DRIVEN BY TRUST

Inchcape

Annual Report and Accounts 2015

Inchcape plc is the global industry leader in the premium automotive Distribution and Retail sectors. We are present in 26 national markets and operate as a key strategic partner to the world's foremost premium and luxury car brands for whom we provide an effective, well-financed and customer-centric route to market for vehicles and parts.

DISCOVER WHAT MAKES INCHCAPE DIFFERENT

Read about our business model

4 — 7

A PROFESSIONAL ROUTE TO MARKET

Read more about our value chain

8 — 17

A VISION AND STRATEGY FOR THE FUTURE

Our CEO Stefan Bomhard sets out his strategic agenda for Inchcape to deliver superior returns for our stakeholders.

Read more about our new strategic agenda

20 — 26

Visit our website inchcape.com

Inchcape's track record of performance continued in 2015. Our robust profit growth was driven by our strong positions in a global portfolio of markets, trading across a diversified set of five revenue streams as a Distributor and Retailer for our leading OEM partners.

Building on this strong foundation and leveraging the opportunities we have identified from the changes underway in our industry, we have developed a new strategy for continued growth.

DRIVEN BY TRUST

Our new strategy is underpinned by a new vision: to become the world's most trusted automotive Distributor and Retailer.

Trust underpins the virtuous circle that helps us to grow our business: building and maintaining the trust of our OEM partners creates new opportunities to gain the trust of our customers; gaining the trust of customers drives results that build and maintain the trust of our OEM partners.

This is why we seek to embed trust as our highest priority at every stage of our value chain, from product planning to brand management, from car retailing to Aftersales.

ANOTHER YEAR OF ROBUST TRADING PERFORMANCE…

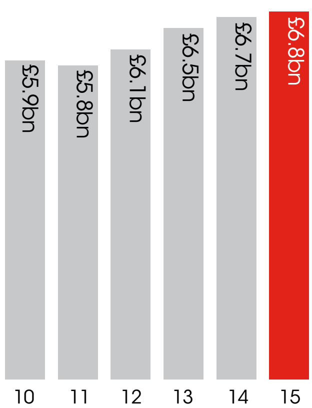
2015 HIGHLIGHTS

Building on our long-term record of success

Sales

£6.8bn

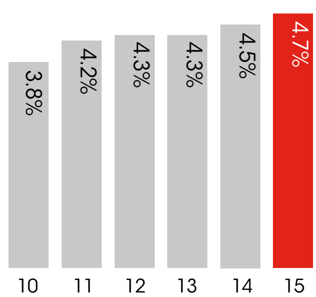
2014: £6.7bn



Underlying operating margin*

4.7%

2014: 4.5%

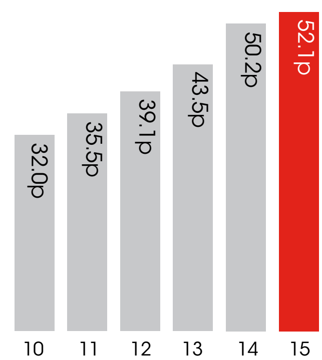


* Excluding property profits of £6.2m in Chile in 2013 and £17.3m in Singapore in 2014

Adjusted earnings per share

52.1p

2014: 50.2p



Operational successes

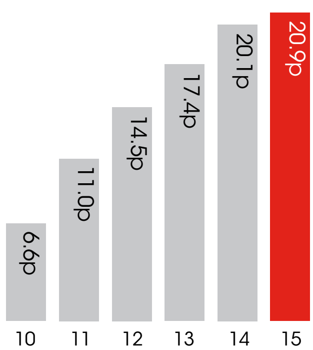
- Robust revenue growth of 7.8% and operating profit growth of 10.3%, underlying at constant currency
- Strength from our diversified portfolio, including a strong performance by our Emerging Markets segment
- Growth in our high margin Aftersales operations
- Record New vehicle volume for Subaru in Australia
- Underlying operating margin expansion of 20 bps to 4.7%

Another year of strong cash generation

Dividend per share

20.9p

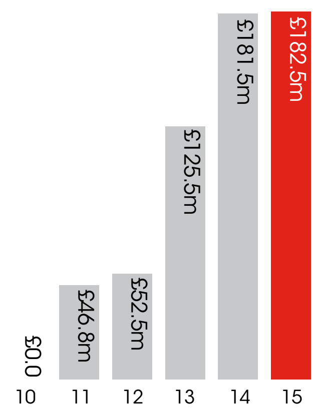
2014: 20.1p



Cash returned to shareholders

£182.5m

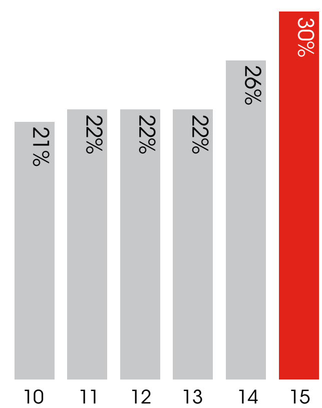
2014: £181.5m



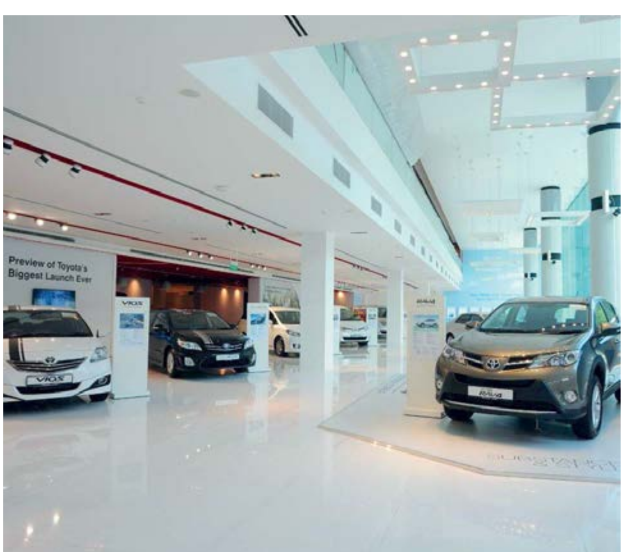
Return On Capital Employed

30%

2014: 26%



Strategic highlights

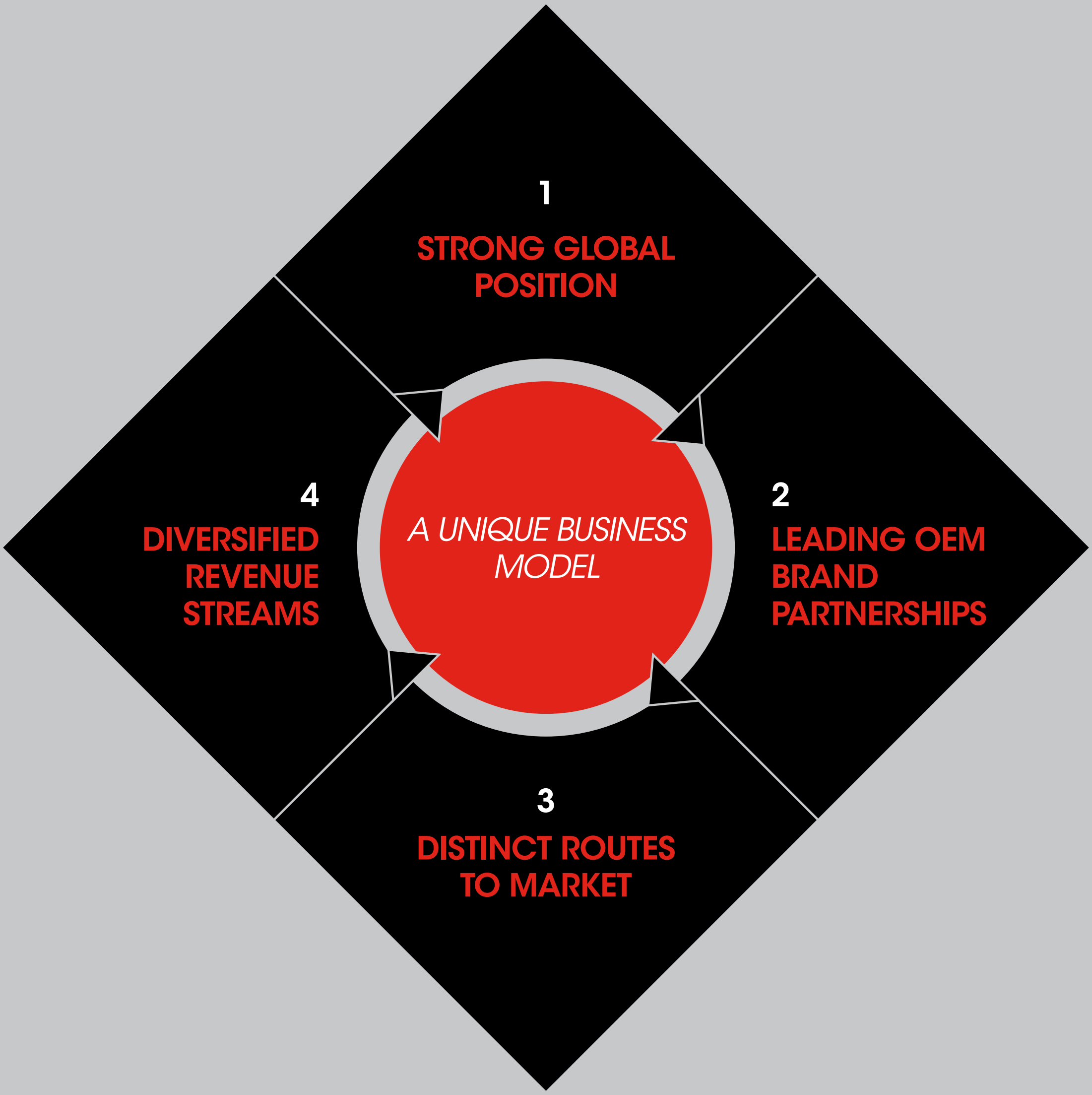


- Building on the Group's strong fundamentals to stay ahead of our competitors
- Adapting to changes in the global automotive industry:
  - Leading in customer experience
  - Delivering the full potential from all our revenue streams
- Leveraging our strategic assets:
  - Becoming vehicle manufacturers' partner of choice
  - Leveraging our global scale and investing to accelerate growth

…DRIVEN BY THE UNIQUE GLOBAL PROPOSITION THAT DIFFERENTIATES US

OUR BUSINESS MODEL

Our business model brings together our core strengths that enable us to leverage our unique proposition in attractive, growing markets



1

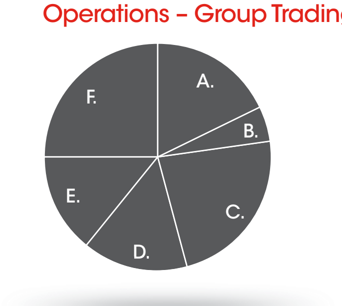
STRONG GLOBAL POSITION

We have strong positions in 26 countries around the world. Our global portfolio is a fundamental strength of the Group, with a healthy balance between developed economies and emerging markets.

We have a leading presence with our high-margin, capital-light distribution model in small, medium and emerging markets where we have secured strong positions with our marketing expertise, customer-centric approach and technical capabilities. This is complemented by our scale retail presence in medium and large markets with our strong portfolio of premium brands.

Strong in Asia Pacific, Selective in Emerging Markets, Scale in Developed Markets

Operations – Group Trading Profit %



A. UK **18%**
1. United Kingdom

B. Europe **5%**
2. Belgium
3. Finland
4. Greece
5. Luxembourg

C. North Asia **23%**
6. Guam
7. Hong Kong
8. Macau
9. Saipan

D. South Asia **15%**
10. Brunei
11. Singapore

E. Emerging Markets **14%**
12. Bulgaria
13. Chile
14. China
15. Djibouti
16. Estonia
17. Ethiopia
18. Latvia
19. Lithuania
20. Macedonia
21. Peru
22. Poland
23. Romania
24. Russia

F. Australasia **25%**
25. Australia
26. New Zealand

2

LEADING OEM BRAND PARTNERSHIPS

We have strong and long-standing relationships with the world's leading OEM (Original Equipment Manufacturer) groups. These OEMs are the world's main drivers of automotive innovation, new fuel technologies, powertrain developments, safety breakthroughs and cutting edge engineering.

Our partnerships provide us with an attractive line-up of models across the world. And by consistently focusing on the core needs of our OEM partners, we seek to build and deliver ever-deeper relationships, outstanding brand representation and strength in market share.

Long-standing relationships with the world's leading OEM groups

OEM partners: at the forefront of industry innovations

The OEM partners for whom Inchcape delivers a best in class route to market are industry pioneers, delivering next generation technological and entertainment innovations and constantly adapting to meet the changing preferences and needs of the modern day consumer.

3

DISTINCT ROUTES TO MARKET

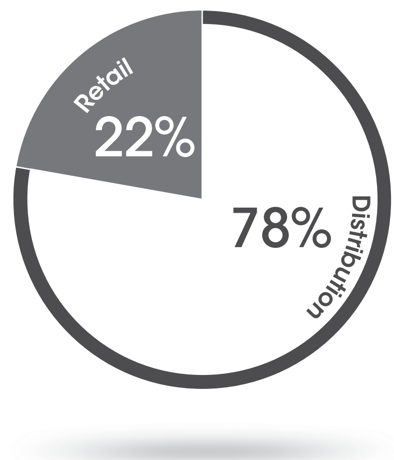
Market size, potential and dynamics determine the specific operating model we employ from country to country.

In small and medium sized markets, as exclusive Distributor, we manage the entire value chain post the factory gate for our OEM partners. We are the OEM's brand custodian in these countries, responsible for everything from importing vehicles and parts to all sales and marketing activities, including the appointment and management of the third party retail network.

In larger, more developed markets, such as the UK, we operate our Retail model, with a focus on delivering a superior customer experience online and in our retail and service centres.

Details in Operating Review on page 28

Trading profit split



4

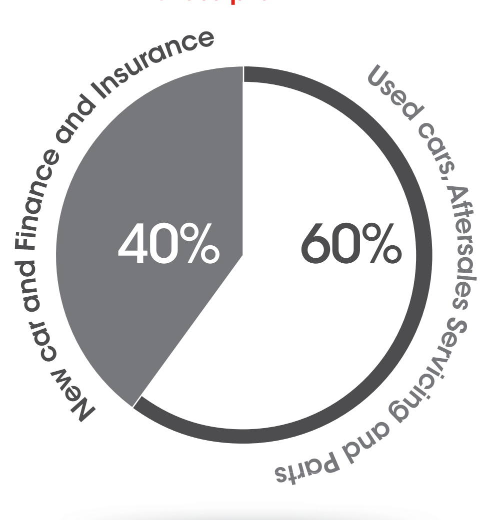
DIVERSIFIED REVENUE STREAMS

Five distinct value drivers support Inchcape's revenue and profit performance throughout the economic cycle.

We leverage opportunities from the New car market by selling New vehicles, Finance and Insurance products. And we simultaneously take advantage of the defensiveness of the growing global Car Parc (the total number of cars on the road) through Used vehicle sales, Aftersales Servicing and Parts.

Maintaining this balance prepares us well to respond to the full array of different market conditions and trends at play in all our local markets across the world.

Gross profit mix



INSIGHT AND EXPERTISE ACROSS THE AUTOMOTIVE VALUE CHAIN

OUR VALUE CHAIN

We operate across every link of the post-factory automotive value chain for our OEM partners, providing a highly efficient, customer-focused route to market that delivers shared rewards at every stage.

PRODUCT PLANNING AND LOGISTICS

Our in-depth knowledge of local markets, customer preferences and trends enables our OEM partners to benefit from our insights and understanding throughout the entire planning process.

Page 10

Product specification

We work closely with our OEM partners for several years before a new model is launched, providing clarity throughout the planning process as our view of market pricing, local fit requirements and sales volumes gains precision.

Import and logistics

Our global oversight of distribution by land or sea, allied with comprehensive local port or border-to-showroom capabilities, removes all logistical burdens from our partners.

BRAND MANAGEMENT

Under our Distribution model, we take on total responsibility for our OEM partners' brands, marketing and sales operations in our local markets – we handle every aspect of the customer interface from appointing and managing the dealer network to advertising and social media management.

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Appoint and manage the dealer network

Where we operate as a Distributor, we select and appoint an independent dealer network that has the best fit with our partners' brands; training and managing them to meet the demanding standards of our customer-focused ethos. Further, we typically own and operate 15-20% of the network ourselves.

National marketing and price positioning

We are scrupulous in projecting our partners' brand values and personality in all local marketing and communications support, refining messages where necessary to maximise positive impact in specific markets. Our approach to price positioning is based on in-depth knowledge of market trends and competitor pricing.

NEW AND USED CAR RETAILING

The Inchcape approach to retailing revolves around creating and managing customer life-cycles. Following initial engagement, through digital and physical channels, we seek to create long-term ongoing relationships involving multiple New and Used car sales.

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AFTERSALES

Our commitment is to never undertake service work without our customers' prior agreement. This, together with our investment in state-of-the-art facilities and expertise of our highly trained technicians, ensures we become the first choice for Aftersales care.

Page 16

Vehicle sales

We aim to provide the best New and Used car buying experience in our retail centres across the world. Our people have a depth of expertise and a wealth of product knowledge to ensure we can deliver on this aim.

Customer engagement and retention

After initial customer engagement, we aim to deepen relationships via a wide range of sophisticated retail techniques including tailored social media campaigns, loyalty strategies, rapid web response, opportunities with affinity partners and more.

Vehicle finance and insurance

Close relationships with financial services businesses across the world mean we can provide customers with attractive, transparent means of vehicle financing.

Servicing

Our ultimate focus is on getting it right first time, every time – from the quality of a routine service to fixing a problem, this is the most certain way of retaining our customers and best representing our partners' brands.

Parts

Our strong OEM relationships and specialist wholesale capabilities make Inchcape the preferred provider of high-quality, genuine parts and accessories.

PRODUCT PLANNING AND LOGISTICS

TRUSTED KNOWLEDGE

"It is very rewarding to see our OEM partner Fuji Heavy Industries relying on our local market knowledge and expertise to develop Subaru products that are entirely appropriate for our local market – it's a real partnership that only works because they trust us."

— Nick Senior, Managing Director, Inchcape Subaru Australia

Product specification

Inchcape plays a unique role at this stage in the automotive value chain. Far from being solely involved in physical Distribution and Retail, we work with our OEM partners, like Fuji Heavy Industries, sometimes years before a model is launched, providing essential insight to ensure that the right product is delivered to market at the right time. Our presence in 26 countries gives our partners the local expertise to target and refine models and special editions to meet tailored needs, tastes and trends.

Planning becomes increasingly precise as the process progresses. In Greece, for example, where we handle Distribution for Toyota and Lexus, a tentative pricing proposal is challenged and perfected via in-depth customer and competitor research before a final price is negotiated and agreed.

These processes transfer trustworthy local knowledge and insight to our OEM partners to generate a competitive advantage and grow market share.

Supporting a pan-European Hybrid strategy

Supporting Toyota's pan-European Hybrid strategy and our own commitment to enhancing the customer experience, we developed a unique special edition in Greece with Toyota. The Yaris Hybrid 'Black and Red' contributed strongly to significantly improved market share throughout 2015, despite the challenging economic environment.

Performance data to drive response times

As well as managing all port-to-outlet logistics for vehicles and parts, our specialist AutoNexus division in Australia also facilitates the build of limited editions in local fit. In addition, we provide OEM partners with full transparency and access to performance data that enables them to respond decisively and accurately to changing market conditions and consumer trends.

Import and logistics

Right across the world, Inchcape works closely with OEM partners to ensure a seamless, end-to-end vehicle preparation and delivery process that ensures the right car reaches the right outlet at the right time to meet manufacturer, dealer and end-customer requirements.

In the markets where we operate this Distribution model, we completely remove the burden of logistics from the OEM, so that each party can benefit from focusing on its core strengths.

BRAND MANAGEMENT

A TRUSTED CUSTODIAN

"We go to enormous lengths to create strong brand equity for our OEM partner, Toyota, by translating brand values into visible customer benefits. We constantly educate and support our third party dealer network, in accordance with our customer focused philosophy to enable them to deliver a stand-out customer experience and grow market share."

— Eleanna Vitta, Marketing Director (left), and Eirini Flouda, e-Business Manager, Toyota Hellas

Our Distribution model

Under Inchcape's Distribution model, we are trusted to take on complete responsibility for our OEM partners' sales and marketing operations in a particular country, providing them with an end-to-end 'route to market' solution.

Appoint and manage the dealer network

This includes the appointment and management of the dealer network to complement our own retail centres. We work with dealers that are a best fit for our OEM partner brands, and manage and train the network to ensure the highest standards of customer service across the entire relationship with us.

A winning relationship for Toyota, Greece

At every stage of the relationship, our work for Toyota in Greece involves ensuring that the end customer is the focus of everything we do. For this reason, we tightly control all marketing communications, including digital and online activities, to ensure that the customer truly understands the quality, caring and trustworthy ethos behind the Toyota brand.

This extends to the showroom and the Aftersales arena, where we ensure that our people have all the knowledge – including of competitor models – that is required to be able to support customer needs. We train all customer-facing staff throughout the retail network precisely how to talk to customers on behalf of Toyota.

The power of the Toyota brand – built steadily throughout the years on the notions of 'Quality-Durability-Reliability', 'Innovative Technologies' and 'Value for Money', ensures our leading performance, despite the fact that some competitor brands may have a perceived price advantage.

National marketing campaigns

Finland

In Finland, where we are the Distributor for Jaguar Land Rover, for the launch of the new Jaguar XE, we undertook a highly targeted digital direct marketing programme along with social media, print and web campaign and events aimed at owners of competitor vehicles. Our local marketing team were specific on the demographic profile to target, for whom they additionally identified that personal recognition along with product image and design were highly important. The programme successfully captured 90% of sales from competitor brands.

Hong Kong

In Hong Kong, we created a campaign for the Toyota Noah, a small people carrier. Our objective was to create resonance with our target audience – fathers – by riding on the emotional transition from a single man to family man and by recognising their unconditional love and support for their family. Our local marketing team set out to project a new image of a family man that can be 'cool' with a Noah by creating a viral video – "Salute to Dad" and reinforcing the emotional benefits of the model. Noah achieved the No.1 best-selling passenger car model in Hong Kong in 2015.

National marketing and price positioning

The automotive sector contains some of the most prestigious consumer brands in the world. As exclusive Distributor, we have earned the trust of our OEM partners to be their brand custodian in our markets.

We scrupulously project our OEM partners' brand values and personality in all our national marketing campaigns and communications, using our own market insight to refine messaging and pricing strategies, and maximise the potential market opportunity.

From print and TV campaigns to a highly responsive digital and social media presence, Inchcape manages every aspect of the customer interface on behalf of the OEM.

NEW AND USED CAR RETAILING

A TRUSTED RETAILER

"We know that buying a vehicle, New or Used, is a huge decision. We aim to build our customers' trust over the long term over many purchases, simply by making sure we never give them even the slightest reason to consider going elsewhere."

— Peter Eaton, Franchise Director Jaguar Land Rover, Inchcape UK

Vehicle sales

Customers look for more than a transaction whenever they choose to engage with us and we are driven by our desire to deliver the very best buying and ownership experience across New and Used cars on behalf of our OEM partners. This is only possible when we build a relationship based on trust.

Major structural changes are transforming the automotive retail environment and customers have now made much of their buying decision before they set foot in the retail centre. While we actively engage with customers in this 'pre-purchase digital phase', we also recognise that the retail centre visit itself remains a critical 'moment of truth'. Indeed, with fewer visits now being made to the retail centre by individual customers before they make the final buying decision, arguably it makes the retail centre experience even more important.

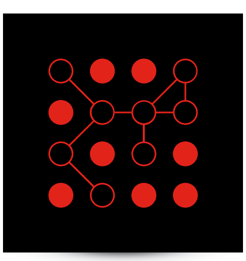
Our rigorous retail standards underpin our commitment to delivering consistently superior customer service at every stage. It also protects the pricing power of our brands, helps us to grow market share for our OEM partners and creates a loyal customer base for our Aftersales businesses.

An exceptional retail experience – UK BMW Reading

During 2015 we worked closely with our OEM partner BMW to invest in a new state-of the-art retail facility, Cooper Reading.

Officially opened in September 2015, and now the biggest BMW and MINI Centre in the UK, the new site is spread over three storeys dedicated to amplifying the BMW brand proposition and providing exceptional levels of customer service.

Joining the data dots to improve customer contact strategy in the UK



During 2015 we reviewed our customer contact strategy in the UK to ensure it was aligned with our customers' expectations.

We conducted focus groups, gathered insights and used data from experience surveys to inform our strategy and identify what is most important for our customers.

From this valuable research we were able to create timely and relevant communications tailored to preferred contact methods, always working closely with our OEM partners to ensure that they were engaged in the process.

We have seen improvements in customer feedback since this review and are continuing to refine our strategy to consistently improve the customer experience.

Customer engagement and retention

Our existing customers provide us and our OEM partners with endless opportunities for more business over the long term.

Increasingly, data is at the heart of our engagement strategies, finding out all we can – both through conversation and formal research – about our customers such that we can serve them with an individual and personalised experience.

Knowing how to find, refine, understand and leverage data is fundamental to customer lifecycle management. We strive to be at the forefront of non-intrusive data usage at many points of the customer interface – face-to-face in the showroom, via social media, SMS and email, on our websites and through our increasingly sophisticated contact centres, to gain a complete overview of each customer regardless of which channels and contact points they have used in the past.

Vehicle finance and insurance

Our global scale and reach give us the purchasing power to negotiate special terms with financial institutions. In addition, we benefit from our OEM partners' close relationships with banks and insurers, which we too can leverage on our customers' behalf.

As a result, we are able to offer our customers highly competitive finance rates, giving us a clear source of competitive advantage.

The ability to provide a competitive credit or insurance package can make all the difference to a customer's vehicle purchasing experience and decision.

AFTERSALES SERVICING AND PARTS

TRUSTED EXPERTS

"Getting a service or repair right first time is just the starting point – we just love going that extra step to try to make customers actually look forward to bringing their car in for a service."

— Thong Chee Wah, Technician, Borneo Motors Toyota

Servicing and parts

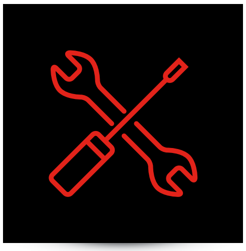
Aftersales is a key defensive revenue stream for the Group and drives approximately half of the Group's profits. The margins in this area are very attractive, which makes territories where we have built market share over a number of years particularly profitable for us. In Hong Kong, for example, around one third of the existing vehicles on the road are brands we distribute, amounting to close to 244,000 units. This illustrates how a flourishing Aftersales business enables even relatively small markets to deliver large profits for us.

Our focus is on customer contact and retention programmes, both up to and beyond warranty expiry. Rigorous, customer-centric sales processes are in place alongside the daily capture of customer metrics including service and repair bookings, hours sold and workshop productivity.

Typically, the industry experiences a high proportion of Aftersales customers leaving franchised centres once the vehicle warranty expires. Our approach is to concentrate additional marketing resource on customer retention, highlighting the tangible value of our state-of-the-art onsite equipment, live links to manufacturer diagnosis and resolution systems, and the top level of training our operatives receive directly from our OEM brand partners. In our Singapore business for example, this approach has resulted in a significant increase in the number of customers who make us responsible for their vehicle servicing for six years and more.

We also leverage our industry-leading service standards, based on our complete transparency with customers, which ensures we undertake no work without their prior agreement and understanding. In this way, we build trust and demonstrate that there is no better place to go than an Inchcape service centre throughout the entire life of a vehicle.

Audi Division in the UK works to deliver world-class Aftersales experience



The Inchcape Audi Division has been working in close partnership with our OEM partner to train our Service teams to deliver an outstanding Aftersales experience for our customers.

We work with Audi on their Aftersales accreditation programme, which is designed to provide a high level of competency amongst Audi teams and deliver a high level of customer service.

Our Service teams have also been trained to make high quality videos for our Aftersales customers using the 'Audi Cam' service, which has been designed to make it easier for customers to see what work is required for their car and hear this directly from our specialist, trained technician who has carried out the work. We receive highly positive feedback on this service from many of our customers.

Toyota ME Programme in Singapore

Toyota ME, which stands for 'My Experience', is our unique online experiential loyalty rewards programme which allows customers to earn Toyota ME points for every dollar spent at one of our authorised Toyota Service and Bodycare Centres. These points can be redeemed in various ways, from official merchandise to a 24-hour drive away experience.

The programme has helped to forge lasting relationships with customers built around the delivery of a truly personalised service which takes the stress out of the post-sale and servicing process. Our customers feel valued as part of a programme which rewards them based on criteria going beyond simply a transactional relationship, bringing enhanced engagement and an improved customer retention rate.

CHAIRMAN'S STATEMENT

LONG-TERM VALUE CREATION

"I am pleased that the Group has again demonstrated its solid fundamentals with another year of robust profit growth. Our new strategic objectives put us on a clear path for future success and will enable us to continue driving performance, with long-term value creation for our shareholders"

Inchcape is part of an exciting and evolving industry, within which we have a strong portfolio of markets and OEM partners. We have operated in many of our markets for significant periods of time and we have a proven track record of being able to adapt ahead of our competition and build on the strength of our positions. The automotive industry is undergoing changes on multiple fronts, all of which we are very mindful, as we seek to protect and strengthen our businesses. However, despite all the change occurring, there is one important constant – the importance for automotive manufacturers to have a trusted partner providing a route to market for both Distribution and Retail. Here, our expertise and global reach differentiates us and our relationships will be solidified even further as part of the strategy outlined by Stefan Bomhard in his CEO's statement.

The Group is fortunate to have an outstanding management team, led by Stefan who has seamlessly integrated into Inchcape. Inchcape's success is only possible due to the quality of its people, and I would like to thank all of our first-class colleagues for their dedication and hard work during the year.

After 16 years with Inchcape, 2015 marked the last full year of John McConnell being with the Group. On behalf of the Board, I would like to thank John for the contribution he has made to Inchcape's success. His expertise and insight as both Group Finance Director and a member of the Board have been invaluable and he leaves behind a strong team. It has been a pleasure to work alongside John. I am sure I speak on behalf of everyone at Inchcape in thanking him for his years of dedicated service and wishing him well for the future.

I am delighted with the appointment of Richard Howes as the Group's new Chief Financial Officer. Richard will take up his appointment and join the Inchcape Board on 11 April 2016.

Richard is joining from the position of Chief Financial Officer at Coats Group plc, the leading industrial thread and consumer textile crafts business, with operations in over 70 countries across six continents.

Richard has gained a wealth of experience across the financial and commercial sectors, working for multi-site businesses with substantial global footprints. His strong track record of leading finance functions across different sectors at a number of international public companies will make Richard a very valuable addition to the Group.

Performance

Group sales increased by 2.0% to £6.8bn for the full year to 31 December 2015. Our 2015 constant currency like for like revenue growth of 9.0% reflected a stronger performance in the second half of the year.

2015 saw a continuation of the Group's trading momentum, supported by broad based growth across our markets and revenue streams.

Group profit before tax and exceptional items of £312.1m was up 2.9% on 2014, and excluding the property profit in Singapore of £17.3m in 2014, the underlying increase was 9.2%.

Due to further weakness in the Russian economy, we have recorded a £49.5m non-cash exceptional impairment of the value of the goodwill in Russia.

Adjusted earnings per share (EPS) rose by 3.8% to 52.1p.

Cash generated from operations during the year was £328.4m, which represents a 101% conversion of pre-exceptional operating profit.

For the third year in succession, we announced a £100m share buy back programme at the time of our Interim Results, with £41m completed by 31 December 2015 and the remainder scheduled to be completed during the first half of 2016. The Group's cash generation continues to be strong, benefiting from our well-established disciplines over working capital. The Group generated £177.6m of free cash flow in the year and had £166.4m of net cash at the year end.

Board

I would like to thank Simon Borrows and Vicky Bindra, who both stepped down as Non-Executive Directors in 2015, for their great support and contributions to the Board. We were pleased to announce the appointment of Nigel Stein who joined the Board on 8 October 2015. Nigel brings significant global automotive expertise and is an excellent addition to the Board; he is a member of the Audit and Nominations Committees.

Dividend

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2015 of 14.1p, +2.2% on 2014 (13.8p). This gives a total dividend for 2015 of 20.9p, a 4.0% increase on 2014 (20.1p). Subject to approval at the Company's Annual General Meeting (AGM) on 26 May 2016, the final dividend will be paid on 24 June 2016 to shareholders of the Company on the register of members at the close of business on 27 May 2016.

Outlook

The Group has strong fundamentals and is well positioned against a backdrop of some question marks on the global growth outlook. These include the position in the cycle in some large developed markets, which have returned to previous peaks, the reduction in growth rates in many emerging markets and a number of fiscal and political issues.

I am confident that we have the right team and the right strategy to deliver good long-term performance for our stakeholders. While our performance will, as ever, be influenced by external factors, the importance of positioning the Group correctly to seize growth and control our own destiny is even greater than usual.

KEN HANNA
Chairman

CHIEF EXECUTIVE'S STATEMENT

A VISION AND STRATEGY FOR THE FUTURE

The Group saw broad based growth across our portfolio of 26 geographic markets.

A vision and strategy for the future

I am delighted to be writing my first annual letter to shareholders as the CEO of Inchcape. It has been an energising first year and I am excited about the future. I am especially pleased to be able to introduce another successful set of results.

The Group maintained robust trading momentum throughout 2015, gathering pace as the year progressed to deliver, as we anticipated, a better second half than first. We saw broad based growth across our portfolio of 26 geographic markets and our full range of revenue streams – New and Used vehicle sales, Finance & Insurance products, Aftersales Servicing and Parts – as we leveraged our OEM brand partners' continuing lead in technology and innovation.

It was particularly pleasing to deliver growth in our high-margin Aftersales business as we reap the benefit from the New vehicle growth in many of our markets in recent years.

We saw a number of strong performances from many of our operations around the world. In Singapore, our operations benefited from the increased quota of Certificate of Entitlement (COE) licences, which led to a significant year-on-year growth in the New vehicle market. We also performed well in Australasia, where we gained share in a growing market and benefited from the successful launches of the Subaru Outback and Liberty models. Further, we grew market share for our OEM partners in Hong Kong and Greece.

Performance was also strong in Emerging Markets, particularly Ethiopia where our business gained from the structural growth of the middle class and benefited from investments made in recent years. Despite a 35.7% decline in the Russian New car market, we again demonstrated our resilience to achieve improved gross margins on vehicles and growth in our Aftersales operations.

Our UK business delivered a robust top-line performance, driven by good consumer confidence and attractive offers from the OEMs. Pressure on Used vehicle margins for some of our brands in the UK, however, limited our ability to realise the full potential of this revenue trend into profit.

Our commercial performance enabled us to make important investments in our continued future success, including our new state-of-the-art Cooper Reading retail centre, the largest BMW centre in the UK; our new 60,000 square feet body and paint workshop for Toyota/Lexus in Pandan, Singapore; and our new Yuen Long Hino retail centre in Hong Kong.

I would like to recognise our Market CEOs and their teams for their important contributions to our strong 2015 results: Aris Aravanis, who was highly effective in his new role as CEO Continental Europe, growing further our strong market leadership in Greece; George Ashford, who led our Australasian business to a record performance; Louis Fallenstein, for the new impetus he brings to our UK organisation; Patrick Lee, for growing market share in North Asia and achieving the prestigious Toyota Triple Crown for market leadership in Hong Kong for the 24th year; Koh Ching Hong, for directing the strong contribution of our South Asian business; and Ruslan Kinebas, for grasping his new role as CEO Emerging Markets with such energy and determination.

You will be able to read about our 2015 results in more detail from page 82 onwards in this report. They provide the backdrop against which I want to give you some insight into how we intend to build upon our recent successes in the years to come.

Insight and observations

I will comment on the strengths and challenges I initially perceived at Inchcape that persuaded me to join the Group a year ago, and I will then share with you my impressions of the organisation and outline my and the Executive team's ambitions for its future.

Pioneering spirit

I was impressed by the Group's focus on the customer, which chimed closely with my own passionate commitment to customer service. I was also attracted by the Company's rich history and pioneering spirit, as well as the truly global scale on which it operates.

Further, I was drawn by the Company's twin focus on business-to-business (B2B) and business-to-consumer (B2C) relationships, with vehicle manufacturers (OEMs) and end-customers respectively. This resonated with my own career so far, during which I have been immersed in both B2B and B2C relationships. I saw this as a great opportunity to have an impact on both at the same time.

So, how did my expectations compare with what I found during my first few months in the role?

I found a well-run company with strong capital discipline, rigorous controls and with a range of powerful assets: a Group that is for the most part successfully leveraging the potential of its business model, including its strength across both Distribution and Retail.

The Company has long-standing partnerships with many of the world's leading automotive OEMs, those at the forefront of R&D, innovation and marketing impact. It has a customer-centric focus, strong processes, a highly knowledgeable management team and a skilled workforce spread throughout its global markets. There is a disciplined culture, built around rigorous performance management. And underpinning this, the organisation has a strong balance sheet and an attractive set of diversified revenue streams to respond to every stage of the economic cycle.

As evidence of the Group's deep-rooted strength, I found an organisation that has a track record of consistently delivering improved margins, profits and dividends.

Above all, I found a strong company of global scale with some unique competitive advantages and a diverse portfolio in many of the world's most attractive markets.

So overall, I feel privileged to join such a great business and I am confident about the future strength of the Inchcape brand and organisation.

(continued on page 24)

CASE STUDY

The global auto market: driving growth in an omni-channel world

The global automotive industry is undergoing significant change. Technology-driven trends are rapidly evolving customer behaviours and expectations. Digitisation, increasing automation, growing connectivity and the development of the smart car are just some of the structural forces aligning to satisfy changing consumer preferences. Our strategy focuses on leveraging opportunities from these exciting trends while building on Inchcape's unique position as an independent, global multi-brand Distributor and Retailer.

As CEO, I am delighted to lead the Group Executive Committee – a diverse team of global leaders that brings together a wealth experience from a range of industries as well as deep local market knowledge with a focus on operational excellence. The Executive Team drives the vision and direction of the Company on behalf of the Board.

I would like to extend my personal gratitude to John McConnell, our departing Group Finance Director, who has been in-post since 2009. John has been a lead contributor in the delivery of strong financial results during a period of challenging macro-economic conditions around the world, which is a great testament to his skills and commitment. He leaves behind a very strong finance team, which is entirely fit-for-purpose as we move into the next stage of the Group's development.

While personally I am sad that John has decided to return to his native Australia, I know that many people will join me in wishing him all the best for the future.

I am delighted to welcome Richard Howes, our new Chief Financial Officer, who joins us from Coats Group plc. Richard will join us on 11 April and will be a valuable addition to both our Board and our Group Executive Committee given his extensive international and M&A experience and wealth of knowledge across the financial and commercial sectors in fast-paced environments.

GROUP EXECUTIVE COMMITTEE

1. **Stefan Bomhard, Group Chief Executive, Inchcape plc:** Stefan was appointed Group CEO in April 2015. Before joining Inchcape, Stefan was President of Bacardi Limited's European region and was also responsible for Bacardi's Global commercial organisation and Global Travel Retail.

2. **John McConnell, Group Finance Director, Inchcape plc:** John was appointed as Group Finance Director in October 2009, having worked with the Group since 1999. John joined Inchcape Australasia as Chief Financial Officer before moving to the role of Chief Executive Officer of Australasia. John stepped down from the Board at the end of February 2016.

3. **Aris Aravanis, Chief Executive Officer, Continental Europe:** In June 2015, Aris was promoted to CEO Continental Europe and has responsibility for Belgium, Luxembourg, Balkans and Greece. Previous to this, Aris was Managing Director, Greece and the Balkans. He joined the Group in 1991 and in 2000 became General Manager, Deputy Managing Director and a member of the Board of Directors of Toyota Hellas.

4. **George Ashford, Chief Executive Officer, Inchcape Australasia:** George was appointed as Chief Executive Officer, Inchcape Australasia in January 2012. He joined the Group in March 2006 as Director of Implementation, Inchcape Advantage. In October 2006, George was appointed Managing Director, European Retail.

5. **Stéphane Chatal, Group Chief Information Officer:** Stéphane was appointed as Chief Information Officer in 2008 and is responsible for the Group's Information Systems strategy, its implementation and the IS function.

6. **Koh Ching Hong, Chief Executive Officer, Inchcape South Asia:** Ching Hong joined Borneo Motors in January 2008. He was appointed as Managing Director, Inchcape South Asia in August 2009 and is responsible for Borneo Motors and Champion Motors in Singapore and NBT in Brunei.

7. **Alison Clarke, Chief Human Resources Officer:** Alison joined Inchcape and the Executive Committee in 2015 from Mitie Group plc, where she was Transformation and Group People Director.

8. **Louis Fallenstein, Chief Executive Officer, Inchcape UK:** Louis was appointed CEO of Inchcape UK in October 2015. A key member of Inchcape's leadership team, Louis was most recently CEO of Emerging Markets and previous to that was Franchise Director for our UK BMW business, having been with Inchcape since the time of our acquisition of the EMH business in 2006.

9. **Ruslan Kinebas, Chief Executive Officer, Emerging Markets:** Ruslan joined Inchcape and the Executive Committee in 2015 from Mondelez International, where he was Area Vice President for North and West Africa and Turkey.

10. **Ken Lee, Chief Marketing and Communications Officer:** Ken joined the Group in September 2003 as Marketing Director for the UK businesses. In 2006 he was appointed Customer Strategy Director and later that year was appointed to the Executive Committee as Group Communications Director with global responsibility for internal and external communications. In August 2013, Ken's role was extended to include leadership of the Group-wide Marketing community.

11. **Patrick S. Lee, Chief Executive Officer, Inchcape North Asia and China:** Patrick is in charge of our operations in Hong Kong, Macau and Guam. In all three markets, Toyota has maintained the No.1 position for several years. He is also responsible for the Group's operations in China.

