AN EXHILARATING DRIVE

Inchcape

10 March 2015

2014 Annual Results Announcement
Results for the year ended 31 December 2014

"Fifth consecutive year of double-digit earnings growth"

Operational and strategic highlights:

- Acceleration of like for like sales momentum in 2014 with revenue growth of 10.1% at constant currency
- Strong underlying operating profit growth of 15.3%[1] at constant currency
- Fifth consecutive year of double-digit earnings growth[2]
- Step-up in free cash flow generation
- £181.5m returned to shareholders in 2014 through dividends and share buy backs

Financial highlights:

- Reported sales £6.7bn (2013: £6.5bn)
- Pre-exceptional PBT of £303.2m[1] (2013: £274.6m[1])
- Reported PBT £255.8m[3] (2013: £266.1m)
- Adjusted EPS growth of 15.4% to 50.2p (2013: 43.5p)
- Operating cash flow of £405.8m (2013: £227.0m)
- Return on capital employed of 25.6%[4] (2013: 21.8%)
- Recommended final dividend of 13.8p[5] per share giving a total dividend for the year of 20.1p per share (2013: 17.4p), up 15.5%

André Lacroix, Group CEO of Inchcape plc, commented:

"Inchcape's strategic partnerships with the world's leading premium and luxury brands and differentiated Customer 1st strategy have enabled us to seize the exciting growth opportunities in the global automotive industry and to outperform through leveraging unique local drivers in a number of our important markets.

The acceleration of like for like sales momentum in 2014 has delivered a fifth consecutive year of double-digit earnings growth and a step-up in cash generation through our consistent operational discipline on costs and cash.

The Group's commitment to delivering value creation for our stakeholders is built on a foundation of disciplined capital allocation. We have invested in developing a strong digital presence, world-class IT infrastructure and state-of-the-art retail centres to support our organic growth. Inchcape's robust cash generation has enabled a further £181.5m to be returned to our shareholders in 2014 through dividends and share buy backs.

The Group has a track record of delivering sustainable earnings growth with a high return on capital employed and we believe our distinctive strength across primarily small and medium size markets in both Vehicle sales and Aftersales will continue to drive consistent returns for our shareholders. We have good visibility across our markets and categories and, notwithstanding an uncertain geopolitical environment in some of our markets, we expect to deliver a robust underlying constant currency performance in 2015."

Notes:
1. In 2014, we benefited from a property disposal which generated a one-off profit of £17.3m and in 2013 we benefited from a property disposal which generated a one-off profit of £6.2m
2. Based on adjusted earnings per share
3. Reported PBT includes a £47.4m non-cash exceptional impairment charge
4. Pre-exceptional items
5. Subject to final approval at the AGM on 21 May 2015, the dividend will be paid on 25 June 2015 to all shareholders on the register of members on 29 May 2015. A Dividend Reinvestment Plan (DRIP) is available to Ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 8 June 2015

Chairman's Statement

Record results in 2014

We are pleased to report a strong performance in 2014 with robust like for like sales growth, a new record underlying operating margin and excellent cash generation.

The Group's constant currency revenue and profit momentum of the past five years accelerated in 2014, further demonstrating the attractiveness of Inchcape's strong position in a vibrant industry as well as the return to growth of some of our important markets. Our strategic focus on premium and luxury brands, our strong presence across higher growth Asia Pacific and Emerging Markets, our rigorous operational processes and our dedication to our Customer 1st strategy successfully combined to deliver an excellent result in 2014.

At the end of September 2014, we announced that after nearly 10 years as Group Chief Executive, André Lacroix will leave Inchcape at the end of March 2015 to take up his new role as CEO of Intertek Group plc. Under André's leadership, Inchcape has performed extremely well and our market capitalisation has more than doubled since his appointment in 2005.

We thank André and wish him all the very best for the future.

