Inchcape

Results for the year ended 31 December 2017

"A YEAR OF SIGNIFICANT PROGRESS"

2017 HIGHLIGHTS

- Double-digit growth with operating profit[1] +14% at actual currency and adjusted EPS +12%
- Strong underlying performance across our Distribution businesses, in particular Emerging Markets and Asia
- Evolving business mix with 79% profit now through Distribution and 80% in Asia Pacific and Emerging Markets
- Ignite supporting performance. Successful integration of new contracts; S. America acquisition trading profit ahead of plan
- Good free cash flow generation of £314m. FY17 DPS of 26.8p, +13%
- Continued focus on capital allocation; new share buyback up to £100m

KEY FINANCIALS (AUDITED)

Actual Rates	2017	2016	Actual Currency YoY	Constant Currency YoY
Revenue	**£8.9bn**	**£7.8bn**	+14.2%	+9.4%
Reported operating profit	**£394.9m**	**£277.5m**	+42.3%	+36.4%
Pre-exceptional[2,3] operating profit	**£407.5m**	**£359.1m**	+13.5%	+8.8%
Reported profit before tax	**£369.9m**	**£267.8m**	+38.1%	+33.0%
Pre-exceptional[1] profit before tax	**£382.5m**	**£349.4m**	+9.5%	+5.3%
Reported basic EPS	**64.6p**	**43.2p**	+49.5%	
Basic adjusted EPS	**67.0p**	**59.6p**	+12.4%	
Full year DPS [4]	**26.8p**	**23.8p**	+12.6%	
Vehicle gross profit	**£785.2m**	£678.7m	+15.7%	+10.4%
Aftersales gross profit	**£466.9m**	£400.4m	+16.6%	+12.3%
Distribution trading profit	**£346.3m**	£283.3m	+22.2%	+17.5%
Retail trading profit	**£93.2m**	£105.3m	-11.5%	-14.2%

1.Pre-exceptional profit

2. 2017 reported profit includes an exceptional charge £12.6m, including £10.5m of primarily cash exceptional charge relating to the fixed cost review, and £2.1m of costs relating to the South American acquisition. 2016 reported profit includes an exceptional charge of £81.6m, including non-cash exceptional impairment charges of £48.0m, an £8.8m cash exceptional charge in relation to the December 2016 acquisition and a £24.8m primarily cash exceptional charge, relating to the fixed cost review.

3. Our South American acquisition contributed £30.0m to FY17 pre-exceptional operating profit

4. The final dividend of 18.9p is subject to final approval at the AGM on 24 May 2018. The dividend will be paid on 22 June 2018 to all shareholders on the register of members on 18 May 2018. A Dividend Reinvestment Plan (DRIP) is available to Ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 1 June 2018.

STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED

"I am very pleased with our performance over 2017, delivering strong profit and free cash flow growth. Our global diversification and Distribution-focused business model have been a clear advantage over the year. In 2017 we generated 79% of profits through Distribution and increased our exposure to the attractive Emerging Markets to 21%, double the 2014 level. This has enabled us to deliver a solid trading profit performance over the year despite margin pressures in Retail markets. Within Distribution, we saw organic high single digit growth with Asia a particularly strong performer, and total growth boosted by the South America acquisition which is trading above plan.

Progress under our Ignite strategy has also been very encouraging, as we have taken steps to strengthen the business and capitalise on the recent years of new car growth. Some highlights include group organic Aftersales gross profit +8%, profit growth in Russia driven by Ignite initiatives, and confidence in achieving the upper end of our targeted procurement savings plan. Our focus on becoming the OEM's partner of choice is also yielding results, as demonstrated by new BMW contracts in Estonia and, more recently, Guam. We will hold a Capital Markets Day on 6 June 2018 to update the market on our Ignite implementation and success to date.