12. **Bertrand Mallet, Chief Development Officer:** Bertrand was appointed as Chief Development Officer in June 2015. Prior to this, he was Chief Executive Officer, Toyota Belgium and has previously held the positions of Managing Director of the Emerging Markets and the Group Strategy Director.

A GLOBAL TEAM OF EXPERTS

Growth opportunities

But did I find a company where nothing should be evolved? That would be an undesirable situation for any new CEO, as it would imply that there was no opportunity for improvement. Through listening to colleagues, OEM partners and end-customers across the world, I did identify a number of areas in which there are clear opportunities to drive an even better performance, enabling us to grow our organisation and our profits in the long term while remaining committed to strong financial discipline.

As the global car industry rapidly evolves, the purchase behaviour and service-level expectations of consumers is clearly changing. We operate in a market place where disruptors are challenging industry incumbents and customers are taking more control by navigating a growing digital landscape. We must continue to develop our processes – and meet them consistently – to retain our position as the recognised industry leader in customer service in a connected, 'omni-channel' world.

Next, we have a very strong portfolio of brands; we need to build on our OEM partnerships to ensure that we thoroughly deserve to achieve the status of 'partner of choice' across all our relationships, and then to robustly defend that position. This is fundamental to our continued future success. At every level of Inchcape, the OEM relationship must be recognised for what it is – the foundation stone for everything we do and achieve. Our past work in building these relationships has been successful – now, it is my intention that we will focus on delivering even more value to every OEM partner, so that we become established as the first port of call for every shared opportunity and challenge.

Third, our markets have strong long-term structural growth drivers, but the addressable market for Aftersales is set to grow even faster than the New car market. Aftersales is a key defensive revenue stream for the Group and drives approximately half of the Group's profits. There is, therefore, a requirement to rebalance the focus on leveraging all our value drivers to maximise the potential of each of them across the mix.

Fourth, we have to exploit the full advantage of our unique position in the market place to share even more expertise and best practice across our organisation, leveraging our global scale to improve collaborative working practices and generate cost savings through shared services and global purchasing.

Fifth, the automotive Distribution and Retail markets are highly fragmented; we should apply a disciplined use of capital to fuel further growth through selective participation in market consolidation.

Enabling positive change

Inchcape has solid foundations, but the environment in which we operate is clearly changing. To achieve our ambition, we will need to do some things somewhat differently. Our previous strategy has served us well for many years, enabling us to capitalise on our global leadership position. However, it is apparent that change is needed to build upon the great work of the past to maximise our performance in the future.

So, working closely with the Group Executive Team, together we have created an evolved strategy and vision for Inchcape: one that will enable us to take an even stronger leadership role in our industry, generating cash to invest in growth in markets across the world. And one that will allow us to lead the industry, not just in terms of scale but also of ambition, vision and quality of service.

In devising our strategy, we have set five objectives (see page 25) to guide our business. These have the full endorsement of the Board and exist as a set of calculated and targeted statements that support and enable positive change on the ground, every day and in every part of the organisation.

Drawn and refined from the identified opportunities and challenges we face, they are based on real factors that are already impacting our business and will continue to do so for several years. These are the trends that are having the greatest effect on our markets worldwide; using them as the foundation of our new strategy ensures that we will constantly meet market needs. That is why they form the core framework of the actions we will take to accelerate our growth and business performance.

Single-minded focus

This is a straightforward approach to getting done the things that matter, which revolves around teamwork and accountability, a shared cultural mindset, a single-minded focus on our key priorities and constant monitoring of progress and performance.

We are organising the change programme as a series of five parallel workstreams. Addressing the strategic objectives one-by-one, each workstream comprises a set of sequential phases which will be championed by members of the Group Executive Committee, delivered locally, supported with centralised resources and set within a clear governance framework that includes regular updates to both the Group Executive Committee and the Board.

The core priorities within each workstream will evolve further over the life of the change programme, and I will report accordingly in future communications.

A single-minded focus on our key priorities and constant monitoring of progress and performance

A unifying vision

So those are some of the practical measures behind the delivery of our new growth strategy. It is also important that we have a unifying company vision that gives strategic shape to the organisation, its mission and its purpose.

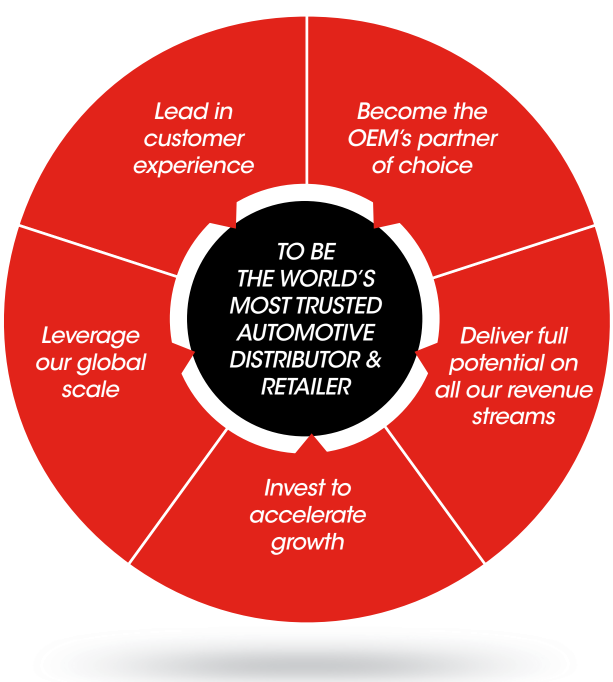
I have suggested in this letter that Inchcape is now taking an important evolutionary step that will see it build on the successful delivery of its recent past in a way that is fitting to the market environment of the future. This is a major step for any organisation, and it is not one that we are taking lightly.

We wanted to devise a single, uniquely Inchcape theme to which we could all align and that would highlight our role, our function and our value in the eyes of our customers and OEM partners.

Above all, we wanted to elevate our OEM partners alongside the customer in terms of the importance ascribed to them at every level of our organisation. The relationship with our manufacturers has always been fundamental to Inchcape's competitive advantage, but being the partner organisation to which they turn first for support and collaboration has never been more important than it will be in the years to come. As I have already suggested, Inchcape's twin focus on B2C and B2B business must not favour one over the other – they are both strategically critical to our performance.

As a result of such considerations, the new vision for Inchcape is:

> "To be the world's most trusted automotive Distributor and Retailer".



Our five strategic objectives

1. Lead in customer experience

We will invest to maintain our position as leader in customer service innovation in automotive Distribution and Retail, with digital a key priority. Through a programme of global research, we will build on our insights into the customer journey in an omni-channel world and create stand-out customer experiences combining data-driven personalisation with a human touch.

2. Become the OEM's partner of choice

We will build and strengthen our working relationships with our OEM partners by investing time in understanding their needs, seeking greater opportunities for collaboration and sharing our insight into customer and industry trends with the aim of becoming a consistent strategic business partner at both global and local levels.

3. Deliver full potential from all our revenue streams

We will increase our management focus on our Used vehicle and Aftersales activities at all levels of the organisation, enhancing their perceived status within the business and deepening further reporting and analysis. We will more actively seek to develop business opportunities, sharpening our emphasis on building our brand and USPs in these areas to match our profile in New vehicle sales.

4. Leverage our global scale

We will allocate more resources to innovation, sharing and benefiting even more effectively from the proven ideas generated throughout the global organisation. We will sharpen further our business processes, management skills, creativity and strategic planning across the Group, focusing on procurement, talent management and shared services to boost performance and reduce costs. And we will leverage our unique competitive advantage to develop and grow our proposition in new, emerging and developed markets.

5. Invest to accelerate growth

We have increased our business development resources to ensure we have the management capabilities to participate in industry consolidation. Furthermore, we will involve the CEOs of our market-specific operations, and leverage their knowledge and insight more directly in delivering our growth agenda.

Trust. A priceless commodity

Becoming the OEM partner of choice means being the most trusted partner. Being the leader in automotive customer service is also based on a fundamental foundation of trust. And it is by warranting the trust of our investors that we will become an ever more highly valued company.

Clearly, gaining and maintaining trust through outstanding performance at all levels of the business is a key source of added value for the Group – the result of the desirable behaviours throughout the organisation that will drive success in the global markets of the future. Our new vision naturally guides the behaviours we seek by holding every initiative, every action and every individual in the organisation accountable to a very simple idea. It highlights our stated aim as a Company without having to explain it to our audiences.

The idea behind the development of our new strategy and vision is a simple one – to take Inchcape to the next level of its evolution in a shape that is consistent and in tune with the direction being taken by the global automotive industry. It is too early to state explicitly and precisely what shape this organisation will take, but it is possible today to highlight a number of its most valuable attributes.

Valuable attributes

First, Inchcape will be a growth business that generates cash but also builds on its strong foundations to invest in its future. We already occupy a unique position in the industry in terms of our scale, global reach and long-standing OEM partner relationships. By investing in growth and consolidation, we will strengthen further the advantage of being positioned at one of the most crucial parts of our $1.7 trillion industry – that critical point linking the manufacturer with the customer.

Next, Inchcape will be a company operating in global markets that increasingly acts as a single, unified global team, sharing knowledge and expertise across every country and site. Inchcape will also have a genuinely global operating model in which we all leverage the same centralised, state-of-the-art systems and processes to maximise our operational efficiency and effectiveness.

Third, Inchcape will be a Company in which we fully embrace the challenges faced by our OEM partners, to become their partner of choice for collaboration, problem-solving and development into the future. In this way, we will provide them not only with a matchless customer interface but also with a source of innovation and differentiation that enables them to deliver more of their aspirations, more efficiently and cost-effectively.

Inchcape will be a company that has the investment, the skill and the confidence to extract full potential from all our value drivers.

A path of improvement

So, I am fully confident that the way ahead for Inchcape as we steer our new strategic direction over the next five years is on a well-charted path of improvement and growth.

As I have stated, I believe that we have an opportunity to evolve as we build on our strong foundations and track record of performance. I believe I have outlined that need for change and how we are responding to it in this report. I am confident that the shared spirit, commitment and talents of our united team will continue to enable us to deliver and win across our global market place, leveraging the unique position that we occupy and realising the full potential of the Inchcape Group, a Company that will be driven by trust.

The global economy faces greater uncertainty looking forward, but Inchcape is well positioned – with supportive drivers at the local level across our diversified portfolio of markets and revenue streams. We expect to deliver a solid constant currency performance in 2016.

STEFAN BOMHARD
Group Chief Executive

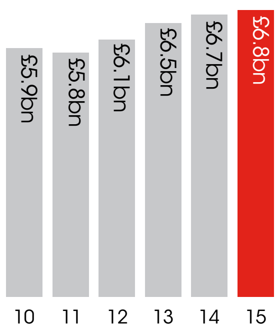
KEY PERFORMANCE INDICATORS

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

Sales

£6.8bn

2014: £6.7bn



Definition

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

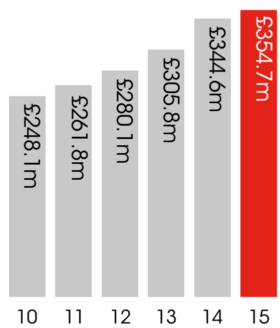
Achievements

Group sales were up 2.0% on last year driven by strong top line performance in Australia, the UK, North Asia and South Asia.

Trading profit

£354.7m

2014: £344.6m



Definition

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

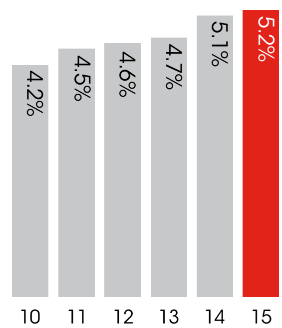
Achievements

A continued focus on cost control and accretive margin growth has meant that trading profit has grown by 2.9% year-on-year.

Trading margin

5.2%

2014: 5.1%



Definition

Calculated by dividing trading profit by sales.

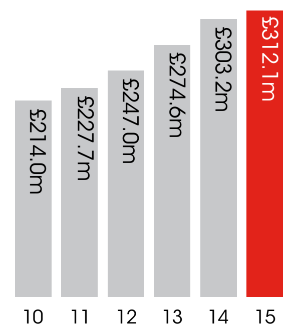
Achievements

The Group's trading margin grew to 5.2% (+10bps).

Profit before tax

£312.1m

2014: £303.2



Definition

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

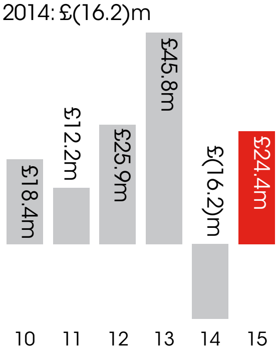
Achievements

Profit before tax and exceptional items increased by 2.9%, to a record £312.1m.

Working capital

£24.4m

2014: £(16.2)m



Definition

Inventory, receivables, payables, and supplier related credit.

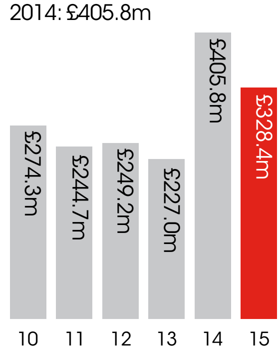
Achievements

Working capital continued to be tightly managed throughout the year and we ended the year with £24.4m of working capital, following the normalisation of last year's unusually low position in Russia.

Cash from operations

£328.4m

2014: £405.8m



Definition

Operating profit adjusted for depreciation, amortisation and other non-cash items plus the change in working capital, provisions and pension contributions.

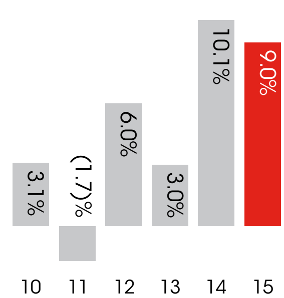
Achievements

The Group has generated an operating cash flow of £328.4m.

Like for like sales

9.0%

2014: 10.1%



Definition

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

Achievements

Like for like sales increased by 9.0%.

OPERATING REVIEW

The Group delivered a good performance, with underlying operating profit growth of 8%

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 2016 outlook commentary is also referenced at constant currency.

JOHN MCCONNELL
Chief Financial Officer

We continue to benefit from our broad geographic footprint and the depth and breadth of Retail and Distribution relationships with the world's leading premium and luxury automotive brands. The Group has delivered robust sales and underlying operating results which have been adversely impacted by exchange rate movements.

Group Sales of £6.8bn are up 7.8% year-on-year with strong top line growth in Australia, the UK, North Asia and South Asia offsetting softer market conditions in Europe and Russia. The Group delivered a trading profit of £354.7m, up 10.7% on last year on an underlying basis (excluding the profit on disposal of property in Singapore in 2014). Trading margin has improved by 10bps to 5.2% on an underlying basis driven by the strong performances of our Australasian and Emerging Markets businesses.

Despite Russia delivering a trading performance in line with our expectations, the further weakening in the macroeconomic outlook has led us to include a £49.5m non-cash exceptional impairment to write off the full value of goodwill in our Russian business (note 11 on pages 115 to 116).

Working capital continues to be tightly managed and we ended the year with £24.4m of working capital following the normalisation of last year's unusually low position in Russia.

We continue to make selective capital investments and during the year have invested in new facilities in Singapore as well as continuing to develop our facilities in the UK, Australia and Emerging Markets. Net capital expenditure of £53.6m is broadly in line with last year excluding the proceeds from the property disposal in Singapore in 2014.

Continued strong cash conversion drove net cash at the end of the year of £166.4m, 20.8% lower than last year due to the increases in working capital and capital expenditure noted above.

We have taken further steps to de-risk our balance sheet, entering into a transaction with Aviva to insure the liabilities of our TKM pension scheme (note 5 on page 106).

During 2015, we completed the second £50m of our 2014 £100m share buy back scheme at an average price of 776p and the first £41.4m of our 2015 scheme at 755p.

Sales
£6.8bn
(2014: £6.7bn)

Trading profit
£354.7m
(2014: £344.6m)

Working capital
£24.4m
(2014: £(16.2)m)

Net capital expenditure
£53.6m
(2014: £35.0m)

Distribution

Our Distribution business delivered another strong year, growing revenue year-on-year by 10.9% to £2.8bn with underlying trading profit growth of 15.5%, excluding the profit on disposal of property in Singapore in 2014.

We delivered a strong performance in our Australasian segment with revenue growth of 13.5% and trading margin expansion of 30bps year-on-year, driven by Subaru market share gains and favourable foreign exchange rates.

In South Asia, revenue growth of 14.4% and underlying trading profit growth of 26.6% were driven by the increased availability of Certificates of Entitlement (COEs) fuelling growth of the New car market.

In North Asia, we delivered revenue growth of 15.1% and trading profit growth of 10.7%, driven by another year of market share gains in Hong Kong, where we retained the Toyota Triple Crown award (for leadership in private cars, commercial vehicles and the overall vehicle market) for the 24th consecutive year.

Emerging Markets grew revenue by 9.0% and trading profit by 22.4%, driven by a very strong performance in Africa as we capitalised on investments in our facilities to drive both vehicle and Aftersales growth.

Our European segment was broadly flat to last year as trading profit growth in Greece and Finland was offset by a decline in Belgium.

Retail

We increased revenue in our Retail operations by 5.8%, driven by double digit growth in the UK and a strong year in Australia. The trading profit decline of 3.6% was driven by the continued margin pressure on the Used car segment as attractive financing options on New cars created pricing pressure on 'nearly new' cars.

The 6.3% increase in total UK registrations to a record 2.63m units represented the fourth consecutive year of growth in the UK market. Our business delivered revenue growth of 10.0% and gained 10bps of share across the brands that Inchcape represents in the market. Trading profit declined by 5.1%, driven by continued margin pressure on New and Used cars as well as increased facility and IT (iPower) amortisation costs.

Australia revenue growth of 5.8% and trading profit growth of 5.0% were driven by the successful launch of the new Liberty and Outback in the Subaru business.

Revenues in our European segment declined by 19.7%, due to a decline in market share in Belgium and the closure of our retail operations in Finland.

Our Emerging Markets revenues declined by 4.8%, driven, as expected, by the revenue decline in Russia of 13.5%. Excluding Russia, trading profit in the segment increased by 40.2%.

Regional analysis

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.

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

Included within the Emerging Markets segment are Russia, China, South America, Africa, the Balkans, the Baltics and Poland on the basis that these markets have started to grow but have yet to reach a mature stage of development and accordingly are in, or are expected to return to, the growth phase of the development cycle.

Australasia pg31
Another year of double digit profit growth

Europe pg32
Market recovery in Greece offset by weak consumer demand in Belgium

North Asia pg33
Market share gains drive another record year

South Asia pg34
Acceleration of underlying momentum

United Kingdom pg35
Well positioned in a growing market

Emerging Markets pg36
Strong performance drives profitable growth

PERFORMANCE OVERVIEW

Performance Indicators – Results

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**6,836.3**	6,702.7	2.0%	7.8%
Trading profit	**354.7**	344.6	2.9%	5.0%
Trading margin %	**5.2%**	5.1%	0.1ppt	(0.1ppt)
Like for like sales	**6,679.5**	6,478.4	3.1%	9.0%
Like for like sales growth %	**3.1%**	2.9%	0.2ppt	
Profit before tax before exceptional items	**312.1**	303.2	2.9%	4.2%
Working capital	**24.4**	(16.2)	n/a	
Cash generated from operations	**328.4**	405.8	(19.1%)	
Net cash	**166.4**	210.2	(20.8%)	

Business Analysis

	£m 2015	£m 2014	% change	% change in constant currency
Sales				
Retail	**4,061.9**	4,118.6	(1.4%)	5.8%
Distribution	**2,774.4**	2,584.1	7.4%	10.9%
Like for like sales				
Retail	**3,919.8**	3,951.3	(0.8%)	6.4%
Distribution	**2,759.7**	2,527.1	9.2%	12.9%
Trading profit				
Retail	**77.8**	83.8	(7.2%)	(3.6%)
Distribution	**276.9**	260.8	6.2%	7.7%

Regional Analysis

	Trading profit £m 2015	Exceptional items £m 2015	Operating profit £m 2015	Trading profit £m 2014	Exceptional items £m 2014	Operating profit £m 2014
Australasia	**90.6**	**–**	**90.6**	89.3	–	89.3
Europe	**17.9**	**–**	**17.9**	20.8	–	20.8
North Asia	**80.0**	**–**	**80.0**	66.9	–	66.9
South Asia*	**51.9**	**–**	**51.9**	58.7	–	58.7
United Kingdom	**63.4**	**–**	**63.4**	65.2	–	65.2
Emerging Markets	**50.9**	**(49.5)**	**1.4**	43.7	(47.4)	(3.7)
Trading profit	**354.7**	**(49.5)**	**305.2**	344.6	(47.4)	297.2
Central costs		**–**	**(30.0)**		–	(26.2)
Operating profit		**–**	**275.2**		–	271.0

* Trading profit in 2014 includes a property profit of £17.3m.

AUSTRALASIA

Another record year with double digit profit growth

GEORGE ASHFORD
CEO,
Inchcape Australasia

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**1,219.9**	**1,243.4**	**(1.9%)**	**9.3%**
Retail	642.2	676.7	(5.1%)	5.8%
Distribution	577.7	566.7	1.9%	13.5%
Like for like sales	**1,196.3**	**1,182.3**	**1.2%**	**12.7%**
Retail	618.6	615.6	0.5%	12.0%
Distribution	577.7	566.7	1.9%	13.5%
Trading profit	**90.6**	**89.3**	**1.5%**	**13.1%**
Retail	23.6	25.0	(5.6%)	5.0%
Distribution	67.0	64.3	4.2%	16.2%
Trading margin %	**7.4%**	**7.2%**	**0.2ppt**	**0.2ppt**
Retail	3.7%	3.7%	–	–
Distribution	11.6%	11.3%	0.3ppt	0.3ppt

Sales
£1.2bn
(2014: £1.2bn)

Trading profit
£90.6m
(2014: £89.3m)

Market

The Australian car market grew by 3.8% in 2015 driven by the continued strength of the SUV segment. The car market in New Zealand grew by 7.8%.

Business model

We are the Distributor for Subaru in both Australia and New Zealand. In addition, we have multi-franchise Retail operations based in Sydney, Melbourne and Brisbane. Our Australian operation holds franchises for Subaru, Volkswagen, Mitsubishi, Isuzu and Kia as well as a portfolio of the world's leading luxury and premium brands including BMW, Jaguar, Land Rover and Honda and the highly aspirational, super-luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren. During the year, we continued to rationalise our Retail footprint, disposing of the Harley Davidson, Peugeot and Volvo franchises as well as the bespoke business (Aston Martin, Rolls-Royce and McLaren) in Melbourne. At the end of 2015, we owned 32 retail centres and managed a network of 110 independently owned Subaru centres throughout Australasia.

Supporting these operations, our logistics business AutoNexus is responsible for managing vehicle and parts inventory, distribution and vehicle preparation on behalf of our Subaru Distribution business, and our Retail business, as well as other independent dealers.

Operating performance

Our Australasian segment delivered a robust top line performance with sales up 9.3%, with a record trading profit of £90.6m.

Trading profit growth of 13.1% benefited from favourable exchange rates between the Australian Dollar and Japanese Yen across the Subaru range and the successful launch of the new Subaru Outback and Liberty models.

Our Subaru business is winning in the growth segments of the market with a 20bps market share gain driven by the launch of the new Outback and Liberty models and the refreshed XV, Forester and WRX. Overall, our Distribution business drove revenue growth of 13.5% with 30bps of trading margin expansion to 11.6%.

Our Retail segment delivered robust revenue growth of 5.8% supported by launches of Jaguar XE, BMW 1 Series and Land Rover Discovery Sport.

Outlook for 2016

We expect some modest underlying growth in the market due to structural population growth, premiumisation of demand and a replacement cycle supported by a relatively old Car Parc.

We will continue to leverage the pricing power of the premium positioning of the Subaru range, but expect some pressure on margins given the recent weakness of the Australian Dollar against the Japanese Yen.

We expect to deliver a resilient performance in Australasia in 2016.

EUROPE

Market recovery in Greece offset by weak consumer demand in Belgium

ARIS ARAVANIS
CEO,
Continental Europe

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**541.1**	**629.9**	**(14.1%)**	**(4.4%)**
Retail	88.0	122.1	(27.9%)	(19.7%)
Distribution	453.1	507.8	(10.8%)	(0.7%)
Like for like sales	**541.1**	**624.0**	**(13.3%)**	**(3.5%)**
Retail	88.0	116.2	(24.3%)	(15.7%)
Distribution	453.1	507.8	(10.8%)	(0.7%)
Trading profit	**17.9**	**20.8**	**(13.9%)**	**(4.4%)**
Retail	–	0.3	(100.0%)	(108.2%)
Distribution	17.9	20.5	(12.7%)	(2.8%)
Trading margin %	**3.3%**	**3.3%**	**–**	**–**
Retail	–	0.2%	(0.2ppt)	(0.3ppt)
Distribution	4.0%	4.0%	–	–

Sales
£541.1m
(2014: £629.9m)

Trading profit
£17.9m
(2014: £20.8m)

Market

The Greek market continued to improve following the stabilisation of the political situation to finish the year up 6.8%. The Belgian market is up 3.8% in aggregate, driven by 9.4% growth in the fleet market offsetting a 1.8% decline in private sales.

Business model

In Greece, we are the Distributor for Toyota and Lexus, owning five retail centres and overseeing a further 42 which are independently owned. In Belgium and Luxembourg, we distribute Toyota and Lexus and own 11 retail centres with a network of 93 retail centres operated by independent third party retailers, and 35 repair outlets. In Luxembourg, we also operate a retail centre for Jaguar. In Finland, we are the Distributor for Jaguar, Land Rover and Mazda and we manage a network of 46 independent retailers.

Operating performance

Our Greek business delivered a strong performance, growing 30bps of market share to 12.3% to further consolidate overall market leadership and retain the Toyota Triple Crown for leadership in private cars, commercial vehicles and the overall vehicle market.

In Belgium, our market share declined by 60bps, as market growth was driven by the low-margin fleet market in which we are relatively under-represented. Aris Aravanis has now assumed responsibility for Belgium in addition to Greece and the Balkans.

Overall, revenue and trading profit declined by 4.4% in Europe, with growth in Greece and Finland offset by the decline in Belgium.

Outlook for 2016

We expect the Greek market to continue to recover following the six years of decline to 2013, with our Toyota business expected to deliver profitable growth in both Sales and Aftersales. The Belgian market is expected to remain relatively flat.

We expect our European segment to deliver a resilient performance in 2016.

NORTH ASIA

Market share gains drive another record year

PATRICK S LEE
CEO,
Inchcape North Asia and China

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**746.2**	**600.3**	**24.3%**	**15.1%**
Distribution	746.2	600.3	24.3%	15.1%
Like for like sales	**735.9**	**592.5**	**24.2%**	**15.0%**
Distribution	735.9	592.5	24.2%	15.0%
Trading profit	**80.0**	**66.9**	**19.6%**	**10.7%**
Distribution	80.0	66.9	19.6%	10.7%
Trading margin %	**10.7%**	**11.1%**	**(0.4ppt)**	**(0.4ppt)**
Distribution	10.7%	11.1%	(0.4ppt)	(0.4ppt)

Sales
£746.2m
(2014: £600.3m)

Trading profit
£80.0m
(2014: £66.9m)

Market

Hong Kong is the main market in this segment. The Hong Kong market grew strongly in 2015, driven by the commercial vehicle segment where owners replaced vehicles ahead of the end of the first phase of the government's scrappage scheme for pre-Euro IV vehicles. Market growth for the full year was 6.1%, however consumer and corporate confidence weakened in the second half, with growth moderating to 1.1%.

Business model

In Hong Kong and Macau, we are the exclusive Distributor for Toyota, Lexus, Land Rover, Jaguar, Ford, Daihatsu and Hino Trucks. We also own and operate all 12 retail centres for these brand partners in this market. During the year we opened a major new retail centre for Hino Trucks in Hong Kong, to further build our market share and facilitate Aftersales opportunities.

During 2015, we entered into a relationship with the Chinese company Shanghai Automotive Industry Corporation (SAIC), to expand our offer in commercial vehicles in Hong Kong and Macau, complementing our Toyota and Ford offerings with the Maxus brand.

In Guam, we are the exclusive Distributor and Retailer for Toyota, Lexus and Chevrolet, owning all three retail centres. In Saipan, we are the Distributor and Retailer for Toyota with one retail centre.

Operating performance

We have delivered another year of strong performance across the region.

In Hong Kong, we strengthened our number one position with a market share of 33.3%, up 280bps driven by the growth of the commercial vehicle segment in which we are market leader. We drove strong growth in passenger cars and benefited from the successful launch of a number of new models including the Toyota Spade and Sienta. Crown Motors won the coveted Toyota Triple Crown award for market leadership for the 24th consecutive year.

Overall, we delivered revenue growth of 15.1% across North Asia with strong growth across our vehicle and Aftersales segments. Trading margin declined by 40bps, driven by the increased contribution of vehicle sales to the overall results.

We delivered double digit trading profit growth with a record £80.0m in trading profit in North Asia.

Outlook for 2016

We expect the softening of consumer and corporate confidence to continue in Hong Kong and expect the vehicle market to be lower in 2016. The growth, in recent years, in the Hong Kong passenger and commercial vehicle markets will support our defensive Service and Parts revenue streams.

We expect to deliver a resilient performance in 2016 in North Asia.

SOUTH ASIA

Acceleration of underlying momentum

KOH CHING HONG
CEO,
Inchcape South Asia

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**500.0**	**439.3**	**13.8%**	**14.4%**
Distribution	500.0	439.3	13.8%	14.4%
Like for like sales	**497.6**	**390.1**	**27.6%**	**28.2%**
Distribution	497.6	390.1	27.6%	28.2%
Trading profit	**51.9**	**58.7**	**(11.6%)**	**(11.2%)**
Distribution	51.9	58.7	(11.6%)	(11.2%)
Trading margin %	**10.4%**	**13.4%**	**(3.0ppt)**	**(3.0ppt)**
Distribution	10.4%	13.4%	(3.0ppt)	(3.0ppt)

Sales
£500.0m
(2014: £439.3m)

Trading profit
£51.9m
(2014: £58.7m)

Market

Our largest market in this segment is Singapore where, as expected, the market grew strongly by 65.8% as growing de-registrations drove an increase in the quota of available Certificates of Entitlement (COEs) and the government scrappage scheme helped to boost commercial vehicle replacement. In Brunei, the market declined by 19.3% following the fall in the oil price and the government's restriction on consumer credit.

Business model

In Singapore we are the Distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967 and have held the Suzuki distribution franchise since 1977. We own and operate all five retail centres in the market. During the year we opened a new 60,000 square foot Body and Paint facility with the servicing capacity of up to 600 vehicles per month.

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

Operating performance

We delivered solid revenue growth of 14.4% with the growth rate accelerating to 21.2% in the second half of the year.

We delivered 28.2% like for like revenue growth in South Asia, adjusting for the amendment in reporting of Used car sales as outlined in our interim statement. We have amended the way we report Used vehicle sales in Singapore to better reflect the substance of the associated transaction. Historically we recorded the revenue for the total Used car transaction value whereas we now record the margin we make on the sale to Used car traders as the revenue. We have adjusted like for like sales in 2014, a reduction of £45m, to enable comparability.

Regional revenue growth was impacted by the slowdown in Brunei, where despite the successful launch of the Toyota Wigo, and winning the Toyota Triple Crown for the second year in a row, our Brunei revenue declined by 20.3%.

Improved trading margins in the second half of the year of 11.1% drove full year trading margin of 10.4%. This represents an underlying improvement on 2014 with margin improvements in each revenue stream offsetting the increased contribution of vehicle sales to the overall business.

Underlying trading profit growth of 26.6% (excluding the £17.3m property profit in Singapore in 2014) reflects a much stronger second half 2015 growth rate of 47.5%, compared to the first half of 2015 at 3.0%.

Outlook for 2016

Strong market growth in Singapore will be underpinned by the continued increase in the availability of COEs as the level of de-registration continues to grow. Given our leadership position, and with an even stronger product line up, we are well positioned to participate strongly in this growing market.

We expect to deliver a strong performance in South Asia in 2016.

UK

Well positioned in a growing market

LOUIS FALLENSTEIN
CEO,
Inchcape UK

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**2,725.2**	**2,472.8**	**10.2%**	**10.2%**
Retail	2,662.4	2,421.4	10.0%	10.0%
Distribution	62.8	51.4	22.2%	22.2%
Like for like sales	**2,609.4**	**2,383.3**	**9.5%**	**9.5%**
Retail	2,546.6	2,331.9	9.2%	9.2%
Distribution	62.8	51.4	22.2%	22.2%
Trading profit	**63.4**	**65.2**	**(2.8%)**	**(2.8%)**
Retail	52.0	54.8	(5.1%)	(5.1%)
Distribution	11.4	10.4	9.6%	9.6%
Trading margin %	**2.3%**	**2.6%**	**(0.3ppt)**	**(0.3ppt)**
Retail	2.0%	2.3%	(0.3ppt)	(0.3ppt)
Distribution	18.2%	20.2%	(2.0ppt)	(2.0ppt)

Sales
£2.7bn
(2014: £2.5bn)

Trading profit
£63.4m
(2014: £65.2m)

Market

For the fourth consecutive year the UK market grew, up by 6.3% in 2015 to a market record of 2.63m vehicles. This has been driven by good consumer confidence and the availability of attractive financing offers leading to a continuation of the replacement cycle. Growth was driven by both the retail market, increasing 2.5%, and the fleet market that grew by 11.8%.

Business model

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a portfolio of 110 retail centres focused on premium brands.

We aim to create significant differentiation by delivering a superior level of customer service through our bespoke operating processes to drive growth in vehicle sales and finance products, and Aftersales retention. The Distribution element of our results is comprised of our fleet management and leasing business, Inchcape Fleet Solutions (IFS), which offers services to corporate and government customers. With over 50 years' experience in the automotive industry, IFS has won a number of industry awards for its unrivalled level of customer service.

Operating performance

We increased our market share and delivered strong revenue growth of 10.2% driven by the successful launch of new models, including the Jaguar XE and Land Rover Discovery Sport, as well as a number of face-lifted models across the broad range of OEM partners, including the Audi A4 and Q7, BMW 3 and 7 Series, MINI Clubman, Jaguar XF, Lexus RX, Mercedes-Benz GLC, Toyota Auris and VW Touran.

Revenue growth slowed slightly in the second half of 2015 with limited impact on VW sales as a result of the investigation into emissions testing irregularities.

Aftersales growth was strongly fuelled by the increasing Car Parc and the investments that we have made in facilities and capabilities both in retail centres and our customer contact centres.

We delivered a trading profit of £63.4m, a decline of 2.8% year-on-year as trading margin in our Retail business declined by 30bps in 2015. This reduction in trading margin was driven by the increased contribution of Vehicle sales, lower Used vehicle margins and increased facility and IT amortisation costs.

IFS delivered a strong performance for the year with trading profit growth of 9.6% to £11.4m following a record performance in 2014.

Outlook for 2016

We expect the robust UK economy, coupled with factors unique to the automotive market, such as PCP financing, to support further industry growth in 2016 although to a more moderate level. Our Aftersales operations will continue to benefit from the growth in the 1-5 year Car Parc.

The momentum in the UK market coupled with our focus on superior customer service lead us to expect to deliver a solid performance in the UK in 2016.

EMERGING MARKETS

Strong performance drives profitable growth

RUSLAN KINEBAS
CEO,
Inchcape Emerging Markets

Key financial highlights

	£m 2015	£m 2014	% change	% change in constant currency
Sales	**1,103.9**	**1,317.0**	**(16.2%)**	**0.2%**
Retail	669.3	898.4	(25.5%)	(4.8%)
Distribution	434.6	418.6	3.8%	9.0%
Like for like sales	**1,099.2**	**1,306.2**	**(15.8%)**	**0.4%**
Retail	666.6	887.6	(24.9%)	(4.2%)
Distribution	432.6	418.6	3.3%	8.5%
Trading profit	**50.9**	**43.7**	**16.5%**	**18.3%**
Retail	2.2	3.7	(40.5%)	(32.6%)
Distribution	48.7	40.0	21.8%	22.4%
Trading margin %	**4.6%**	**3.3%**	**1.3ppt**	**0.7ppt**
Retail	0.3%	0.4%	(0.1ppt)	(0.1ppt)
Distribution	11.2%	9.6%	1.6ppt	1.2ppt

Sales
£1.1bn
(2014: £1.3bn)

Trading profit
£50.9m
(2014: £43.7m)

Market

In our Distribution markets, Ethiopia remains a highly attractive, fast growing market with growing demand for New cars and Aftersales. South America has been challenging, with declining markets for premium cars in both Chile and Peru driven by the slowdown in the commodity cycle. In Eastern Europe, we benefited from growing demand in the Balkans and Baltics.

In our Retail markets, the Russian market has continued to contract, declining 35.7% year-on-year driven by a weak rouble and a challenging economic environment. However, we benefited from growing demand in Poland and demand for premium cars in our Chinese business remained robust.

Business model

In Ethiopia, we operate as the Distributor and Retailer for Toyota, Daihatsu, Komatsu and New Holland. In South America, we operate as the Distributor and Retailer for BMW in Peru and for BMW and Rolls-Royce in Chile.

In the Balkans, we are the Distributor for Toyota and Lexus, operating six retail centres. We operate as the Distributor and Retailer for Mazda, Jaguar and Land Rover across the Baltics and for Mitsubishi in Lithuania. Additionally, we retail BMW, Ford and MINI in Latvia and Ford and Hyundai in Lithuania. We operate a total of 23 centres across the region.

In Russia, we operate 21 retail centres in St. Petersburg and Moscow, representing nine brands, having exited loss-making Peugeot operations in St Petersburg. In Poland we own four retail centres for BMW and MINI. In China, we have four scale retail centres for Lexus, Jaguar and Land Rover in Shanghai and Shaoxing and one retail centre each in Nanchang for Porsche and Jiujiang for Mercedes.

Operating performance

Overall revenue for the region was broadly flat to last year as a 13.5% decline in Russia offset growth across the rest of the portfolio.

Our business in Africa drove particularly strong growth both in New car sales and Aftersales as we opened new facilities to capitalise on the continued underlying economic growth.

In South America, we continue to drive share gains in a declining New car market and to develop and grow the profitable Aftersales business.

Market growth in the Balkans enabled us to drive a strong trading profit.

With growth in market share and improved vehicle margins in our Russia business, we delivered a trading loss of £2.0m, which was a creditable performance in a very challenging market.

In Poland we had a strong trading performance driven by successful new product launches, improved market share and a backdrop of continued industry growth.

Our business in China improved its trading profit as the facilities matured and gained scale.

The segment delivered strong trading profit, up 18.3% to £50.9m in 2015 with 70bps of trading margin expansion driven by strong margin growth in Africa and the Balkans.

Outlook for 2016

In Ethiopia, we will continue to benefit from the strong underlying economic environment and our recent investments in new facilities. In South America, we anticipate a continuation of subdued consumer confidence against the backdrop of continued economic weakness, but expect to continue to outperform the market as we capitalise on our investments in the region. We expect to deliver a resilient performance in our Russian business, despite the uncertain economic environment, retaining good vehicle margins and leveraging our defensive Aftersales operations.

Overall, we expect our Emerging Markets segment to deliver a solid performance in 2016.

CENTRAL COSTS

Unallocated central costs for the full year are £30.0m before exceptional items (2014: £26.2m). Our costs remain well controlled with moderate inflationary increases in our underlying operational costs. Foreign exchange gains reclassified from other comprehensive income following the liquidation of overseas subsidiaries were offset by a charge to operating profit arising from corrections to historic account balances in South America.

JOINT VENTURES AND ASSOCIATES

The Group has reported a £0.7m profit after tax from joint ventures in 2015 (2014: a loss of £1.9m).

OPERATING EXCEPTIONAL ITEMS

In 2015, the Group has recorded a £49.5m non-cash exceptional impairment on the carrying value of goodwill attributable to our Russian business (see note 11 on pages 115 to 116). This follows an impairment charge of £47.4m in 2014.

NET FINANCING COSTS

Net financing costs, at £13.3m, are the same as last year. In 2015, the Group reported a gain of £0.9m (2014: a gain of £1.5m) in our mark to market reporting of the hedges for the US loan notes and net interest income on pension assets of £4.2m (2014: net income of £5.1m).

TAX

As forecast, the effective tax rate for the year before exceptional items was 24%, the same as 2014 (excluding the tax free property gain in South Asia). We expect the effective rate to increase marginally for 2016. The Group has recorded an exceptional deferred tax charge of £4.8m relating to the derecognition of the net deferred tax asset related to our Russian business (see note 8).

NON-CONTROLLING INTERESTS

Profits attributable to our non-controlling interests were £7.1m, compared to £7.6m in 2014. At year end, 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 2015, the translation of the Group's overseas profits before tax into sterling at the 2015 average exchange rate negatively impacted the year's results by £1.0m (2014: £20.9m).

DIVIDEND

The Board recommends a final ordinary dividend of 14.1p per ordinary share which is subject to the approval of shareholders at the Annual General Meeting on 26 May 2016. This gives a total dividend for the year of 20.9p per ordinary share (2014: 20.1p). In future, the interim dividend will be set by a formula, and will be equivalent to 33% of the total dividend for the previous year.

PENSIONS

In 2015, the IAS 19 net post-retirement surplus was £98.9m (2014: £119.3m) and, in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £1.7m (2014: £1.7m). We have agreed with the Trustees that future cash contributions will continue at broadly this level.

Following the closure of the UK defined benefit pension schemes to future accrual in 2012, the Group has taken various steps to reduce its exposure to the associated defined benefit obligations. In November, the TKM Group Pension Scheme completed a buy-in transaction whereby the assets of the scheme were invested in a bulk insurance annuity contract that matches the benefits payable to the members of the scheme. The contract has been structured to enable the scheme, in time, to move to a full buy-out, following which the insurance company will become directly responsible for the pension payments under the scheme (see note 5 on pages 105 to 106).