At the end of January 2015, we announced the appointment of Stefan Bomhard as Inchcape's CEO effective from 1 April 2015. Stefan is an experienced international executive who has worked for a number of well-known companies, and his most recent role was European President for Bacardi Limited. He has lived and worked in a number of our markets and he brings a wide range of expertise to the Group. I know he is looking forward to joining Inchcape and working with a great team.

Performance

Group sales increased by 2.7% to £6.7bn for the full year to 31 December 2014. Our 2014 constant currency like for like revenue growth of 10.1% was excellent and well ahead of the 3.5% increase in global New Car volumes (Source: LMC Automotive). 2014 marked an important inflexion point for two important reasons. Firstly, our markets that have seen New Car volumes increase since the global financial crisis are now benefiting from broad based growth across our categories, including Service and Parts. The second factor being the return to growth of the important markets of Singapore and Greece.

Our Australasian performance has been particularly pleasing in 2014, especially against the backdrop of an adverse currency translation from the Australian Dollar to Sterling. Trading profit for the division rose 13.2% to £89.3m reflecting a very good performance by our Subaru Distribution business, which benefited from an increase in market share and a favourable exposure to buying in Yen. Our Retail operations also delivered a robust performance supported by further profit growth for the Trivett sites we acquired in 2013.

Our Russia business is experiencing a period of geopolitical uncertainty and whilst we delivered revenue growth of 6.6% at constant currency in 2014 and remain confident in the long-term potential, we have reduced our near-term growth expectations and have recorded a £47.4m non-cash exceptional impairment of the carrying value of goodwill in Russia.

Profit before tax and exceptional items of £303.2m was a 10.4% increase on 2013. Adjusted earnings per share (EPS) rose by 15.4% to 50.2p, driving a five year compound annual growth rate of 13.1%.

Cash generated from operations during the year was £405.8m which represents an 127% conversion of pre-exceptional operating profit.

For the second year in succession, we announced a £100m share buy back programme at the time of our Interim Results, of which £50m was completed by 31 December 2014. The Group's cash generation continues to be strong, benefiting from well-established disciplines over working capital. The Group generated £290.7m of free cash flow in the year and had £210.2m of net cash at the year end.

I am pleased that our operational success and the increased dividend per share have been reflected in the 2014 total shareholder return (TSR) of 21.4%.

Capital Expenditure

Discipline on capital expenditure has been maintained in 2014, through the control of Group wide hurdle requirements and the realisation of £21.6m in cash from the disposal of a body shop and paint facility at 24 Leng Kee Road in Singapore.

In 2014 we completed further BMW Motorrad facilities in Chile, following the new flagship facility opening in 2013. In Poland we opened new MINI and BMW Motorrad showrooms, these additions coinciding with the 10th anniversary of our Polish operations this year. In the UK we refurbished a number of sites and opened state of the art facilities for our brand partners.

Our global iPower programme to roll out SAP and CDK (formerly ADP) integrated IT solutions across all of our markets continued in 2014 and notable market completions were Hong Kong, Singapore and Peru.

Board

We were pleased to announce the appointment of Coline McConville who joined the Board on 1 June 2014. Coline brings valuable breadth of global experience across multiple industries and is a member of the Remuneration, Corporate Responsibility and Nominations Committees.

Dividend

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2014 of 13.8p, +18.0% on 2013 (11.7p). This gives a total dividend for 2014 of 20.1p, a 15.5% increase on 2013 (17.4p). Subject to approval at the Company's Annual General Meeting (AGM) on 21 May 2015, the final dividend will be paid on 25 June 2015 to shareholders of the Company on the register of members at the close of business on 29 May 2015.

Approach to Governance and Corporate Responsibility (CR)

We view governance as a continually evolving set of principles and the Annual Report gives the Board an opportunity to communicate to our stakeholders how we have incorporated these principles in order to underpin the delivery of the Group's strategy. The Corporate Governance Report in the Annual Report aims to set out clearly how we have structured the Board, how we have reviewed and evaluated ourselves and our processes, and what changes we have made to ensure the Board and its committees remain effective. In 2014 the CR Board Committee, responsible for the strategic direction of the Group's Corporate Responsibility programme, continued to develop a global approach to making responsible economic, environmental and social behaviour fundamental to the way we work.