We have sufficient resources to pursue both inorganic growth opportunities and return excess cash to shareholders. Therefore the Board has approved a new buyback up to £100m to be completed over the next 12 months and we are proposing a full year dividend of 26.8p per share, up 13% year-on-year.

Looking forward over the medium-term, we are well positioned to continue to leverage our global scale, drive growth from the installed base of vehicles and benefit from our positions across a unique spread of markets. In 2018, we anticipate a more challenging year given continued supply and demand imbalance in our Retail markets particularly over the first half of the year as well as new vehicle decline in Singapore, despite continued momentum across the rest of our businesses. Overall, we expect to deliver a resilient constant currency performance over 2018."

Chief Executive's review

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 digitalised and mobile, with many more interactions taking place online, instead of in 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.

TOP-LINE FINANCIAL RESULTS

You can read a more detailed overview of Group and regional performance in the Operating Review.. 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 Citroen – 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. 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.

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 tough 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.

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.

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, Jasmmine Wong and Stevie Wong. Both Jasmmine 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 world 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

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.

Key Performance Indicator	Definition	Why we measure it	2017 Highlights
Sales £8.9bn 2016: £7.8bn	Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.	Top-line growth is a key financial metric of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'.	The Group has delivered £8.9bn, growth of 14.2% vs. last year.
Operating margin 4.6% 2016: 4.6%	Operating profit (before exceptional items) divided by sales.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.	Operating margin at 4.6% is in line with the operating margin achieved in 2016.
Profit before tax & Exceptional Items £382.5m 2016: £349.4m	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.	In 2017 this increased by 9.5% to a record £382.5m.
Free cash flow £313.9m 2015: £190.5m	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.	The Group delivered free cash flow of £313.9m, a 65% improvement on 2017.
Return on capital employed 30% 2016: 30%	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets less net funds.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.	The Group delivered ROCE of 30%.

Clarifying our Financial Metrics

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

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

Operating and financial review

Driving forward

Another year of earnings growth and strong cash generation

Our results are stated at actual rates of exchange. However, to enhance comparability we also present year-on-year changes in sales and trading profit in constant currency, thereby isolating the impact of exchange. Unless otherwise stated, changes in sales and trading profit in the operating review are at constant currency. The 2018 outlook commentary is also referenced at constant currency.

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.

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.

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.

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 2017 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 and improving to be 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 though our operations by recruiting more technicians and introducing a new pay plan.

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.

Key Performance Indicators – results

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

Regional analysis

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

Business Analysis

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

VALUE DRIVERS

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

ASIA

STRONG PROFIT PERFORMANCE, LEVERAGING OUR REGIONAL SCALE

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**

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 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.

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 & Exclusive Retail	Toyota, Lexus, Hino, Daihatsu, Jaguar, Land Rover, Ford, Maxus
Singapore	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Suzuki
Brunei	Distribution & Exclusive Retail	Toyota, Lexus
Guam	Distribution & Exclusive Retail	Toyota, Lexus, Chevrolet
Saipan	Distribution & Exclusive Retail	Toyota
Thailand	Distribution & Exclusive Retail	Jaguar, Land Rover
China	Retail	Jaguar, Land Rover, Porsche, Mercedes, Lexus

AUSTRALASIA

STRONG TOP-LINE GROWTH DESPITE CURRENCY HEADWINDS

Key Financial Highlights

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

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 Citroen 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 locality.

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 above 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.

BUSINESS MODEL

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

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

UK AND EUROPE

CHALLENGING UK MARKET, GROWTH IN EUROPE

Key Financial Highlights

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

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 F&I income to support strong profit growth.

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.