ACQUISITIONS AND DISPOSALS

During 2015, the Group acquired one retail centre in the UK for £5.1m and disposed of non-core businesses in Australia and its interest in the Excelease joint venture, generating disposal proceeds of £5.4m. In 2014, the Group disposed of multi-franchise dealerships in Finland and Australia generating disposal proceeds of £1.9m.

CAPITAL EXPENDITURE

During the year, the Group invested £53.6m (2014: £35.0m) of net capital expenditure in the development of greenfield sites and the enlargement of existing facilities, primarily in the UK, Asia Pacific and the Emerging Markets. Included within the 2014 total was the disposal of a property in Singapore for £21.6m.

CASH FLOW AND NET FUNDS

Working capital ended the year at £24.4m (2014: £(16.2)m) following the normalisation of last year's abnormally low position. At the end of 2015, the Group had net funds of £166.4m (2014: £210.2m) after buying back shares at a cost of £91.4m. At the end of 2015 we have £58.6m outstanding from the share buy back programme announced at our Interim Results.

PROTECTING OUR BUSINESS
RISK MANAGEMENT

By managing our risks in a professional and consistent way, we operate with true 'peace of mind'. Knowing that we have in place the right procedures, processes and frameworks to minimise risks from impacting our business, or to enable us to respond promptly and decisively when they do, gives us confidence in our ability to achieve our strategic objectives and support the long-term sustainable growth of our business.

Inchcape Peace of Mind – our approach to risk

Our reputation as a global automotive Distributor and Retailer is built on our ability to take calculated risks to create value for the Company and its shareholders, at the same time evaluating and managing those risks to protect that value.

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.

All our colleagues have an influence over the amount of risk we take as a business – sometimes a great influence, sometimes less so. 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 and to balance the potential consequences of their actions or inactions as they take them. Embedded in our day-to-day management practices, iPOM provides a simple framework to help us identify, manage and reduce our risks, raise awareness through education and training, give guidance and direction, encourage open and honest communication and engage our colleagues with the understanding of risks and how to manage them, no matter where they are in the world.

Embracing iPOM is about ensuring that our strategy, initiatives and decision making balance performance with conformance; in essence making the right decisions in the right way to manage the risks we face and protect the long-term value and reputation of the Group. The iPOM framework therefore acts as a conduit to ensure that risk information flows freely throughout the business, to enable the correct decisions based on a thorough assessment of good quality information.

Types of risk

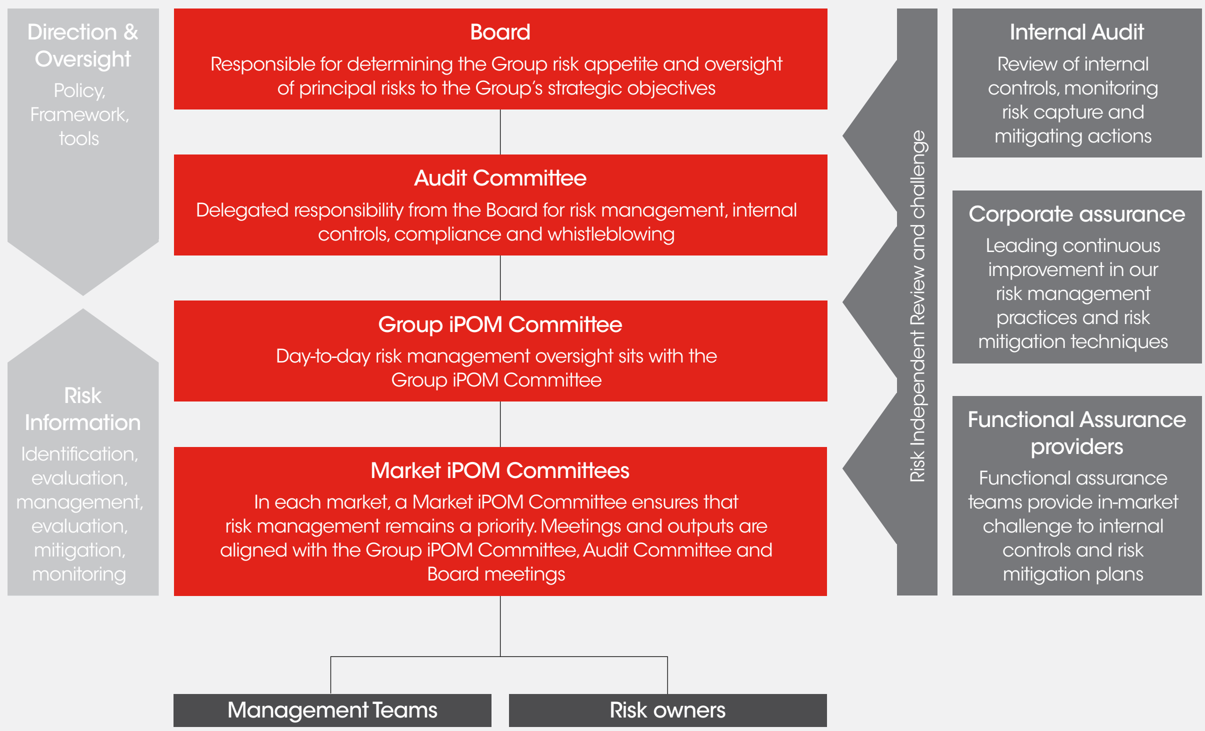
We identify between two broad types of risk. The iPOM framework encompasses and defines our approach to both types. Systemic risks are inherent to all processes in our business. These are known risks, which are largely stable, apply Group-wide and are managed through standard policies and procedures. Dynamic risks can impact our business as a result of the market or environment in which we operate. Dynamic risks may change in nature constantly, may be specific to a region, function or period of time, and therefore are managed through bespoke mitigation and response plans.

How we govern risk management

The Board has ultimate responsibility for ensuring that risk is managed across the Group and to assess the risks it is willing to take to achieve the Group's strategic goals. The Board undertakes a formal review of the principal risk footprint at least annually or more frequently if required.

The Audit Committee has delegated responsibility from the Board and considers risk management, internal control, compliance and whistleblowing at every meeting. By continuously reviewing, assessing and challenging iPOM and the control framework, the Audit Committee monitors the risk appetite and culture which is embedded throughout the Group. The Committee chair reports to the Board after each meeting to ensure full oversight of the risks within the Group's operations. Further information on work of the Audit Committee can be found on pages 57 to 60.

Risk management governance structure



Risk management in action

The Group iPOM Committee has responsibility for operational risk oversight. Chaired by the Group Chief Executive, the constituent members are the Chief Financial Officer, Chief Human Resources Officer, Group General Counsel, Group Audit Director and Group Head of Corporate Assurance.

The Group iPOM Committee meets a minimum of six times a year to manage oversight of systemic and dynamic risks, at Group level and throughout the markets.

The remit of the iPOM Committee is broad, but its core focus areas are to ensure:

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

The Market iPOM Committees are the representative of iPOM in each of our markets. Operating under standard terms of reference, and aligned with the Group, the network of Market iPOM Committees helps to ensure a coherent approach to risk management and a consistent flow of risk information across the Group.

Tools and techniques

The Group uses an online risk management and reporting solution to monitor both its systemic and dynamic risks (and associated action plans) at Group level and at market level. This, along with the iPOM risk management dashboard (reviewed at both Group and Market level) ensures the correct focus on risk management and mitigation at all management levels of the business.

Risk ownership

In order to best address the risks we face, we categorise our risks into eight risk categories. Each category has a defined owner who assumes operational responsibility for managing the risks in that area and reporting to the Group iPOM and Audit Committees.

Strategic

Risk Category	Key
Strategic, including competitor and consumer	
Economic, Political and Environmental	
Legal & Regulatory	

Brand & Reputation

Risk Category	Key
Brand Partners, Key Relationships & Reputation	

Operational

Risk Category	Key
Systems and Technology	
People, including EH&S	

Finance

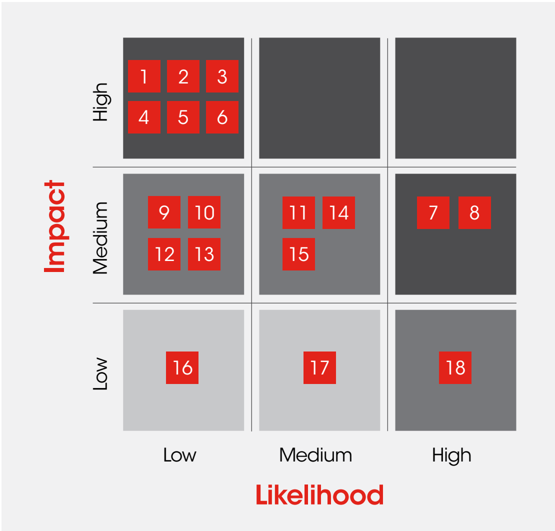
Risk Category	Key
Tax, Pensions & Insurance	
Finance & Treasury	

Principal risks

Balancing performance and conformance means that we continuously strive to seize opportunities to create value but remain safe in the knowledge we have the ability to manage risks and protect the value we create.

The principal risks to achieving our strategy are:

1	Loss of distribution contract with major OEM partner
2	Significant retrenchment of credit available to customers, dealer network or Inchcape plc
3	Brand failure globally
4	Major interruption to OEM partner operations or product
5	Major loss of confidential or sensitive data
6	Failure to extract maximum value from acquisition strategy
7	Growth in new routes to market and methods of engaging the customer
8	Increasing demands (and capability) from our OEM partners for direct ownership of customer data restricts our ability to drive demand/margin
9	Non-compliance with dynamic changes in the regulatory environment
10	Interruption to iPOWER or major systems failure
11	Failure to attract, retain and develop our people
12	Failure to safeguard our customers and employees by not consistently applying EH&S standards across the Group.
13	Structural re-organisation strategy towards shared service centres increases the number of single points of failure
14	Internal controls failure sufficient to affect reputation
15	Individual governments increasing restrictions on cross border currency movements leads to higher incidents of trapped cash across the Group
16	Dynamic changes in local or international tax rules (e.g. changes to transfer pricing rules as a result of the OECD's Base Erosion and Profit Shifting Initiative)
17	Social, political and regulatory instability in Russia and the surrounding region
18	Changes in legislation directly affect customer demand



Principal risk footprint

The Group's risk footprint comprises the most pressing risks that would cause the most damage to the reputation or financial strength of the Company if they are not effectively evaluated, understood and managed. The risk footprint is distilled from Group-wide risk registers and is regularly reviewed by the Executive Committee, the iPOM Committee and the Board.

For management purposes, each of the principal risks on the risk footprint is broken down into the underlying 'causal factors' and specific action plans built against each of these factors according to the established '3 lines of defence' model.

The key risks, which are given in detail below and on pages 42 and 43, are principal risks which are regarded as the highest priority and therefore of particular focus. A similar evaluation exists for the remaining constituent risks on the footprint.

Additionally, we recognise, and are actively managing, further risks identified by our comprehensive risk management process, but these are deemed less material than the 18 principal risk factors noted on the footprint. We understand there are additional risks not currently known to management and we continuously improve our iPOM processes to identify, evaluate and mitigate these risks.

Key risks

1. Loss of distribution contract with major OEM partner

Causal factors	Impact	Mitigating activity
Distribution and Retail contracts are fundamental to our business model. Although our brand diversification strategy is designed to mitigate this risk, an event which leads to any of these contracts being cancelled, or not renewed, will have a significant long-term impact to revenue and profit. These causal factors could include but are not limited to: • Major fraud, bribery, data security or other systemic compliance failure. • Consistent failure to deliver to targets or standards in major markets or across multiple markets. • Failure to deliver value proposition to OEM partners. • Failure to deliver on growth strategy or defend our business model against new entrants. • Failure to connect with customers through social media.	Loss of significant contribution to revenue and profit. Significant impact to reputation. Cost of business interruption/ closure and staff termination costs.	• High quality operational, commercial and digital standards with multi channel assessments. • In depth, regular performance reporting and business performance reviews. • Clear compliance and risk management framework in place (including Minimum Control Framework) to address compliance issues. • Strong anti-fraud procedures including ethics and compliance hotline. • Dedicated in-house business development function oversees M&A and strategic direction. • Connected customers a core element of strategic direction.

2. Significant retrenchment of credit available to customers, dealer network or Inchcape plc

Causal factors	Impact	Mitigating activity
Another economic crash may lead to a significant constriction in global liquidity, so that funding is unavailable to the Group, floor plan financing disappears and customer credit dries up. New vehicle sales volumes rely on our customers, (both end users and dealers) being able to access affordable credit lines. Credit availability globally, whilst improving, remains uncertain and a significant retrenchment would adversely impact New vehicle volumes. Underlying factors include: • Difficulty in securing credit for customers and floor plan financing. • Funding unavailable, or unaffordable for the Group.	Adverse impact on retail volumes. Dealers unable to finance inventory, impacting distribution volumes.	• Maintenance of accounts with relationship banks. • Continuous monitoring of credit lines to customers and independent dealer network. • Close management of credit extended to independent dealer network including short-term support where needed. • Cash reserves maintained. • Headroom funding model to monitor cash flow.

3. Brand failure globally

Causal factors	Impact	Mitigating activity
A major reputational disaster at one of our OEM partners leads to complete failure of that partner. For example, a major recall or similar event causes loss of product reputation and severe drop off in customer demand. An event of sufficient significance could also affect the reputation of our brand partners to the extent that viability of that brand is affected.	Loss of reputation of product leading to significantly reduced demand. Loss of company reputation leading to failure of OEM partner.	• Internal monitoring process and response plan for major incidents. • Brand diversification strategy. • Monitoring procedures to anticipate product recalls and quality issues.

4. Major interruption to OEM partner operations or product reputation

Causal factors	Impact	Mitigating activity
Our relationships with our OEM partners are crucial to our business model. Interruptions to this supply chain, or an event which adversely impacts the reputation of the products we sell could have a knock on effect on our revenues, margins or reputation. Specific incidents could include: • Damage to product reputation in light of product recalls. • Significant failure in the supply chain for key components or products.	Adverse impact on supply of inventory. Adverse effect on volumes, margin and reputation.	• Monitoring of product recall events and continuous liaison with brand partners regarding quality/competitiveness of product lineup. • Diversification of suppliers where possible. • Incident response and business continuity plan in place. • Lobbying and communication with OEM partners regarding competitiveness of models.

5. Major loss of confidential or sensitive data

Causal factors	Impact	Mitigating activity
As a business we hold a large amount of confidential data pertaining to ourselves, as well as our customers and OEM partners. Whilst we only hold and use this data for the purposes of continuously improving the customer experience we recognise our responsibility to protect this information and preserve its integrity. Failure to protect confidential or sensitive data, whether held electronically or otherwise, could result in significant operational and reputational damage.	Impact on customer relationship and erosion of reputation. Adverse financial impact as a result of fines and sanctions.	• Clearly understood data protection standards and processes. • Global cyber security steering committee in place. • Information assets defined and security controls benchmarked to ensure best practice. • Clear IT security policies and procedures. • ITGC minimum standards developed and implemented.

6. Failure to extract maximum value from acquisition strategy

Causal factors	Impact	Mitigating activity
Inchcape complements its organic growth agenda by pursuing inorganic growth through acquisition. Failure to identify and acquire the right targets, and efficiently integrate new businesses into our operation will adversely impact our ability to recognise the synergies and benefits from those acquisitions.	Inefficient or ineffective use of capital. Lost revenue opportunities. Adverse impact on control environment.	• Internal Group strategy team run acquisition process. • Central synergy plan developed to inform business development activity and due diligence. • Detailed acquisition planning. • Due diligence performed in advance on all acquisitions. • Post acquisition reviews and detailed integration processes.

7. Growth in new routes to market and methods of engaging the customer

Causal factors	Impact	Mitigating activity
The growth of online platforms to interact with customers presents in equal terms real opportunity to improve the customer offering, whilst at the same time presenting new risks around data protection, maintenance of standards and customer engagement through, for example, social media. Over the longer time horizon, major new competitors are likely to enter the market as the lines between automotive and technology become ever more blurred, threatening the existing retail model.	Volume and margin are adversely impacted across our markets. Adverse impact on value of retail sites.	• Connected customer a core part of strategy, including controlled use of social media as a communications channel. • Business performance reviews and regular margin monitoring. • Continue to closely monitor developments in new technologies. • Review investment opportunities in non-traditional automotive markets.

8. Increasing demands from brand partners for direct ownership of data (e.g. connected customer) restricts our ability to drive demand/margin

Causal factors	Impact	Mitigating activity
In the current connected environment there is an increasing trend from our brand partners to have both the appetite and the capability to reach out to our customer base directly, in effect bypassing the relationship between the retailer and even the distributor in favour of a direct relationship with the brand partner. The objective is to drive efficiency across their network. However, this may reduce the quality and intensity of the relationship that we as an intermediary hold with our customers and impact our ability to drive demand and margin through CRM.	Changing attitudes to vehicle ownership affect New vehicle sales into the long term. Reduced ability to drive demand/margin. Loss of customer relationships and possibly reduction in loyalty.	• Continuous review of operating procedures and commercial offering to ensure potential is maximised. • Continuing dialogue with OEM partners to build awareness of the commercial benefit of our involvement in the process.

Viability statement

The Board has assessed the prospects of the Company over a longer period than 12 months when considering going concern. This longer-term assessment supports the Board's statements on both viability, as set out in this section of the Annual Report, and going concern statement made on page 79.

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

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

The Board has prioritised a subset of these principal risks for the purposes of assessing the longer-term viability of the Group. The three risks modelled for the purpose are the loss of a major OEM distribution contract globally; the global collapse of an OEM partner; and a systemic loss of global credit and liquidity impacting both the Group's access to inventory and financing and our customers' ability to finance vehicle purchases. Sensitivity analysis is undertaken to stress-test the resilience of the Group and its business model.

Whilst the Board has no reason to believe that the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability based on the risk and sensitivity analysis is the three-year period to December 2018.

The key assumption underpinning our ongoing viability is the continuation of our relationships with our OEM partners. The Board believes that whilst some OEM contracts may be less than three years, it is reasonable to expect that, over a three-year time horizon, a sufficient number of contracts will have been renewed or replaced such that the Company will continue in viable operation.

On the basis of an assessment of the principal risks, and on the assumption that the principal risks set out on pages 40 to 43 are managed and mitigated in the ways described and based on the Board's review of the strategic plan and the results of the sensitivity analysis undertaken, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

MAKING A POSITIVE DIFFERENCE CORPORATE RESPONSIBILITY

At Inchcape we take our Corporate Responsibility (CR) very seriously; acting responsibly towards the communities and environments in which we work, and towards individuals and society in general. For more than 170 years we have believed that our business is about more than just the bottom line.

We are now evolving our CR strategy and aligning it with our strategic objectives, focusing on where we can make the most positive impact for our stakeholders and society. This will build on the progress we made in 2015 across the five CR metrics through which we monitor our activity: developing our People; improving Customer experiences; working with innovative OEM Partners; supporting local Communities; and managing our impact on the Environment.

CR is governed through the Corporate Responsibility Committee, which meets twice yearly and is served by a central CR operational team and a network of CR Champions across our 26 markets. The CR Committee is attended by Ken Hanna, Chairman, Coline McConville, Non-Executive Director, Stefan Bomhard, Group Chief Executive Officer, and Alison Clarke, Chief Human Resources Officer, reflecting its importance to the business.

As we focus on growing the business over the coming years, the contribution of CR will become increasingly important; we will strive to be at the forefront of progress, innovation and stewardship in corporate responsibility – it is an integral part of Inchcape.

TILL VESTRING
Chair of the CR Committee

Developing our PEOPLE

Inchcape's employees are its most valuable asset; it is the talent and dedication of our people that delivers the Group's results, year after year. The four pillars of our people engagement strategy, Right People, Right Learning, Right Reward and Right Culture, have been developed to ensure that as a company we value and nurture this most important resource.

The Right People – recruiting and retaining talented people, who understand their role in delivering outstanding results.

Talent planning and performance management sit at the heart of our people strategy, as we look to ensure that we have the Right People in every role. Whilst there are continuous processes in place, we also have a more detailed review and planning session in each market and head office, at least once a year.

Our employee base is diverse and reflects the different cultures and markets in which we operate. As a global business we are able to provide our people with the opportunity to gain experience in different countries, encouraging personal development and growth for many of our colleagues. We recognise that the growth and development of our people directly affects the growth and success of our Company. By actively encouraging this level of engagement across all markets, we not only attract, but also retain the best talent.

The Right Learning – enabling our people to deliver the Company's objectives by providing the right training and development.

As an example, Inchcape Hong Kong has introduced a new training scheme to encourage young people to embark upon a career in Aftersales. This professional development scheme provides soft skills training, career advice and mentoring. New recruits are attracted through targeted digital platforms, such as YouTube and Facebook, with successful apprentices being recognised for their achievements at the end of their placement.

We are passionate about sharing our expertise with fellow colleagues, and with the wider communities in which we work. Our Hong Kong operation has also worked with the Toyota Technical Education Program (T-TEP) in partnership with selected secondary schools in Hong Kong since 1995, offering subsidies, teaching facilities, modern teaching equipment and tools to improve routes to employment in the auto industry for young people.

The Right Reward – celebrating success and the contribution of our people, at every level, in every market, and ensuring that they are rewarded for their commitment and expertise.

We recognise, celebrate and reward the contribution our people and teams make to deliver our challenging business ambitions.

Our rewards policy recognises excellent personal performance and the special contribution that employees of all levels make to the business. Recognition programmes, such as 'Leading Lights' in our UK Retail business, make it easy to identify and reward precisely those contributions that we, our partners and customers all value so highly.

In addition to market-competitive salaries, we also provide a suite of employee advantages, from discounted car purchase and services, to medical cover and volunteer days. This contributes towards making Inchcape a Right Reward culture.

The Right Culture – creating an exciting and engaging place to work, where people are treated with respect and look forward to making a difference each day.

Communication with our colleagues is maintained through regular multi-channel dialogue, enabling a flow of information via a number of channels, disseminated through 'town hall' meetings, line manager briefings, newsletters, our intranet and colleague events.

In our China business, for example, town hall meetings are held to enable all staff to contribute ideas and feedback. Allied to family days, community activities and sports days, this has contributed to 100% participation in staff surveys and constant year-on-year rises in staff engagement. In all we do, we ensure that Inchcape remains a great place to work, with zero tolerance of anti-social activities and bullying.

To support the four pillars of our people strategy, we use individual development plans, talent reviews and succession planning, ensuring that managers are equipped to build, maintain and develop expert teams of professionals in every field. We have run engagement surveys (known as Heartbeat) every year since 2007, which give every employee the opportunity to feed back on their experience as an Inchcape colleague. Line managers use the results of the survey to create action plans that respond to challenges and improve employee engagement.

We are very proud that Inchcape UK has been named one of The Sunday Times' 'Top 25 Best Companies to Work for' for three consecutive years and in Hong Kong, we have won awards for both Employer of Choice and Employee Engagement.

Human rights

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

Improving CUSTOMER experiences

Across all our markets, we set out to build long-term relationships with our customers and we encourage their feedback in order to continually improve on the experiences they have with us, online, over the phone or in person.

We receive hundreds of complimentary letters, emails and calls from customers each year and feature one every week in our 'Voice of the Customer' email which is received by all our employees, across all 26 markets every Monday morning. We were also delighted to receive several awards in 2015 for our Customer focus and very proud that Inchcape Fleet Solutions (IFS) was awarded the ServiceMark Accreditation from the Institute of Customer Service, the UK's professional body for customer service. IFS was awarded in recognition of the work their customer service teams do every day to ensure all customers receive the highest level of customer service; from the moment of enquiry, right through to the delivery of products/services, the provision of Aftersales care and support together with the successful resolution of any issues raised.

In 2015, we carried out over 5,000 mystery shop exercises and conducted over 16,000 customer interviews. This helps us gauge their satisfaction and needs, report on our current performance and pick out examples of extraordinary commitment. Further insights are sourced by tracking data, efficiency and customer trends across our 140 websites.

Around the world, good service is no longer considered a differentiator. It has become a necessity. Our ability to impress customers extends beyond the sale. Wherever they are in the ownership lifecycle, car owners demand constant care.

That's why, in 2015 we kicked off the Connected Customer 1st (CC1) programme which has since become the foundation of our Leading in Customer Experience driver. We developed the programme to build on our insights into the customer journey and create stand-out experiences for our customers in an ever moving omnichannel world. Customer research began in 2015 in several of our markets and will continue in 2016, leveraging our global scale and presence across the globe.

Working with innovative PARTNERS

As a Retailer and Distributor, we form successful relationships with the best car brands in the world. We aim to share best practice, learning from our OEM partners whilst passing on our own experience and expertise. This example of good corporate responsibility is often measured through the accolades passed on to us by the manufacturers. Sometimes it is the superb example set by an individual that makes all the difference.

In 2015, we were delighted to receive several awards from our OEM partners – testament to the passion our colleagues across the world have for the brands they represent. A few of those awards are listed below. Further details of these and many other accolades, can be found on the Inchcape News section of our website.

- Crown Motors Limited, Inchcape's subsidiary business in Hong Kong, was awarded the prestigious Outstanding Customer Service Award by the Toyota Motor Corporation for the eighth consecutive year and won the Toyota Triple Crown Award for the 24th consecutive year.
- NBT Brunei also won the Toyota Triple Crown Award Customer Service Excellence Award for the 7th consecutive year.
- For the second year running, Inchcape Volvo Musa Motors in Moscow was awarded the title of 'Best Volvo Dealer'.
- Our Lexus Guildford site won Centre of the Year Award for the third time and Porsche Bournemouth won the Total 911 magazine award, having been shortlisted in the category by the publication's readers.

- At the 2015 Annual BMW/MINI awards gala, Inchcape Motors Poland was recognised in three categories: F&I Dealer of the Year, BMW Dealer of the Year and MINI Dealer of the Year.

Working with innovative and supportive brand partners allows us to also focus our corporate responsibility on our immediate environment. In September 2015, BMW/MINI in Reading officially unveiled its new centre at a special customer launch event which featured over 400 guests and a host of activities, from driving simulators to a win a car competition. Now the biggest BMW/MINI retail centre in the UK, the innovative new site is spread over three storeys and delivers exceptional levels of customer service and includes a wealth of environmentally friendly features. The building, amongst many other elements, includes: water recycling, solar panels, waste recycling, cycle parking, Bat and Bird boxes, Green Guide rated finishes and energy efficient fittings. BREEAM, the world's longest established method of assessing and certifying the sustainability of buildings, has given the state-of-the art retail centre a rating of 'very good'.

Success is not just about working well with our OEM partners. We have been equally proud of partnerships with regulatory bodies. The Ethiopian Revenues & Customs Authority, for example, made a special award to our MOENCO business for its exemplary Tax and Duty compliance.

Supporting local COMMUNITIES

Support for local communities is where we can most clearly demonstrate our positive impact on society. Across 26 markets we aim to think globally but integrate locally, participating actively in the communities in which we operate.

Our approach has always been to encourage our people to support their local communities in the most appropriate way. This employee centric approach ensures that the people with the best local insight can direct how the Company makes its contribution and we have highlighted some of the work that we have been undertaking in our communities in this report.

CASE STUDY

Rock climbing with the Singapore Children's Society

In December 2015, colleagues from Inchcape Singapore embarked on an activity to add a little joy to the lives of under-privileged children from the Singapore Children's Society.

Inchcape Singapore have supported the Singapore Children's Society over many years and last year decided to fulfil the children's Christmas wish with a rock-climbing activity. To kick start the event, Mr. Victor Tan, Director of Infrastructure Development and Facilities, welcomed the children and presented a cheque of SIN$1,000 to the Singapore Children's Society. The rock climbing activity was a memorable event and a wonderful day for everyone present.

CASE STUDY

Mother and Child Rehabilitation Centre in Ethiopia

Inchcape has supported the Mother and Child Rehabilitation Centre (MCRC) in Ethiopia since 2002. This amazing charity, run by Jutta de Muynck, the wife of Chris de Muynck, Managing Director of our Ethiopian business, takes in disadvantaged children from Addis Ababa and beyond, providing food, shelter, education, medical care and therapy for the children and their parents. MCRC aims to help them recover from past traumas and equip them through employment and personal training with the means to be independent and successful in the future.

CASE STUDY

Atkins Kroll, Care Saipan Fund

The island of Saipan in the Northern Pacific was badly hit by Typhoon Soudelour in August 2015, damaging homes and businesses and leaving the island without water or electricity. An Atkins Kroll (AK) Care Saipan fund was immediately set up with the Inchcape Group donating US$20,000 to kick off the fundraising efforts,

AK employees' and volunteers worked together to collect, wrap and pack relief supplies for 62 fellow colleagues and their families. Food, cooking fuel, mosquito coils, flashlights, candles, household goods, personal care products, gas containers as well as linens and hand towels were sorted and packed into a 24-foot container.

AK Saipan also provided the charity and the military with additional vehicles and set up a shelter and provided hardship payments for colleagues affected. They provided emergency transport for customers, who also received discounts on car repair bills and advantageous prices on damaged stock.

CASE STUDY

Inchcape Australia – The Big Issue and the power of passion

In April 2015, over 40 of Inchcape Australia's (IAL) Senior Leaders gathered in offices in Sydney to hear of one organisation's vision to help homeless, marginalised and disadvantaged people positively change their lives. The Big Issue magazine is found in a number of countries but in Sydney, IAL leaders heard how being clear on why you exist and the vision which drives you can help you achieve amazing things.

IAL leaders took on the Big Issue Challenge to sell magazines on the street in downtown Sydney, applying their sales and networking skills to raise money. Over four hours, through sales on the street and networking online, the IAL team managed to raise nearly AUS$10,000!

CASE STUDY

Technician from Inchcape UK puts his volunteer days to good use.

Andy Smith from Audi Macclesfield has a passion for martial arts and decided to put his volunteer day to good use by teaching self defence to young adults with learning disabilities. Andy has been training in martial arts for 33 years and teaching for over 10.

Thanks to the Inchcape in the Community scheme and his bosses at Macclesfield Audi, Andy was given two half days off to be able to deliver two self defence sessions to young adults with learning disabilities. The Looking Forward Activities Group provides fun activities and life skills for young adults with a wide range of learning disabilities. Andy held two sessions and both groups were very enthusiastic and had great fun learning a wide range of simple self defence techniques.

Managing our impact on the ENVIRONMENT

As a Retailer and Distributor, Inchcape has no manufacturing footprint to minimise, however we collect data for all material emissions for which we deem ourselves to be responsible and look to seek ways in which to minimise our footprint.

Data is collected for three key performance indicators:

- Energy – our global electricity and gas usage.
- Transport – Movement of cars and parts from the point of ownership (which means legal and contractual ownership) to the point we cease to have legal ownership. This includes customer test drives.
- Business travel – the movement of our people.

Methodology

The methodology used to calculate the Group's greenhouse gas emissions is based on the Environmental Reporting Guidelines, including mandatory guidance (June 2013) issued by the Department for Environment, Food and Rural Affairs (DEFRA) and includes DEFRA's 2015 conversion factors.

Data collection and reporting period

Data has been collected for all markets from 1 January 2015 to 31 December 2015.

The level at which we report is by business unit for each market. This covers our retail operations, distribution operations and business service operations.

We have reported on all material emissions for which we deem ourselves to be responsible and which fall within our operational and control boundaries.

Scope	Description
Scope 1 (direct emissions)	Transport of vehicles and parts including test drives
Scope 2 (energy indirect)	Electricity and gas used by the Group's operations
Scope 3 (other indirect)	Employees' business travel by air, car or train

Intensity ratio

The Group's intensity ratio is revenue per tonne of CO_2. This allows for a fair comparison over time of CO_2 emissions, given the growth trajectory envisaged by the Company and cyclical variations in business activity.

Total greenhouse gas emissions 2015

Our growth in revenue at constant currency exceeded that in emissions and the Group's intensity ratio improved by 2.4%. However, the Group's CO_2 emissions increased by 5.2%, primarily driven by New vehicle sales growth which resulted in higher emissions from transportation of vehicles. In our largest market for New vehicle orders, Australia, we were required to source some vehicles from alternative ports, contributing to the increase in CO_2 emissions. This was offset, however, by improved control of electricity consumption, despite increased business activity, and a reduction in business travel.

	Tonnes of CO_2e	
Emissions from:	**FY 2015**	FY 2014
Combustion of fuel and operation of facilities	**73,107**	66,713
Electricity, heat, steam and cooling purchased for own use	**74,832**	73,855
Total footprint	**147,939**	140,568
Intensity ratio: £k per tonne of CO_2	**46**	45

Intensity ratio is calculated using revenue at constant currency (as in the 2014 Annual Report).

The 2014 figure has been adjusted following the receipt of final year emissions figures from selected markets, that were received after publication of the 2014 Annual Report. The revised 2014 figure is approx. 2% higher.

BOARD OF DIRECTORS DRIVEN BY TRUST

Standing, left to right

Till Vestring, Nigel Northridge, John McConnell, Alison Cooper, Nigel Stein, John Langston

Seated, left to right

Stefan Bomhard, Ken Hanna, Coline McConville

Biographies on page 50

1 Ken Hanna

Chairman

Appointment to Board:

September 2001

Skills and experience:

Prior to becoming Chairman, Ken was an Executive Director and Chief Financial Officer of Cadbury plc. He was previously a Partner of Compass Partners International and Group Finance Director and Chief Executive of Dalgety plc. He has previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker.

Other appointments:

Chairman of Aggreko plc

Other past appointments:

Non-Executive Director and Chairman of the Audit Committee of Tesco plc

Committee membership:

Chair of the Nominations Committee and a member of the Remuneration and CR Committees.

2 Stefan Bomhard

Group Chief Executive

Appointment to Board:

April 2015

Skills and experience:

Before joining Inchcape, Stefan was President of Bacardi Limited's European region and was also responsible for Bacardi's Global commercial organisation and Global Travel Retail.

He served as Chief Commercial Officer of Cadbury plc, Chief Operating Officer of Foodsolutions, Europe, a division of Unilever plc, together with general management, retail and franchise experience at Diageo, (Burger King) and Procter & Gamble.

3 John McConnell

Group Finance Director

Appointment to Board:

October 2009

Skills and experience:

John was appointed as Group Finance Director in October 2009, having worked with the Group since 1999. John joined Inchcape Australasia as Chief Financial Officer before moving to the role of Chief Executive Officer of Australasia.

Other appointments:

Non-Executive Director of UBM plc

4 Alison Cooper

Non-Executive Director

Appointment to Board:

July 2009

Skills and experience:

Alison is Chief Executive of Imperial Brands PLC.

Alison joined Imperial Tobacco in 1999 and through a number of senior roles has contributed significantly to the international expansion. She was appointed as Chief Executive in May 2010 and since her appointment she has led the development and implementation of Imperial Tobacco's sustainable growth strategy.

Alison is a Chartered Accountant and was previously with PricewaterhouseCoopers LLP.

Committee membership:

Member of the Audit and Nominations Committees.

5 John Langston

Non-Executive Director

Appointment to Board:

August 2013

Skills and experience:

John was formerly Finance Director of Smiths Group plc, having been a member of the Board since 2000. John held a number of senior commercial positions at Smiths Group including Group Managing Director of the Speciality Engineering division and the Detection and Sealing Solutions divisions.

John is a Chartered Accountant.

Other appointments:

Non-Executive Director and Chairman of the Audit Committee of Rexam PLC.

Committee membership:

Chair of the Audit Committee and member of the Nominations Committee.

6 Coline McConville

Non-Executive Director

Appointment to Board:

June 2014

Skills and experience:

Coline spent 10 years with Clear Channel International Limited where she was Chief Executive Officer – Europe, from 2003 to 2006, having previously been Group Development Director and Chief Operating Officer. Coline began her career in management consultancy, working with both McKinsey & Co and LEK Partnership.

Other appointments:

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

Other past appointments:

Non-Executive Director and Chair of the Remuneration Committee of TUI Travel plc and Non-Executive Director of Wembley Stadium, Shed Media plc and HBOS plc.

Committee membership:

Chair of the Remuneration Committee from January 2016 and a member of the CR and Nominations Committees.

7 Nigel Northridge

Senior Independent Director

Appointment to Board:

July 2009

Skills and experience:

Nigel spent 32 years with Gallaher Group plc in sales and marketing roles before becoming the Group Chief Executive in 2000.

Other appointments:

Chairman of Debenhams plc and Hogg Robinson plc.

Nigel will step down as Chairman of Debenhams plc in April 2016.

Other past appointments:

Chairman of Paddy Power plc and Non-Executive Director of Aer Lingus plc, Thomas Cook plc and Agrekko plc

Committee membership:

Chair of the Remuneration Committee until December 2015 and a member of the Audit and Nominations Committee.

8 Nigel Stein

Non-Executive Director

Appointment to Board:

October 2015

Skills and experience:

Nigel was appointed Chief Executive of GKN plc in January 2012 and has previously held a range of commercial, general management and finance roles at GKN, including Group Finance Director and Chief Executive Automotive.

He is a member of the Institute of Chartered Accountants of Scotland.

Other appointments:

Chairman of the UK Automotive Council.

Other past appointments:

Non-Executive Director of Wolseley plc.

Committee membership:

Member of the Audit and Nominations Committees.

9 Till Vestring

Non-Executive Director

Appointment to Board:

September 2011

Skills and experience:

Till is Senior Partner of Bain & Company South East Asia. Till has a 25 year career at Bain & Company of which the last 20 were spent in Asia with postings in Sydney, Hong Kong, Tokyo and Singapore.

He has served as head of Bain's Automotive & Industrial Practice in Asia, Managing Partner for South East Asia, as well as on Bain's global Partner Nomination & Compensation Committee.

He has extensive experience advising multinationals on growth strategy across Asia as well as advising leading Asian companies on strategy, M&A and organisation.

Other appointments:

Non-Executive Director of Keppel Corporation

Committee membership:

Chair of the CR Committee and a member of the Remuneration and Nominations Committees.

CORPORATE GOVERNANCE REPORT
A DISCIPLINED APPROACH

KEN HANNA
Chairman

Dear Shareholder

It is the tone set by the Board and the values within the organisation that create a culture in which the business can thrive and create long-term shareholder value. The culture is underpinned by a disciplined approach to governance throughout the Group, starting at Board level.

It is the Board's role to support the Executive Directors in defining the Group's strategy and it is here that the knowledge, skills and experience of Board members is key to enhancing the quality of the strategic proposals. The Board considered and approved the new strategic agenda, as set out on pages 20 to 26, and is fully supportive of the strategic objectives and of Stefan and his team's ability to deliver. In order to effectively monitor implementation and progress, the strategic objectives have been added to the 2016 Board agenda to enable the Board to review each objective in detail throughout the year.

As previously mentioned, it is vital to get the right composition of Directors for the Board in order to enhance the delivery of the Group's strategic objectives and I believe it is a testament to our good governance practices that we have been able to deal with the changes to the Board during the year appropriately. All aspects of governance come under scrutiny during times of change and I am pleased the succession planning process, which is firmly embedded at Board level, has enabled the Nominations Committee to act effectively.

The recruitment process for Stefan Bomhard was finalised in January 2015 and was reported to shareholders in last year's Annual Report. Stefan joined the Group on 1 April 2015 and his statement on pages 20 to 26 sets out his experiences in his first year of office and his vision for the future of the Group. As stated in my statement on pages 18 to 19, John McConnell left the Group on 26 February after 16 years' service. Richard Howes will become Chief Financial Officer on 11 April 2016. Following the departure of Simon Borrows and Vicky Bindra, Nigel Stein was appointed as a Non-Executive Director in October 2015. Details of the recruitment process can be found in the Nominations Committee Report on page 60.

I am also pleased to report that Nigel Northridge became the Senior Independent Director in May 2015.

This year, we have decided to focus the governance report more clearly on the key information to shareholders to encourage clear and concise reporting. As a result, we have moved some of the more routine information on to our website. You will be able to find information on our investor relations diary and the Committee responsibilities at www.inchcape.com/governance, and I hope you find this more concise report useful and informative.

KEN HANNA
Chairman

Statement of Code Compliance

The Company was compliant with the provisions of the 2014 UK Corporate Governance Code throughout the year.

Details of compliance with Code provision C.3.7 are given in the Audit Committee Report on page 57.

The information required under DTR7 is given on pages 52 to 80 and forms part of this Report.

Leadership

The Board of Directors is responsible for the long-term success of the Company, for the benefit of its stakeholders. This is achieved by:

- setting the strategic objectives of the Group;
- ensuring effective systems are in place to manage risk;
- ensuring the Group operates effective controls to minimise risk;
- ensuring that the Group has a strong set of values and standards to which it adheres; and
- ensuring the correct people are in place to run the business and to monitor their performance.