People

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their outstanding commitment and support in 2014.

Outlook

The fundamentals of the Group are strong. We trade across multiple value drivers distributing and retailing for leading premium and luxury automotive brand partners across primarily small and medium size markets, where we typically have established high market shares. Inchcape is attractively positioned to benefit from the exciting growth industry in which we operate.

The solid foundations of the Group have been strengthened to drive long-term shareholder value by our dedication to our Customer 1st strategy, underpinned by clear operational initiatives and secured by a focus on capital discipline.

Inchcape has delivered double-digit compounded annual underlying earnings growth over the past five years, despite a backdrop of challenging trading conditions in some of our key countries. Last year saw the return to growth in Singapore and Greece, the broadening of growth across our categories and the presence of distinct and supportive local drivers. Whilst a portfolio of markets will tend to always see a spread of performances, the long-term momentum within the Group is encouraging and we are resolute in our focus to capture this opportunity and deliver on-going value creation for our shareholders.

Ken Hanna,
Chairman

Chief Executive's Statement

An exhilarating drive

I am delighted once again to announce a set of record underlying financial results that continue our long-term trend of delivering increased market share, margin growth, higher profits, industry-leading return on capital employed and shareholder value creation.

In the past 10 years, it has been a privilege to lead Inchcape, a Group with an impressive heritage, operating in a fascinating industry and with a unique portfolio of growth markets and leading brand partners. I would like to express my sincere thanks to all Inchcape employees and brand partners for their outstanding support.

For me personally – and for the Group – this has been an exhilarating drive.

As I write my final Chief Executive Statement after nearly 10 years with Inchcape, it is perhaps fitting to briefly consider the journey that the Company has been on since 2005 and to reflect on what makes Inchcape so truly special. This has been a significant period in the Company's history; it has taken us through one of the most challenging economic crises ever to hit the world's financial markets and then through an extensive recovery period during which Inchcape has successfully and consistently outperformed its competitors.

I believe that the Company's strengths lie in 10 core strategic assets which today make Inchcape the global leader in automotive Distribution and Retail. These are the qualities that make us uniquely well-placed to benefit from the tremendous growth ahead in the premium and luxury segments of the global automotive market.

For this reason, I will comment on this year's results at the end of this statement, not at the beginning. In this way, I hope to clearly illustrate how I believe Inchcape will continue to drive success from its markets, accelerate growth and constantly deliver improving shareholder value to provide an exhilarating drive for our customers, our brand partners, our people and our shareholders.

A rich heritage and reputation for performance excellence

The first of Inchcape's strategic assets lies in our rich heritage and outstanding reputation for performance, built up over nearly two centuries. Inchcape has existed in multiple forms for many years from the days when some of the 19th century's most exciting figures helped to create today's global company by opening up new trading routes right across Asia, down the length of Africa and across the Pacific to Australasia.

The Company continues to thrive today because it has consistently leveraged this entrepreneurial spirit along with a real sense of integrity and an unmatched customer focus to overcome challenging market conditions and outperform its competitors in periods of growth. It has always achieved this thanks to the determination of its employees to succeed, and I am confident that it will still be doing so for many years to come.

The world's best car brands

Our business, at its simplest, is to provide the world's leading car manufacturers with a professional, well-financed route to market across 26 territories worldwide. We strive to enhance our manufacturer partners' brand performance by creating an outstanding buying and ownership experience to which customers choose to return, time and time again. And, by leveraging the full power of this Customer 1st approach, we drive growth for our own people, our brand partners and our shareholders.