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	Business Model	Brands
UK	Retail	Toyota, Lexus, Audi, BMW, MINI Jaguar, Land Rover, Mercedes, VW, Porsche, Smart
Belgium	Distribution & Retail	Toyota, Lexus
Luxembourg		
Greece		
Romania		
Bulgaria		
Macedonia		
Finland	Distribution	Jaguar, Land Rover, Mazda
Estonia	Distribution & Retail	Jaguar, Land Rover, Mazda, BMW
Latvia	Retail	BMW, Mini, Ford, Jaguar, Land Rover, Mazda,
Lithuania	Distribution & Retail	Mitsubishi, Jaguar, Land Rover, Mazda, Ford, Hyundai
Poland	Retail	BMW, MINI

EMERGING MARKETS

STRONG PERFORMANCE ACROSS ALL KEY MARKETS

Key Financial Highlights

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

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%.

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% and 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 Parcs 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.

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	Business Model	Brands
Ethiopia & Djibouti	Distribution and Exclusive Retail	Toyota, Daihatsu, Komatsu, New Holland, Hino
Russia	Retail	Toyota, Audi, BMW, Jaguar Land Rover, Lexus, Mini, Rolls Royce, Volvo
Chile	Distribution and Retail	BMW, Subaru, Rolls Royce, Hino, DFSK
Peru	Distribution and Retail	BMW, Subaru, DFSK
Columbia	Distribution and Retail	Subaru, Hino, DFSK, Mack
Argentina	Distribution and Retail	Subaru, Suzuki

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.

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 2017 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 Citroen 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, the Group received £70.0m under the new Loan Note issuance with the balance of £140.0m received in May. 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		**313.9**

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American Depository Receipts

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

Consolidated income statement
For the year ended 31 December 2017

	Notes	Before exceptional items 2017 £m	Exceptional items (note 3) 2017 £m	Total 2017 £m	Before exceptional items 2016 £m	Exceptional items (note 3) 2016 £m	Total 2016 £m
Revenue	2	**8,949.2**	**–**	**8,949.2**	7,838.4	–	7,838.4
Cost of sales		**(7,697.1)**	**–**	**(7,697.1)**	(6,759.3)	–	(6,759.3)
Gross profit		**1,252.1**	**–**	**1,252.1**	1,079.1	–	1,079.1
Net operating expenses		**(844.6)**	**(12.6)**	**(857.2)**	(720.0)	(81.6)	(801.6)
Operating profit	2	**407.5**	**(12.6)**	**394.9**	359.1	(81.6)	277.5
Share of (loss) / profit after tax of joint ventures and associates		**–**	**–**	**–**	(0.1)	–	(0.1)
Profit before finance and tax		**407.5**	**(12.6)**	**394.9**	359.0	(81.6)	277.4
Finance income	4	**14.6**	**–**	**14.6**	17.0	–	17.0
Finance costs	5	**(39.6)**	**–**	**(39.6)**	(26.6)	–	(26.6)
Profit before tax		**382.5**	**(12.6)**	**369.9**	349.4	(81.6)	267.8
Tax	6	**(95.8)**	**2.7**	**(93.1)**	(88.0)	11.5	(76.5)
Profit for the year		**286.7**	**(9.9)**	**276.8**	261.4	(70.1)	191.3
Profit attributable to:							
– Owners of the parent				**268.9**			184.4
– Non-controlling interests				**7.9**			6.9
				276.8			191.3
Basic earnings per share (pence)	7			**64.6p**			43.2p
Diluted earnings per share (pence)	7			**63.9p**			42.6p

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	2017 £m	2016 £m
Profit for the year	**276.8**	191.3
Other comprehensive (loss) / income:		
Items that will not be reclassified to the consolidated income statement		
Defined benefit pension scheme remeasurements	**37.9**	(60.3)
Current tax recognised in consolidated statement of comprehensive income	**–**	0.1
Deferred tax recognised in consolidated statement of comprehensive income	**(5.5)**	10.8
	32.4	(49.4)
Items that may be or have been reclassified subsequently to the consolidated income statement		
Cash flow hedges	**15.5**	(35.3)
Effect of foreign exchange rate changes	**(68.1)**	215.3
Deferred tax recognised in consolidated statement of comprehensive income	**(5.0)**	10.5
	(57.6)	190.5
Other comprehensive (loss) / income for the year, net of tax	**(25.2)**	141.1
Total comprehensive income for the year	**251.6**	332.4
Total comprehensive income attributable to:		
– Owners of the parent	**243.3**	324.5
– Non-controlling interests	**8.3**	7.9
	251.6	332.4