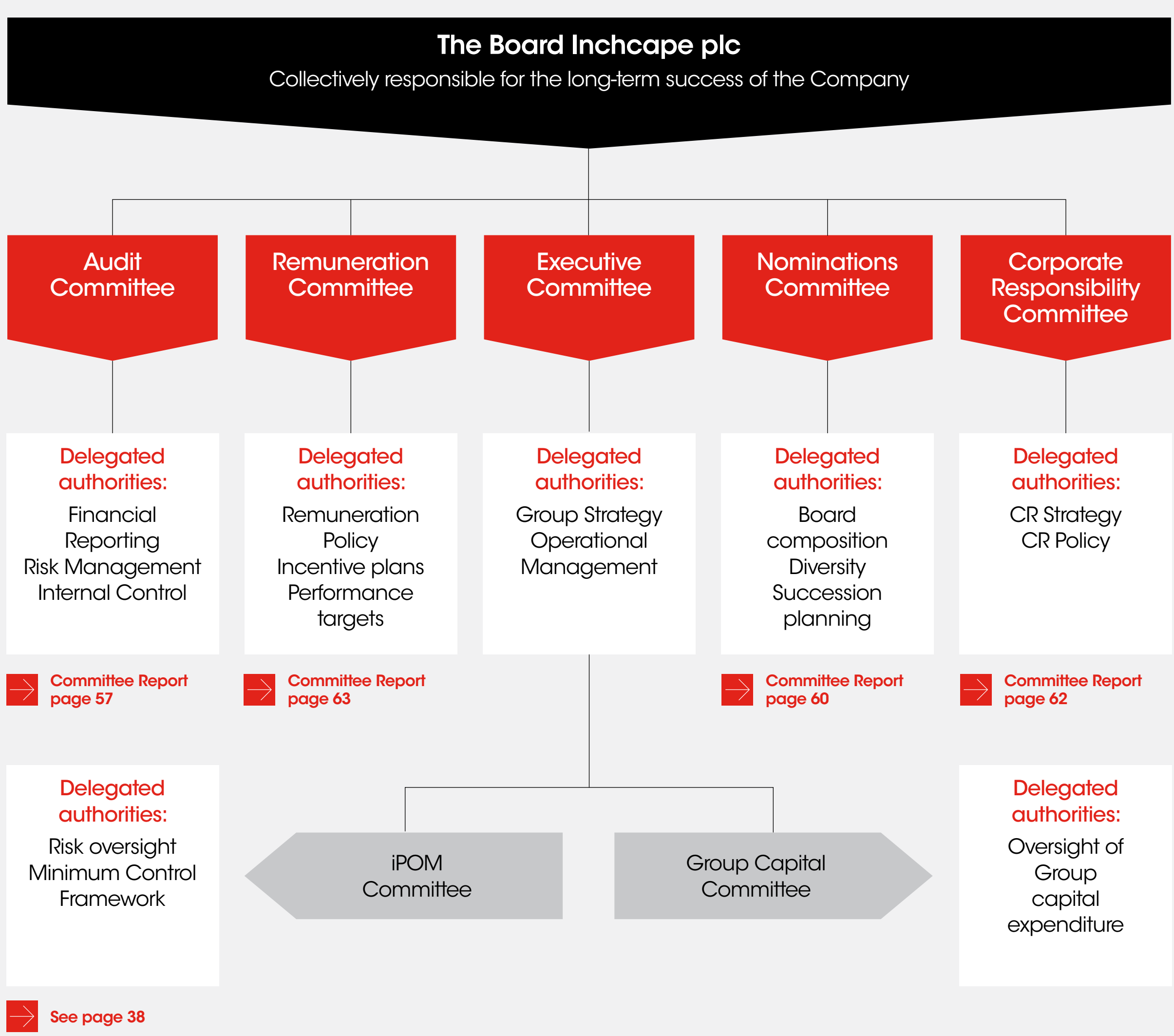
The Board has a schedule of matters reserved for the Board, which can be found at www.inchcape.com/governance.

The Board delegates certain responsibilities to its Committees and the reports can be found on pages 57 to 77. The terms of reference for each Committee can be found at www.inchcape.com/governance.

After each Committee meeting, the chairperson will report to the Board on the business discussed to ensure that all Directors are kept up to date with developments and the decisions being taken. The Committees will also recommend certain matters to the Board for its approval.

The Executive Committee consists of the functional directors and regional chief executives. Their biographies can be found on page 22. The iPOM Committee is the Group's risk committee. Further details of the risk management framework can be found on pages 38 to 43.

Governance structure



Board and Committee meetings

The meetings are structured to allow sufficient time to discuss and review financial and operational performance, progress against objectives and strategy and the assessment of risk and internal controls.

Name	Board Scheduled/Attended	Audit Committee Scheduled/Attended	Remuneration Committee Scheduled/Attended	Nominations Committee Scheduled/Attended	CR Committee Scheduled/Attended
Vicky Bindra	3/3	3/3	–	1/1	1/1
Stefan Bomhard	4/4	–	–	–	1/1
Simon Borrows	2/2	1/1	–	1/1	–
Alison Cooper	5/5	4/4	–	1/2	–
Andre Lacroix	1/1	–	–	–	1/1
Ken Hanna	5/5	4/4	2/2	2/2	2/2
John Langston	5/5	4/4	–	2/2	–
John McConnell	5/5	–	–	-	–
Coline McConville	5/5	–	2/2	2/2	2/2
Nigel Northridge*	5/4	1/0	2/2	2/2	–
Nigel Stein*	2/1	1/0	–	–	–
Till Vestring	5/5	–	2/2	2/2	1/1

* Nigel Northridge and Nigel Stein were unable to attend the November Board and Audit Committee meetings due to prior commitments. Both Directors attended debrief meetings with the Chairman, Group Chief Executive and Group Strategy Director after the meetings.

Roles and responsibilities

In accordance with the Code, the roles of Chairman and Group Chief Executive are separate. With the appointment of a new Group Chief Executive and Senior Independent Director during the year, the roles and responsibilities were reviewed to ensure that they remain appropriate and communicated to the individuals upon appointment.

Non-Executive Directors

The role of the Non-Executive Directors is to bring a wide range of experience, knowledge and skills to the Board, provide independent judgement in discussions and constructively challenge the Executive Directors. The Non-Executive Directors are all considered to be independent for the purposes of the Code. The information on diversity, experience and length of service is given in the biographies on pages 50 to 51. Any term beyond six years is subject to rigorous review.

The Chairman and Non-Executive Directors met without the Executive Directors, and the Senior Independent Director and the Non-Executive Directors met without the Chairman at the meeting in October.

KEN HANNA
Chairman

- To lead an effective Board by providing direction and focus and promoting open and constructive debate.
- Ensuring that Directors receive information that is accurate, relevant and timely.
- Responsibility for composition of the Board to ensure that the members have the right mix of skills, knowledge and experience.
- To chair the Nominations Committee.

STEFAN BOMHARD
Group Chief Executive

- To develop the Group's strategy and business plans for approval by the Board.
- To run the Group's day-to-day operations.
- Report to the Board on performance, implementation of strategy and significant developments.
- To lead the Executive Committee in implementing strategy and managing risk and the internal control framework.
- To regularly engage with shareholders on the Group's activities and progress against objectives.

NIGEL NORTHRIDGE
Senior Independent Director

- To act as a sounding board for the Chairman.
- To serve as an intermediary to other Directors.
- To be available to shareholders, should they have concerns which have not been resolved through normal channels.
- To hold an annual meeting of Non-Executive Directors to evaluate the performance of the Chairman.

Effectiveness

On appointment, Non-Executive Directors receive a letter of appointment setting out the time commitment required and the Company's policy on additional appointments. Details of the composition of the Board, appointments to the Board and the time commitment required are given in the Nominations Committee Report on page 60.

Development

New Directors have a tailored induction programme designed to ensure that they have sufficient knowledge of the business and the context in which it operates. A standard induction would include a site visit either in the UK or overseas and one-to-one meetings with the Executive Committee members and certain key individuals including the Group Company Secretary, Group Financial Controller and Group Audit Director.

In order to ensure that the Non-Executive Directors update their knowledge and skills regularly, training is provided for the Board and individual Directors as required. During the year, external experts are invited to Board meetings to speak on relevant topics to give additional insight and context to the business. At the overseas Board meeting in Athens, the Professor of Economics at Athens University gave a presentation to the Board on the Greek economy giving the Board further insight into the challenges and opportunities faced by the business in that region.

Information and support

The Group Company Secretary is responsible for ensuring that the Board has access to relevant and accurate information.

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

The Group Company Secretary also supports the Board by providing advice and services, including access to independent advice, and ensures that an accurate record of the meeting is taken. If a Director has any concerns about the Company or any of the decisions being taken, this would be recorded in the minutes. No such concerns arose during 2015.

Evaluation

Following the external evaluation in 2014, the Board evaluation for 2015 was facilitated internally by way of a questionnaire which covered oversight responsibilities, Board effectiveness, the performance of the Chairman and the operation and effectiveness of each of the Committees.

The Chairman reviewed the performance of the Non-Executive Directors at one-to-one meetings throughout the year and the performance of the Chairman was discussed by the Non-Executive Directors without the Chairman present, taking into account the views of the Executive Directors.

The results were analysed by the Company Secretary and the findings presented to the Board for its review. The results were very positive and indicated a Board that works well together, in an environment of openness and transparency. All Directors felt they were able to give constructive and valued feedback.

The actions that arose from the evaluation are:

Area of focus	Concern	Action
Succession planning	Concerns regarding talent pipeline	New Group Chief Executive and Chief Human Resources Officer developing an updated people strategy to be approved by the Board and rolled out in 2016
CR Committee	Concerns over direction of CR strategy	New CR Committee chair, Group Chief Executive and Chief Human Resources Officer developing a new strategy to be approved by the Committee and rolled out in 2016

Re-election

In accordance with the Code, all Directors will stand for election or re-election at the Annual General Meeting (AGM) apart from John McConnell who left the Group on 29 February 2016. At the 2015 AGM, shareholders voted to elect or re-elect all Directors.

Accountability

Financial and business reporting

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

The Board is responsible for establishing and maintaining adequate internal controls of regular financial reporting for the Group, including the consolidation process. Internal controls over the financial reporting framework are designed to provide reasonable assurance regarding the reliability of financial reporting as well as the preparation of the financial statements in accordance with IFRS. The Internal Audit team regularly assess the effectiveness of internal controls over financial reporting as well as the preparation of financial statements based on the framework contained in the Turnball guidance and the UK Corporate Governance Code. There have been no significant changes to the control environment and the Board has concluded that the Group's internal system of controls over financial reporting was effective during the year. Further information on the significant issues considered by the Audit Committee during the year are given on pages 58 to 59.

Preparation of consolidated accounts

All data to be consolidated into the Group's financial statements is reviewed thoroughly by management to ensure that it gives a true and fair reflection of the financial position of the Group. The Group has established the following internal controls in relation to the process for preparing consolidated financial statements:

- The Group Finance department, who are responsible for producing the consolidated financial statements, consists of appropriately qualified individuals. Management regularly monitors developments in accounting regulations and considers the impact for the consolidated financial statements.

- For each external reporting period, a set of group reporting instructions are distributed to each market. The local finance teams are required to confirm that they have read and understood all instructions.
- The financial statements of each local market are subject to a review by a local finance manager prior to being submitted to Group Finance.
- The Group Finance function will review the submissions of each market to look for unusual or unexpected items. Any unexplained items are queried with local management. The Group's consolidation, which takes the results of the local markets and makes appropriate adjustments, is reviewed as appropriate by members of the Group Finance team.
- The draft consolidated financial statements are reviewed by a qualified individual independent of the team who prepared them.
- The Audit Committee and the Board review the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditor on significant judgements and other matters of relevance to the financial statements.
- The financial statements of all material local markets are subject to external audit.

Risk management and internal control

The Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The detailed review behind risk assessment and risk footprint is delegated to the Audit Committee and the Group Executive Committee.

The principal risks are built up from a bottom-up review overlaid with a top-down view from the Executive and iPOM Committees. The Executive Committee identifies the key risks and develops mitigation plans for managing those risks. The Audit Committee monitors and challenges the outputs. A description of those risks, an explanation on how they are being managed and mitigated and the Board's viability statement can be found in the Principal Risks report on pages 38 to 43.

The key control processes, described below, enable the Directors to review the effectiveness of the risk management and internal control systems on an ongoing basis:

- Annual Operating Plan (AOP) is reviewed and approved by the Board.
- Monthly actual results are reviewed by management against the AOP and, where appropriate, revised forecasts are presented to the Board.
- Financial information reported to the Board on a monthly basis including cash flow, balance sheet and key performance indicators.
- Key business process and controls are reviewed regularly by Group Internal Audit and the findings are reported to the Audit Committee at each meeting.
- Clearly defined authority limits including capital expenditure approval procedures.
- Bank balances are reviewed daily and cash flows compared with budgets weekly.
- Each business unit is required to implement a rigorous set of internal controls. From 2016, the Chief Executive and Finance Director of each business unit will provide written confirmation, twice yearly, that the effectiveness of the internal control systems has been reviewed, adhered to and remains appropriate.
- Anti-bribery training is in place in all business units and is monitored by the Head of Corporate Assurance.

Further information on the Group's Minimum Control Framework is given in the Audit Committee Report on page 58.

Audit Committee and the auditor

The Board has delegated certain responsibilities to the Audit Committee. The Audit Committee regularly reports to the Board to enable the Directors to assess the effectiveness of risk management and internal control systems and is also responsible for maintaining an appropriate relationship with the Company's auditor. The Audit Committee Report is on pages 57 to 60.

Remuneration

The Board has delegated remuneration matters to the Remuneration Committee. Details of the Company's remuneration policy, how this was implemented during the year and the work of the Remuneration Committee can be found on pages to 63 to 77.

Relations with shareholders

During 2015, the Executive Directors, Chairman and the Investor Relations Director met with approximately 200 institutional investors. The Investor Relations programme includes site visits, roadshows and conferences. The Board receives details of shareholder opinion surveys on a regular basis supplied by an external provider.

The Chairman also meets external shareholders on an ad-hoc basis and the Investor Relations Report which is discussed at each Board meeting updates the Directors on views of shareholders, along with detailed market performance and share price analysis.

Shareholders are also kept up to date with Company performance through regular press releases. These are made available to the London Stock Exchange and on the Company's website. Presentations were held for the Group's annual and half yearly results. These presentations are published on the Company's website. The Board is provided with regular updates on the views raised by the Company's investors.

Constructive use of the AGM

The AGM gives shareholders an opportunity to meet the Board and to ask any questions they have regarding the Group. The Board encourages participation of private shareholders at the AGM, but for those shareholders unable to attend in person, a prepaid reply envelope is sent to enable them to give their views on any issues that may be of concern or interest to them. The Group is committed to reducing its impact on the environment and has recently contacted shareholders to encourage participation in electronic communications to reduce paper and printing usage. Shareholders should always ensure that they receive communications in the form most appropriate for their needs and can change the way they receive information at any time.

AUDIT COMMITTEE REPORT

JOHN LANGSTON
Chair of the Audit Committee

Committee membership

	Meetings attended
John Langston – Chair	4/4
Alison Cooper	4/4
Nigel Northridge (appointed October 2015)*	0/1
Nigel Stein (appointed October 2015)*	0/1

* Nigel Northridge and Nigel Stein were unable to attend the Audit Committee meeting in November due to prior commitments in place before their appointment to the Committee in October.

The role of the Audit Committee

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

The terms of reference setting out the authority and responsibilities of the Committee can be found on the website at www.inchcape.com/governance.

Dear Shareholder

During the year, there have been changes to the Committee membership and, following the departure of Simon Borrows and Vicky Bindra, I am pleased to report that Nigel Northridge and Nigel Stein have become members of the Committee. Their biographies can be found on pages 50 to 51.

In addition to the routine business, as detailed in the following pages, the Committee also continued its review of the Minimum Controls Framework (MCF), which was established to raise and continuously improve controls on the integrity of the financial statements. The Committee conducted a detailed review of the implementation of the new framework in each market including detailed reviews of findings of the Group Internal Audit team where work was based on the new framework. Further details are given on page 58.

Following the publication of FRS 100, 'Application of Financial Reporting Requirements' by the Financial Reporting Council, the financial statements of the parent company, Inchcape plc, for the period ended 31 December 2015 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The Committee also reviewed the cyber security arrangements and will continue to monitor and assess the project during the design and implementation phases to ensure that it is appropriate for the Group's requirements.

Key activities in 2015

- Review of external financial reporting
- Consideration of the effectiveness of the external audit
- Review of the scope of the Audit Plan
- Review of the auditor fees
- Review of risk management and internal control
- Assessment of the cyber security plan

Composition of the Audit Committee

The Committee members are all independent Non-Executive Directors. The Board considers John Langston, Nigel Stein and Alison Cooper to have recent and relevant financial experience. The biographies can be found on pages 50 to 51.

The Chairman, Group Chief Executive, Chief Financial Officer and Group Audit Director also attend the Committee meetings, along with the external auditor. Other senior executives, such as the Group Financial Controller and Group Tax Director, attend during the year to present to the Committee.

Financial reporting

During the year, the Committee reviewed the final and interim results and considered the key audit risks, accounting treatment and judgements identified during the year end audit. The Committee discussed with management how the accounting policies and judgements had been applied and considered the outcomes before recommending approval of the results by the Board. In addition to the significant issues given on pages 58 to 59, the Committee also considered the following matters for the year ended 31 December 2015:

- recognition of deferred tax assets relating to Russia (see note 8 on page 112)
- development in the ongoing Franked Investment Income Group Litigation Order (see note 29 on page 136)

Further information on financial and business reporting and the preparation of the consolidated accounts is given on pages 55 to 56.

Significant issues

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

Area of focus	Committee response	
Manufacturers' bonus	Actions taken in relation to the issue	Management prepared a detailed review of the total amount of manufacturers' bonuses received during the full year 2014, the amount accrued as earned but not yet paid at 31 December 2014 and the amount subsequently received during the first quarter of 2015. A similar review was prepared for bonuses paid by Inchcape Distribution companies to third party retail networks. In both cases, it was demonstrated that the amount accrued at 31 December 2014 was materially received (or paid) within the first quarter of 2015.
	Conclusions reached by the Committee	The Committee concluded that the bonus accruals booked in the 2014 Accounts were objective and accurate and that the amounts were materially received during the first quarter of 2015. On this basis, and given that there have been no material changes to bonus accounting policies, the Committee concluded that it was satisfied with the 2015 manufacturers' bonus accruals included within these accounts.
	Rationale for the Committee's conclusion	The majority of bonus payments are quarterly with limited annual bonuses in place. Typically, incentives are paid quarterly based on the delivery of qualifying conditions such as customer metrics or brand presentation, and the timing of accruals follows the mechanics of earning the bonus payments once we have reasonable confidence of delivery. Where annual bonuses exist, they are mainly non-judgemental and volume-related in nature.
Impairment of goodwill (see note 11 to the financial statements on page 115)	Actions taken in relation to the issue	Management prepared a detailed impairment review of the goodwill in the Group for both the half and full year accounts with specific focus on the business in Russia. The Committee challenged the methodology and sensitivity analysis used by management. The Committee also considered the independent review by the external auditor.
	Conclusions reached by the Committee	The Committee concluded that the impairment recommended by management was appropriate. The Committee concluded that it was appropriate to take a £49.5m non-cash exceptional impairment to write off the full value of goodwill in our Russian business. As a result, the Committee concluded that the goodwill carrying amounts shown in note 11 on pages 115 to 116 of the financial statements were appropriate and it approved the disclosures.
	Rationale for the Committee's conclusion	Given the macro-economic uncertainty in Russia, and despite delivering share gain and improved vehicle margins, the Committee concluded that the slower than anticipated market recovery means that the estimated recoverable value in Russia at year end no longer supported the goodwill associated with the Russian business.
Pension (see note 5 to the financial statements on page 105)	Actions taken in relation to the issue	Management, with advice from its actuaries, has updated the year end pension valuations to 31 December. During the year, the trustees of the TKM pension scheme concluded a transaction with Aviva whereby the assets of the scheme were invested in a bulk purchase annuity contract that matched the liabilities of the scheme (the TKM transaction). The Committee reviewed the impact of the changes to assumptions and the buy in transaction on the financial statements at 31 December 2015.
	Conclusions reached by the Committee	The Committee concluded that the valuation exercise undertaken by management was appropriate. The Committee noted the implications of the TKM transaction in terms of full year investment loss. As a result, the Committee concluded that the pension valuations and underlying calculations shown in note 5 on page 106 of the financial statements were appropriate and it approved the disclosures.
	Rationale for the Committee's conclusion	The Committee reviewed the assumptions used by management and considers them to be reasonable. In addition, the external auditor has agreed with management's treatment of the TKM transaction in the financial accounts.
Minimum Control Framework	Actions taken in relation to the issue	During 2013/14, the Company developed the Minimum Control Framework (MCF) to raise and continuously improve our controls on the integrity of the financial statements and incorporate internal and external best practice. The first full year of audit against these new higher standards was 2015. The Committee conducted a detailed review of the implementation of the new framework in each market including detailed reviews of the findings of Group Internal Audit where work was based on the new framework. The Committee also reviewed in detail the plan and progress against the configuration and automation of specific MCF controls in the iPOWER systems.
	Conclusions reached by the Committee	The Committee concluded that the framework is appropriate for the Group and will provide a consistently high and continuously improving control environment.
	Rationale for the Committee's conclusion	The Committee reviewed examples of the new framework in action across a number of complex markets and the action plans that have been developed to drive further progress against the new standards.

Historical reporting issues in Chile	**Actions taken in relation to the issue** Whilst performing detailed procedures to prepare for the implementation of the global iPOWER system in Chile, management discovered some areas of inconsistency in the local accounting system dating back a number of years. Management initiated rectification activity to both reconcile historic balances and to put in place processes and controls to prevent any recurrences of issues during the period until iPOWER is fully implemented.
	Conclusions reached by the Committee The Committee concluded that the corrections to historic account balances proposed by management were appropriate and that these required an immaterial charge to be made against operating expenses in the 2015 accounts. In addition, the Committee agreed that the structural process and system improvements proposed by management were appropriate and will be subject to ongoing review by the Committee.
	Rationale for the Committee's conclusion The Committee reviewed the status and outcomes of the rectification work three times during the year, receiving a detailed account of the issues encountered and the rectification proposed.

Risk management and internal control

The Group Audit Director attends every Committee meeting to provide an update on the Group's risk management systems and internal controls. The Committee reviews any identified control gaps, monitors progress against mitigation plans and assesses the soundness of the control environment.

See page 56 of the Corporate Governance Report for further information on the main features of the Group's internal control and risk management systems. The principal risks facing the Company and the statement on viability is given on pages 40 to 43. The significant issues considered by the Committee are given in this section of the Annual Report.

Internal Audit

The Group Internal Audit Plan (the Plan) is presented to the Committee for its review and approval. The Plan sets out the audit approach for the year, the allocation of resources and the audits to be undertaken, and covers a wide range of operational, financial and IT processes. Status updates and the results of the audits are presented to the Committee throughout the year by the Group Audit Director.

The Committee is also able to meet with the Group Audit Director without the presence of the Executive Directors to discuss any issues.

External audit

During the year, the Committee reviewed and approved PwC's audit plan to ensure that it was consistent with the scope of the audit engagement and commitments made were adhered to. The Committee discussed the risk areas identified by PwC that are most likely to give rise to a material financial reporting error or those that are perceived to be of a higher risk and requiring audit emphasis (including those set out in PwC's Report on pages 140 to 144). The Committee also considered the audit scope and materiality and the level of non-audit fees.

The Committee considers the reappointment of the external auditor and makes its recommendation to the Board for approval by shareholders and the AGM. The Committee assesses the effectiveness and independence of the auditor on an ongoing basis and further details are given below.

Auditor effectiveness

The review of the effectiveness of PwC is based on consideration of the results of PwC's client satisfaction survey. Participants include senior finance personnel in the Group's largest markets together with Group Finance, Tax and Company Secretariat. The client satisfaction survey consists of a two-page questionnaire in which respondents are asked to answer a number of questions about PwC's service and give narrative feedback on how the service can be improved. The results of the survey are presented to the Audit Committee at the May meeting, with a more detailed assessment on how PwC intends to improve on the score provided in the Audit Plan, which is presented to the Committee in November each year.

The results for the 2014 survey indicated that management remain happy with PwC's knowledge of the business and the challenges it faces and also recognised the PwC teams' hard work, professionalism and diligence. There were a few areas highlighted for improvement and, as a result, PwC and management agreed that the 2015 audit can be improved by PwC assessing and testing certain items ahead of the year end reporting period. PwC also outlined the professional development programme applicable to the partners and employees engaged in the audit; have justified key judgements taken during the course of the audit; and confirmed that the audit complies with their internal independent review procedures. The Committee, after due consideration, agreed that the auditor remained effective.

Auditor independence

During the year, the Committee satisfied itself that the auditor remained independent. The review included consideration of PwC's confirmation that it remained independent and objective within the context of applicable professional standards, the rotation of the lead audit partner in line with ethical standards and assessment of PwC's ongoing compliance with the Group's policies on employment of former PwC employees and the use of PwC for non-audit services. The current audit partner has been in place for one year.

Audit tender

The Committee agreed to retain PwC as its auditor in 2015 to avoid disruption during the Group Chief Executive's first year in office. During the year, the Committee debated whether to put the audit to tender in 2016, but agreed that in light of the change of Chief Financial Officer and, given the Committee's continued satisfaction with the quality and effectiveness of the PwC audit, that it would be prudent to recommend to shareholders that PwC be reappointed for a further year.

The Committee is aware of the relevant EU and UK regulation which requires that the audit must be put out to tender at least every 10 years and rotated at least every 20 years. PwC has been the Group's auditor for over 20 years and, in light of the regulatory requirements, the Committee has agreed that it will tender the audit no later than for the audit of the December 2020 year end, to align with the maximum potential tenure of the current external audit partner.

Non-audit services

The Group's policy for non-services is designed to ensure that the external auditor's objectivity is not compromised by earning a disproportionate level of fees for non-audit services or by performing work that, by its nature, may compromise the auditor's independence.

The current policy is to maintain a ratio of 1:0.5 audit to non-audit fees and is reviewed twice a year by the Committee to ensure that it is being adhered to. The Committee is also responsible for authorising the provision of non-audit services by the external auditor. Non-audit services supplied by PwC include advice on:

- Tax compliance
- Accounting advice
- Cyber security

The Committee considers the non-audit services on an ongoing basis and concluded that, for these services, using professional advisors who have a deep understanding of the Group's business is a benefit to the Company. Other consultants are used for services where it is considered that a conflict of interest could exist or where a particular area of expertise is required by the Group. A breakdown of the fees paid for non-audit services can be found in note 3 on page 103.

Under the EU audit regulations noted on page 59, the Group is aware that certain services will be prohibited. Therefore, for the relevant commencement date for the Group (1 January 2017), other firms will be used to provide tax services.

Whistleblowing

We recognise that leveraging the knowledge of our people is the most effective way to detect fraudulent activity within the business. During 2015, the iPOM Committee implemented an externally hosted, confidential, whistleblowing solution to supplement and support the existing internal reporting and escalation procedures. Operating as an uninterrupted service, the 'InConfidence' compliance and ethics reporting solution allows both hotline and web reporting capabilities in multiple languages, integrated with case management software to support efficient and effective investigation, remediation and reporting.

JOHN LANGSTON
Chair of the Audit Committee

NOMINATIONS COMMITTEE REPORT

KEN HANNA
Chair of the Nominations Committee

Dear Shareholder

As stated in last year's Report, Stefan Bomhard joined the Board in April 2015. The recruitment process started in 2014 and was finalised at the beginning of the year when the Committee recommended his appointment to the Board for approval.

In 2015, both Simon Borrows and Vicky Bindra stepped down as Non-Executive Directors of the Company. The Committee recommended the appointment of Nigel Stein to the Board for approval in October 2015. Nigel is currently Chief Executive of GKN plc and he brings a wealth of B2B experience to the Board's deliberations, which will help support the achievements of the Group's strategic objectives. Nigel's biography can be found on page 51. Throughout the recruitment process of Nigel Stein, the Committee considered diversity when selecting suitable candidates.

Richard Howes will join as Chief Financial Officer on 11 April 2016 replacing John McConnell who left the Group on 29 February 2016.

In addition to the appointments to the Board, the Committee also approved several changes to the Committees. Coline McConville will become Remuneration Committee Chair from 1 January 2016, Till Vestring become Chair of the CR Committee on 8 October 2015 and Nigel Northridge joined the Audit Committee from 8 October 2015. Nigel Northridge will remain a member of the Remuneration Committee.

Key activities in 2015

- Appointment of Stefan Bomhard
- Appointment of Nigel Stein
- Recruitment process for Chief Financial Officer
- Review and approve Committee membership

Composition of the Board

The Board consists of the Chairman, two Executive Directors and six Non-Executive Directors. All Non-Executive Directors are considered independent in accordance with the Code.

In order to ensure that the composition of the Board remains appropriate, the Nominations Committee requires the Directors to complete a skills assessment on an annual basis. The results of this assessment are used as the basis for determining gaps in skills and experience that may affect the ability to deliver the Group's strategic objectives.

Committee membership

	Meetings attended
Ken Hanna – Chair	2/2
Alison Cooper	1/2
John Langston	2/2
Coline McConville	2/2
Nigel Northridge	2/2
Nigel Stein (joined October 2015)*	0/0
Till Vestring	2/2

* Nigel Stein's appointment took effect after the Nominations Committee meeting in October 2015.

The role of the Nominations Committee

The Nominations Committee plays a vital role within the context of the Board as it is responsible for the selection of strong candidates to fill both executive and non-executive roles. The Committee must keep the skills and experience of the Board under review to ensure that the right balance is in place for the business to be run effectively. The Nominations Committee ensures the right people are appointed, the Non-Executive Directors are independent and the Directors have sufficient time to carry out their duties effectively.

The terms of reference setting out the authority and responsibilities of the Nominations Committee can be found on the website www.inchcape.com/governance.

Appointments to the Board

Succession planning for the Board and Executive Directors is a continual process, which is reviewed and evaluated during the year to ensure that the skills and experiences required to enable the Group to meet its strategic objectives are planned in advance to ensure a smooth transition.

When vacancies arise it is the role of the Committee to prepare an appropriate description of the role and the capabilities required. The Committee had identified the areas needed to broaden the skills and experience on the Board and used this as a basis for evaluating potential candidates. The Committee also has responsibility to ensure that when filling vacancies there is integrity in the appointment process.

Egon Zhender was appointed to assist with the search for a Non-Executive Director during the year and prepared a list of suitable candidates against the skill set required by the Group. The consultants are also required to include a diverse selection of candidates in line with the Group's diversity policy.

The Committee met with suitable candidates, some of whom met with other Board members as part of the interview process, and after due consideration the Committee recommended the appointment of Nigel Stein to the Board for approval.

Egon Zehnder does not have any other connection with the Company.

John McConnell announced his intention to leave the Group in October 2015 and the search for a replacement commenced. Spencer Stuart was appointed to assist with the recruitment and selection process and does not have any other connection with the Group.

The Committee reviewed the shortlist and identified suitable candidates. Following an interview process and after due consideration, the Committee recommended the appointment of Richard Howes to the Board for approval.

Independence

The Committee reviewed the independence of the Non-Executive Directors in accordance with the Code and agreed to recommend to the Board that all Non-Executive Directors are considered independent.

Commitment

It is important to ensure that the Directors have sufficient time to carry out their duties effectively. The time commitment required by Non-Executive Directors is set out in their Letter of Appointment and is reviewed annually by the Nominations Committee to ensure that it remains appropriate.

Multiple board appointments

The Committee reviewed its policy on multiple board appointments and confirmed that the Directors had complied with the policy during the year.

Election or re-election at the AGM

Nigel Stein and Richard Howes will stand for election and all other Directors will stand for re-election at the AGM. The Committee believes that all Directors demonstrate commitment to their roles, continue to discharge their duties effectively and make an important and valuable contribution to the Company.

Diversity policy

The Committee recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in delivering the Group's strategic objectives. The Company believes that a truly diverse Board will include and make good use of differences in skills, regional and industry experience as well as background, race and gender. These differences will be considered in determining optimum composition of the Board and where possible should be balanced appropriately. All Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective.

KEN HANNA
Chair of the Nominations Committee

TILL VESTRING
Chair of the CR Committee

Committee membership

	Meetings attended
Till Vestring – Chair (appointed October 2015)	1/1
Stefan Bomhard	1/1
Alison Clarke	1/1
Ken Hanna	2/2
Coline McConville	2/2

The role of the CR Committee

The CR Committee is responsible for developing a CR strategy which underpins the Group's business operations, supports its values and encourages commitment to our colleagues, our OEM partners, our customers the communities in which we operate and our environment.

The terms of reference setting out the authority and responsibilities of the CR Committee can be found on the website www.inchcape.com/governance.

Dear Shareholder

During the year, the Committee membership changed considerably with a new Chief Executive, a new Chief Human Resources Officer and, following the resignation of Vicky Bindra, I became Chairman of the Committee in October.

As a result of fresh perspective from the new members, we have decided to take the opportunity to refresh the Group's CR strategy and policies and have commenced this work in 2016.

The core areas of CR, people, OEM partners, customers, communities and the environment will remain but we will rethink how our CR activities can support our strategic objectives and how we can leverage our global capabilities and scale to make a difference to all our stakeholders.

The CR Report on pages 44 to 47 provides an overview of CR activities in 2015 and we have used case studies to highlight some of the remarkable achievements by colleagues during the year.

The case studies include: the Care Saipan Fund, set up by our business Atkins Kroll after Typhoon Soudelour, details on page 46; the Big Issue challenge taken on by Inchcape Australia senior management, details on page 47; and the apprentice programme in Hong Kong which benefits our people, our communities and our OEM partners.

We have continued to collect and monitor our CO_2 data during the year.

There is still work to be done in this area but we are making progress. Our CO_2 usage is an important area of focus within the Group and we continue to monitor new technologies and initiatives to see where we can adopt best practices within our businesses. Our greenhouse gas emissions data for the year ended 31 December 2015 is given on page 47 of the CR Report.

I hope that you find the report informative and I am looking forward to sharing the progress in our CR journey with you in next year's Annual Report.

TILL VESTRING
Chair of the CR Committee

NIGEL NORTHRIDGE
Chair of the Remuneration Committee

Committee membership

	Meetings attended
Nigel Northridge – Chair	2/2
Ken Hanna	2/2
Coline McConville	2/2
Till Vestring	2/2

The role of the Remuneration Committee

It is the role of the Remuneration Committee to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while also complying with the requirements of regulation.

The terms of reference setting out the authority and responsibilities of the Remuneration Committee can be found on the website www.inchcape.com/governance.

The Committee invites other individuals, such as the Group Chief Executive, the Chief Human Resources Officer and external consultants to attend its meetings. No Director takes part in any decision affecting his own remuneration.

Dear Shareholder

It is my pleasure to present the Directors' Report on Remuneration for the year ended 31 December 2015. This is my last report as Chair of the Remuneration Committee and I would like to take this opportunity to introduce Coline McConville who has taken up the role from 1 January 2016. I am pleased to say that I will remain a member of the Committee.

Coline's first task as Remuneration Committee Chair will be to review the Group's current remuneration arrangements and the remuneration policy, approved by shareholders in 2014, to ensure that they remain fit-for-purpose. This review will consider any corporate governance developments including the strengthening of malus and clawback provisions. Shareholders will be consulted throughout the year to ensure their views are considered as part of the review process and the remuneration policy will be put to vote by shareholders at the AGM in 2017.

As set out on page 27 of the Strategic Report, the Group has delivered sales of £6.8bn, operating profit before exceptional items of £324.7m, EPS of 52.1 (adjusted) and ROCE at 30%. As a result of this performance, the normal performance share plan (PSP) and co-investment plan (CIP) awards vested at 65.5% of maximum. Executive Directors received an annual bonus of 85.2% of salary based on performance against targets. The Committee also reviewed the salary of the Group Chief Executive following his first full year in the role. Further information is given on pages 71 to 73.

During 2015, the Committee reviewed the number of shares granted to participants under the PSP and the performance targets for both the PSP and CIP. As the PSP awards are granted as a number of shares, the strong share price performance by the Group over the last four years has seen an increase in £ value of the awards. After review, the Committee agreed to reduce the number of shares awarded.

The Committee determined that the EPS growth targets in respect of the normal and enhanced PSP awards remained appropriately stretching and approved an increase to the ROCE targets in respect of the normal PSP and CIP awards from 21% to 25%.

Further details on the PSP and CIP awards granted during the year are given on page 74.

Chief Financial Officer

John McConnell left the Group on 29 February 2016 and will be replaced by Richard Howes as Chief Financial Officer on 11 April 2016.

As agreed by the Committee during the year, and in line with our remuneration policy, John will receive a payment in lieu of notice which equates to six months' base salary and benefits. The treatment of his outstanding incentives is in line with his good leaver status and outstanding contribution over the last 16 years. Further details are provided on page 77.

Richard will receive a salary of £405,000, incentives in line with our remuneration policy, and standard benefits commensurate with this position including a pension allowance of 30% of salary. Further details are given on page 71.

Key activities in 2015

Other activities carried out by the Committee include:

- Agreed the remuneration package for Executive Directors
- Reviewed the remuneration package for Executive Committee members
- Approved the achievement of 2014 annual bonus and 2012 long-term incentive targets and the resulting outcomes
- Set the performance targets for 2015 annual bonus

Nigel Northridge

NIGEL NORTHRIDGE
Chairman of the Remuneration Committee

Part 1 – Directors' Remuneration Policy

This section of the Report sets out the policy that shareholders approved at the 2014 AGM. The Policy came into effect on 16 May 2014 and will be in place for three years before the next vote.

Policy objectives

- Align with and support the Group's business strategy;
- Enable the Company to attract, retain and motivate management;
- Encourage the right behaviours, drive performance and reward results by delivering upper quartile pay for upper quartile performance; and
- Align executive management and shareholders' interests.

The Committee considers performance on environmental, social and governance issues when setting the remuneration policy and believes that the policy does not raise risks in these areas by motivating irresponsible behaviour.

Remuneration Policy for Executive Directors

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Base Salary	To pay competitive salary, to attract, retain and motivate talent.	Salaries are reviewed annually and any increases typically take effect from 1 April of each year. Adjustments to salary will take account of: • Increases awarded across the Group as a whole, and conditions elsewhere in the Group; • Experience and performance of the individual; • Pay levels at organisations of a similar size, complexity and type; and • Changes in responsibilities or scope of the role.	Increases are not expected to exceed average increase for senior management, unless a change in scope or complexity of role applies.
Annual Bonus	To motivate outstanding performance; specifically, to reward sustainable growth in profits, i.e. growth that comes from the top line as well as from improving margins, and to maintain exceptional levels of customer service.	Based at least 70% on annual financial performance. Measures may include (but are not limited to) revenue and operating profit. Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the co-investment plan. The bonus is reduced if Net Promoter Score (NPS) falls below target levels of performance. The Committee retains discretion to adjust the bonus outcome up or down to ensure that it is a fair reflection of the Group's underlying performance.	150% of salary maximum payable for achieving stretch performance against all measures. 60% of salary payable for target performance. 12% of salary payable for entry level performance.
Performance Share Plan (PSP)	To provide a meaningful reward to senior executives linked to the long-term success of the business. The mix of 'normal' and 'enhanced' performance shares enables the delivery of median pay for median performance, upper quartile pay for upper quartile performance and upper decile pay for upper decile performance. To strengthen alignment with shareholders by defining award sizes as a number of shares.	Annual awards of 'normal' performance shares, vesting based on three-year EPS growth and three-year average ROCE performance. The performance measures may vary year-on-year to reflect strategic priorities, subject to a minimum of 50% based on EPS growth, but allowing for the potential introduction of a third measure to facilitate continued alignment with the Company's strategy. Annual awards of 'enhanced' performance shares, vesting on stretch EPS targets, over and above those attached to 'normal' performance shares. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. The Committee has discretion to reduce or prevent vesting in the event of material restatement of the Group financial statements or gross misconduct. The Committee also has discretion to adjust the performance conditions in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions.	Award levels are expressed as a number of shares, subject to an individual limit of 300% of salary in normal circumstances. However, the Committee will review award sizes prior to each grant to ensure that they are appropriate in light of market data and individual and Group performance. Threshold level performance will result in 25% vesting of the 'normal' shares and no vesting of the 'enhanced' shares. The Committee has discretion to make higher awards in exceptional circumstances. Any such award would be capped at 150% of salary.

Remuneration Policy for Executive Directors continued

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Co-investment Plan (CIP)	To encourage executive share ownership and reinforce long-term success.	A voluntary investment opportunity in return for a performance based match. Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit. Invested shares can be withdrawn at any time but the entitlement to a match would be lost if the invested shares are withdrawn before the end of the relevant three-year vesting period. Vesting of match awards based on three-year EPS growth and three-year average ROCE performance. The performance measures may vary year-on-year to reflect strategic priorities, subject to minimum of 50% to be based on EPS growth but allowing for the potential introduction of a third measure to facilitate continued alignment with the Company's strategy. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. The Committee also has the discretion to adjust the performance conditions in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions.	Executive Directors may invest up to an overall normal maximum of 50% of post-tax salary. Maximum match of 2:1, threshold of 0.5:1. Maximum normal matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary. In exceptional circumstances the Committee may increase the investment opportunity up to 100% of post-tax salary.
Save As You Earn (SAYE)	To encourage share ownership.	UK employees are able to make monthly savings, over a three-year period. At the end of the savings period, the funds are used to purchase shares under option. As this is an all-employee scheme and Executive Directors participate on the same terms as other employees, the acquisition of shares is not subject to the satisfaction of a performance target.	Participation limits are those set by the UK tax authorities from time to time.
Pension	To provide market competitive pension benefits where it is cost effective and tax efficient to do so.	The Group's pension scheme, Cash+, is a career average cash retirement scheme which accrues 16% of earnings (capped at £250,000 p.a. paid as a lump sum at the age of 65). Members are required to contribute 7% of pensionable salary. Executive Directors may also receive a salary supplement in lieu of pension contributions. Salary is the only element of remuneration that is pensionable.	Eligibility to join the Cash+ scheme at a minimum level to meet regulatory requirements. Cash supplement up to 40% of base salary.
Other benefits	To provide market competitive benefits where it is cost effective and tax efficient to do so.	Benefits currently include (but are not limited to): • Company cars; • Medical care; and • Life assurance premiums. All benefits are non-pensionable.	It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for existing Executive Directors. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation, which has been paid to the new Group Chief Executive).

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

Notes to the Policy

Payments from existing awards

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

Selection of performance measures & target setting

The annual bonus measures have been selected to incentivise sustainable growth in profits. The matrix structure is intended to provide a balanced focus between commercial and cash initiatives. NPS is selected to reinforce the Group's Customer strategy and maintain exceptional levels of customer service.

The Committee believes that EPS is the best measure of long-term performance for the Group and is currently therefore the primary long-term incentive measure. It provides strong line of sight for executives, who are familiar with the existing basis of EPS performance measurement, and is consistent with the Group's long-term strategy focusing on sustainable growth. ROCE supports the Group's cash initiatives of controlling working capital and capital expenditure and, when combined with EPS, provides a balance between growth and returns. The Committee will be reviewing these performance measures in 2016 as part of its review of remuneration arrangements to ensure that the most appropriate measures are used in ongoing incentive arrangements.

Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates.

Targets are set taking into account a range of reference points including the Group's strategic plan and broker forecasts for both the Group and other sector peers. The Committee believes that the performance targets set are very stretching, and that the maximum will only be achievable for truly outstanding performance.

Changes to policy in the current year

There have been no changes to the policy during the year. The Committee is however undertaking a review of the policy in 2016. The policy will be submitted for shareholder approval at the 2017 AGM.

Remuneration Policy for other employees

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

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

Senior managers (c. 300 individuals) also receive 'normal' PSP awards, while 'enhanced' PSP awards and participation in the CIP are limited to Executive Directors, Executive Committee members and the next level of executives (c. 25 individuals). Performance conditions are consistent for all participants while award sizes vary by organisational level. Share ownership guidelines apply to Executive Directors.

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

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations within the Group. Executive Directors participate in the same scheme as other senior executives.

Remuneration Policy for Non-Executive Directors

Objective and link to strategy	Operation and performance metrics	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the roles.	Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits, except the Chairman who receives medical cover. Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved. Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (excluding the Nominations Committee). The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors. Non-Executive Directors may elect to receive up to 20% of their net fees p.a. as Company shares.	Appropriate adjustments may be made to fee levels, taking account of: • increases awarded across the Group as a whole and conditions elsewhere in the Group; • fee levels at organisations of a similar size, complexity and type; and • changes in complexity, responsibility or time commitment required for the role.

Consideration of conditions elsewhere in the Group

Prior to the annual salary review, the Committee receives an update from the Chief Human Resources Officer on the average salary increases across the Group. This is considered by the Committee when determining salary increases for the Executive Directors and the Executive Committee. The Company has a diverse international spread of businesses as well as a wide variety of roles from petrol pump attendants and valeters through to Chief Executives of our individual businesses, therefore pay levels and structures vary to reflect local market conditions. Although the Company has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

Consideration of shareholder views

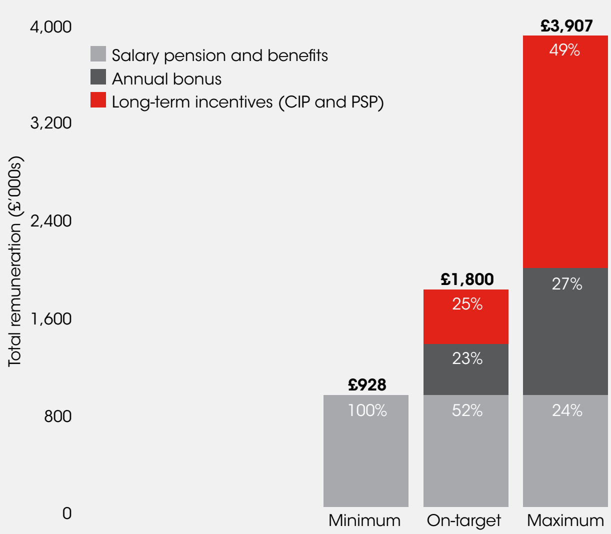
When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views.

The Committee is always open to feedback from shareholders on remuneration policy and arrangements. We commit to undertaking shareholder consultation in advance of any changes to remuneration policy. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate. The votes received on the 2014 Directors' Report on Remuneration and the Remuneration Policy at the 2014 AGM are provided on page 77.

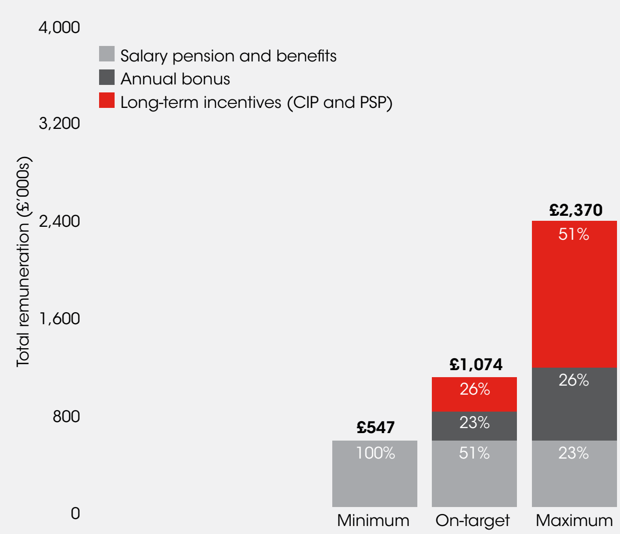
Performance scenarios

The charts below show the remuneration that Executive Directors could be expected to obtain based on varying performance scenarios. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting periods of awards. The Group Chief Executive chart has been updated for his 2016 salary and 2016 long-term incentive grant. The Chief Financial Officer data relates to Richard Howes, who will join the Group on 11 April 2016.

Stefan Bomhard – Group Chief Executive



Richard Howes – Chief Financial Officer



Notes on the performance scenarios:

- Potential reward opportunities illustrated above are based on the policy which will apply for the forthcoming financial year.
- Base salary – base salary effective from 1 April 2016.
- Annual bonus – the amounts illustrated are those potentially receivable in respect of performance for 2016.
- PSP values are based on the expected number of shares to be awarded in 2016 and average share price from 1 October 2015 to 31 December 2015 of 769.7p.
- CIP values assume full voluntary investments in Inchcape shares.
- Projected values exclude the impact of share price movements and dividend accrual. Awards in lieu of forfeited incentives have also been included.
- The minimum scenario shows base salary, pension and benefits (i.e. fixed remuneration), excluding the one-off relocation allowance, which are the only elements of the Executive Directors' remuneration which are not at risk.
- The on-target scenario reflects fixed remuneration, plus a target payout of 40% of the annual bonus, threshold vesting of 25% of the normal PSP award and 0% vesting of the enhanced PSP award and threshold match of 0.5:1 under the CIP.
- The maximum scenario reflects fixed remuneration, plus full payout of all incentives.

Approach to recruitment remuneration

External appointments

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

<table>
<tr><th>Component</th><th>Approach</th><th colspan="2">Maximum annual grant value</th></tr>
<tr><td>Base salary</td><td>The base salaries of new appointees will be determined by reference to the scope of the role, experience of the individual, pay levels at organisations of a similar size, complexity and type, pay and conditions elsewhere in the Group, implications for total remuneration, internal relativities and the candidate's current base salary.</td><td colspan="2">n/a</td></tr>
<tr><td>Pension</td><td>New appointees will be eligible to participate in the Group's pension plan (or receive a cash supplement in lieu) on similar terms to existing Executive Directors.</td><td colspan="2">n/a</td></tr>
<tr><td>Benefits</td><td>New appointees will be eligible to receive normal benefits available to senior management, including (but not limited to) company cars, medical care and life assurance.</td><td colspan="2">n/a</td></tr>
<tr><td>Annual bonus</td><td>The annual bonus described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.</td><td colspan="2">150% of salary</td></tr>
<tr><td>PSP</td><td>New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.</td><td>300% of salary in normal circumstances, or higher in exceptional circumstances.</td><td rowspan="2">The combined maximum is not intended to exceed 400% of salary in normal circumstances.</td></tr>
<tr><td>CIP</td><td>New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.
New appointees will be required to be eligible for a bonus before they can participate in the CIP.</td><td>100% of salary in normal circumstances, or 200% of salary in exceptional circumstances.</td></tr>
<tr><td>Other</td><td>Any buy-out of incentives forfeited on leaving a previous employer will be structured on a comparable basis, taking into account any performance conditions attached, time to vesting and share price at the time of buy-out.
The Committee retains discretion to make use of the relevant Listing Rule to facilitate such a buy-out.</td><td colspan="2">n/a</td></tr>
</table>

Notes to recruitment remuneration policy

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

Internal appointments

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

Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on page 66. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as the Chairman of Audit, Remuneration and CR Committees as appropriate.

Exit payment policy, service contracts and change of control

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

In addition, the Company retains discretion to settle any other amount reasonably due to the Executive Director, for example to meet legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee as well as the rules of any incentive plans. When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

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

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

Service contracts

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

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

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

Part 2 – Annual Report on Remuneration

The names of the Committee members are given on page 63 and their biographies can be found on page 50. The work of the Committee during the year is summarised in the letter to shareholders on page 63 and given in full detail in the following report.

The Committee considers the UK Corporate Governance Code requirements regarding remuneration in relation to the Group's risk policies. The Committee is satisfied that the approach to setting the remuneration of the Executive Directors and the Executive Committee underpins the effective and proper management of risk by rewarding fairly for sustainable profit growth and long-term returns for shareholders. The following section provides details of how the Company's remuneration policy was implemented during the financial year to 31 December 2015 and how it will be implemented in the financial year to 31 December 2016.

Single total figure of remuneration (audited)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2015:

	Base salary/fees £'000		Taxable benefits (a) £'000		Pension (b) £'000		Single-year variable (c) £'000		Multiple-year variable (d) £'000		Other (e) £'000		Total £'000	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive Directors														
Stefan Bomhard*	488	–	214	–	146		415	–	–	–	1,643	–	2,906	–
André Lacroix*	206	822	5	18	83	329	–	1,240	–	3,216	–	–	294	5,625
John McConnell	441	433	3	8	155	153	378	652	681	1,919	–	2	1,658	3,167
Non-Executive Directors (f)														
Ken Hanna	302	300	3	3	–	–	–	–	–	–	–	–	305	303
Vicky Bindra*	50	65	–	–	–	–	–	–	–	–	–	–	50	65
Simon Borrows*	32	76	–	–	–	–	–	–	–	–	–	–	32	76
Alison Cooper	55	55	–	–	–	–	–	–	–	–	–	–	55	55
John Langston	66	65	–	–	–	–	–	–	–	–	–	–	66	65
Coline McConville	55	32	–	–	–	–	–	–	–	–	–	–	55	32
Nigel Northridge	72	65	–	–	–	–	–	–	–	–	–	–	72	65
Nigel Stein*	13	–	–	–	–	–	–	–	–	–	–	–	13	–
Till Vestring	56	55	–	–	–	–	–	–	–	–	–	–	56	55
Total	1,836	1,968	225	29	384	482	793	1,892	681	5,135	1,643	2	5,562	9,508

* Stefan Bomhard and Nigel Stein joined the Group during the year. André Lacroix, Vicky Bindra and Simon Borrows left the Group during the year.

(a) Taxable benefits comprise car allowance, medical cover and mileage allowance. A relocation allowance was paid to Stefan Bomhard to assist with his move to the UK. Payment will end in March 2016.

(b) During the year, Stefan Bomhard and John McConnell received a cash supplement of 30% of base salary and André Lacroix received a cash supplement of 40% of base salary, in lieu of pension contributions.

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

(d) The 2015 figure includes PSP and CIP based on the value at vesting, of shares vesting on performance over the three-year period ended 31 December 2015, based on the average share price from 1 October 2015 to 31 December 2015 of 769.7p. Awards granted in 2012, which vested on performance to 31 December 2014, are valued using the market price at the date of vesting of 843.5p for PSP and 855.0p for CIP. These amounts have been revised from last year's report to reflect the share price on the date of vesting and include dividend equivalent shares.

(e) The figure for Stefan Bomhard represents the value of the award in lieu of forfeited incentives from his previous employer, see page 74 for further details and SAYE based on the embedded value at grant.

(f) The fees of the Chairman, Non-Executive Directors and the Senior Independent Director are given on page 71.

Base salary

Salaries are reviewed annually and typically take effect from 1 April each year. The quantum of executive total remuneration was reviewed against four comparator groups: retailers, distributors, companies of a similar market cap, and companies with similar revenues. Salaries for 2016 were determined taking into account this benchmarking data, as well as the other factors detailed in the policy table.

The salaries for 2014, 2015 and 2016 are set out below, together with the average increases across the Group.

Name	1 April 2014	1 April 2015	1 April 2016
Stefan Bomhard	n/a	£650,000	£700,000 – 7.6% increase
Richard Howes	n/a	n/a	£405,000
Average increase across Group	2.9%	2.1%	3.4%

The Committee considered carefully the salary positioning of Stefan Bomhard, who joined the Company on a base salary that was c. 20% below that of the previous Group Chief Executive. It is the view of the Committee that Stefan has had a very successful year and, as such, the Committee feels it is appropriate to increase his salary by 7.6%. This increase is within the range of increases offered to other employees and moves his total package closer (albeit not all the way) to median.

The salary increase will not affect the number of PSP shares granted in 2016 which, consistent with our policy, is currently fixed at 159,705 shares.

Chairman's and Non-Executive Directors' fees

The Chairman and Non-Executive Directors' fees were reviewed in 2015. The Chairman's fee was increased from £300,000 to £320,000 p.a. and the Non-Executive Directors' fees were increased from £55,000 to £60,000 p.a. An additional £15,000 p.a. is payable for the Chairmanship of the Remuneration and Audit Committees. The Chairman of the CR Committee receives an additional £10,000 p.a. The fee for the Senior Independent Director was increased from £76,000 to £81,000 p.a.

All changes were with effect from 1 December 2015.

The Non-Executive Directors' fees are reviewed on a regular basis to ensure that they remain appropriate.

Pension

During the year, the Executive Directors received a cash supplement of 30% of base salary in lieu of pension contributions, and were eligible to join the Cash+ scheme. For 2016, this arrangement remains unchanged for Stefan Bomhard, and for John McConnell until his departure date. Richard Howes, the new Chief Financial Officer, will receive a cash supplement of 30% of base salary in lieu of pension contribution and will be eligible to join the Cash+ scheme.

On 31 December 2012, the Group closed the UK final salary pension plan to future accrual. Under the scheme, the Group offered defined benefit pensions for Executive Directors and other senior executives at the normal retirement age of 65.

Director's pension entitlements – John McConnell (audited)

	Increase in accrued DB pension during the year £'000	Increase in accrued DB pension during the year (net of inflation) £'000	Accumulated total of accrued DB pension at 31.12.14 £'000	Accumulated total of accrued DB pension at 31.12.15 £'000	Pension Value in Year £'000	Cash Supplement £'000	Total £'000
Group pension	0.2	0	15.3	15.5	0	n/a	n/a

	Increase in accrued lump sum during the year £'000	Increase in accrued lump sum during the year (net of inflation) £'000	Accumulated total of accrued lump sum at 31.12.14 £'000	Accumulated total of accrued lump sum at 31.12.15 £'000	Pension Value in Year £'000	Cash Supplement £'000	Total £'000
Cash+	41.5	22.9	90.3	131.8	n/a	132.3	155.2

John McConnell made a contribution to his pension of 7% of capped salary via salary sacrifice.

Annual bonus

In line with the Committee's commitment to disclose bonus targets, the tables below illustrate targets, performance and resulting bonus outcome for the Executive Directors (at the time) for the 2013, 2014 and 2015 bonuses. Further detail on the 2015 bonus performance matrix can be found in the 2014 Annual Report on Remuneration.

Executive Directors' annual bonuses are assessed against a financial performance matrix of revenue and operating profit targets and an NPS multiplier. This matrix is designed to reward stretching financial performance, while maintaining exceptional customer service. NPS is the Group's primary measure of customer satisfaction, used to gauge the strength and loyalty of our customer relationships. The annual bonus is reduced if NPS falls below benchmark but is not increased for achieving or beating benchmark. The benchmark is established each year based on the Board's assessment of what constitutes excellence in customer service.

The tables below illustrate performance against the bonus targets for 2015, 2014 and 2013.

2015 bonus

	Performance targets					
Performance measure	Threshold	Target	Stretch	Actual performance achieved [1]	% of maximum opportunity achieved	Bonus payout (as % of salary)
Revenue	£6,445.8m	£6,785.1m	£7,124.4m	£7,012.7m		
Operating Profit	£296.2m	£329.1m	£362.0m	£331.8m	56.8%	85.2%
NPS targets		Benchmark		Targets met in full		

2014 bonus

	Performance targets					
Performance measure	Threshold	Target	Stretch	Actual performance achieved [1]	% of maximum opportunity achieved	Bonus payout (as % of salary)
Revenue	£6,184.5m	£6,510.0m	£6,835.5m	£6,947.3m		
Operating Profit	£264.6m	£294.0m	£323.4m	£329.5m	100%	150%
NPS targets		Benchmark		Targets met in full		

2013 bonus

	Performance targets					
Performance measure	Threshold	Target	Stretch	Actual performance achieved [1]	% of maximum opportunity achieved	Bonus payout (as % of salary)
Revenue	£5,875.8m	£6,185.0m	£6,494.3	£6,250.7m		
Operating Profit	£250.2m	£278.0m	£305.8m	£280.7m	48.4%	72.6%
NPS targets		Benchmark		Targets met in full		

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

Annual Bonus for 2016

The maximum annual bonus opportunity in 2016 will remain unchanged from previous years and will be 150% of salary. The bonus for the new Chief Financial Officer will be pro-rated to reflect the proportion of the year served.

The bonus for the Executive Directors will be based on the same financial performance matrix, linked to revenue and operating profit, and customer service. The Committee intends to publish the financial targets for the 2016 bonus in next year's Directors'

Report on Remuneration.

Awards vesting during the year

In 2013, the Executive Directors were granted awards under the PSP and CIP schemes. Vesting is dependent on certain performance targets over the three years to 31 December 2015. There was no retest provision. Performance against targets and vesting schedules is as follows:

Normal PSP/CIP

Three-year EPS growth p.a.	Vesting %
Less than 7%	0%
7%	25%
15%	100%
Between 7% and 15%	Straight line basis

Three-year average ROCE	Vesting %
Less than 18%	0%
18%	25%
21%	100%
Between 18% and 21%	Straight line basis

Enhanced PSP

Three-year EPS growth p.a.	Vesting %
Less than 15%	0%
20%	100%
Between 15% and 20%	Straight line basis

Award	Performance Measure	Wtg.	Vesting outcome (% of element)
Normal PSP	EPS	75%	54%
	ROCE	25%	100%
Enhanced PSP	EPS	100%	0%
Total (overall vesting outcome of normal PSP)			**65.5%**

Award	Performance Measure	Wtg.	Vesting outcome (% of element)
CIP	EPS	75%	1.11:1 match
	ROCE	25%	2:1 match
Total (overall vesting outcome)			**1.31:1 match**

As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value of the last three months of 2015, which is 769.7p. The actual value at vesting will be given in the 2016 Directors' Report on Remuneration.

	Interest held	Vesting %	Interest vesting	Vesting date	Assumed market price (p)	Estimated value
John McConnell						
Normal PSP	130,760	65.5%	85,647	11 April 2016	769.7	£659,225
Enhanced PSP	26,150	0%	0	11 April 2016	769.7	£0
CIP	4,271	65.5%	2,797	23 April 2016	769.7	£21,529

Awards made during the year

The PSP awards were granted as a number of shares because the Committee feels this provides a strong alignment with shareholders as the face value of awards will fall if the share price falls and the face value of the awards will rise if the share price rises.

As disclosed in last year's Directors' Report on Remuneration, the PSP awards for 2015 were reduced by c. 10% – 20% to reflect the strong share price performance by the Group over the last four years. The award for the Group Chief Executive and Group Finance Director is c. 200% of salary. Also as disclosed last year, the ROCE performance target has been increased to 21% to 25% (compared with 18% to 21% for previous awards) to ensure that the targets remain stretching.

Under the CIP, Stefan Bomhard and John McConnell invested 50% of net salary (27.5% of gross salary) and received an award of 100% of salary. Performance conditions for awards made in 2015 are as follows:

Normal PSP/CIP

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

Three-year average ROCE (25% of weighting)	Vesting %
Less than 21%	0%
21%	25%
25%	100%
Between 21% and 25%	Straight line basis

Enhanced PSP

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

Threshold level performance will result in 25% of the 2015 normal PSP and CIP awards vesting and no vesting of the 2015 enhanced PSP awards.

Award made to Stefan Bomhard (SB Award)

Stefan Bomhard received an award in lieu of forfeited incentives from his previous employer when he joined the Group on 1 April 2015. This award consisted of 205,125 nil-cost options with an exercise price of 10p, the nominal cost of an Inchcape share. One third of this award vests on each of the first, second and third anniversaries of the grant date (i.e. 1 April 2016, 2017, and 2018) dependent on continued employment. The value and structure of the award reflects the performance conditions and vesting schedule attached to the forfeited awards and is in line with the Policy.

Awards made during the year are:

	Date of grant	Share price (p)*	Number of shares/ options awarded	Face value at grant**	Performance period	Exercise period
Stefan Bomhard						
Normal PSP	17 April 2015	832.0	143,734	£1,195,867	Jan 2015 – Dec 2017	April 2018 – April 2019
Enhanced PSP	17 April 2015	832.0	15,971	£132,879	Jan 2015 – Dec 2017	April 2018 – April 2019
CIP	17 April 2015	832.0	77,408	£644,035	Jan 2015 – Dec 2017	April 2018 – Oct 2018
SAYE	24 Sept 2015	578.0	1,557	£9,000	n/a	Nov 2018 – April 2019
SB Award	1 April 2015	800.0	205,125	£1,641,000	n/a	April 2016 – April 2025
John McConnell						
Normal PSP	17 April 2015	832.0	98,044	£815,726	Jan 2015 – Dec 2017	April 2018 – April 2019
Enhanced PSP	17 April 2015	832.0	10,894	£90,638	Jan 2015 – Dec 2017	April 2018 – April 2019
CIP	17 April 2015	832.0	52,801	£439,304	Jan 2015 – Dec 2017	April 2018 – Oct 2018

* Mid market share price on date of grant or option price for SAYE.

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

Long-term incentives for 2016

For 2016, it is anticipated that Stefan Bomhard, Group Chief Executive, will receive 143,734 normal PSP awards and 15,971 enhanced PSP awards.

Richard Howes, the new Chief Financial Officer, will receive a fixed number of PSP awards, both normal and enhanced, worth 200% of salary at date of grant. Richard will also be granted replacement shares in lieu of existing long-term awards from his previous employer, which he forfeited to join the Group. Some of these shares will have performance conditions. Further information on the awards will be provided in the relevant RNS statement and in the 2016 Directors' Report on Remuneration.

The awards granted in 2016 are expected to have the same performance measures as the awards granted in 2015.

Executive share ownership and Directors' interests (audited)

The table below shows the total number of shares, options and awards held by each Director at 31 December 2015. The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. They have five years from the date of appointment to reach this shareholding.

		Nil cost awards		Options held		
	Shares held at 31 December 2015	Subject to performance conditions	Subject to deferral	Subject to deferral	Vested but not yet exercised	Guideline met
Stefan Bomhard	33,339	442,238	0	1,557	0	No
Alison Cooper	4,134	n/a	n/a	n/a	n/a	n/a
Ken Hanna	70,000	n/a	n/a	n/a	n/a	n/a
André Lacroix*	28,934	1,283,149	n/a	1,890	n/a	n/a
John Langston	2,146	n/a	n/a	n/a	n/a	n/a
John McConnell	191,346	510,658	0	1,333	0	Yes
Coline McConville	717	n/a	n/a	n/a	n/a	n/a
Nigel Northridge	27,182	n/a	n/a	n/a	n/a	n/a
Till Vestring	62,742	n/a	n/a	n/a	n/a	n/a

* Shares and awards held by André Lacroix on his date of leaving, 31 March 2015. Any unvested awards lapsed as at that date.

There have been no changes to the number of shares held by the Directors between 31 December 2015 and 14 March 2016.

John McConnell exercised 117,866 PSP awards on 20 April 2015. The share price on exercise was 829.6p. He sold all shares upon exercise and made a gain of £977,904.

John McConnell also exercised 108,180 CIP awards on 22 June 2015. The share price on exercise was 854.2p. He sold all shares upon exercise and made a gain of £924,112.

Percentage change in Group Chief Executive remuneration

The table shows the percentage change in Group Chief Executive remuneration from 2014 compared with the average percentage change in remuneration for senior management. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and annual bonus only.

	Change in remuneration from 2014 to 2015	
	Group Chief Executive	Senior management
Salary	(15.6)%	1.48%
Taxable benefits[1]	1,116.7%	0%
Taxable benefits[2]	15.0%	
Single-year variable	(55.3)%	(43.81)%
Total	**(29.5)%**	**(15.28)%**

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

Employees representing the most senior executives (c.80) have been selected as this group is large enough to provide a robust comparison, whilst also providing data that is readily available on a matched sample basis. These employees also participate in bonus schemes of a similar nature to Executive Directors and therefore remuneration will be similarly influenced by Company performance.

The changes for the Group Chief Executive have been determined with reference to aggregate numbers in 2015 for Stefan Bomhard and André Lacroix when undertaking their Chief Executive responsibilities.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy backs) from 2014 to 2015.

	2015 £m	2014 £m	% change
Distribution to shareholders:			
Dividend	**91.1**	81.5	11.8%
Share buy back	**91.4**	100.0	(8.6)%
Employee remuneration	**474.0**	464.7	2.0%

As at 31 December 2015, £91.4m had been returned to shareholders under the share buy back programmes.

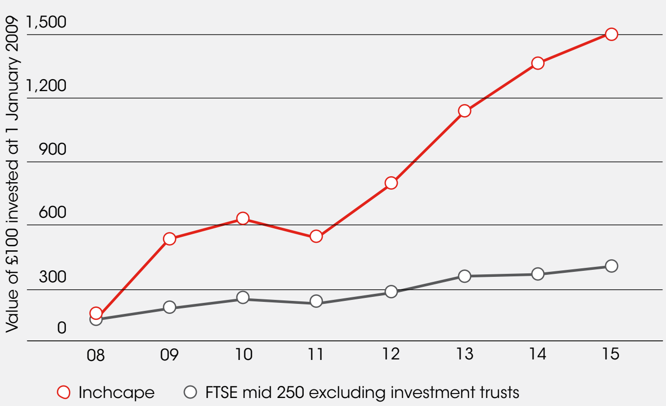
The Directors are proposing a final dividend for 2015 of 14.1p per share (2014:13.8p).

Pay for performance

The graph below shows the Total Shareholder Return (TSR) of the Company over the seven-year period to 31 December 2015. The FTSE mid 250 excluding investment trusts has been chosen as the most suitable comparator group as it is the general market index in which the Company appears. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 7 years to 31 December 2015



Notes:
1. The amount for André Lacroix in 2015 reflects remuneration received until he left the Group in March 2015.
2. Stefan Bomhard was appointed as Group Chief Executive on 1 April 2015. The amount reflects his remuneration from that time to 31 December 2015 and includes relocation allowance and his share award in lieu of forfeited awards.
3. LTI includes CIP, normal PSP awards, enhanced PSP awards and executive share options prior to 2013.

	Group Chief Executive	2009	2010	2011	2012	2013	2014	2015
Single figure of remuneration (£'000)	André Lacroix	1,984	1,984	2,993	2,165	4,400	5,625	**294**[1]
	Stefan Bomhard	n/a	n/a	n/a	n/a	n/a	n/a	**2,906**[2]
Annual bonus outcome (% of maximum)		100%	100%	52%	68%	48%	100%	**56.8%**
LTI vesting[3] outcome (% of maximum)		0%	0%	100%	100%	66%	68%	**n/a**

Dilution limits

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

Issued share capital as at 31 December 2015	436m
All schemes – 10% over 10-year rolling period	43.6m
Remaining headroom for all schemes	17.4m
Executive schemes – 5% over a 10-year rolling period	21.8m
Remaining headroom for executive schemes	2.8m

Shareholder context

The table below shows the advisory vote on the Remuneration Report at the 2015 AGM.

	Total number of votes	% of votes cast
For (including discretionary)	331,452,000	97.65%
Against	7,989,764	2.35%
Total votes cast (excluding votes withheld)	339,441,764	100%
Votes withheld*	3,616,134	
Total votes cast (including votes withheld)	343,057,898	

* Withheld votes are not included in the final proxy figures as they are not recognised as a vote in law.

The remuneration policy was submitted for a binding vote at the 2014 AGM where it received a 96.45% 'for' vote out of 376,626,838 total votes cast (including votes withheld).

It is the policy of the Committee to consult with certain shareholders prior to any major changes to the remuneration policy and the Committee will do this in advance of when the remuneration policy is next submitted for approval at the 2017 AGM.

Exit payments during the year

No exit payments were made in 2015.

John McConnell left the Group on 29 February 2016. In line with his status, his outstanding incentives will be treated as follows:

2016 annual bonus

John is entitled to receive a 2016 bonus, which he will receive as soon as possible after his departure. The bonus payout will be pro-rated for time spent in employment during 2016 and will assume target performance. His bonus payout is therefore £44,338.

2014 and 2015 PSP and CIP awards

- All awards will vest at the end of the normal vesting period dependent on EPS and ROCE targets met over the performance period.
- The 2015 PSP and CIP awards will be pro-rated for time spent in employment during the relevant performance period. No time pro-ration will be applied to his 2014 PSP awards.
- Vesting of any matching awards under the 2014 and 2015 CIP remains dependent on retaining investment shares until the end of the relevant period.

John will also receive payment in lieu of notice of £299,728 which equates to six months' base salary and benefits. Benefits valued in the payment include pension allowance, life assurance, company car, and private medical cover.

Payments to past Directors

No payments were made to past Directors in 2015.

Other directorships

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

John McConnell is a Non-Executive Director of UBM plc, for which he receives a fee of £70,000.

Advisors to the Committee

Kepler, a brand of Mercer (and part of the MMC group), acted as the independent remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis of elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and is a signatory and adheres to the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com).

Mercer also supplies unrelated services to the Group in relation to IAS 19. The Committee is satisfied that the advice it receives from Kepler is objective and independent and that Kepler does not have any connection with the Company that may impair its independence. Kepler's fees are charged at an hourly rate in accordance with the terms and conditions set out in the Engagement Letter. Kepler was paid fees of £78,045 for its services during the year, excluding expenses and VAT.

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

Nigel Northridge

NIGEL NORTHRIDGE
Chairman of the Remuneration Committee

Board of Directors

The Directors of the Company who were in office during the year were:

Vicky Bindra – left October 2015
Stefan Bomhard – joined April 2015
Simon Borrows – left May 2015
Alison Cooper
Ken Hanna
André Lacriox – left March 2015
John McConnell
Coline McConville
Nigel Northridge
Nigel Stein – joined October 2015
Till Vestring

In accordance with the 2014 UK Corporate Governance Code, the Directors will stand for election or re-election at the Annual General Meeting (AGM) on 26 May 2016, apart from John McConnell who left the Group on 29 February 2016.

Directors' Report

The Directors' Report for the year ended 31 December 2015 comprises pages 78 to 80 of this report (together with sections incorporated by reference). Some matters normally included in the Directors' Report are included in the Strategic Report on pages 4 to 47 including future business development and risk management. Details on the breakdown of gender for the Directors, senior managers and employees of the Company required to be given in the Strategic Report under the Companies Act 2006 are given on page 80 of this report.

Results and dividends

The Group's audited consolidated financial statements for the year ended 31 December 2015 are shown on pages 82 to 159. The Board recommends a final ordinary dividend of 14.1p per ordinary share.

If approved at the 2016 AGM, the final ordinary dividend will be paid on 24 June 2016 to shareholders registered in the books of the Company at the close of business on 27 May 2016. Together with the interim dividend of 6.8p per ordinary share paid on 4 September 2015, this makes a total ordinary dividend for the year of 20.9p per ordinary share (2014 – 20.1p).

Auditor and disclosure of information to the auditor

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

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

Directors' indemnity

A qualifying third party indemnity (QTPI), as permitted by the Company's Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director. The indemnity has been in force for the financial year ended 31 December 2015 and until the date of approval of this Report.

Share capital

As at 31 December 2015, the Company's issued share capital of £43,681,009 comprised 436,810,096 ordinary shares of 10.0p.

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

Restrictions of transfer of securities

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

Authority to purchase shares

At the Company's AGM on 21 May 2015, the Company was authorised to make market purchases of up to 44,495,012 ordinary shares (representing approximately 10.0% of its issued share capital).

In the year ended 31 December 2015, the Company purchased, for cancellation, 11,931,693 ordinary shares of 10.0p each at a cost of £91.4m, representing 2.73% of the issued share capital at that date.

Interests in voting rights

During the year, the Company had been notified of the following interests pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have changed since notified to the Company. However, further notification of any change is not required until the next threshold is crossed.

Shareholder	Number of shares	Percentage notified
Standard Life Investments	30,894,409	7.3%
Aberdeen Asset Management	26,442,380	5.9%
Schroders Plc	20,157,836	4.4%
Capital Group Companies Inc	12,775,830	2.9%

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

There have been no notifications between 31 December 2015 and 14 March 2016.

Employee benefit trust

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (the Trust) and, as such, are deemed to be interested in any ordinary shares held by the Trust.

At 31 December 2015, the Trust's shareholding totalled 631,253 ordinary shares. Between 1 January 2016 and 14 March 2016 the Trust transferred 107,957 ordinary shares to satisfy the exercise of awards under employee share plans.

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

Directors' interests

The table showing the beneficial interests, other than share options, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2015 is shown in the Directors' Report on Remuneration on page 75.

There have been no changes to the number of shares held by Directors between 31 December 2015 and 14 March 2016.

Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors who were in office at the date of this report whose names and responsibilities are listed on pages 50 to 51, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating Review contained on pages 28 to 37 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.

The Board has reviewed the content of the Annual Report and Accounts and considers when taken as a whole that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and position, business model and strategy.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 43, the Directors consider it appropriate to adopt the going concern basis of accounting in the financial statements.

Articles of Association

The appointment and replacement of Directors is governed by the Company's Articles of Association, the 2014 UK Corporate Governance Code, the Companies Act 2006 and related legislation.

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

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

Conflicts of interest

The Articles of Association permit the Board to authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. When authorising a conflict of interest the Board must do so without the conflicting Director counting as part of the quorum. In the event that the Board considers it appropriate, the conflicted Director may be permitted to participate in the debate, but will be permitted neither to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is their responsibility to inform the Board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

Change of control

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

The Group's relationships with its OEM partners are managed at Group level, but the relevant contracts are entered into at a local level with day-to-day management being led by each operating business. Certain of the contracts may terminate on a change of control of the local contracting company. The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees to vest on a takeover.

Transactions with Directors

No transaction, arrangement or agreement, other than remuneration, required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties' was outstanding at 31 December 2015, or was entered into during the year for any Director and/or connected person (2014 – none).

Greenhouse gas emissions

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of greenhouse gas emissions is given in the Environment section of the Corporate Responsibility Report on page 47.

Employees

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

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

Employee involvement

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of employee involvement is given in the People section of the Corporate Responsibility Report on page 44.

Gender diversity

The breakdown showing the number of female and male employees who were (i) Directors of the Company (ii) senior managers and (iii) employees of the Company as at 31 December 2015:

	Male		Female		Total
Board	7	77.8%	2	22.2%	9
Senior management	76	88.4%	10	11.6%	86
All employees	10,779	73.4%	3,912	26.6%	14,691

Financial instruments

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of financial instruments is given in note 23 to the financial statements on pages 126 to 132.

Principal financial risk factors

These risks are shown on pages 40 and 43.

Events after the reporting period

In the period from 1 January 2016 to 14 March 2016, the Company purchased, for cancellation, a further 4,541,107 ordinary shares of 10.0p each at a cost of £32.0m (including costs). The Company is committed to completing the share buy back programme by 30 June 2016.

Other information – Listing rules

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

Section	Information	Page
1	Interest capitalised	Not material to the Group
2	Publication of unaudited financial information	76 (TSR Graph)
4	Details of long-term incentive schemes	73-75
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issue by a major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	79
13	Shareholder waiver of future dividends	79
14	Agreements with controlling shareholders	Not applicable

Corporate governance statement

The statement of compliance with the 2014 UK Corporate Governance Code and the information required under DTR7 is given in the Corporate Governance Report on page 52.

Annual General Meeting

The AGM will be held at 11.00 a.m. on Thursday, 26 May 2016 at Deutsche Bank AG, Winchester House, 1 Great Winchester Street. London EC2N 2DB. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

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

The Directors' Report and the Strategic Report were approved by the Board and have been signed by the Company Secretary on its behalf.

TAMSIN WATERHOUSE

Group Company Secretary

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Other information

Consolidated income statement
For the year ended 31 December 2015

	Notes	Before exceptional items 2015 £m	Exceptional items (note 2) 2015 £m	Total 2015 £m	Before exceptional items 2014 £m	Exceptional items (note 2) 2014 £m	Total 2014 £m
Revenue	1, 3	**6,836.3**	**–**	**6,836.3**	6,702.7	–	6,702.7
Cost of sales		**(5,847.5)**	**–**	**(5,847.5)**	(5,749.1)	–	(5,749.1)
Gross profit		**988.8**	**–**	**988.8**	953.6	–	953.6
Net operating expenses	3	**(664.1)**	**(49.5)**	**(713.6)**	(635.2)	(47.4)	(682.6)
Operating profit		**324.7**	**(49.5)**	**275.2**	318.4	(47.4)	271.0
Share of profit / (loss) after tax of joint ventures and associates	13	**0.7**	**–**	**0.7**	(1.9)	–	(1.9)
Profit before finance and tax		**325.4**	**(49.5)**	**275.9**	316.5	(47.4)	269.1
Finance income	6	**14.4**	**–**	**14.4**	14.8	–	14.8
Finance costs	7	**(27.7)**	**–**	**(27.7)**	(28.1)	–	(28.1)
Profit before tax		**312.1**	**(49.5)**	**262.6**	303.2	(47.4)	255.8
Tax	8	**(74.9)**	**(4.8)**	**(79.7)**	(68.6)	–	(68.6)
Profit for the year		**237.2**	**(54.3)**	**182.9**	234.6	(47.4)	187.2
Profit attributable to:							
– Owners of the parent				**175.8**			179.6
– Non-controlling interests				**7.1**			7.6
				182.9			187.2
Basic earnings per share (pence)	9			**39.8p**			39.7p
Diluted earnings per share (pence)	9			**39.4p**			39.0p

The notes on pages 94 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**182.9**	187.2
Other comprehensive income:			
Items that will not be reclassified to the consolidated income statement			
Defined benefit pension scheme remeasurements	5	**(26.8)**	2.5
Joint venture defined benefit pension scheme remeasurements	13	**–**	(0.2)
Deferred tax recognised in consolidated statement of comprehensive income	16	**1.2**	(0.9)
		(25.6)	1.4
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges		**25.9**	(17.4)
Fair value losses on available for sale financial assets	14, 25	**–**	(0.3)
Effect of foreign exchange rate changes		**(49.9)**	(180.6)
Deferred tax recognised in consolidated statement of comprehensive income	16	**(7.7)**	5.2
		(31.7)	(193.1)
Other comprehensive loss for the year, net of tax		**(57.3)**	(191.7)
Total comprehensive income / (loss) for the year		**125.6**	(4.5)
Total comprehensive income / (loss) attributable to:			
– Owners of the parent		**117.7**	(10.3)
– Non-controlling interests		**7.9**	5.8
		125.6	(4.5)

The notes on pages 94 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Intangible assets	11	**418.4**	471.6
Property, plant and equipment	12	**644.0**	657.6
Investments in joint ventures and associates	13	**5.3**	9.0
Available for sale financial assets	14	**1.2**	1.2
Trade and other receivables	15	**47.2**	28.3
Deferred tax assets	16	**18.7**	25.7
Retirement benefit asset	5	**124.3**	147.8
		1,259.1	1,341.2
Current assets			
Inventories	17	**1,224.4**	999.2
Trade and other receivables	15	**327.8**	285.2
Available for sale financial assets	14	**0.2**	0.2
Derivative financial instruments	23	**134.5**	102.6
Current tax assets		**4.0**	3.0
Cash and cash equivalents	18	**473.8**	528.2
		2,164.7	1,918.4
Assets held for sale and disposal group	19	**4.5**	8.9
		2,169.2	1,927.3
Total assets		**3,428.3**	3,268.5
Current liabilities			
Trade and other payables	20	**(1,566.1)**	(1,300.7)
Derivative financial instruments	23	**(3.6)**	(28.3)
Current tax liabilities		**(70.7)**	(63.9)
Provisions	21	**(22.7)**	(28.7)
Borrowings	22	**(103.3)**	(112.2)
		(1,766.4)	(1,533.8)
Non-current liabilities			
Trade and other payables	20	**(12.8)**	(14.8)
Provisions	21	**(26.5)**	(25.6)
Derivative financial instruments	23	**–**	(1.6)
Deferred tax liabilities	16	**(43.8)**	(40.2)
Borrowings	22	**(311.5)**	(305.9)
Retirement benefit liability	5	**(25.4)**	(28.5)
		(420.0)	(416.6)
Total liabilities		**(2,186.4)**	(1,950.4)
Net assets		**1,241.9**	1,318.1
Equity			
Share capital	24	**43.8**	45.0
Share premium		**146.7**	146.7
Capital redemption reserve		**136.8**	135.6
Other reserves	25	**(215.1)**	(182.6)
Retained earnings	26	**1,106.8**	1,148.2
Equity attributable to owners of the parent		**1,219.0**	1,292.9
Non-controlling interests		**22.9**	25.2
Total equity		**1,241.9**	1,318.1

The notes on pages 94 to 138 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 82 to 138 were approved by the Board of Directors on 14 March 2016 and were signed on its behalf by:

Stefan Bomhard,
Group Chief Executive

Ken Hanna,
Chairman

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 25) £m	Retained earnings (note 26) £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2014		46.5	145.7	134.1	8.7	1,135.0	1,470.0	29.2	1,499.2
Profit for the year		–	–	–	–	179.6	179.6	7.6	187.2
Other comprehensive (loss) / income for the year		–	–	–	(191.3)	1.4	(189.9)	(1.8)	(191.7)
Total comprehensive (loss) / income for the year		–	–	–	(191.3)	181.0	(10.3)	5.8	(4.5)
Share-based payments, net of tax	4,16	–	–	–	–	12.5	12.5	–	12.5
Share buy back programme	24	(1.5)	–	1.5	–	(100.0)	(100.0)	–	(100.0)
Net disposal of own shares by the Inchcape Employee Trust		–	–	–	–	1.2	1.2	–	1.2
Issue of ordinary share capital	24	–	1.0	–	–	–	1.0	–	1.0
Dividends:									
– Owners of the parent	10	–	–	–	–	(81.5)	(81.5)	–	(81.5)
– Non-controlling interests		–	–	–	–	–	–	(9.8)	(9.8)
At 1 January 2015		**45.0**	**146.7**	**135.6**	**(182.6)**	**1,148.2**	**1,292.9**	**25.2**	**1,318.1**
Profit for the year		**–**	**–**	**–**	**–**	**175.8**	**175.8**	**7.1**	**182.9**
Other comprehensive (loss) / income for the year		**–**	**–**	**–**	**(32.5)**	**(25.6)**	**(58.1)**	**0.8**	**(57.3)**
Total comprehensive income / (loss) for the year		**–**	**–**	**–**	**(32.5)**	**150.2**	**117.7**	**7.9**	**125.6**
Share-based payments, net of tax	4,16	**–**	**–**	**–**	**–**	**9.8**	**9.8**	**–**	**9.8**
Share buy back programme	24	**(1.2)**	**–**	**1.2**	**–**	**(91.4)**	**(91.4)**	**–**	**(91.4)**
Net purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**–**	**(18.9)**	**(18.9)**	**–**	**(18.9)**
Dividends:									
– Owners of the parent	10	**–**	**–**	**–**	**–**	**(91.1)**	**(91.1)**	**–**	**(91.1)**
– Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(10.2)**	**(10.2)**
At 31 December 2015		**43.8**	**146.7**	**136.8**	**(215.1)**	**1,106.8**	**1,219.0**	**22.9**	**1,241.9**

The notes on pages 94 to 138 are an integral part of these consolidated financial statements.