Consolidated statement of financial position

As at 31 December 2017

	2017 £m	2016 £m
Non-current assets		
Intangible assets	**639.5**	614.5
Property, plant and equipment	**802.0**	778.6
Investments in joint ventures and associates	**4.2**	4.1
Available for sale financial assets	**7.3**	3.6
Trade and other receivables	**44.8**	50.9
Deferred tax assets	**37.0**	31.7
Retirement benefit asset	**105.9**	80.0
	1,640.7	1,563.4
Current assets		
Inventories	**1,768.6**	1,549.4
Trade and other receivables	**463.5**	446.0
Available for sale financial assets	**0.2**	0.2
Derivative financial instruments	**52.4**	160.1
Current tax assets	**10.1**	13.6
Cash and cash equivalents	**926.9**	645.2
	3,221.7	2,814.5
Assets held for sale	**13.8**	3.2
	3,235.5	2,817.7
Total assets	**4,876.2**	4,381.1
Current liabilities		
Trade and other payables	**(2,235.5)**	(1,911.6)
Derivative financial instruments	**(21.6)**	(53.6)
Current tax liabilities	**(73.7)**	(68.5)
Provisions	**(27.2)**	(37.0)
Borrowings	**(534.5)**	(481.7)
	(2,892.5)	(2,552.4)
Non-current liabilities		
Trade and other payables	**(22.6)**	(18.0)
Provisions	**(32.3)**	(32.7)
Deferred tax liabilities	**(78.5)**	(80.8)
Borrowings	**(361.9)**	(292.0)
Retirement benefit liability	**(33.6)**	(42.7)
	(528.9)	(466.2)
Total liabilities	**(3,421.4)**	(3,018.6)
Net assets	**1,454.8**	1,362.5
Equity		
Share capital	**41.6**	42.2
Share premium	**146.7**	146.7
Capital redemption reserve	**139.0**	138.4
Other reserves	**(83.6)**	(25.6)
Retained earnings	**1,190.5**	1,042.2
Equity attributable to owners of the parent	**1,434.2**	1,343.9
Non-controlling interests	**20.6**	18.6
Total equity	**1,454.8**	1,362.5

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 £m	Retained earnings £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		–	–	–	–	11.3	11.3	–	11.3
Share buy back programme		(1.6)	–	1.6	–	(109.8)	(109.8)	–	(109.8)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(10.9)	(10.9)	–	(10.9)
Dividends:									
– Owners of the parent	8	–	–	–	–	(90.2)	(90.2)	–	(90.2)
– Non-controlling interests		–	–	–	–	–	–	(12.2)	(12.2)
At 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		**–**	**–**	**–**	**–**	**11.0**	**11.0**	**–**	**11.0**
Share buy back programme		**(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	8	**–**	**–**	**–**	**–**	**(102.7)**	**(102.7)**	**–**	**(102.7)**
– Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
At 31 December 2017		**41.6**	**146.7**	**139.0**	**(83.6)**	**1,190.5**	**1,434.2**	**20.6**	**1,454.8**