Share-based payments include a net tax credit of £0.2m (current tax credit of £2.0m and a deferred tax charge of £1.8m) (2014 – deferred tax credit of £3.0m).

Consolidated statement of cash flows
For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	27a	**328.4**	405.8
Tax paid		**(69.6)**	(52.5)
Interest received		**10.1**	13.5
Interest paid		**(27.5)**	(31.3)
Net cash generated from operating activities		**241.4**	335.5
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	28	**(5.1)**	3.6
Net cash inflow from sale of businesses	28	**5.4**	1.9
Purchase of property, plant and equipment		**(50.2)**	(48.5)
Purchase of intangible assets		**(19.0)**	(21.3)
Proceeds from disposal of property, plant and equipment		**15.6**	34.8
Net disposal of available for sale financial assets		**–**	7.9
Dividends received from joint ventures and associates		**–**	2.2
Net cash used in investing activities		**(53.3)**	(19.4)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**–**	1.0
Share buy back programme		**(91.4)**	(100.0)
Net (purchase) / disposal of own shares by the Inchcape Employee Trust		**(18.9)**	1.2
Net cash inflow from borrowings		**3.7**	0.1
Payment of capital element of finance leases		**(0.5)**	(1.2)
Equity dividends paid	10	**(91.1)**	(81.5)
Dividends paid to non-controlling interests		**(10.2)**	(9.8)
Net cash used in financing activities		**(208.4)**	(190.2)
Net (decrease) / increase in cash and cash equivalents	27b	**(20.3)**	125.9
Cash and cash equivalents at the beginning of the year		**416.8**	332.2
Effect of foreign exchange rate changes		**(21.2)**	(41.3)
Cash and cash equivalents at the end of the year		**375.3**	416.8

	Notes	2015 £m	2014 £m
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents	18	**335.3**	368.9
– Short-term deposits	18	**138.5**	159.3
– Bank overdrafts	22	**(98.5)**	(111.4)
		375.3	416.8

The notes on pages 94 to 138 are an integral part of these consolidated financial statements.

Accounting policies

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

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets, and those financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss, which are measured at fair value.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy and disclosures

The accounting policies have been applied consistently throughout the reporting period, other than where new policies have been adopted as presented below.

The following standards were in issue but were not effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2016 subject to EU endorsement.

- IAS 1, 'Amendment to IAS 1, Presentation of financial statements'.
- IAS 12, 'Amendment to IAS 12, Income taxes'.
- IAS 16, 'Amendment to IAS 16, Property, plant and equipment'.
- IAS 16 and IAS 38, 'Amendment to IAS 16 and IAS 38'.
- IAS 27, 'Amendment to IAS 27, Separate financial statements'.
- IFRS 9, 'Financial instruments'.
- IFRS 9, 'Amendment to IFRS 9, Financial instruments'.
- IFRS 10 and IAS 28, 'Amendments to IFRS 10 and IAS 28'.
- IFRS 11, 'Amendment to IFRS 11, Joint arrangements'.
- IFRS 14, 'Regulatory deferral accounts'.
- IFRS 15, 'Revenue from contracts with customers'.
- IFRS 16, 'Leases'.
- Annual improvements (2012 – 2014).

Management are currently reviewing the new standards to assess the impact that they may have on the Group's reported position and performance.

Basis of consolidation

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

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

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

Intercompany balances and transactions and any unrealised profits arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Foreign currency translation

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

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

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

Revenue, other income and cost of sales

Revenue from the sale of goods and services is measured at the fair value of consideration receivable, net of rebates and any discounts, and includes lease rentals and finance and insurance commission. It excludes sales related taxes and intra-group transactions. Where the Group acts as an agent on behalf of a principal, the commission earned is recorded within revenue.

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

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

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

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

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

Share-based payments
The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the consolidated income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest. The impact of any revision is recognised in the consolidated income statement with a corresponding adjustment to equity.

For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Group Save As You Earn scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee or the Company cancels an award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting policies continued

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is included within 'net operating expenses' in the consolidated income statement, with the exception of depreciation on 'interest in leased vehicles' which is charged to 'cost of sales'. It is provided on a straight line basis over the estimated useful life of the asset, except for freehold land which is not depreciated. For the following categories, the annual rates used are:

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

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

Impairment
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment losses are included within 'net operating expenses' in the consolidated income statement.

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

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

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

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

Vehicles held on consignment are included within inventories as the Group is considered to have the risks and rewards of ownership. The corresponding liability is included within 'trade and other payables'.

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

An inventory provision is recognised in situations where net realisable value is likely to be less than cost (such as obsolescence, deterioration, fall in selling price). When calculating the provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability, determined on conditions that exist at the end of the reporting period. With the exception of parts, generally net realisable value adjustments are applied on an item-by-item basis.

Trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are recognised as current assets if collection is due in one year or less. If collection is due in over a year, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables include the liability for vehicles held on consignment, with the corresponding asset included within inventories.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

Pensions and other post-retirement benefits

The Group operates a number of retirement benefit schemes.

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

The current service cost and gains and losses on settlements and curtailments are included in 'cost of sales' or 'net operating expenses' in the consolidated income statement. Past service costs are similarly recognised in the consolidated income statement. Administrative scheme expenses associated with the plans are recorded within 'net operating expenses' when incurred, in line with IAS 19 (revised). Net interest income or interest cost relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Changes in the retirement benefit obligation or asset due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

Where scheme assets exceed the defined benefit obligation, a net asset is only recognised to the extent that an economic benefit is available to the Group, in accordance with the terms of the scheme and, where relevant, statutory requirements.

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

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

Provisions

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

Product warranty provision

A product warranty provision corresponds to self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends.

Vacant leasehold provision

A vacant leasehold provision is recognised when the Group is committed to certain leasehold premises for which it no longer has a commercial use. It is made to the extent of the estimated future net cost, including existing subtenant arrangements if any.

Litigation provision

A litigation provision is recognised when a litigation case is outstanding at the end of the reporting period and there is a likelihood that the legal claim will be settled.

Disposal group and assets held for sale

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

Segmental reporting

Segment information is reported in accordance with IFRS 8, 'Operating segments', which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group's operating segments are countries and the market channels, distribution and retail. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

Financial instruments

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

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

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

Financial liabilities measured at amortised cost include non-derivative financial liabilities which are held at original cost, less amortisation or provisions raised.

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

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

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

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

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

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

Derivative financial instruments
An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in note 23 to the consolidated financial statements.

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

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

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

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

Available for sale financial assets
Gains and losses on available for sale financial assets are recognised in other comprehensive income, until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated income statement. Cumulative gains and losses on investments held for operational reasons are included within 'net operating expenses'. Cumulative gains and losses on investments held for financing purposes are included within 'finance income' and 'finance costs' respectively.

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

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

Significant accounting judgements and estimates
The Directors have made a number of estimates and assumptions regarding the future, and made some significant judgements in applying the Group's accounting policies. These are discussed below:

Goodwill
Goodwill is tested at least annually for impairment in accordance with the accounting policy set out above. The recoverable amount of cash generating units is determined based on value in use calculations. These impairment calculations require the use of estimates including projected future cash flows (see note 11).

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

Residual value commitments
The Group has residual value commitments on certain leased vehicles. These commitments are an estimate of future market value at a specified point in time. The actual market value of vehicles bought back may vary from the committed purchase value (see note 30).

Incentives and other rebates from brand partners
The Group receives income in the form of various incentives which are determined by our brand partners. The amount we receive is generally based on achieving specific objectives, such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but are not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Objectives are generally set and measured on either a quarterly or annual basis.

Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as a reduction in cost of sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered or when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as a reduction in cost of sales when it is reasonably certain that the incentive will be received for the relevant period.

The Group may also receive contributions towards advertising and promotional expenditure. Where such contributions are received, they are recognised as a reduction in the related expenditure in the period to which they relate.

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

Product warranty provision
The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims (see note 21).

Pensions and other post-retirement benefits
Pension and other post-retirement benefit liabilities are determined based on the actuarial assumptions detailed in note 5. A number of these assumptions require a considerable degree of judgement, including the rate of inflation, discount rate and expected mortality rates. These assumptions are subject to a review on an annual basis and are determined in conjunction with an external actuary. The use of different assumptions could have a material effect on the value of the relevant liabilities and could result in a material change to amounts recognised in the income statement over time.

In November 2015, the TKM Group Pension Scheme completed a buy-in transaction whereby the assets of the scheme were invested in a bulk purchase annuity contract that matches the benefits payable to the members of the scheme. The contract has been structured to enable the scheme, in time, to move to a full buy-out, following which the insurance company will become directly responsible for the pension payments under the scheme. As at 31 December 2015, the bulk purchase annuity contract has been accounted for as an asset of the scheme and valued on the same basis as the liabilities that it matches. The difference between the cost of the annuity and the value of the associated liabilities has been accounted for as an experience loss within other comprehensive income.

Tax
The Group is subject to income taxes in a number of jurisdictions. Some degree of estimation is required in determining the worldwide provision for income taxes (see note 8). There are a number of transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The estimate is made separately for each jurisdiction and takes into account management's view of the relevant tax laws and environment applicable to the operations of the Group in those jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised (see notes 8 and 16). In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

Property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows (see notes 11 and 12).

1 Segmental analysis

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

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly are in or are expected to return to the growth phase of their development cycle. These currently comprise Russia, China, the Balkans, the Baltics, Poland, South America and Africa.

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

Transfer prices between segments are set on an arm's length basis.

Distribution comprises Vertically Integrated Retail businesses as well as Financial Services and other businesses.

	Distribution						
2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	**761.4**	**577.6**	**746.2**	**500.0**	**62.8**	**466.6**	**3,114.6**
Inter-segment revenue	**(183.7)**	**(124.5)**	**–**	**–**	**–**	**(32.0)**	**(340.2)**
Revenue from third parties	**577.7**	**453.1**	**746.2**	**500.0**	**62.8**	**434.6**	**2,774.4**
Results							
Segment result	**67.0**	**17.9**	**80.0**	**51.9**	**11.4**	**48.7**	**276.9**
Operating exceptional items	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Operating profit / (loss) after exceptional items	**67.0**	**17.9**	**80.0**	**51.9**	**11.4**	**48.7**	**276.9**
Share of profit after tax of joint ventures and associates	**–**	**0.7**	**–**	**–**	**–**	**–**	**0.7**
Profit / (loss) before finance and tax	**67.0**	**18.6**	**80.0**	**51.9**	**11.4**	**48.7**	**277.6**
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

1 Segmental analysis continued

2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	**642.2**	**88.0**	**2,662.4**	**669.3**	**4,061.9**	**7,176.5**	**–**	**7,176.5**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**(340.2)**	**–**	**(340.2)**
Revenue from third parties	**642.2**	**88.0**	**2,662.4**	**669.3**	**4,061.9**	**6,836.3**	**–**	**6,836.3**
Results								
Segment result	**23.6**	**–**	**52.0**	**2.2**	**77.8**	**354.7**	**(30.0)**	**324.7**
Operating exceptional items	**–**	**–**	**–**	**(49.5)**	**(49.5)**	**(49.5)**	**–**	**(49.5)**
Operating profit / (loss) after exceptional items	**23.6**	**–**	**52.0**	**(47.3)**	**28.3**	**305.2**	**(30.0)**	**275.2**
Share of profit after tax of joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**0.7**	**–**	**0.7**
Profit / (loss) before finance and tax	**23.6**	**–**	**52.0**	**(47.3)**	**28.3**	**305.9**	**(30.0)**	**275.9**
Finance income								**14.4**
Finance costs								**(27.7)**
Profit before tax								**262.6**
Tax								**(79.7)**
Profit for the year								**182.9**

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

1 Segmental analysis continued

2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	**90.9**	**128.0**	**157.2**	**126.5**	**40.6**	**173.8**	**717.0**
Other current assets							
Non-current assets							
Segment liabilities	**(218.6)**	**(102.1)**	**(123.3)**	**(109.6)**	**(50.2)**	**(140.8)**	**(744.6)**
Other liabilities							
Net assets							

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

2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**1.9**	**0.5**	**3.8**	**9.1**	**0.1**	**6.5**	**21.9**
– Interest in leased vehicles	**–**	**0.1**	**13.7**	**–**	**6.7**	**8.8**	**29.3**
– Intangible assets	**2.4**	**0.5**	**1.6**	**0.7**	**0.1**	**0.2**	**5.5**
Depreciation:							
– Property, plant and equipment	**2.6**	**0.7**	**3.0**	**2.3**	**0.2**	**4.4**	**13.2**
– Interest in leased vehicles	**–**	**0.2**	**3.7**	**–**	**4.6**	**1.2**	**9.7**
Amortisation of intangible assets	**0.4**	**0.7**	**2.0**	**1.3**	**0.2**	**0.2**	**4.8**
Goodwill impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net provisions charged / (credited) to the consolidated income statement	**6.3**	**4.5**	**1.5**	**5.2**	**(0.1)**	**1.7**	**19.1**

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

1 Segmental analysis continued

2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	**115.5**	**16.7**	**639.1**	**127.4**	**898.7**	**1,615.7**
Other current assets						**600.5**
Non-current assets						**1,212.1**
Segment liabilities	**(115.4)**	**(12.1)**	**(637.4)**	**(86.4)**	**(851.3)**	**(1,595.9)**
Other liabilities						**(590.5)**
Net assets						**1,241.9**

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

2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**0.7**	**0.4**	**11.5**	**5.2**	**17.8**	**39.7**	**0.1**	**39.8**
– Interest in leased vehicles	**–**	**–**	**–**	**5.2**	**5.2**	**34.5**	**–**	**34.5**
– Intangible assets	**0.1**	**0.1**	**2.7**	**2.0**	**4.9**	**10.4**	**8.8**	**19.2**
Depreciation:								
– Property, plant and equipment	**1.7**	**0.7**	**12.0**	**6.6**	**21.0**	**34.2**	**0.3**	**34.5**
– Interest in leased vehicles	**–**	**–**	**–**	**0.1**	**0.1**	**9.8**	**–**	**9.8**
Amortisation of intangible assets	**–**	**–**	**5.0**	**3.2**	**8.2**	**13.0**	**1.0**	**14.0**
Goodwill impairment	**–**	**–**	**–**	**49.5**	**49.5**	**49.5**	**–**	**49.5**
Net provisions charged / (credited) to the consolidated income statement	**10.3**	**0.4**	**22.9**	**1.2**	**34.8**	**53.9**	**(1.3)**	**52.6**

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

1 Segmental analysis continued

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Revenue							
Total revenue	748.8	658.2	600.3	439.3	51.4	446.7	2,944.7
Inter-segment revenue	(182.1)	(150.4)	–	–	–	(28.1)	(360.6)
Revenue from third parties	566.7	507.8	600.3	439.3	51.4	418.6	2,584.1
Results							
Segment result	64.3	20.5	66.9	58.7	10.4	40.0	260.8
Operating exceptional items	–	–	–	–	–	–	–
Operating profit / (loss) after exceptional items	64.3	20.5	66.9	58.7	10.4	40.0	260.8
Share of loss after tax of joint ventures and associates	–	(1.9)	–	–	–	–	(1.9)
Profit / (loss) before finance and tax	64.3	18.6	66.9	58.7	10.4	40.0	258.9
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result in South Asia includes a profit of £17.3m on the sale of a property.

1 Segmental analysis continued

2014	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	676.7	122.1	2,421.4	898.4	4,118.6	7,063.3	–	7,063.3
Inter-segment revenue	–	–	–	–	–	(360.6)	–	(360.6)
Revenue from third parties	676.7	122.1	2,421.4	898.4	4,118.6	6,702.7	–	6,702.7
Results								
Segment result	25.0	0.3	54.8	3.7	83.8	344.6	(26.2)	318.4
Operating exceptional items	–	–	–	(47.4)	(47.4)	(47.4)	–	(47.4)
Operating profit / (loss) after exceptional items	25.0	0.3	54.8	(43.7)	36.4	297.2	(26.2)	271.0
Share of loss after tax of joint ventures and associates	–	–	–	–	–	(1.9)	–	(1.9)
Profit / (loss) before finance and tax	25.0	0.3	54.8	(43.7)	36.4	295.3	(26.2)	269.1
Finance income								14.8
Finance costs								(28.1)
Profit before tax								255.8
Tax								(68.6)
Profit for the year								187.2

Central costs include a past service pension credit of £7.2m (net of costs).

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

1 Segmental analysis continued

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	60.5	107.0	121.9	83.9	41.4	153.3	568.0
Other current assets							
Non-current assets							
Segment liabilities	(193.5)	(88.9)	(105.6)	(69.8)	(54.9)	(119.7)	(632.4)
Other liabilities							
Net assets							

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

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	3.9	0.3	1.8	4.5	0.1	7.8	18.4
– Interest in leased vehicles	–	–	7.7	–	7.2	8.0	22.9
– Intangible assets	1.0	0.8	1.4	1.0	0.2	0.7	5.1
Depreciation:							
– Property, plant and equipment	2.8	0.8	2.8	2.2	0.2	3.7	12.5
– Interest in leased vehicles	–	0.6	2.5	–	5.8	1.1	10.0
Amortisation of intangible assets	0.6	0.5	0.4	1.0	0.2	–	2.7
Goodwill impairment	–	–	–	–	–	–	–
Net provisions charged to the consolidated income statement	2.3	2.6	0.5	2.7	0.8	0.5	9.4

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

1 Segmental analysis continued

2014	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	132.7	12.7	477.8	121.4	744.6	1,312.6
Other current assets						642.9
Non-current assets						1,313.0
Segment liabilities	(135.5)	(13.0)	(494.6)	(86.3)	(729.4)	(1,361.8)
Other liabilities						(588.6)
Net assets						1,318.1

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

2014	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.3	0.5	32.7	4.9	38.4	56.8	1.1	57.9
– Interest in leased vehicles	–	–	–	–	–	22.9	–	22.9
– Intangible assets	0.4	–	4.0	2.5	6.9	12.0	9.0	21.0
Depreciation:								
– Property, plant and equipment	1.9	0.7	10.8	9.0	22.4	34.9	0.1	35.0
– Interest in leased vehicles	–	–	–	0.1	0.1	10.1	–	10.1
Amortisation of intangible assets	–	–	3.1	3.5	6.6	9.3	0.1	9.4
Goodwill impairment	–	–	–	47.4	47.4	47.4	–	47.4
Net provisions charged to the consolidated income statement	8.1	0.2	19.6	1.7	29.6	39.0	0.7	39.7

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

2 Exceptional items

	2015 £m	2014 £m
Goodwill impairment (see note 11)	**(49.5)**	(47.4)
Total exceptional items before tax	**(49.5)**	(47.4)
Exceptional tax (see note 8)	**(4.8)**	–
Total exceptional items	**(54.3)**	(47.4)

3 Revenue and expenses

a. Revenue

An analysis of the Group's revenue for the year is as follows:

	2015 £m	2014 £m
Sale of goods	**6,300.3**	6,159.5
Provision of services	**536.0**	543.2
	6,836.3	6,702.7

b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2015 £m	Exceptional items 2015 £m	Net operating expenses 2015 £m	Net operating expenses before exceptional items 2014 £m	Exceptional items 2014 £m	Net operating expenses 2014 £m
Distribution costs	**364.6**	**–**	**364.6**	362.3	–	362.3
Administrative expenses	**302.5**	**–**	**302.5**	300.9	–	300.9
Other operating (income) / expense	**(3.0)**	**49.5**	**46.5**	(28.0)	47.4	19.4
	664.1	**49.5**	**713.6**	635.2	47.4	682.6

Other operating expenses in 2015 includes £49.5m relating to goodwill impairment (2014 – £47.4m).

Other operating income in 2014 includes a £17.3m profit on the disposal of a property in South Asia and a £7.2m pension credit (net of costs) in Central.

c. Profit before tax is stated after the following charges / (credits):

	2015 £m	2014 £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	**34.5**	35.0
– Interest in leased vehicles	**9.8**	10.1
Amortisation of intangible assets	**14.0**	9.4
Goodwill impairment	**49.5**	47.4
Impairment of trade receivables	**2.3**	0.9
Profit on sale of property, plant and equipment	**(2.1)**	(17.6)
Operating lease rentals	**53.3**	51.4

3 Revenue and expenses continued

d. Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	2015 £m	2014 £m
Audit services:		
Fees payable to the Company's auditors and its associates for the audit of the parent Company and the consolidated financial statements	**0.5**	0.6
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries	**1.6**	1.5
– Audit related assurance services	**0.1**	0.1
– Tax advisory services	**0.2**	0.5
– Tax compliance services	**0.2**	0.3
– All other services	**0.1**	0.1
Total fees payable to PricewaterhouseCoopers	**2.7**	3.1
Audit fees – firms other than PricewaterhouseCoopers	**0.1**	0.2

e. Staff costs

	2015 £m	2014 £m
Wages and salaries	**409.1**	400.1
Social security costs	**38.9**	41.4
Other pension costs	**16.4**	13.7
Share-based payment charge	**9.6**	9.5
	474.0	464.7

Other pension costs correspond to the current service charge and contributions to the defined contribution schemes (see note 5).

Information on Directors' emoluments and interests which forms part of these audited consolidated financial statements is given in the Directors' Report on Remuneration which can be found on pages 63 to 77 of this document. Information on compensation of key management personnel is set out in note 31b.

f. Average monthly number of employees

	Distribution		Retail		Total	
	2015 Number	2014 Number	2015 Number	2014 Number	2015 Number	2014 Number
Australasia	**423**	488	**1,064**	1,209	**1,487**	1,697
Europe	**258**	272	**310**	261	**568**	533
North Asia	**1,588**	1,511	**–**	–	**1,588**	1,511
South Asia	**962**	943	**–**	–	**962**	943
United Kingdom	**201**	197	**5,177**	4,946	**5,378**	5,143
Emerging Markets	**1,800**	1,720	**2,611**	2,894	**4,411**	4,614
Total operational	**5,232**	5,131	**9,162**	9,310	**14,394**	14,441
Central					**129**	129
					14,523	14,570

4 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from share-based payment transactions during the year was £9.6m (2014 – £9.5m), all of which was equity-settled.

The Other Share Plans disclosures below include other share-based incentive plans for senior executives and employees.

The following table sets out the movements in the number of share options and awards during the year:

2015	**Weighted average exercise price***	**Performance Share Plan**	**Executive Share Option Plan**	**Save As You Earn Plan**	**Other Share Plans**
Outstanding at 1 January	**£3.81**	**6,894,702**	**886,411**	**2,159,578**	**1,269,799**
Granted	**£4.82**	**1,626,284**	**–**	**1,014,035**	**605,212**
Exercised	**£2.98**	**(1,614,721)**	**(496,234)**	**(730,746)**	**(576,386)**
Lapsed	**£4.84**	**(1,997,274)**	**–**	**(294,376)**	**(108,348)**
Outstanding at 31 December	**£4.51**	**4,908,991**	**390,177**	**2,148,491**	**1,190,277**
Exercisable at 31 December	**£2.27**	**259,213**	**390,177**	**41,229**	**27,833**

2014	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£3.24	6,683,773	2,849,628	2,279,654	1,705,704
Granted	£5.40	2,266,778	–	663,500	293,346
Exercised	£3.04	(1,207,341)	(1,927,162)	(495,426)	(569,058)
Lapsed	£3.88	(848,508)	(36,055)	(288,150)	(160,193)
Outstanding at 31 December	£3.81	6,894,702	886,411	2,159,578	1,269,799
Exercisable at 31 December	£2.56	226,302	886,411	28,682	20,285

* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

The weighted average remaining contractual life for the awards outstanding at 31 December 2015 is 2.4 years (2014 – 2.3 years).

The range of exercise prices for options outstanding at the end of the year was £0.10 to £5.78 (2014 – £2.00 to £6.03). See note 24 for further details.

The fair value of options granted under the Save As You Earn Plan and Other Share Plans is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of nil cost awards granted under the Performance Share Plan and Other Share Plans is the market value of the related shares at the time of grant. The following table lists the main inputs to the model for awards granted during the years ended 31 December 2015 and 31 December 2014:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2015	2014	**2015**	2014	**2015**	2014
Weighted average share price at grant date	**£8.28**	£6.31	**£7.06**	£6.81	**£8.07**	£6.27
Weighted average share price at date of exercise	**£8.31**	£6.43	**£7.94**	£6.80	**£8.17**	£6.44
Weighted average exercise price*	**n/a**	n/a	**£5.78**	£5.40	**£0.10**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**2.6 years**	3.0 years
Expected volatility	**n/a**	n/a	**23.3%**	31.7%	**42.8%**	n/a
Expected life of award	**3.0 years**	3.0 years	**3.2 years**	3.2 years	**3.9 years**	3.0 years
Weighted average risk free rate	**n/a**	n/a	**0.8%**	1.4%	**1.2%**	n/a
Expected dividend yield	**n/a**	n/a	**2.9%**	2.6%	**n/a**	n/a
Weighted average fair value per option	**£8.28**	£6.31	**£1.44**	£1.89	**£8.04**	£6.27

* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

No options were granted under the Executive Share Option Plan in 2015 or 2014.

The expected life and volatility of the options are based upon historical data.

5 Pensions and other post-retirement benefits

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its businesses, primarily in the UK.

a. UK schemes: benefits, governance, cash flow obligations and investments

The Group operates three main defined benefit final salary pension schemes in the UK which are all closed to new employees and largely closed to future benefit accrual. The schemes are the Inchcape Motors Pension Scheme (comprising the Group, Motors, Normand and Cash+ sections), the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. Cash+ is a defined benefit cash balance scheme which is designed to meet regulatory requirements for auto-enrolment legislation.

Benefit structure

Final salary schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on final salary at retirement (or leaving date, if earlier) and length of service. The Group underwrites investment, mortality and inflation risks necessary to meet the obligations under the schemes. In the event of poor returns, increased life expectancy or higher than expected inflation, the Group is required to address any shortfall through a combination of an increase in contributions or by making appropriate adjustments to the schemes.

Cash balance schemes like Cash+ allow members to accrue a percentage of their earnings each year, which then grows to provide a lump sum payment on retirement. Members have accrued benefits under this scheme with effect from 1 January 2013. The Group underwrites the investment risk to normal retirement age (65), but all inflation and mortality risks associated with benefits are borne solely by the members.

Governance

Our UK schemes are registered with HMRC and comply fully with the regulatory framework published by the UK Pensions Regulator.

Benefits are paid to members from separate funds administered by an independent trustee company (the Trustee) appointed by the Group. The Trustee is required to act in the best interest of the members, and is responsible for making funding and investment decisions in conjunction with the Group.

The Group also has some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

Scheme specific cash obligation / investment detail

Inchcape Motors Pension Scheme

Group and Motors Sections (closed sections)

The latest actuarial valuations for these sections were carried out at 5 April 2013 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 18 years and that a small surplus existed on a prudent funding basis. The Group contributes £0.5m p.a. towards the administrative costs of running the scheme and no further review is scheduled until April 2016.

Each section's investment strategy sees it holding a proportion of its assets in matching assets (75% for the Group section and 40% for the Motors section) with the remainder in growth assets. The matching assets are invested in a liability driven investment solution complemented with absolute return bonds. They are designed to hedge inflation and interest rate risk in a capitally efficient manner. The growth assets are invested in assets that are expected to grow at rates significantly faster than each sections' liabilities and include diversified growth funds and property.

Normand Section (closed section)

Following the merger into the Inchcape Motors Pension Scheme, an actuarial valuation for this section was carried out at 5 April 2015 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 17 years and that the section was approximately 76% funded on a prudent funding basis. The Group contributes £0.4m p.a. towards the administrative costs of running the scheme and improving the funding ratio. It has been agreed that this amount will increase on a year-on-year basis.

The investment strategy is to hold 60% in growth assets and 40% in matching assets.

Cash+ Section

This scheme is a defined benefit scheme under which members accrue benefits with effect from 1 January 2013. An interim valuation was carried out at 5 April 2013 which determined that the scheme was considered fully funded on a prudent basis. The Group contributes £0.2m p.a. towards the administrative costs of running the scheme and the next review is in April 2016.

The investment strategy is to be 60% invested in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. The remaining 40% is to be allocated to absolute return bonds.

5 Pensions and other post-retirement benefits continued

Inchcape Overseas Pension Scheme
This scheme is managed from Guernsey and is subject to most UK regulations. It is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out at 31 March 2012 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 13 years and that the scheme was approximately 92% funded on a prudent funding basis. The Group contributes £0.5m p.a. towards the administrative costs of running the scheme and improving the funding ratio. A review as at 31 March 2015 is in progress but has not been completed.

Investments are held in a balanced portfolio of equities and bonds.

TKM Group Pension Scheme (closed scheme)
The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2013 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 12 years and that the scheme was considered fully funded on a prudent basis. No cash contributions were required by the Group and the next review is scheduled for April 2016.

In November 2015, the trustees of the TKM Group Pension Scheme completed a buy-in transaction whereby the assets of the scheme were used to acquire a bulk purchase annuity policy with Aviva under which the benefits payable to the members of the scheme are now fully insured. The insurance policy was purchased using the existing assets of the scheme with no additional funding required from the Group. The insurance policy has been structured to enable the scheme, in time, to move to full buy-out, following which Aviva will become directly responsible for the pension payments under the scheme. As at 31 December 2015, the bulk purchase annuity policy has been accounted for as an asset of the scheme and valued on the same basis as the liabilities that it matches. The difference between the cost of the annuity and the value of the associated liabilities of approximately £48m has been accounted for as an experience loss within other comprehensive income.

b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee and assets are held in trust in separately administered funds. These schemes are typically subject to triennial valuations. The overseas defined contribution schemes are principally linked to local statutory arrangements.

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £4.6m (2014 – £5.6m). There are outstanding contributions of £0.1m at the year end (2014 – £nil).

d. Defined benefit plans

As the Group’s principal defined benefit schemes are in the UK, these have been reported separately from the overseas schemes. For the purposes of reporting, actuarial updates have been obtained for the Group’s material schemes and these updates are reflected in the amounts reported in the following tables.

5 Pensions and other post-retirement benefits continued

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2015 %	2014 %	**2015 %**	2014 %
Rate of increase in salaries	**3.6**	3.6	**3.8**	3.8
Rate of increase in pensions	**3.1**	3.1	**2.3**	2.3
Discount rate	**3.9**	3.5	**1.7**	2.1
Rate of inflation:				
– Retail price index	**3.1**	3.1	**2.5**	2.5
– Consumer price index	**2.1**	2.1	**n/a**	n/a

The rate of increase in healthcare costs is 5.4% (2014 – 5.5%) per annum.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 23.9 years (2014 – 23.8 years) for current pensioners and 25.7 years (2014 – 25.6 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Present value of funded obligations	**(887.1)**	(953.1)	**(48.9)**	(43.4)	**(936.0)**	(996.5)
Fair value of plan assets	**996.2**	1,077.3	**40.5**	40.5	**1,036.7**	1,117.8
Net surplus / (deficit) in funded obligations	**109.1**	124.2	**(8.4)**	(2.9)	**100.7**	121.3
Present value of unfunded obligations	**(0.7)**	(0.9)	**(1.1)**	(1.1)	**(1.8)**	(2.0)
	108.4	123.3	**(9.5)**	(4.0)	**98.9**	119.3
The net pension asset is analysed as follows:						
Schemes in surplus	**123.9**	147.4	**0.4**	0.4	**124.3**	147.8
Schemes in deficit	**(15.5)**	(24.1)	**(9.9)**	(4.4)	**(25.4)**	(28.5)
	108.4	123.3	**(9.5)**	(4.0)	**98.9**	119.3

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Current service cost	**(9.1)**	(5.9)	**(2.7)**	(2.2)	**(11.8)**	(8.1)
Past service credit	**–**	7.3	**–**	–	**–**	7.3
Scheme expenses	**(1.9)**	(2.5)	**(0.1)**	(0.1)	**(2.0)**	(2.6)
Interest expense on plan liabilities	**(32.5)**	(37.0)	**(0.8)**	(0.9)	**(33.3)**	(37.9)
Interest income on plan assets	**36.8**	42.1	**0.7**	0.9	**37.5**	43.0
	(6.7)	4.0	**(2.9)**	(2.3)	**(9.6)**	1.7

In 2014, the past service credit of £7.3m (£7.2m net of associated costs) arose from ongoing initiatives to mitigate the volatility associated with the Group's defined benefit obligations. These initiatives included changes to pensions in payment and to benefits available to members at retirement.

5 Pensions and other post-retirement benefits continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains and (losses)	**8.0**	(0.9)	**(1.5)**	(0.3)	**6.5**	(1.2)
– Changes in financial assumptions	**56.3**	(89.4)	**(1.6)**	(1.9)	**54.7**	(91.3)
Actuarial (losses) / gains on assets:						
– Experience (losses) and gains	**(80.0)**	94.4	**(1.0)**	0.6	**(81.0)**	95.0
	(15.7)	4.1	**(4.1)**	(1.6)	**(19.8)**	2.5

In 2015, investment management expenses of £7.0m (2014 – £nil) were borne by the Group on behalf of UK schemes and have been recognised in the consolidated statement of other comprehensive income.

Analysis of the movement in the net asset / (liability):

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
At 1 January	**123.3**	107.8	**(4.0)**	(1.8)	**119.3**	106.0
Amount recognised in the consolidated income statement	**(6.7)**	4.0	**(2.9)**	(2.3)	**(9.6)**	1.7
Contributions by employer	**7.5**	7.4	**1.6**	1.7	**9.1**	9.1
Actuarial (losses) / gains recognised in the year	**(15.7)**	4.1	**(4.1)**	(1.6)	**(19.8)**	2.5
Effect of foreign exchange rates	**–**	–	**(0.1)**	–	**(0.1)**	–
At 31 December	**108.4**	123.3	**(9.5)**	(4.0)	**98.9**	119.3

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
At 1 January	**(954.0)**	(871.1)	**(44.5)**	(39.9)	**(998.5)**	(911.0)
Current service cost	**(9.1)**	(5.9)	**(2.7)**	(2.2)	**(11.8)**	(8.1)
Past service credit	**–**	7.3	**–**	–	**–**	7.3
Interest expense on plan liabilities	**(32.5)**	(37.0)	**(0.8)**	(0.9)	**(33.3)**	(37.9)
Actuarial gains / (losses):						
– Experience gains and (losses)	**8.0**	(0.9)	**(1.5)**	(0.3)	**6.5**	(1.2)
– Changes in financial assumptions	**56.3**	(89.4)	**(1.6)**	(1.9)	**54.7**	(91.3)
Contributions by employees	**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
Benefits paid	**43.6**	42.1	**3.0**	2.6	**46.6**	44.7
Plan settlements	**–**	1.0	**–**	–	**–**	1.0
Effect of foreign exchange rate changes	**–**	–	**(1.9)**	(1.9)	**(1.9)**	(1.9)
At 31 December	**(887.8)**	(954.0)	**(50.0)**	(44.5)	**(937.8)**	(998.5)

5 Pensions and other post-retirement benefits continued

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
At 1 January	**1,077.3**	978.9	**40.5**	38.1	**1,117.8**	1,017.0
Interest income on plan assets	**36.8**	42.1	**0.7**	0.9	**37.5**	43.0
Scheme expenses	**(1.9)**	(2.5)	**(0.1)**	(0.1)	**(2.0)**	(2.6)
Actuarial (losses) / gains:						
– Experience (losses) and gains	**(80.0)**	94.4	**(1.0)**	0.6	**(81.0)**	95.0
Contributions by employer	**7.5**	7.4	**1.6**	1.7	**9.1**	9.1
Contributions by employees	**0.1**	0.1	**–**	–	**0.1**	0.1
Benefits paid	**(43.6)**	(42.1)	**(3.0)**	(2.6)	**(46.6)**	(44.7)
Plan settlements	**–**	(1.0)	**–**	–	**–**	(1.0)
Effect of foreign exchange rate changes	**–**	–	**1.8**	1.9	**1.8**	1.9
At 31 December	**996.2**	1,077.3	**40.5**	40.5	**1,036.7**	1,117.8

At the end of the reporting period, the percentage of the plan assets by category had been invested as follows:

	United Kingdom		Overseas		Total	
	2015	2014	**2015**	2014	**2015**	2014
Equities (quoted)	**4.8%**	3.9%	**75.6%**	75.1%	**7.6%**	6.4%
Corporate bonds (quoted)	**24.1%**	25.9%	**22.2%**	20.6%	**24.1%**	25.7%
Government bonds (quoted)	**0.1%**	25.5%	**–**	–	**0.1%**	24.6%
Diversified growth funds (quoted)	**18.1%**	20.3%	**–**	–	**17.4%**	19.6%
Other (quoted)	**3.0%**	11.3%	**0.1%**	0.1%	**2.8%**	10.9%
Other (unquoted) [1]	**49.9%**	13.1%	**2.1%**	4.2%	**48.0%**	12.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The fair value of the Group's own equity held within plan assets is £nil (2014 – £nil).

1. Other unquoted plan assets include annuity policies.

5 Pensions and other post-retirement benefits continued

The following disclosures relate to the Group's defined benefit plans only.

e. Risk management

Asset volatility

Scheme liabilities are calculated on a discounted basis using a discount rate which is set with reference to corporate bond yields. If scheme assets underperform this yield, then this will create a deficit. The combined schemes hold approximately 75% of assets as defensive assets (liability driven investment solutions, absolute return bonds and annuity policies) which mitigate significant changes in yields, and active monitoring plans are in place to identify opportunities to increase the proportion of such assets further when economically possible.

As the schemes mature, the Group reduces the level of investment risk by investing in defensive assets that are designed to better match the liabilities of the schemes. However, the Group believes that due to the long-term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the long-term investment strategy.

Inflation risk

The majority of the Group's defined benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in the majority of cases there are caps on the level of inflationary increases to be applied to pension obligations. The Group's investment strategy across the schemes is to mitigate inflation risk through holding inflation-linked assets.

Life expectancy

The plans' obligations are to provide a pension for the life of the member, so realised increases in life expectancy will result in an increase in the plans' benefit payments. Future mortality rates cannot be predicted with certainty. All of the schemes conduct scheme-specific mortality investigations annually, to ensure the Group has a clear understanding of any potential increase in liability due to pensioners living for longer than assumed. The trustees of the scheme hedge this risk by adopting a prudent approach in their assumption for future improvements.

f. Sensitivity analysis

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in the assumptions used for the UK schemes. Changes in assumptions have an immaterial effect on the overseas schemes.

Impact on the defined benefit obligation

	United Kingdom	
	2015 %	2014 %
Discount rate -0.25%	**+3.9**	+4.2
Discount rate +0.25%	**-3.7**	-3.9
Inflation -0.25%	**-3.3**	-3.4
Inflation +0.25%	**+3.5**	+3.6
Life expectancy + 1 year	**+3.5**	+3.3

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above variances have been used as they are believed to be reasonably possible fluctuations.

g. Expected future cash flows

The Group has agreed to pay approximately £2.0m to its defined benefit plans in 2016. The Group does not expect any material changes to the annual cash contributions over the next three years given the funding position of the largest schemes, which account for 90% of the Group's total pension liabilities.

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 18 years for the UK schemes.

6 Finance income

	2015 £m	2014 £m
Bank and other interest receivable	**3.1**	2.7
Net interest income on post-retirement plan assets and liabilities	**4.2**	5.1
Other finance income	**7.1**	7.0
Total finance income	**14.4**	14.8

7 Finance costs

	2015 £m	2014 £m
Interest payable on bank borrowings	**1.7**	1.4
Interest payable on Private Placement	**3.1**	2.9
Interest payable on other borrowings	**0.3**	0.2
Fair value adjustment on Private Placement	**6.4**	8.9
Fair value gain on cross currency interest rate swaps	**(7.3)**	(10.4)
Stock holding interest (see note 20)	**18.4**	18.6
Other finance costs	**5.1**	6.5
Total finance costs	**27.7**	28.1

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% (2014 – 2.0%).

8 Tax

	2015 £m	2014 £m
Current tax:		
– UK corporation tax	**6.2**	–
– Overseas tax	**73.1**	66.5
	79.3	66.5
Adjustments to prior year liabilities:		
– UK	**–**	–
– Overseas	**(0.6)**	(0.2)
Current tax	**78.7**	66.3
Deferred tax (note 16)	**(3.8)**	2.3
Tax before exceptional tax	**74.9**	68.6
Exceptional tax – deferred tax (notes 2 and 16)	**4.8**	–
Total tax charge	**79.7**	68.6

The UK corporation tax charge is calculated upon net UK profit and after taking account of all relevant prior year losses and other deductions including pension contributions and capital allowances on plant and buildings.

Factors affecting the tax expense for the year
The effective tax rate for the year before the impact of exceptional items is 24.0%, the same as 2014 (excluding the tax free property gain of £17.3m in South Asia in that year).

The weighted average tax rate is 24.3% (2014 – 24.0%). 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.

	2015 £m	2014 £m
Profit before tax	**262.6**	255.8
Profit before tax multiplied by the weighted average tax rate of 24.3% (2014 – 24.0%)	**63.8**	61.4
Effects of:		
– Permanent differences	**6.9**	0.5
– Non-taxable income	**(2.4)**	(0.9)
– Prior year items	**(1.7)**	(5.1)
– Unrecognised deferred tax movement	**(1.3)**	(3.2)
– Overseas tax audits and settlements	**–**	8.3
– Taxes on undistributed earnings	**2.5**	1.9
– Impact of impairment of intangible assets (Russia)	**9.9**	9.5
– Impact of derecognition of deferred tax assets (Russia)	**4.8**	–
– Tax free property gain in South Asia	**–**	(2.9)
– Other items (including tax rate differentials)	**(2.8)**	(0.9)
Total tax charge	**79.7**	68.6

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon 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. The Group assesses the availability of future taxable profits based on historic performance and the forecasts for the Group's operations as are used in the Group's value in use calculations (see note 11). On this basis, the Directors have determined that net deferred tax assets in respect of tax losses in Russia should no longer be recognised, resulting in a deferred tax charge of £4.8m. More detail of the Group's tax losses and deferred tax assets can be found in note 16.

9 Earnings per share

	2015 £m	2014 £m
Profit for the year	**182.9**	187.2
Non-controlling interests	**(7.1)**	(7.6)
Basic earnings	**175.8**	179.6
Exceptional items	**54.3**	47.4
Adjusted earnings	**230.1**	227.0
Basic earnings per share	**39.8p**	39.7p
Diluted earnings per share	**39.4p**	39.0p
Basic Adjusted earnings per share	**52.1p**	50.2p
Diluted Adjusted earnings per share	**51.6p**	49.3p

	2015 number	2014 number
Weighted average number of fully paid ordinary shares in issue during the year	**442,230,291**	455,975,201
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(753,647)**	(1,907,636)
– Held in Treasury	**–**	(1,443,183)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**441,476,644**	452,624,382
Dilutive effect of potential ordinary shares	**4,468,252**	7,959,690
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**445,944,896**	460,584,072

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

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

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

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

10 Dividends

The following dividends were paid by the Group:

	2015 £m	2014 £m
Interim dividend for the six months ended 30 June 2015 of 6.8p per share (30 June 2014 – 6.3p per share)	**30.0**	28.5
Final dividend for the year ended 31 December 2014 of 13.8p per share (31 December 2013 – 11.7p per share)	**61.1**	53.0
	91.1	81.5

A final proposed dividend for the year ended 31 December 2015 of 14.1p per share amounting to £61.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2015.

11 Intangible assets

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2014	586.6	107.1	0.2	693.9
Additions	–	21.0	–	21.0
Disposals	–	(1.1)	–	(1.1)
Retirement of fully amortised assets not in use	–	(1.3)	(0.2)	(1.5)
Effect of foreign exchange rate changes	(79.8)	(7.7)	–	(87.5)
At 1 January 2015	**506.8**	**118.0**	**–**	**624.8**
Businesses acquired (see note 28)	**4.0**	**–**	**–**	**4.0**
Businesses sold	**(0.3)**	**–**	**–**	**(0.3)**
Additions	**–**	**19.2**	**–**	**19.2**
Retirement of fully amortised assets not in use	**–**	**(2.9)**	**–**	**(2.9)**
Effect of foreign exchange rate changes	**(20.3)**	**(2.7)**	**–**	**(23.0)**
At 31 December 2015	**490.2**	**131.6**	**–**	**621.8**
Accumulated amortisation and impairment				
At 1 January 2014	(60.7)	(45.9)	(0.2)	(106.8)
Amortisation charge for the year	–	(9.4)	–	(9.4)
Disposals	–	1.0	–	1.0
Impairment of goodwill	(47.4)	–	–	(47.4)
Retirement of fully amortised assets not in use	–	1.3	0.2	1.5
Effect of foreign exchange rate changes	3.9	4.0	–	7.9
At 1 January 2015	**(104.2)**	**(49.0)**	**–**	**(153.2)**
Amortisation charge for the year	**–**	**(14.0)**	**–**	**(14.0)**
Impairment of goodwill	**(49.5)**	**–**	**–**	**(49.5)**
Retirement of fully amortised assets not in use	**–**	**2.9**	**–**	**2.9**
Effect of foreign exchange rate changes	**8.8**	**1.6**	**–**	**10.4**
At 31 December 2015	**(144.9)**	**(58.5)**	**–**	**(203.4)**
Net book value at 31 December 2015	**345.3**	**73.1**	**–**	**418.4**
Net book value at 31 December 2014	402.6	69.0	–	471.6

As at 31 December 2015, capitalised borrowing costs of £1.5m (2014 – £1.5m) were included within 'computer software', £nil of which was capitalised in 2015 (2014 – £nil).

11 Intangible assets continued

Goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination. These CGU groups represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. Unless otherwise stated, the Group evaluates goodwill in CGU groupings at a country operation level, e.g. UK Retail, Australia Retail.

The carrying amount of goodwill has been allocated to CGU groups within the following reporting segments:

	2015 £m	2014 £m
United Kingdom	**266.1**	262.1
Emerging Markets	**21.2**	79.6
South Asia	**19.4**	19.7
Australasia	**38.6**	41.2
	345.3	402.6

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGU groups during the year ended 31 December 2015.

The recoverable amounts of all CGU groups were determined based on value in use calculations. These calculations use cash flow projections based on five-year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to revenue growth, operating margins and the level of working capital required to support trading, which have been based on past experience, recent trading and expectations of future changes in the relevant markets. They also reflect expectations about continuing relationships with key brand partners.

Cash flows after the five-year period are extrapolated at an estimated average long-term growth rate for each market. The growth rates used vary between 2% and 5% and are consistent with appropriate external sources for the relevant markets.

Cash flows are discounted back to present value using a risk adjusted discount rate. The discount rates used are calculated as the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant country. The pre-tax discount rates used vary between 10% and 13% and reflect long-term country risk.

11 Intangible assets continued

The assumptions used with regards to pre-tax discount rates and long-term growth rates in those reporting segments with material goodwill balances were as follows:

	Discount rate	Long-term growth rate
United Kingdom	**10%**	**2%**
Emerging Markets	**10% to 13%**	**5%**
South Asia	**10%**	**2%**
Australasia	**11%**	**2%**

Impairment

In light of the sustained weaker trading conditions in Russia and the consequent time forecast before market recovery, the Directors have reviewed the carrying value of the goodwill in Russia and determined that an impairment charge of £49.5m (2014 – £47.4m) should be recognised, representing the full residual carrying value of goodwill in the business. The discount rate applied to the value in use calculation for Russia was 13.3% (2014 – 12.5%) and the long-term growth rate was 4.5% (2014 – 4.5%).

Sensitivities

The Group's value in use calculations are sensitive to a change in the key assumptions used, most notably the discount rates and the long-term growth rates. With the exception of the Group's businesses in Lithuania, a reasonably possible change in a key assumption will not cause a material impairment of goodwill in any of the other CGU groups.

The Group's goodwill in the Emerging Markets segment at 31 December 2015 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Russia	**90.4**	**(90.4)**	**–**
Latvia	**38.8**	**(38.8)**	**–**
Lithuania	**19.0**	**–**	**19.0**
Other	**2.4**	**(0.2)**	**2.2**
At 31 December 2015	**150.6**	**(129.4)**	**21.2**

The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 10%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would eliminate the remaining headroom.

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2014	717.2	206.6	923.8	74.9	998.7
Businesses sold	–	(0.9)	(0.9)	–	(0.9)
Additions	34.2	23.7	57.9	22.9	80.8
Disposals	(8.3)	(14.5)	(22.8)	–	(22.8)
Transferred to inventory	–	(1.2)	(1.2)	(40.0)	(41.2)
Retirement of fully depreciated assets not in use	(0.7)	(4.2)	(4.9)	–	(4.9)
Reclassified to assets held for sale (note 19)	(17.6)	–	(17.6)	–	(17.6)
Effect of foreign exchange rate changes	(65.1)	(10.3)	(75.4)	(0.9)	(76.3)
At 1 January 2015	**659.7**	**199.2**	**858.9**	**56.9**	**915.8**
Businesses acquired	**–**	**0.1**	**0.1**	**–**	**0.1**
Businesses sold	**–**	**(1.4)**	**(1.4)**	**–**	**(1.4)**
Additions	**19.5**	**20.3**	**39.8**	**34.5**	**74.3**
Disposals	**(6.4)**	**(4.4)**	**(10.8)**	**–**	**(10.8)**
Transferred to inventory	**–**	**(0.6)**	**(0.6)**	**(25.1)**	**(25.7)**
Retirement of fully depreciated assets not in use	**(0.5)**	**(0.5)**	**(1.0)**	**–**	**(1.0)**
Reclassified to assets held for sale (note 19)	**(6.7)**	**–**	**(6.7)**	**–**	**(6.7)**
Reclassifications	**13.9**	**(13.9)**	**–**	**–**	**–**
Effect of foreign exchange rate changes	**(20.3)**	**(5.0)**	**(25.3)**	**0.2**	**(25.1)**
At 31 December 2015	**659.2**	**193.8**	**853.0**	**66.5**	**919.5**
Accumulated depreciation and impairment					
At 1 January 2014	(117.3)	(123.1)	(240.4)	(25.6)	(266.0)
Businesses sold	–	0.6	0.6	–	0.6
Depreciation charge for the year	(13.4)	(21.6)	(35.0)	(10.1)	(45.1)
Disposals	0.7	12.7	13.4	–	13.4
Transferred to inventory	–	0.6	0.6	15.6	16.2
Retirement of fully depreciated assets not in use	0.7	4.2	4.9	–	4.9
Reclassified to assets held for sale (note 19)	6.2	–	6.2	–	6.2
Effect of foreign exchange rate changes	6.0	5.4	11.4	0.2	11.6
At 1 January 2015	**(117.1)**	**(121.2)**	**(238.3)**	**(19.9)**	**(258.2)**
Businesses sold	**–**	**0.9**	**0.9**	**–**	**0.9**
Depreciation charge for the year	**(14.3)**	**(20.2)**	**(34.5)**	**(9.8)**	**(44.3)**
Disposals	**2.3**	**3.9**	**6.2**	**–**	**6.2**
Transferred to inventory	**–**	**0.2**	**0.2**	**10.9**	**11.1**
Retirement of fully depreciated assets not in use	**0.5**	**0.5**	**1.0**	**–**	**1.0**
Reclassified to assets held for sale (note 19)	**2.2**	**–**	**2.2**	**–**	**2.2**
Reclassifications	**(7.3)**	**7.3**	**–**	**–**	**–**
Effect of foreign exchange rate changes	**2.8**	**2.9**	**5.7**	**(0.1)**	**5.6**
At 31 December 2015	**(130.9)**	**(125.7)**	**(256.6)**	**(18.9)**	**(275.5)**
Net book value at 31 December 2015	**528.3**	**68.1**	**596.4**	**47.6**	**644.0**
Net book value at 31 December 2014	542.6	78.0	620.6	37.0	657.6

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

12 Property, plant and equipment continued

Assets held under finance leases have the following net book values:

	2015 £m	2014 £m
Leasehold buildings	**2.2**	2.6
Plant, machinery and equipment	**–**	–
	2.2	2.6

The book value of land and buildings is analysed between:

	2015 £m	2014 £m
Freehold	**362.1**	397.1
Leasehold with over 50 years unexpired	**45.4**	32.3
Short leasehold	**120.8**	113.2
	528.3	542.6

As at 31 December 2015, £5.0m (2014 – £5.0m) of capitalised borrowing costs were included within 'land and buildings', £nil of which was capitalised in 2015 (2014 – £nil).

13 Investments in joint ventures and associates

	2015 £m	2014 £m
At 1 January	**9.0**	14.0
Disposals	**(4.0)**	–
Share of profit / (loss) after tax of joint ventures and associates	**0.7**	(1.9)
Share of other comprehensive loss of joint ventures and associates	**–**	(0.2)
Dividends paid	**–**	(2.2)
Effect of foreign exchange rate changes	**(0.4)**	(0.7)
At 31 December	**5.3**	9.0

Group's share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Non-current assets	**–**	–	**–**	0.2	**–**	0.2
Current assets	**5.6**	6.4	**–**	21.5	**5.6**	27.9
Group's share of gross assets	**5.6**	6.4	**–**	21.7	**5.6**	28.1
Current liabilities	**(0.3)**	(1.7)	**–**	(13.8)	**(0.3)**	(15.5)
Non-current liabilities	**–**	(0.3)	**–**	(3.3)	**–**	(3.6)
Group's share of gross liabilities	**(0.3)**	(2.0)	**–**	(17.1)	**(0.3)**	(19.1)
Group's share of net assets	**5.3**	4.4	**–**	4.6	**5.3**	9.0
Group's share of results of joint ventures and associates						
Revenue	**0.1**	0.1	**0.9**	1.2	**1.0**	1.3
Expenses	**(0.1)**	(0.1)	**(0.2)**	(3.1)	**(0.3)**	(3.2)
Profit / (loss) before tax	**–**	–	**0.7**	(1.9)	**0.7**	(1.9)
Tax	**–**	–	**–**	–	**–**	–
Share of profit / (loss) after tax of joint ventures and associates	**–**	–	**0.7**	(1.9)	**0.7**	(1.9)

As at 31 December 2015, no guarantees were provided in respect of joint ventures and associates borrowings (2014 – £nil).

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14 Available for sale financial assets

	2015 £m	2014 £m
At 1 January	**1.4**	9.7
Additions	**-**	0.6
Disposals	**-**	(8.4)
Fair value movement transferred to shareholders' equity	**-**	(0.3)
Effect of foreign exchange rate changes	**-**	(0.2)
At 31 December	**1.4**	1.4

Analysed as:

	2015 £m	2014 £m
Non-current	**1.2**	1.2
Current	**0.2**	0.2
	1.4	1.4

Assets held are analysed as follows:

	2015 £m	2014 £m
Equity securities	**0.4**	0.4
Other	**1.0**	1.0
	1.4	1.4

'Other' includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

Available for sale financial assets, which are valued based on active markets' prices, are reported under Level 1 in note 23 on financial instruments.

15 Trade and other receivables

	Current		Non-current	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**196.8**	175.2	**–**	0.1
Less: provision for impairment of trade receivables	**(6.7)**	(6.7)	**–**	–
Net trade receivables	**190.1**	168.5	**–**	0.1
Prepayments and accrued income	**97.5**	91.1	**41.2**	22.2
Other receivables	**40.2**	25.6	**6.0**	6.0
	327.8	285.2	**47.2**	28.3

Movements in the provision for impairment of receivables were as follows:

	2015 £m	2014 £m
At 1 January	**(6.7)**	(8.4)
Charge for the year	**(2.3)**	(0.9)
Amounts written off	**0.8**	1.2
Unused amounts reversed	**1.1**	0.8
Effect of foreign exchange rate changes	**0.4**	0.6
At 31 December	**(6.7)**	(6.7)

At 31 December, the analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £m	Neither past due nor impaired £m	0 < 30 days £m	30 – 90 days £m	> 90 days £m	Impaired £m
2015	**196.8**	**136.5**	**32.6**	**14.3**	**6.7**	**6.7**
2014	175.3	129.5	21.1	11.0	7.0	6.7

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables have been discounted where the time value of money is considered to be material.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions.

16 Deferred tax

Net deferred tax (liability) / asset	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Total £m
At 1 January 2015	**(26.4)**	**4.9**	**5.2**	**6.3**	**2.8**	**(7.3)**	**(14.5)**
Credited / (charged) to the consolidated income statement	**2.9**	**(0.2)**	**(0.4)**	**(2.0)**	**(4.5)**	**3.2**	**(1.0)**
Credited / (charged) to equity and other comprehensive income	**1.2**	**(7.7)**	**(1.8)**	**–**	**–**	**–**	**(8.3)**
Effect of foreign exchange rate changes	**–**	**0.1**	**–**	**(0.8)**	**(0.3)**	**(0.3)**	**(1.3)**
At 31 December 2015	**(22.3)**	**(2.9)**	**3.0**	**3.5**	**(2.0)**	**(4.4)**	**(25.1)**

Analysed as:

	2015 £m	2014 £m
Deferred tax assets	**18.7**	25.7
Deferred tax liabilities	**(43.8)**	(40.2)
	(25.1)	(14.5)

Measured at relevant local statutory tax rates, the Group has an unrecognised deferred tax asset of £21m (2014 – £24m restated at local statutory rates) relating to tax relief on trading losses. The asset represents £107m (2014 – £107m) of trading losses. The unprovided asset relates to losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future. This now includes the losses associated with the Group's operations in Russia following a reassessment of the availability of suitable profits in that market which resulted in the exceptional tax cost of £4.8m (see notes 8 and 11).

The deferred tax asset on trading losses of £3.5m (2014 – £6.3m) relates to Chile (£0.5m), China (£0.9m), Greece (£0.5m) and all other territories (£1.6m) where future taxable profits are probable.

The Group has unrecognised deferred tax assets of £25m (2014 – £28m) relating to capital losses. The asset represents £139m (2014 – £138m) of losses at the UK future standard rate of 18.0% (2014 – 20.0%). The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries on the basis that the Group can control the timing of dividends. In addition, the majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment. This principally relates to Ethiopia where dividend tax of £2.5m (2014 – £1.9m) is accrued based on current year after tax earnings.

The £4.4m (2014 – £7.3m) net deferred tax liability for 'other timing differences' consists of a £17.2m (2014 – £20.3m) liability in respect of the net book value of tangible fixed assets that do not qualify for tax allowances and property revaluations and a net £12.8m (2014 – £13.0m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are a £12.9m asset in Australia less other deferred tax liabilities of £0.1m (2014 – £2.0m asset in Africa, £3.0m asset in UK, £10.0m asset in Australia less other deferred tax liabilities of £2.0m).

17 Inventories

	2015 £m	2014 £m
Raw materials and work in progress	**16.2**	13.7
Finished goods and merchandise	**1,208.2**	985.5
	1,224.4	999.2

Vehicles held on consignment which are in substance assets of the Group amount to £216.3m (2014 – £114.3m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £34.4m (2014 – £27.8m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £5,507.8m (2014 – £5,456.0m). The write down of inventory to net realisable value recognised as an expense during the year was £36.3m (2014 – £31.0m). All of these items have been included within 'cost of sales' in the consolidated income statement.

18 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and cash equivalents	**335.3**	368.9
Short-term deposits	**138.5**	159.3
	473.8	528.2

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2015, the weighted average floating rate was 0.3% (2014 – 0.5%).

£53.0m (2014 – £37.7m) of cash and cash equivalents are held in countries where prior approval is required to transfer funds abroad. If the Group complies with the required procedures, such liquid funds are at its disposition within a reasonable period of time.

At 31 December 2015, short-term deposits have a weighted average period to maturity of 17 days (2014 – 27 days).

19 Assets held for sale and disposal group

	2015 £m	2014 £m
Assets directly associated with the disposal group	**–**	–
Assets held for sale	**4.5**	8.9
Assets held for sale and disposal group	**4.5**	8.9
Liabilities directly associated with the disposal group	**–**	–

Assets held for sale relate to surplus properties within the UK, which are actively marketed with a view to sale.

20 Trade and other payables

	Current		Non-current	
	2015 £m	2014 £m	2015 £m	2014 £m
Trade payables: payments received on account	**56.6**	65.6	**0.4**	0.8
vehicle funding agreements	**260.0**	231.0	**–**	–
other trade payables	**1,005.5**	778.9	**5.1**	5.8
Other taxation and social security payable	**25.4**	27.6	**–**	–
Accruals and deferred income	**204.6**	175.1	**7.3**	8.2
Amounts payable to related parties	**0.1**	0.2	**–**	–
Other payables	**13.9**	22.3	**–**	–
	1,566.1	1,300.7	**12.8**	14.8

In certain markets, the Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Amounts due to brand partners (including their captive finance companies) are included within other trade payables together with amounts due to other suppliers. Amounts due to facility providers unrelated to the brand partners are disclosed under vehicle funding arrangements. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest. At 31 December 2015, trade payables includes £759.3m (2014 – £620.5m) of liabilities where payment is made on deferred terms and which were subject to a weighted average interest rate of 2.7% (2014 – 2.9%).

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

21 Provisions

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2015	**35.4**	**3.4**	**5.5**	**10.0**	**54.3**
Charged to the consolidated income statement	**20.8**	**0.1**	**0.2**	**3.8**	**24.9**
Released to the consolidated income statement	**(5.4)**	**(1.0)**	**(0.1)**	**(3.3)**	**(9.8)**
Effect of unwinding of discount factor	**0.3**	**–**	**–**	**–**	**0.3**
Utilised during the year	**(16.5)**	**(0.6)**	**(0.2)**	**(2.0)**	**(19.3)**
Effect of foreign exchange rate changes	**(1.1)**	**(0.1)**	**–**	**–**	**(1.2)**
At 31 December 2015	**33.5**	**1.8**	**5.4**	**8.5**	**49.2**

Analysed as:

	2015 £m	2014 £m
Current	**22.7**	28.7
Non-current	**26.5**	25.6
	49.2	54.3

Product warranty
Certain Group companies provide self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. These are not separable products. The warranty periods covered are up to six years and / or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

Vacant leasehold
The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK and Australia. Provision has been made to the extent of the estimated future net cost. This includes taking into account existing subtenant arrangements. The expected utilisation period of these provisions is generally over the next 10 years.

Litigation
This includes a number of litigation provisions in respect of the exit of certain motors and non-motors businesses. The majority of these relate to the exit of our former South American bottling business and shipping business. The cases are largely historical claims and are generally expected to be concluded within the next five years.

Other
This category principally includes provisions relating to residual values on leased vehicles and provisions relating to restructuring activities. These provisions are expected to be utilised within three years.

22 Borrowings

2015	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2015 Total £m
Current							
Bank overdrafts	**98.5**	**–**	**–**	**–**	**98.5**	**–**	**98.5**
Bank loans	**–**	**–**	**3.7**	**5.8**	**3.7**	**–**	**3.7**
Finance leases	**–**	**–**	**1.1**	**6.6**	**1.1**	**–**	**1.1**
	98.5	**–**	**4.8**	**6.0**	**103.3**	**–**	**103.3**
Non-current							
Private Placement	**308.9**	**1.5**	**–**	**–**	**308.9**	**–**	**308.9**
Finance leases	**–**	**–**	**2.6**	**6.8**	**2.6**	**–**	**2.6**
	308.9	**1.5**	**2.6**	**6.8**	**311.5**	**–**	**311.5**
Total borrowings	**407.4**	**1.1**	**7.4**	**6.3**	**414.8**	**–**	**414.8**

2014	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2014 Total £m
Current							
Bank overdrafts	105.7	0.1	–	–	105.7	5.7	111.4
Finance leases	–	–	0.8	6.3	0.8	–	0.8
	105.7	0.1	0.8	6.3	106.5	5.7	112.2
Non-current							
Private Placement	302.4	1.4	–	–	302.4	–	302.4
Finance leases	–	–	3.5	6.6	3.5	–	3.5
	302.4	1.4	3.5	6.6	305.9	–	305.9
Total borrowings	408.1	1.0	4.3	6.5	412.4	5.7	418.1

The above analysis is presented after taking account of the cross currency fixed to floating interest rate swap on the Private Placement of US$436m (2014 – US$436m).

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value, with the exception of the Private Placement which includes a fair value basis adjustment of £12.5m (2014 – £23.2m).

The Group's borrowings are unsecured.

At 31 December 2015, the committed funding facilities of the Group comprised a syndicated bank facility of £400m (2014 – £450m and a bi-lateral facility of €65m) and Private Placement loan notes totalling US$436m (2014 – US$436m).

At 31 December 2015, none of the £400m syndicated credit facility was drawn down (2014 – none of either the £450m or €65m facilities were drawn down). The £400m facility was entered into in January 2015 with an initial expiry date of January 2020 with a further two one-year extension options available. In January 2016, the first extension option was exercised extending the expiry date to January 2021.

All US$436m of the Group's Private Placement loan notes are swapped into Sterling. US$275m is repayable in 2017, and US$161m in 2019.

22 Borrowings continued

The table below sets out the maturity profile of the Group's borrowings that are exposed to interest rate risk. This analysis is presented after taking account of the cross currency fixed to floating interest rate swap on the Private Placement of US$436m (2014 – US$436m).

2015	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Bank loans	**3.7**	**–**	**–**	**–**	**–**	**–**	**3.7**
Finance leases	**1.1**	**1.1**	**–**	**0.1**	**–**	**1.4**	**3.7**
Floating rate							
Bank overdrafts	**98.5**	**–**	**–**	**–**	**–**	**–**	**98.5**
Private Placement	**–**	**197.2**	**–**	**111.7**	**–**	**–**	**308.9**

2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Finance leases	0.8	0.4	0.3	1.0	0.4	1.4	4.3
Floating rate							
Bank overdrafts	105.7	–	–	–	–	–	105.7
Private Placement	–	–	193.2	–	109.2	–	302.4

23 Financial instruments

The Group's financial liabilities, other than derivatives, comprise overdrafts, loan notes, finance leases and trade and other payables. The main purpose of these instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade and other receivables, cash and short-term deposits which arise from its trading operations.

The Group's primary derivative transactions are forward and swap currency contracts, and cross currency interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance. Group policy is that there is no trading or speculation in derivatives.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

a. Classes of financial instruments

2015	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
Financial assets						
Available for sale financial assets	**–**	**1.4**	**–**	**–**	**–**	**1.4**
Trade and other receivables	**271.6**	**–**	**–**	**–**	**–**	**271.6**
Derivative financial instruments	**–**	**–**	**134.5**	**–**	**–**	**134.5**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**473.8**	**473.8**
Total financial assets	**271.6**	**1.4**	**134.5**	**–**	**473.8**	**881.3**
Financial liabilities						
Trade and other payables	**–**	**–**	**–**	**(1,467.7)**	**–**	**(1,467.7)**
Derivative financial instruments	**–**	**–**	**(3.6)**	**–**	**–**	**(3.6)**
Borrowings	**–**	**–**	**–**	**(414.8)**	**–**	**(414.8)**
Total financial liabilities	**–**	**–**	**(3.6)**	**(1,882.5)**	**–**	**(1,886.1)**
	271.6	**1.4**	**130.9**	**(1,882.5)**	**473.8**	**(1,004.8)**

23 Financial instruments continued

2014	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Cash and cash equivalents £m	Total £m
Financial assets						
Available for sale financial assets	–	1.4	–	–	–	1.4
Trade and other receivables	233.2	–	–	–	–	233.2
Derivative financial instruments	–	–	102.6	–	–	102.6
Cash and cash equivalents	–	–	–	–	528.2	528.2
Total financial assets	233.2	1.4	102.6	–	528.2	865.4
Financial liabilities						
Trade and other payables	–	–	–	(1,190.8)	–	(1,190.8)
Derivative financial instruments	–	–	(29.9)	–	–	(29.9)
Borrowings	–	–	–	(418.1)	–	(418.1)
Total financial liabilities	–	–	(29.9)	(1,608.9)	–	(1,638.8)
	233.2	1.4	72.7	(1,608.9)	528.2	(773.4)

b. Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial assets £m	Gross amounts of financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral received £m	Net amount £m
As at 31 December 2015						
Derivative financial assets	**137.9**	**(3.4)**	**134.5**	**(3.5)**	**–**	**131.0**
Cash and cash equivalents	**473.8**	**–**	**473.8**	**(97.9)**	**–**	**375.9**
Other receivables	**2.1**	**(0.6)**	**1.5**	**–**	**–**	**1.5**
Total	**613.8**	**(4.0)**	**609.8**	**(101.4)**	**–**	**508.4**
As at 31 December 2014						
Derivative financial assets	104.7	(2.1)	102.6	(3.2)	–	99.4
Cash and cash equivalents	528.2	–	528.2	(111.4)	–	416.8
Other receivables	1.8	(0.3)	1.5	–	–	1.5
Total	634.7	(2.4)	632.3	(114.6)	–	517.7

The following financial liabilities are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial liabilities £m	Gross amounts of financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral paid £m	Net amount £m
As at 31 December 2015						
Derivative liabilities	**(7.0)**	**3.4**	**(3.6)**	**3.5**	**–**	**(0.1)**
Bank overdrafts	**(98.5)**	**–**	**(98.5)**	**97.9**	**–**	**(0.6)**
Other payables	**(0.6)**	**0.6**	**–**	**–**	**–**	**–**
Total	**(106.1)**	**4.0**	**(102.1)**	**101.4**	**–**	**(0.7)**
As at 31 December 2014						
Derivative liabilities	(32.0)	2.1	(29.9)	3.2	–	(26.7)
Bank overdrafts	(111.4)	–	(111.4)	111.4	–	–
Other payables	(0.3)	0.3	–	–	–	–
Total	(143.7)	2.4	(141.3)	114.6	–	(26.7)

23 Financial instruments continued

For the financial assets and liabilities subject to enforceable netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities if the amounts relate to the same transaction and are in the same currency. If the parties subject to the agreement do not elect to settle on a net basis, financial assets and liabilities will be settled on a gross basis. However, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of a default of the other party.

c. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Australian Dollar to Japanese Yen exchange rate.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

d. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2015, the Group has borrowed at floating rates only (after taking into account existing interest rate hedging activities). This approach maximises the Group's exposure to the current low interest rate environment. If hedging is deemed appropriate by management in the future, the Board has approved the fixing of up to 30% of gross borrowings. Instruments approved for this purpose include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's Private Placement loan notes, bank borrowings, supplier related finance and the returns available on surplus cash.

Interest rate risk table

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on bank borrowings, supplier related finance and cash balances as at 31 December 2015 with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
2015		
Sterling	**75**	**(3.9)**
Euro	**50**	**(0.9)**
Russian Rouble	**500**	**(1.0)**
Australian Dollar	**100**	**(2.1)**
2014		
Sterling	75	(3.5)
Euro	50	0.2
Russian Rouble	500	–
Australian Dollar	100	(1.7)

23 Financial instruments continued

e. Foreign currency risk

The Group publishes its consolidated financial statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

Transaction exposure hedging

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than that unit's functional currency. For a significant proportion of the Group, these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australasia, which purchases vehicles and parts in Japanese Yen.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39, hedges are documented and tested for hedge effectiveness on an ongoing basis.

Hedge of foreign currency debt

The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with the US$436m Private Placement. The effective portion of the gain or loss on the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement.

Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese Yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase / (decrease) in exchange rate	Effect on equity £m
2015		
Yen	**+10%**	**0.1**
Yen	**-10%**	**(0.1)**
2014		
Yen	+10%	–
Yen	-10%	–

f. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit limits are reviewed regularly.

The table below analyses the Group's short-term deposits and derivative assets by credit exposure excluding bank balances and cash in hand:

	2015		2014	
Credit rating of counterparty	**Derivative assets £m**	**Short-term deposits £m**	Derivative assets £m	Short-term deposits £m
AA-	**72.7**	**8.6**	0.7	18.2
A+	**5.9**	**31.2**	–	26.0
A	**52.9**	**47.5**	101.5	76.9
A-	**–**	**1.0**	0.4	9.3
BBB+	**2.0**	**5.2**	–	–
BBB	**1.0**	**–**	–	–
No rating[1]	**–**	**45.0**	–	28.9
	134.5	**138.5**	102.6	159.3

1. Counterparties in certain markets in which the Group operates do not have a credit rating.

23 Financial instruments continued

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for cash at bank, cash equivalents, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £335.3m (2014 – £368.9m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly.

g. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2015 and 2014 based on expected contractual undiscounted cash flows:

2015	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**459.6**	**14.2**	**–**	**–**	**473.8**
Trade and other receivables	**249.8**	**14.4**	**6.8**	**0.6**	**271.6**
Available for sale financial assets	**0.1**	**0.1**	**0.8**	**0.4**	**1.4**
Derivative financial instruments	**13.9**	**33.3**	**376.3**	**–**	**423.5**
	723.4	**62.0**	**383.9**	**1.0**	**1,170.3**
Financial liabilities					
Interest bearing loans and borrowings	**(99.2)**	**(18.2)**	**(332.2)**	**(1.4)**	**(451.0)**
Trade and other payables	**(1,371.6)**	**(88.3)**	**(7.8)**	**–**	**(1,467.7)**
Derivative financial instruments	**(3.3)**	**(5.5)**	**(274.8)**	**–**	**(283.6)**
	(1,474.1)	**(112.0)**	**(614.8)**	**(1.4)**	**(2,202.3)**
Net outflows	**(750.7)**	**(50.0)**	**(230.9)**	**(0.4)**	**(1,032.0)**

2014	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	509.8	18.4	–	–	528.2
Trade and other receivables	213.9	12.8	5.4	1.1	233.2
Available for sale financial assets	0.2	0.2	0.6	0.4	1.4
Derivative financial instruments	2.1	19.3	375.1	–	396.5
	726.0	50.7	381.1	1.5	1,159.3
Financial liabilities					
Interest bearing loans and borrowings	(111.6)	(17.3)	(341.9)	(1.4)	(472.2)
Trade and other payables	(1,051.9)	(116.9)	(22.0)	–	(1,190.8)
Derivative financial instruments	(18.0)	(15.4)	(279.9)	–	(313.3)
	(1,181.5)	(149.6)	(643.8)	(1.4)	(1,976.3)
Net outflows	(455.5)	(98.9)	(262.7)	0.1	(817.0)

23 Financial instruments continued

h. Fair value measurement

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

			2015			2014
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Assets						
Derivatives used for hedging	**–**	**134.5**	**134.5**	–	102.6	102.6
Available for sale financial assets	**1.4**	**–**	**1.4**	1.4	–	1.4
	1.4	**134.5**	**135.9**	1.4	102.6	104.0
Liabilities						
Derivatives used for hedging	**–**	**(3.6)**	**(3.6)**	–	(29.9)	(29.9)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2015.

The Group's derivative financial instruments comprise the following:

		Assets		Liabilities
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cross currency interest rate swaps	**107.4**	100.1	**–**	–
Forward foreign exchange contracts	**27.1**	2.5	**(3.6)**	(29.9)
	134.5	102.6	**(3.6)**	(29.9)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounted to a gain of £0.9m (2014 – gain of £1.5m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounted to a gain of £nil (2014 – £nil).

23 Financial instruments continued

Cash flow hedges

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months of the end of the reporting period (2014 – 15 months).

The nominal principal amount of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2015 was £535.3m (2014 – £746.0m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2015 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2014 – 15 months).

Fair value hedge

At 31 December 2015, the Group had in place five cross currency interest rate swaps. Four of these total US$475m, which hedge changes in the fair value of the Group's 10 and 12 year Private Placement loan notes. Under these swaps, the Group receives fixed rate US Dollar interest of 5.94% on US$275m and 6.04% on US$200m and pays GBP LIBOR +85bps and GBP LIBOR +90bps for the 10 and 12 year notes respectively.

An additional US$39.2m cross currency interest rate swap was put in place after the debt reduction in 2009 to offset the non-required portion of the original US$475m swaps. Under this swap, the Group pays US Dollar interest of 6.04% on US$39.2m and receives GBP LIBOR +214bps for the 12 year notes only. The loan notes and cross currency interest rate swaps have the same critical terms.

i. Capital management

The Group's capital structure consists of equity and debt. Equity represents funds raised from shareholders and debt represents funds raised from banks and other financial institutions. The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to finance the Group's activities, both now and in the future, and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Directors consider the Group's capital structure and dividend policy at least twice a year prior to the announcement of results, taking into account the Group's ability to continue as a going concern and the requirements of its business plan.

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation.

	2015	2014
Adjusted EBITA interest cover (times)*	**111.8**	112.2
Net debt to EBITDA (times)**	**n/a**	n/a
Net debt / market capitalisation (percentage)***	**n/a**	n/a

* Calculated as Adjusted EBITA / interest on consolidated borrowings.

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation.

***Calculated as net debt / market capitalisation as at 31 December.

24 Share capital
a. Allotted, called up and fully paid up

	2015 Number	2014 Number	2015 £m	2014 £m
Ordinary shares (nominal value of 10.0p each)				
At 1 January	**448,741,789**	463,808,537	**45.0**	46.5
Allotted under share option schemes	**–**	277,362	**–**	–
Cancelled under share buy back	**(11,931,693)**	(15,344,110)	**(1.2)**	(1.5)
At 31 December	**436,810,096**	448,741,789	**43.8**	45.0

b. Share buy back programme
During the year, the Group repurchased 11,931,693 (2014 – 15,344,110) of its own shares through purchases on the London Stock Exchange at a cost of £90.8m (2014 – £99.4m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £1.2m (2014 – £1.5m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.6m (2014 – £0.6m) associated with the transfer to the Group of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

c. Substantial shareholdings
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 14 March 2016 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options
At 31 December 2015, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan			**The Inchcape SAYE Share Option Scheme**		
– approved (Part II – UK)			**– approved**		
11,501	19 May 2019	2.00	39,384	1 May 2016	3.07
6,339	7 April 2020	3.10	596,694	1 May 2017	4.76
			522,623	1 May 2018	5.40
			989,790	1 May 2019	5.78
– unapproved (Part I – UK)			**Recruitment and Retention Plan**		
2,501	19 May 2019	2.00	205,125	31 March 2025	0.10
5,449	7 April 2020	3.10			
– unapproved overseas (Part I – Overseas)					
306,329	19 May 2019	2.00			
58,058	7 April 2020	3.10			

Included within the retained earnings reserve are 631,253 (2014 – 1,272,161) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2015 was £4.5m (2014 – £27.2m). The market value of these shares at both 31 December 2015 and 14 March 2016 was £5.0m and £4.5m respectively (31 December 2014 – £9.2m, 9 March 2015 – £9.4m).

25 Other reserves

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2014	0.3	17.4	(9.0)	8.7
Cash flow hedges:				
– Fair value movements	–	–	(15.3)	(15.3)
– Reclassified and reported in inventories	–	–	(0.3)	(0.3)
– Tax on cash flow hedges	–	–	4.7	4.7
Fair value movement transferred from available for sale financial assets	(0.3)	–	–	(0.3)
Effect of foreign exchange rate changes	–	(180.1)	–	(180.1)
At 1 January 2015	**–**	**(162.7)**	**(19.9)**	**(182.6)**
Cash flow hedges:				
– Fair value movements	**–**	**–**	**38.7**	**38.7**
– Reclassified and reported in inventories	**–**	**–**	**(15.2)**	**(15.2)**
– Tax on cash flow hedges	**–**	**–**	**(7.0)**	**(7.0)**
Effect of foreign exchange rate changes	**–**	**(49.0)**	**–**	**(49.0)**
At 31 December 2015	**–**	**(211.7)**	**(3.4)**	**(215.1)**

The effect of foreign exchange rate changes includes a gain of £7.0m (2014 – £nil) on the liquidation of overseas subsidiaries that has been reclassified to the consolidated income statement in accordance with IAS 21, 'The effects of changes in foreign exchange rates'.

Available for sale reserve
Gains and losses on available for sale financial assets are recognised in the 'available for sale reserve' until the asset is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the consolidated income statement.

Translation reserve
The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

26 Retained earnings

	2015 £m	2014 £m
At 1 January	**1,148.2**	1,135.0
Total comprehensive income attributable to owners of the parent for the year:		
– Profit for the year	**175.8**	179.6
– Actuarial (losses) / gains on defined pension benefits (note 5)	**(26.8)**	2.5
– Actuarial losses on defined benefits held by joint ventures (note 13)	**–**	(0.2)
– Tax credited / (charged) to reserves	**1.2**	(0.9)
Total comprehensive income for the year	**150.2**	181.0
Share-based payments, net of tax	**9.8**	12.5
Share buy back programme	**(91.4)**	(100.0)
Net (purchase) / disposal of own shares by Inchcape Employee Trust	**(18.9)**	1.2
Dividends paid (note 10)	**(91.1)**	(81.5)
At 31 December	**1,106.8**	1,148.2

27 Notes to the consolidated statement of cash flows
a. Reconciliation of cash generated from operations

	2015 £m	2014 £m
Cash flows from operating activities		
Operating profit	**275.2**	271.0
Exceptional items (see note 2)	**49.5**	47.4
Amortisation of intangible assets	**14.0**	9.4
Depreciation of property, plant and equipment	**34.5**	35.0
Profit on disposal of property, plant and equipment	**(2.1)**	(17.6)
Share-based payments charge	**9.6**	9.5
(Increase) / decrease in inventories	**(246.5)**	3.8
(Increase) / decrease in trade and other receivables	**(68.5)**	3.4
Increase in trade and other payables	**282.2**	59.3
Decrease in provisions	**(4.2)**	(11.9)
Pension contributions less than / (in excess of) the pension charge for the year*	**2.7**	(1.0)
(Increase) / decrease in interest in leased vehicles	**(12.3)**	3.3
Payments in respect of exceptional items	**–**	(1.3)
Other non-cash items	**(5.7)**	(4.5)
Cash generated from operations	**328.4**	405.8

* Includes additional payments of £1.7m (2014 – £1.7m).

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

	2015 £m	2014 £m
Net (decrease) / increase in cash and cash equivalents	**(20.3)**	125.9
Net cash (outflow) / inflow from borrowings and finance leases	**(3.2)**	1.1
Change in net cash and debt resulting from cash flows	**(23.5)**	127.0
Effect of foreign exchange rate changes on net cash and debt	**(21.2)**	(41.3)
Net movement in fair value	**0.9**	1.5
Movement in net funds	**(43.8)**	87.2
Opening net funds	**210.2**	123.0
Closing net funds	**166.4**	210.2

Net funds is analysed as follows:

	2015 £m	2014 £m
Cash at bank and cash equivalents	**335.3**	368.9
Short-term deposits	**138.5**	159.3
Bank overdrafts	**(98.5)**	(111.4)
Cash and cash equivalents	**375.3**	416.8
Bank loans	**(312.6)**	(302.4)
Finance leases	**(3.7)**	(4.3)
	59.0	110.1
Fair value of cross currency interest rate swap	**107.4**	100.1
Net funds	**166.4**	210.2

28 Acquisitions and disposals

During the year, the Group acquired a new dealership in the UK for a consideration of £5.1m, with goodwill arising on the transaction of £4.0m.