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
Cash flows from operating activities			
Cash generated from operations	9a	**500.4**	382.8
Tax paid		**(85.9)**	(99.5)
Interest received		**14.6**	12.4
Interest paid		**(39.6)**	(24.1)
Net cash generated from operating activities		**389.5**	271.6
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10	**(23.7)**	(201.1)
Net cash inflow from sale of businesses	10	**5.6**	2.8
Purchase of property, plant and equipment		**(103.2)**	(71.1)
Purchase of intangible assets		**(24.0)**	(22.7)
Proceeds from disposal of property, plant and equipment		**25.8**	21.7
Net cash used in investing activities		**(119.5)**	(270.4)
Cash flows from financing activities			
Share buy back programme		**(50.2)**	(109.8)
Net purchase of own shares by the Inchcape Employee Trust		**(11.1)**	(10.9)
Cash inflow from Private Placement loan notes		**210.0**	–
Repayment of Private Placement loan notes		**(138.5)**	–
Net cash (outflow) / inflow from other borrowings		**(119.3)**	133.3
Payment of capital element of finance leases		**(1.4)**	(1.2)
Equity dividends paid	8	**(102.7)**	(90.2)
Dividends paid to non-controlling interests		**(6.3)**	(12.2)
Net cash used in financing activities		**(219.5)**	(91.0)
Net increase / (decrease) in cash and cash equivalents	9b	**50.5**	(89.8)
Cash and cash equivalents at the beginning of the year		**416.0**	375.3
Effect of foreign exchange rate changes		**(49.9)**	130.5
Cash and cash equivalents at the end of the year		**416.6**	416.0

–

	2017 £m	2016 £m
Cash and cash equivalents consist of:		
– Cash at bank and cash equivalents	**820.0**	473.7
– Short-term deposits	**106.9**	171.5
– Bank overdrafts	**(510.3)**	(229.2)
	416.6	416.0

Notes to the financial statements

1 BASIS OF PREPARATION

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

The condensed set of consolidated financial information have been prepared on a going concern basis and have adopted accounting policies consistent with those of the Group's Annual Report and Accounts 2016.

The condensed set of financial information presented for the years ended 31 December 2016 and 2017 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2016 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The financial information for the year ended 31 December 2017 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2017 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated financial statements for 2017 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

2 SEGMENTAL ANALYSIS

The Group has eight reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The 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
2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Total Distribution £m
Revenue					
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**
Results					
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					

2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
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**
Results							
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**
Group	**8,949.2**

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**
Group	**785.2**	**466.9**	**1,252.1**

2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities					
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					
Net assets					

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

2017	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items					
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.

2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
	Retail				
Segment assets and liabilities					
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)**
Net assets					**1,454.8**

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

2017	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail						
Other segment items							
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.

2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Revenue					
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
Results					
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					

2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue							
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
Results							
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
Group	7,838.4

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
Group	678.7	400.4	1,079.1

2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities					
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					
Net assets					

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

2016	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items					
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.

2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total £m
	Retail				
Segment assets and liabilities					
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)
Net assets					1,362.5

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

2016	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail						
Other segment items							
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.

3 EXCEPTIONAL ITEMS

	2017 £m	2016 £m
Restructuring costs	**(10.5)**	(24.8)
Acquisition of businesses	**(2.1)**	(8.8)
Goodwill impairment	**–**	(24.9)
Impairment of software and associated assets	**–**	(23.1)
Total exceptional items before tax	**(12.6)**	(81.6)
Exceptional tax (see note 6)	**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.

4 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
Total finance income	**14.6**	17.0

5 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	**24.3**	20.1
Other finance costs	**2.7**	1.3
Capitalised borrowing costs	**(0.1)**	–
Total finance costs	**39.6**	26.6

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%).

6 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	**(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 3. Not all of the exceptional items will be allowable for tax purposes. Therefore the tax credit on exceptional items represents the total of the current and deferred tax on only those elements that are assessed as allowable.

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
Non-exceptional items		
– 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%	**-**	1.6
– Other items (including tax rate differentials)	**(3.2)**	(1.7)
Exceptional items		
– Goodwill impairment	**-**	3.9
– Restructuring costs	**0.2**	1.0
– Acquisition of businesses	**0.2**	1.8
Total tax charge	**93.1**	76.5

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.

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).

7 EARNINGS PER SHARE

	2017 £m	2016 £m
Profit for the year	**276.8**	191.3
Non-controlling interests	**(7.9)**	(6.9)
Basic earnings	**268.9**	184.4
Exceptional items	**9.9**	70.1
Adjusted earnings	**278.8**	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.

8 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
	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.

9 NOTES TO THE CONSOSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

	2017 £m	2016 £m
Cash flows from operating activities		
Operating profit	**394.9**	277.5
Exceptional items (see note 3)	**12.6**	81.6
Amortisation including non-exceptional impairment of intangible assets	**13.8**	14.9
Depreciation of property, plant and equipment	**43.8**	38.0
Profit on disposal of property, plant and equipment	**(10.6)**	(12.7)
Share-based payments charge	**10.2**	12.1
Increase in inventories	**(239.6)**	(110.7)
Increase in trade and other receivables	**(31.7)**	(10.2)
Increase in trade and other payables	**343.2**	99.0
Decrease in provisions	**(4.2)**	(9.4)
Pension contributions less than the pension charge for the year*	**3.1**	1.9
(Increase) / decrease in interest in leased vehicles	**(1.0)**	2.9
Payments in respect of operating exceptional items	**(32.1)**	(3.2)
Other non-cash items	**(2.0)**	1.1
Cash generated from operations	**500.4**	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
Net increase / (decrease) in cash and cash equivalents	**50.5**	(89.8)
Net cash outflow / (inflow) from borrowings and finance leases	**49.2**	(132.1)
Change in net cash and debt resulting from cash flows	**99.7**	(221.9)
Effect of foreign exchange rate changes on net cash and debt	**(47.2)**	129.7
Net movement in fair value	**1.2**	1.0
Net loans and finance leases relating to acquisitions and disposals	**–**	(48.7)
Movement in net funds	**53.7**	(139.9)
Opening net funds	**26.5**	166.4
Closing net funds	**80.2**	26.5

Net funds is analysed as follows:

	2017 £m	2016 £m
Cash and cash equivalents as per the statement of financial position	**926.9**	645.2
Borrowings – disclosed as current liabilities	**(534.5)**	(481.7)
Add back: amounts treated as debt financing (see below)	**24.2**	252.5
Cash and cash equivalents as per the statement of cash flows	**416.6**	416.0
Debt financing		
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	**(24.2)**	(252.5)
Borrowings – disclosed as non-current liabilities	**(361.9)**	(292.0)
Fair value of cross currency interest rate swaps	**49.7**	155.0
Debt financing	**(336.4)**	(389.5)
Net funds	**80.2**	26.5

10 ACQUISITIONS AND DISPOSALS

a. Acquisitions

On 22 December 2016, the Group acquired a multi-country scale Distribution business in South America, focused on Subaru and Hino and operating in the growth markets of Chile, Colombia, Peru and Argentina. 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
Assets and liabilities acquired			
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	**63.3**	**0.6**	**63.9**
Distribution agreements recognised on acquisition (net of deferred tax)	112.2	–	112.2
Goodwill	51.2	3.8	55.0
Purchase consideration	**226.7**	**4.4**	**231.1**

During the year, the Group also acquired premium automotive operations in Estonia, focused on exclusive distribution for BMW Group, from United Motors AS; Nortstar 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 Citroen 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 period 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.

11 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	**1.69**	1.82	**1.73**	1.71
Chilean peso	**843.40**	915.94	**832.35**	826.59
Euro	**1.15**	1.23	**1.13**	1.17
Hong Kong dollar	**10.11**	10.51	**10.57**	9.57
Singapore dollar	**1.79**	1.87	**1.81**	1.78
Russian rouble	**75.56**	90.72	**77.88**	75.97

12 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the year end that require additional disclosure.

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

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

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

Principal risks

The principal risks to achievement of our strategy are:

Key risks

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

Directors' responsibilities

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

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

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

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

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

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

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

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

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