In 2015, the Group disposed of a small number of dealerships in Australia and its interest in Excelease SA, a financial services business in Belgium, generating disposal proceeds of £5.4m and a profit on disposal of £0.6m (2014 – disposals in Australia and Finland at net book value generating disposal proceeds of £1.9m).

29 Guarantees and contingencies

	2015 £m	2014 £m
Guarantees, performance bonds and contingent liabilities	**31.2**	25.1

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HM Revenue and Customs (HMRC) in the Franked Investment Income Group Litigation Order (FII GLO). There are 25 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK. The resolution of test cases is incomplete. The current status of the test claims is that a judgment on a range of issues of quantification was given in the High Court on 18 December 2014 and permission has been granted to both HMRC and the test claimants to appeal to the Court of Appeal. The appeal hearing is now expected to take place in June 2016. Inchcape is not a test case and its specific claim has not been considered by the Courts.

In January 2016, the management judge of the GLO, Henderson J, granted summary judgment to seven other corporate groups in the GLO in relation to their claims for restitution of Advance Corporation Tax (ACT) paid under the Foreign Income Dividend (FID) regime which is a subsidiary component of the claims in the FII GLO. The Judge found that liability for the FID component of the claims has now been conclusively determined in the British American Tobacco (BAT) test case and that these other FID claims are in an identical position. Accordingly, the Judge found that those claimants are entitled to summary judgment on that part of their claims save for a portion of compound interest which is still subject to litigation in another case.

In September 2015, Inchcape also filed an application at the High Court for summary judgment in respect of the component of its claim in the FII GLO with a hearing planned for February 2016. HMRC and Inchcape agreed that Inchcape's application is also to be determined on the basis of the January judgment handed down in respect of the other seven claimants. Inchcape has therefore also been awarded summary judgment on the FID component of its claim but without the need for a hearing.

The judge refused HMRC's application for permission to appeal the summary judgments on the basis that their case was unarguable. Notwithstanding this, HMRC has renewed that application to the Court of Appeal.

The amount expected to be paid by HMRC to the Group under the summary judgment is approximately £6.5m. This amount is calculated partially on a simple interest basis. The calculation of the amount due is still under dispute and so could change in the future, for example as a result of the resolution of the litigation referred to above in respect of compound interest. It is also subject to refund if HMRC were granted leave to appeal and that appeal was successful. The amount due will be subject to the new 45% withholding tax introduced in Finance (No. 2) Act 2015. The legality of this tax is itself also the subject of litigation.

No potential receipts have been recognised in the period to 31 December 2015 in the results of the Group due to the uncertainty of the amounts and eventual outcome as at that date.

30 Commitments

a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2015 £m	2014 £m
Property, plant and equipment	**16.8**	34.9
Computer software	**2.0**	2.0
Vehicles subject to residual value commitments*	**83.4**	86.6

* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £9.1m (2014 – £10.5m) has been included within 'trade and other payables'. These commitments are largely expected to be settled over the next three years.

b. Lease commitments

Operating lease commitments – Group as lessee

The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Within one year	**53.7**	51.2
Between one and five years	**122.7**	129.3
After five years	**192.8**	209.8
	369.2	390.3

Operating lease commitments – Group as lessor

The Group has entered into non-cancellable operating leases on a number of its vehicles and certain properties. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Within one year	**4.1**	3.4
Between one and five years	**8.6**	7.2
After five years	**6.7**	9.6
	19.4	20.2

Finance leases and hire purchase contracts

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings), are as follows:

	2015 £m	2014 £m
Minimum lease payments:		
– Within one year	**0.8**	1.0
– Between one and five years	**1.6**	2.6
– After five years	**3.0**	2.8
Total minimum lease payments	**5.4**	6.4
Less: future finance charges	**(1.7)**	(2.1)
Present value of finance lease liabilities	**3.7**	4.3

31 Related party disclosures

a. Trading transactions

Intra-group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Vehicles purchased from related parties	**–**	0.2	**–**	–
Vehicles sold to related parties	**–**	0.9	**–**	–
Other income paid to related parties	**0.6**	1.1	**0.1**	0.2
Other income received from related parties	**–**	0.2	**–**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2014 – £nil).

b. Compensation of key management personnel

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2015 £m	2014 £m
Wages and salaries	**6.4**	8.7
Post-retirement benefits	**1.0**	0.9
Share-based payments	**4.2**	4.2
Compensation for loss of office	**0.4**	–
	12.0	13.8

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Directors' Report on Remuneration.

32 Foreign currency translation

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

	Average rates		Year end rates	
	2015	2014	**2015**	2014
Australian Dollar	**2.04**	1.83	**2.02**	1.91
Euro	**1.38**	1.24	**1.36**	1.29
Hong Kong Dollar	**11.85**	12.80	**11.42**	12.08
Singapore Dollar	**2.10**	2.09	**2.09**	2.06
Russian Rouble	**93.72**	63.29	**107.30**	92.65

33 Events after the reporting period

In the year ended 31 December 2015, the Company purchased, for cancellation, 11,931,693 ordinary shares at a cost of £91.4m (see note 24). In the period from 1 January to 14 March 2016, the Company purchased, for cancellation, a further 4,541,107 ordinary shares at a cost of £32.0m. The Company is committed to completing a £58.6m share buy back programme in the first half of 2016.

Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenue	**6,836.3**	6,702.7	6,524.9	6,085.4	5,826.3
Operating profit before exceptional items	**324.7**	318.4	286.9	259.8	244.4
Operating exceptional items	**(49.5)**	(47.4)	(8.5)	0.7	(13.4)
Operating profit	**275.2**	271.0	278.4	260.5	231.0
Share of profit / (loss) after tax of joint ventures and associates	**0.7**	(1.9)	–	0.2	(3.0)
Profit before finance and tax	**275.9**	269.1	278.4	260.7	228.0
Net finance costs before exceptional items	**(13.3)**	(13.3)	(12.3)	(13.0)	(13.7)
Finance costs exceptional items	**–**	–	–	–	(10.9)
Profit before tax	**262.6**	255.8	266.1	247.7	203.4
Tax before exceptional tax	**(74.9)**	(68.6)	(65.9)	(60.8)	(59.2)
Exceptional tax	**(4.8)**	–	0.6	0.5	3.6
Profit after tax	**182.9**	187.2	200.8	187.4	147.8
Non controlling interests	**(7.1)**	(7.6)	(6.6)	(5.9)	(5.6)
Profit for the year	**175.8**	179.6	194.2	181.5	142.2
Basic:					
– Profit before tax	**262.6**	255.8	266.1	247.7	203.4
– Earnings per share (pence)	**39.8p**	39.7p	41.8p	39.4p	31.0p
Adjusted (before exceptional items):					
– Profit before tax	**312.1**	303.2	274.6	247.0	227.7
– Earnings per share (pence)	**52.1p**	50.2p	43.5p	39.1p	35.5p
Dividends per share – interim paid and final proposed (pence)	**20.9p**	20.1p	17.4p	14.5p	11.0p
Consolidated statement of financial position					
Non-current assets	**1,259.1**	1,341.2	1,512.1	1,464.4	1,350.0
Other assets less (liabilities) excluding net funds	**(183.6)**	(233.3)	(135.9)	(212.2)	(236.0)
	1,075.5	1,107.9	1,376.2	1,252.2	1,114.0
Net funds	**166.4**	210.2	123.0	276.2	243.5
Net assets	**1,241.9**	1,318.1	1,499.2	1,528.4	1,357.5
Equity attributable to owners of the parent	**1,219.0**	1,292.9	1,470.0	1,502.6	1,329.1
Non controlling interests	**22.9**	25.2	29.2	25.8	28.4
Total shareholders' equity	**1,241.9**	1,318.1	1,499.2	1,528.4	1,357.5

Independent auditors' report to the members of Inchcape plc

Report on the Group financial statements

Our opinion

In our opinion, Inchcape plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report & Accounts 2015 (the "Annual Report"), comprise:

- Consolidated statement of financial position as at 31 December 2015;
- Consolidated statement of comprehensive income for the year then ended;
- Consolidated statement of cash flows for the year then ended;
- Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Materiality	• Overall group materiality: £15.6 million which represents 5% of profit before taxation and exceptional items.
Audit scope	• We conducted our work in 16 countries covering 22 reporting units. • The reporting units where we conducted our audit work accounted for 89% of the Group's revenues and 90% of the Group's profit before taxation. • We instructed and maintained regular contact with the component audit teams and evaluated the results of their work performed.
Areas of focus	• Goodwill impairment assessment. • Manufacturers' bonuses and rebates. • Carrying value of inventory. • Tax exposures and provisions.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Goodwill impairment assessment Refer to page 57 (Audit Committee Report), page 87 (accounting policies) and page 115 (note 11). Inchcape plc has £345.3 million of goodwill across five Cash Generating Units or groups of Cash Generating Units (together "CGUs") detailed in note 11 to the financial statements. The risk is that this balance is overstated. For the CGUs which contain goodwill, the determination of recoverable amount, being the higher of value in use and fair value less costs to dispose of the CGU, requires judgements on the part of management in valuing the relevant CGUs. Recoverable amounts are based on management's view of future trading performance and profitability and the most appropriate discount and long-term growth rates. As required by accounting standards, management tests all CGUs containing goodwill for impairment at least on an annual basis. As described further in note 11, management has recorded an impairment charge of £49.5 million against the goodwill in its Russian business, as a result of the sustained weaker trading conditions and economic outlook in the market. This impairment charge represented the remaining Russian goodwill. We focused our testing on the estimated value in use of the Russian CGU to ensure that the impairment charge is appropriate.	We evaluated management's future cash flow forecasts and the process by which they were drawn up, including testing the underlying calculations and comparing them with the latest Board approved budgets. We challenged: • projected vehicle volume and margin forecasts over the next five years by comparing them with external industry forecasts where available, and historical and current results; • the long-term growth rate used to extrapolate the cash flows beyond year five (the period covered by Board approved forecasts) into perpetuity, by comparing them with historical results and wider industry forecasts; and • the discount rate, by independently calculating the cost of capital for the Group. We evaluated the historical accuracy of budgets and forecasts, for example, comparing the budgets used in the prior year value-in-use model against the actual performance of the business in the current year. These procedures enabled us to assess the accuracy of the forecasting process. For the Russian CGU, where the assets are now fully impaired, we calculated the extent to which management's assumptions would have to change for the impairment charge of £49.5 million to be materially misstated. We challenged projected vehicle volume and margin forecasts over the next five years by comparing them with external industry forecasts. Recognising the uncertainty of the Russian market in particular, we satisfied ourselves as to the reasonableness of the assumptions used and judgements made by management and considered the impairment of £49.5 million to be appropriate. For all other CGUs, where no impairment has been recognised in 2015, we calculated the degree to which these assumptions would need to move before an impairment charge would have to be recognised and found that management's judgement that no impairment was required was supported by reasonable assumptions. We also agreed the appropriateness of the related disclosures in note 11 of the financial statements, including the sensitivities provided with respect to Lithuania.
Manufacturers' bonuses and rebates Refer to page 57 (Audit Committee Report) and page 87 (accounting policies). In certain markets, principally the UK, the Group receives rebates which are based in part on sales targets set by the Original Equipment Manufacturers (OEMs). The Group is also entitled to further OEM bonuses and rebates dependent on achieving other targets – including non-financial metrics. The manufacturers' bonuses and rebates are usually determined by the OEMs and have varying terms, the majority of which are governed by annual agreements, whilst others are based on shorter-term arrangements entered into during the year. We focused on this area as the amounts are material and because not all bonuses and rebates are directly linked to quantitative measures, which means that the recognition of elements of these amounts requires management judgement and estimation in determining whether they have been earned as at the balance sheet date.	We understood and evaluated the controls and processes with respect to manufacturers' bonuses and rebates. Confirmations were sent to a number of OEMs requesting confirmation of the total amount of manufacturers' bonuses earned in the year together with amounts earned but not yet paid to the Group at the year end. We were able to reconcile those confirmations received to the amounts recorded in the underlying books with no significant differences noted. Where confirmations were not received from certain manufacturers we substantively tested a sample of bonuses and rebates by tracing to credit notes received from the manufacturer and cash received. There were no material issues arising from our testing.

Area of focus	How our audit addressed the area of focus
Carrying value of inventory Refer to page 87 (accounting policies) and page 122 (note 17). As at 31 December 2015, inventory of £1.2 billion is held across multiple locations. Inventory should be recorded at the lower of cost and net realisable value, being selling price less estimated selling costs. As gross margins on sales of vehicle inventory can be low and inventory is sometimes sold at a loss, provisions are recorded against inventory to write it down to management's best estimate of its recoverable amount. Management has established a formal provisioning policy based on historical performance and their future trading forecasts.	We considered the Group's past trading performance, including testing the levels of losses incurred on vehicle sales historically and subsequent to the year-end, to evaluate the level of provisioning and to assess the reasonableness and accuracy of management's provisioning methodology. We established that the inventory provisions were reasonable by recalculating the inventory provisions in each country, using the provisioning policy, and comparing the results with the actual provision level. We also verified the completeness and accuracy of any additional provisions made by management outside of its standard policy where specific events or circumstances warranted additional provisioning. Our testing confirmed that the provisions were reasonable.
Tax exposures and provisions Refer to page 87 (accounting policies) and page 112 (note 8) The Group operates across a large number of tax jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transfer pricing, indirect taxes and transaction related tax matters. As at 31 December 2015, the Group had tax provisions for uncertain tax positions. Tax provisioning requires subjective judgements to be made by management about the expected ultimate settlement, if any, of a potential exposure.	We assessed the Group's process for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures and determined that it was appropriate. We used our tax specialists to gain an understanding of the current status of tax investigations and monitored changes in ongoing disputes by reading recent rulings and correspondence with local tax authorities, as well as external advice received by the Group where relevant, to establish that the tax provisions were appropriate. We also considered the status of recent and current tax audits and enquiries, the outturn of previous claims and the wider tax environment in each territory. We confirmed the appropriateness of the related disclosures about the tax provisions and contingencies in note 8. Our testing confirmed that the provisions were reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group structure is organised into six geographic operating segments (Australasia, Europe, North Asia, South Asia, United Kingdom and Emerging Markets). The operating businesses are further categorised into two market channels – distribution and retail. The Group financial statements are a consolidation of 56 reporting units, comprising the Group's operating businesses (within the six geographic segments and two market channels) and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We conducted our audit work in 16 countries covering 22 reporting units. The reporting units where we conducted our audit work accounted for 89% of the Group's revenues and 90% of the Group's profit before tax. We instructed and maintained regular contact with the component audit teams we used and evaluated the outcome of their work; 7 components were visited by partners on the Group team. In response to the matter noted on page 59 of the report of the Audit Committee, we visited the opeartions in Chile and undertook certain limited specified procedures over the local balance sheet.

This together with additional procedures performed at the Group level, including audit procedures over consolidation adjustments, treasury, post retirement benefits, goodwill and litigation provisions gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£15.6 million (2014: £15.0 million).
How we determined it	5% of profit before taxation and exceptional items.
Rationale for benchmark applied	We believe that profit before taxation and exceptional items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £800,000 (2014: £700,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 79, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 79, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 57 to 59, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 56 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 43 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Directors' responsibilities set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter
We have reported separately on the Company financial statements of Inchcape plc for the year ended 31 December 2015 and on the information in the Directors'Remuneration Report that is described as having been audited.

Neil Grimes
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 March 2016

Company statement of financial position

As at 31 December 2015

	Notes	**2015 £m**	2014 £m
Fixed assets			
Investment in subsidiaries	3	**1,631.5**	1,635.7
Current assets			
Trade and other receivables:			
– Amounts due within one year	4	**95.6**	37.1
– Amounts due after more than one year	4	**300.6**	352.7
Cash and cash equivalents	5	**11.6**	10.4
		407.8	400.2
Trade and other payables – amounts falling due within one year	6	**(6.8)**	(5.7)
Net current assets		**401.0**	394.5
Total assets less current liabilities		**2,032.5**	2,030.2
Trade and other payables – amounts falling due after more than one year	7	**(758.3)**	(683.1)
Provisions for liabilities	9	**(4.6)**	(4.6)
Net assets		**1,269.6**	1,342.5
Equity			
Ordinary shares	11	**43.8**	45.0
Share premium		**146.7**	146.7
Capital redemption reserve		**136.8**	135.6
Retained earnings		**942.3**	1,015.2
Total shareholders' funds		**1,269.6**	1,342.5

The financial statements on pages 145 to 157 were approved by the Board of Directors on 14 March 2016 and were signed on its behalf by:

Stefan Bomhard,
Group Chief Executive

Ken Hanna,
Chairman

Registered Number: 609782

Inchcape plc

Company statement of changes in equity

For the year ended 31 December 2015

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
At 1 January 2014 (as previously reported)		46.5	145.7	134.1	1,083.1	1,409.4
FRS 101 transitional adjustment	13	–	–	–	1.2	1.2
At 1 January 2014		46.5	145.7	134.1	1,084.3	1,410.6
Profit for the year		–	–	–	102.3	102.3
Total comprehensive income for the year		–	–	–	102.3	102.3
Dividends	12	–	–	–	(81.5)	(81.5)
Issue of ordinary share capital		–	1.0	–	–	1.0
Net disposal of own shares by the Inchcape Employee Trust		–	–	–	1.2	1.2
Share buy back programme	11	(1.5)	–	1.5	(100.0)	(100.0)
Share-based payments, net of tax		–	–	–	8.9	8.9
At 1 January 2015		**45.0**	**146.7**	**135.6**	**1,015.2**	**1,342.5**
Profit for the year		**–**	**–**	**–**	**119.1**	**119.1**
Total comprehensive income for the year		**–**	**–**	**–**	**119.1**	**119.1**
Dividends	12	**–**	**–**	**–**	**(91.1)**	**(91.1)**
Net purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**(18.9)**	**(18.9)**
Share buy back programme	11	**(1.2)**	**–**	**1.2**	**(91.4)**	**(91.4)**
Share-based payments, net of tax		**–**	**–**	**–**	**9.4**	**9.4**
At 31 December 2015		**43.8**	**146.7**	**136.8**	**942.3**	**1,269.6**

Share-based payments include a net tax charge of £0.2m (deferred tax charge of £0.8m and a current tax credit of £0.6m) (2014 – deferred tax charge of £0.6m).

Accounting policies

General information
These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2015. The Company is the ultimate parent entity of the Inchcape Group (the Group).

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company has transitioned to FRS 101 for all periods presented. Transition tables showing all material adjustments are disclosed in note 13.

The financial statements are prepared under the historical cost convention modified for fair values in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. The Directors of Inchcape plc manage the Group's risks at a group level rather than an individual business unit or company level. Further information on these risks and uncertainties, in the context of the Group as a whole, are included within the Group disclosures on pages 40 to 43.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise price of share options, and how the fair value of goods and services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange and differences are taken to the income statement.

Finance costs
Finance costs consist of interest payable on the Private Placement borrowing. Costs are recognised as an expense in the period in which they are incurred.

Investments
Investments in subsidiaries are stated at cost, less provisions for impairment.

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

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

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

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

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

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

Share capital
Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

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

Share-based payments
The Company operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest. The impact of any revision is recognised in the income statement with a corresponding adjustment to equity.

For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Save As You Earn scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a Save As You Earn award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

Financial instruments
The Company's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are the same as those set out in the Group's accounting policies on pages 87 to 93.

Notes to the financial statements

1 Auditors' remuneration

The Company incurred £0.1m (2014 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2015.

2 Directors' remuneration

	2015 £m	2014 £m
Wages and salaries	**4.1**	4.5
Social security costs	**0.3**	0.5
Pension costs	**0.4**	0.5
	4.8	5.5

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 63 to 77.

3 Investment in subsidiaries

	2015 £m	2014 £m
Cost		
At 1 January	**1,712.6**	1,712.6
Additions	**–**	–
Disposals	**–**	–
At 31 December	**1,712.6**	1,712.6
Provisions		
At 1 January	**(76.9)**	(75.1)
Provisions for impairment	**(4.2)**	(1.8)
Disposals	**–**	–
At 31 December	**(81.1)**	(76.9)
Net book value	**1,631.5**	1,635.7

The Directors believe that the carrying value of the individual investments is supported by their underlying net assets.

An impairment charge of £4.2m has been recognised in the year (2014 – £1.8m) to ensure that the carrying value of the individual investments is stated at the lower of cost and estimated recoverable amount.

4 Trade and other receivables

	2015 £m	2014 £m
Amounts due within one year		
Amounts owed by Group undertakings	**95.6**	37.1
	95.6	37.1
Amounts due after more than one year		
Deferred tax asset (note 8)	**1.7**	3.5
Amounts owed by Group undertakings	**298.9**	349.2
	300.6	352.7

Amounts owed by Group undertakings that are due within one year consist of current account balances that are interest free and repayable on demand, as well as intercompany loans that bear interest at rates linked to source currency base rates.

Amounts owed by Group undertakings that are due after more than one year bear interest at rates linked to source currency base rates.

5 Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash equivalents	**11.6**	10.4

6 Trade and other payables – amounts falling due within one year

	2015 £m	2014 £m
Amounts owed to Group undertakings	**2.2**	0.7
Other taxation and social security payable	**1.4**	2.2
Other creditors	**3.2**	2.8
	6.8	5.7

Amounts owed to Group undertakings are interest free and repayable on demand.

7 Trade and other payables – amounts falling due after more than one year

	2015 £m	2014 £m
Amounts owed to Group undertakings	**461.9**	403.9
Private Placement	**296.4**	279.2
	758.3	683.1

The Company has US$435.8m outstanding under the Private Placement borrowing: US$275m is repayable in 2017 and bears interest at a fixed rate of 5.94% per annum; and US$160.8m is repayable in 2019 and bears interest at a fixed rate of 6.04% per annum.

Amounts owed to Group undertakings are repayable in 2017 and bear interest at rates linked to source currency base rates.

8 Deferred tax

	Share-based payments £m	**Other timing differences £m**	**Total £m**
At 1 January 2015 (see note 13)	**1.8**	**1.7**	**3.5**
Charged to equity	**(0.8)**	**–**	**(0.8)**
Charged to the income statement	**(0.3)**	**(0.7)**	**(1.0)**
At 31 December 2015	**0.7**	**1.0**	**1.7**

9 Provisions for liabilities

	2015 £m	2014 £m
At 1 January	**4.6**	4.6
Released to the income statement	**–**	–
At 31 December	**4.6**	4.6

Provision has been made for warranties, indemnities and other litigation issues in relation to motors and non-motors business exits, based on expected outcomes. These provisions are expected to be settled within the next three to five years.

10 Contingent liability

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2015 was £11.6m (2014 – £10.4m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 5).

11 Share capital

a. Allotted, called up and fully paid up

	2015 Number	2014 Number	**2015 £m**	2014 £m
Ordinary shares				
At 1 January	**448,741,789**	463,808,537	**45.0**	46.5
Allotted under share option schemes	**–**	277,362	**–**	–
Cancelled under share buy back	**(11,931,693)**	(15,344,110)	**(1.2)**	(1.5)
At 31 December	**436,810,096**	448,741,789	**43.8**	45.0

b. Share buy back programme

During the year, the Company repurchased 11,931,693 (2014 – 15,344,110) of its own shares through purchases on the London Stock Exchange, at a cost of £90.8m (2014 – £99.4m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £1.2m (2014 – £1.5m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.6m (2014 – £0.6m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 14 March 2016 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

11 Share capital continued

d. Share options

At 31 December 2015, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)	Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan – approved (Part II – UK)			**The Inchcape SAYE Share Option Scheme – approved**		
11,501	19 May 2019	2.00	39,384	1 May 2016	3.07
6,339	7 April 2020	3.10	596,694	1 May 2017	4.76
			522,623	1 May 2018	5.40
			989,790	1 May 2019	5.78
– unapproved (Part I – UK)			**Recruitment and Retention Plan**		
2,501	19 May 2019	2.00	205,125	31 March 2025	0.10
5,449	7 April 2020	3.10			
– unapproved overseas (Part I – Overseas)					
306,329	19 May 2019	2.00			
58,058	7 April 2020	3.10			

Included within the retained earnings reserve are 631,253 (2014 – 1,272,161) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2015 was £4.5m (2014 – £27.2m). The market value of these shares at both 31 December 2015 and 14 March 2016 was £5.0m and £4.5m respectively (31 December 2014 – £9.2m, 9 March 2015 – £9.4m).

e. Share-based remuneration

Inchcape plc has two employees, the Group Chief Executive and the Group Finance Director.

The terms and conditions of the Company's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from share-based transactions during the year was £1.9m (2014 – £1.3m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £nil (2014 – £2.99).

The weighted average remaining contractual life for the share options outstanding at 31 December 2015 is 9.2 years (2014 – 2.0 years) and the range of exercise prices for options outstanding at the end of the year was £0.10 to £5.78 (2014 – £3.40 to £6.31).

12 Dividends
The following dividends were paid by the Company:

	2015 £m	2014 £m
Interim dividend for the six months ended 30 June 2015 of 6.8p per share (30 June 2014 – 6.3p per share)	**30.0**	28.5
Final dividend for the year ended 31 December 2014 of 13.8p per share (31 December 2013 – 11.7p per share)	**61.1**	53.0
	91.1	81.5

A final proposed dividend for the year ended 31 December 2015 of 14.1p per share amounting to £61.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2015.

13 Transition to FRS 101
As disclosed within the Basis of Preparation section on page 147, these financial statements for the year ended 31 December 2015 are the first that the Company has prepared in accordance with FRS 101. Accordingly, the Company has prepared individual financial statements that comply with FRS 101 applicable for all periods beginning on or after 1 January 2014.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014 and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

The only material adjustment to the Company's financial statements as a result of the transition to FRS 101 has been in respect of deferred tax. Under IFRS deferred tax is defined in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement.

The table below shows the impact of the changes to the deferred tax asset:

	As previously reported £m	FRS 101 adjustment £m	As reported £m
At 1 January 2014	2.7	1.2	3.9
(Charged) / credited to the income statement	(0.3)	0.5	0.2
Charged to equity	–	(0.6)	(0.6)
At 31 December 2014	**2.4**	**1.1**	**3.5**

14 Related Undertakings

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures as at 31 December 2015 is shown below.

Subsidiaries

Name		Percentage owned	Country of incorporation
AutoNexus Pty Ltd		100%	Australia
Bespoke Automotive Australia Pty Ltd		100%	Australia
Inchcape Australia Ltd	(i)	100%	Australia
Inchcape Automotive Retail Pty Ltd		100%	Australia
Keystar Motors Pty Ltd	(ii)	100%	Australia
SMLB Pty Ltd		100%	Australia
Subaru (Australia) Ltd		90%	Australia
TCH Unit Trust		100%	Australia
Trivett Automotive Group Pty Ltd		100%	Australia
Trivett Bespoke Automotive Pty Ltd		100%	Australia
Trivett Classic Garage Pty Ltd		100%	Australia
Trivett Classic Group Finance Pty Ltd		100%	Australia
Trivett Classic Holdings Pty Ltd	(iii)	100%	Australia
Trivett Classic Pty Ltd	(iv)	100%	Australia
Trivett Motorcycles Pty Ltd		100%	Australia
Trivett P/L		100%	Australia
Trivett Tyres Pty Ltd		100%	Australia
Autoproducts NV		100%	Belgium
Car Security NV		100%	Belgium
Garage Francorchamps SA		100%	Belgium
Inchcape Retail Belgium		100%	Belgium
Toyota Belgium NV/SA		100%	Belgium
Champion Motors (Brunei) Sdn Bhd		70%	Brunei
NBT (Brunei) Sdn Bhd		70%	Brunei
NBT Services Sdn Bhd		70%	Brunei
Inchcape Brokerage Bulgaria EOOD		100%	Bulgaria
TM Auto EOOD		100%	Bulgaria
Toyota Balkans EOOD		100%	Bulgaria
Mobility Services Chile SA		100%	Chile
Universal Motors SA		100%	Chile
Williamson Balfour Motors SA		100%	Chile
Williamson Balfour SA		100%	Chile
Inchcape Investment Holding (China) Ltd		100%	China
Jiujiang Inchcape Premium Auto Sales & Service Co Ltd		100%	China
Nanchang Inchcape Premium Auto Sales & Service Co Ltd		100%	China
Shanghai Hongshi Consultancy Co Ltd		100%	China
Shanghai Bell Rock Auto Sales & Service Co Ltd		100%	China
Shanghai Inchcape Auto Sales & Service Co Ltd		100%	China
Shaoxing Inchcape Lexus Auto Sales & Service Co Ltd		100%	China
Shaoxing Inchcape Premium Auto Sales & Service Co Ltd		100%	China
IB Enterprises Ltd		100%	Cook Islands
Red Sea Automotive FZCO		100%	Djibouti
Inchcape Motors Estonia OU		100%	Estonia
The Motor & Engineering Company Of Ethiopia (Moenco) Ltd		94%	Ethiopia
Inchcape Motors Finland Oy		100%	Finland

Notes to the financial statements continued

Name		Percentage owned	Country of incorporation
British Providence SA		100%	Greece
Eurolease Fleet Services SA		100%	Greece
Inchcape Incredit SA		100%	Greece
Polis Inchcape Thessaloniki SA		100%	Greece
Polis Inchcape Athens SA		100%	Greece
Toyota Hellas SA		100%	Greece
Atkins Kroll Inc		100%	Guam
British Motors Ltd		100%	Hong Kong
Crown Motors Development Ltd		100%	Hong Kong
Crown Motors Ltd		100%	Hong Kong
Future Motors Ltd		100%	Hong Kong
Inchcape Asia Pacific Ltd		100%	Hong Kong
Inchcape Finance (HK) Ltd		100%	Hong Kong
Inchcape Hong Kong Ltd		100%	Hong Kong
Inchcape Motor Services Ltd		100%	Hong Kong
Inchcape South China Ltd		100%	Hong Kong
Intec Engineering Ltd		100%	Hong Kong
Nova Motors Ltd		100%	Hong Kong
Nova Motors (Macao) Ltd		100%	Hong Kong
Inchcape Finance (Ireland) Ltd	(v)	100%	Ireland
Distribution Services Cote d'Ivoire SA		100%	Ivory Coast
Toyota Services Afrique SA		100%	Ivory Coast
Baltic Motors Imports SIA		100%	Latvia
Baltijas Ipasumum Fonds SIA		100%	Latvia
BM Lizings SIA		100%	Latvia
Ermans SIA		100%	Latvia
Inchcape BM Auto SIA		100%	Latvia
Inchcape Motors Latvia SIA		100%	Latvia
Ventmotors SIA		100%	Latvia
UAB Autovista		67%	Lithuania
UAB Autovytaras		67%	Lithuania
UAB Inchcape Motors		67%	Lithuania
Car Company Luxembourg		100%	Luxembourg
Grand Garage de Luxembourg		100%	Luxembourg
Jaguar Luxembourg		100%	Luxembourg
Yat Fung Motors Ltd		100%	Macau

Name	Percentage owned	Country of incorporation
Toyota Auto Center DOOEL	100%	Macedonia
Inchcape Financial Holdings Cooperatief WA	100%	Netherlands
Inchcape Funding BV	100%	Netherlands
Inchcape International Group BV	100%	Netherlands
Inchcape T Property BV	100%	Netherlands
Inchcape T.B.V.	100%	Netherlands
Inchcape Moscow Holdings BV	100%	Netherlands
Inchcape Moscow Motors BV	100%	Netherlands
Olimp BV	100%	Netherlands
Inchcape Motors NZ Ltd	100%	New Zealand
Ilaother SA	100%	Panama
Ilachile SA	100%	Panama
Inchcape Motors Peru SA	100%	Peru
IMP Distribuidora SA	100%	Peru
Inchcape Motors Polska Sp z.o.o	100%	Poland
Interim Cars Sp z.o.o	100%	Poland
Inchcape Motors Srl	100%	Romania
Inchape Real Estate Srl	100%	Romania
Toyota Romania Srl	100%	Romania
Inchcape Management Services Rus LLC	100%	Russia
Inchcape Olimp LLC	100%	Russia
Inchcape T LLC	100%	Russia
LLC Autopark	100%	Russia
LLC Autoproject	100%	Russia
LLC Borishof 1	100%	Russia
LLC Concord	100%	Russia
LLC Inchcape Holding	100%	Russia
LLC Musa Motors JLR	100%	Russia
LLC Musa Motors Volvo	100%	Russia
LLC Orgtekhstroy	100%	Russia
Atkins Kroll (Saipan) Inc	100%	Saipan
Borneo Motors (Singapore) Pte Ltd	100%	Singapore
Century Motors (Singapore) Ltd	100%	Singapore
Champion Motors (1975) Pte Ltd	100%	Singapore
Inchcape Automotive Services Pte Ltd	100%	Singapore
Inchcape Motors Private Ltd	100%	Singapore

Name		Percentage owned	Country of incorporation
Armstrong Massey (York) Ltd		100%	United Kingdom
Armstrong Massey Holding Ltd		100%	United Kingdom
Autobytel Ltd		100%	United Kingdom
Automobiles of Distinction Ltd		100%	United Kingdom
Bates Motors (Belcher) Ltd		100%	United Kingdom
Casemount Holdings Ltd		100%	United Kingdom
Castle Motors (York) Ltd		100%	United Kingdom
Cavendish 1 Ltd		100%	United Kingdom
Chapelgate Holdings Ltd		100%	United Kingdom
Chapelgate Motors Ltd		100%	United Kingdom
D J Smith Ltd		100%	United Kingdom
Dane Motor Company (Chester) Ltd		100%	United Kingdom
European Motor Holdings Ltd		100%	United Kingdom
Ferrari Concessionaires Ltd	(vi)	100%	United Kingdom
Gerard Mann Ltd		100%	United Kingdom
H A Fox Ltd		100%	United Kingdom
Inchcape Baltic Motors Ltd		100%	United Kingdom
Inchcape (Belgium) Ltd	(vii)	100%	United Kingdom
Inchcape BMI Ltd		100%	United Kingdom
Inchcape Corporate Services Ltd		100%	United Kingdom
Inchcape East (2) Ltd		100%	United Kingdom
Inchcape East (Acre) Ltd		100%	United Kingdom
Inchcape East (Brook) Ltd		100%	United Kingdom
Inchcape East (Hill) Ltd		100%	United Kingdom
Inchcape East (Holdings) Ltd		100%	United Kingdom
Inchcape East (Properties) Ltd		100%	United Kingdom
Inchcape East Ltd		100%	United Kingdom
Inchcape Estates Ltd		100%	United Kingdom
Inchcape Finance plc		100%	United Kingdom
Inchcape Fleet Solutions Ltd		100%	United Kingdom
Inchcape Hellas Funding (unlimited)		100%	United Kingdom
Inchcape Hellas UK (unlimited)		100%	United Kingdom
Inchcape Imperial (unlimited)		100%	United Kingdom
Inchcape Investments (no 1) Ltd		100%	United Kingdom
Inchcape Investments (no 2) Ltd		100%	United Kingdom
Inchcape International Holdings Ltd		100%	United Kingdom
Inchcape Investments & Asset Management Ltd		100%	United Kingdom
Inchcape Latvia Ltd		100%	United Kingdom
Inchcape Management (Services) Ltd		100%	United Kingdom
Inchcape Midlands Ltd		100%	United Kingdom
Inchcape Motors International Ltd		100%	United Kingdom
Inchcape Motors Pension Trust Ltd		100%	United Kingdom
Inchcape Pension Trustee Ltd		100%	United Kingdom
Inchcape Overseas Ltd		100%	United Kingdom
Inchcape North West Group Ltd		100%	United Kingdom
Inchcape North West Ltd		100%	United Kingdom
Inchcape Park Lane Ltd		100%	United Kingdom
Inchcape Retail Ltd		100%	United Kingdom
Inchcape Russia (UK) Ltd	(viii)	100%	United Kingdom
Inchcape (Singapore) Ltd		100%	United Kingdom

Name		Percentage owned	Country of incorporation
Inchcape Trade Parts Ltd		100%	United Kingdom
Inchcape Transition Ltd		100%	United Kingdom
Inchcape UK Ltd		100%	United Kingdom
Inchcape UK Corporate Management Ltd		100%	United Kingdom
James Edwards (Chester) Ltd		100%	United Kingdom
Kenning Motor Group Ltd		100%	United Kingdom
L&C Auto Services (Croydon) Ltd	(ix)	100%	United Kingdom
L&C Auto Services Ltd	(x)	100%	United Kingdom
L&C Banstead Ltd		100%	United Kingdom
Malton Motors Fleet Ltd		100%	United Kingdom
Malton Motors Ltd		100%	United Kingdom
Mann Egerton & Co Ltd		100%	United Kingdom
Mill Garages Ltd		100%	United Kingdom
Nexus Corporation Ltd		100%	United Kingdom
Normand Heathrow Ltd		100%	United Kingdom
Normand Ltd		100%	United Kingdom
Normand Motor Group Ltd		100%	United Kingdom
Normand Trustees Ltd		100%	United Kingdom
Northfield Garage (Tetbury) Ltd		100%	United Kingdom
Notneeded No. 144 Ltd		100%	United Kingdom
Notneeded No. 145 Ltd		100%	United Kingdom
Packaging Industries Ltd		100%	United Kingdom
Penta Watford Ltd		88%	United Kingdom
Smith Knight Faye (Holdings) Ltd		100%	United Kingdom
Smith Knight Faye Ltd		100%	United Kingdom
St James's Insurance Ltd		100%	United Kingdom
St Mary Axe Securities Ltd		100%	United Kingdom
The Cooper Group Ltd		100%	United Kingdom
Tozer International Holdings Ltd		100%	United Kingdom
Tozer Kemsley Millbourn Automotive Ltd		100%	United Kingdom
Wyvern (Wrexham) Ltd		100%	United Kingdom
Baltic Motors Corporation		100%	United States of America
SS Acquisition Corporation		100%	United States of America

Joint ventures

Name		Percentage owned	Country of incorporation
Teffin SA		50%	Greece
Unifinance SA		60%	Greece
Enterprise Car Finance Ltd	(xi)	49%	United Kingdom
Inchcape Financial Services Ltd	(xii)	49%	United Kingdom

Unless stated below, all holdings have one type of ordinary share capital:

(i) Ordinary A and Ordinary B shares

(ii) Ordinary shares, B Class shares, J Class shares and L Class shares

(iii) Ordinary shares and E Class shares

(iv) Ordinary shares, A Class shares, C Class shares, D Class shares and E Class shares

(v) Ordinary shares, redeemable cumulative preference shares and non-redeemable preference shares

(vi) Ordinary shares, Ordinary A shares and 8% non-cumulative redeemable preference shares

(vii) Ordinary shares and redeemable cumulative preference shares

(viii) Ordinary shares and redeemable cumulative preference shares

(ix) Ordinary A and Ordinary B shares

(x) Ordinary A and Ordinary B shares

(xi) Ordinary A and Ordinary B shares

(xii) Ordinary A and Ordinary B shares

Independent auditors' report to the members of Inchcape plc

Report on the Company financial statements

Our opinion

In our opinion, Inchcape plc's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report & Accounts 2015 (the "Annual Report"), comprise:

- Company statement of financial position as at 31 December 2015;
- Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Inchcape plc for the year ended 31 December 2015.

Neil Grimes
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 March 2016

Shareholder Information

Registered office

Inchcape plc

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London SW1Y 5LP
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Registered number: 609782

Advisors

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

Share registrars

Computershare Investor Services PLC
Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: +44 (0) 370 707 1076

Solicitors

Slaughter and May

Corporate brokers

Deutsche Bank
JP Morgan Cazenove

Inchcape PEPs

Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained. Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB
Tel: +44 (0) 1296 414144

Inchcape ISA

Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Tel: 0870 300 0430

International callers:
Tel: +44 121 441 7560
More information is available at www.shareview.com

Financial calendar

Annual General Meeting

26 May 2016

Announcement of 2016 Interim Results

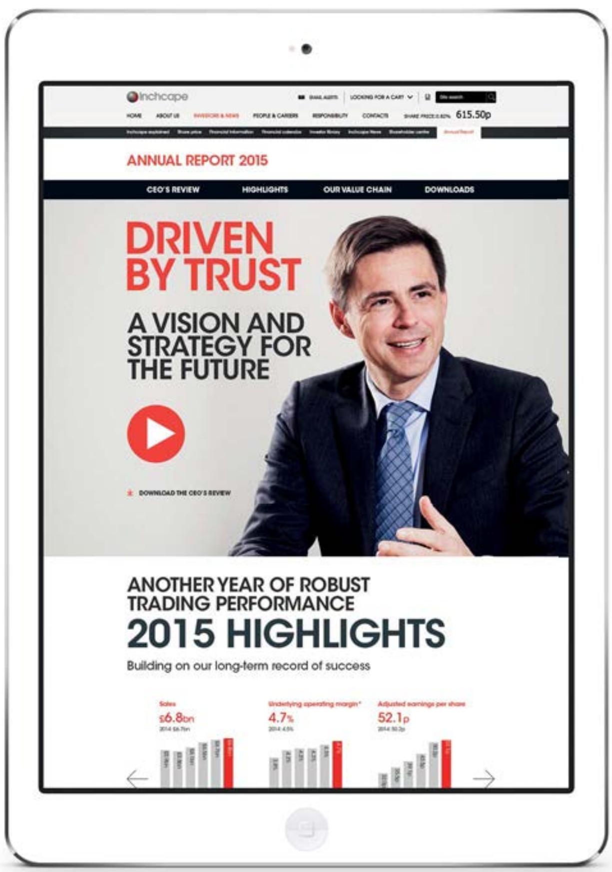
28 July 2016

Explore our website for access to our latest Annual Report and more.

The 2015 Online Annual Report includes:

- A Vision and Strategy for the Future
- a searchable PDF of the Annual Report
- download prior year Annual Reports
- Inchcape videos – watch and learn more about Inchcape and what we do

www.inchcape.com/annualreport



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