Six long-standing brand partner relationships deliver around 90% of our Group profits. But by partnering with Toyota, Volkswagen-Audi, BMW, Subaru, Mercedes-Benz and Jaguar Land-Rover, we work with the key drivers of innovation in the automotive industry across the world. Not only are these the manufacturers behind the majority of breakthroughs in powertrain and environmental technologies, they are also the leaders in the development of new automotive segments that meet emerging and future customer needs.

Further, these are the brands to which increasingly wealthy customer groups in Emerging Markets aspire. This in turn is a powerful driver and protector of high margins for Inchcape. In short, these are the best possible brand relationships for us to have. Our role is to apply our expertise at every point in the automotive value chain.

Where we operate as a Distributor, our extensive consumer research and knowledge of our markets enables us to specify the models, variants and volumes supplied to each market. We handle all aspects of import and logistics, from factory gate to showroom. We also appoint, manage and train franchised dealership networks and support them through the wholesale provision of vehicles and parts. We draw upon our market knowledge and brand expertise to handle all national marketing and price positioning to maximise margins and share.

Where we operate as a Retailer, our role is to provide high quality brand representation through large scale retail facilities and our highly trained technicians and industry leading facilities give us a major competitive advantage when it comes to vehicle servicing and repair.

Above all, we win and engage customers for the long-term through the delivery of superior customer service at every touch point, in every market.

A perfect position in a growth industry

Our third core asset, which consistently delivers advantage and value to Inchcape, is the growth industry itself in which we operate – and our highly beneficial position within it. The automotive industry is set to grow significantly over the next five years, both in terms of the New Car market (+15.4%, Source: IHS Automotive) and the overall Car Parc (+18.7%, Source: IHS Automotive) from which we derive our Aftersales and Used Car revenues.

A number of global structural drivers are fuelling this growth: New Car sales growth in markets across all continents; unprecedented wealth creation in Asia Pacific and Emerging Markets; new technologies driving environmental and efficiency gains, creating value for customers; growth of the Used Car market as vehicles are replaced; and on-going consolidation, led by the best funded and best performing industry players.

Inchcape additionally benefits from our ability to leverage a number of market specific growth drivers in every territory in which we operate.

Moreover, we are uniquely placed to benefit from our exposure to high-margin growth markets, driven by two important features of our business model that truly differentiate Inchcape in the global automotive industry: our 'go to market' strategy and our 'geographic portfolio strategy'.

The strategic choices we have made over the years regarding our 'go to market' strategy have been highly significant. In the global automotive value chain we gained 83% of our 2014 earnings from our high-margin Distribution operations, while we delivered 17% of our earnings from our Retail operations.

Our strategic choices regarding our geographic portfolio are equally critical to the performance of the Group. In 2014 we delivered 75% of our earnings from fast-growing Asia Pacific and Emerging Markets while 25% of our earnings were delivered in the UK and Europe.

So our low-capital, high-margin Distribution operations are sited almost exclusively in the fastest-growing markets in the world. These markets are not large – they include Hong Kong, Singapore, Chile, Peru, Guam, Brunei, the Baltics, and Ethiopia – but collectively they are very significant indeed. And by being strong with Distribution in such small markets while being selective with Retail in large markets, we have channels that give us an exceptionally strong, sustainable and well-balanced set of revenue streams.

These strategic choices have given us a powerful position in the global automotive industry: the fact that the core of the Group's earnings are delivered in high-return Distribution channels in the fast-growing Asia Pacific and Emerging Markets has been – and will remain – a key driver of shareholder value creation.

Being in the right markets with the right brand partners gives us significant local leverage and indeed we have achieved outright market leadership positions in many of the markets where we operate, and top three positions in many others.

We work hard to maximise our brand partners' success. And we are rightly proud that, as a result of this focus, our partner brands often perform better in Inchcape-run markets than they do elsewhere, one of the reasons why our brand partner relationships have been in place for over 20 to almost 50 years.

A winning glo-cal organisation

This out-performance is due in no small part to another key Inchcape strength, a winning glo-cal organisation. Our organisational approach is to establish a strong market presence and apply marketing, sales, aftersales and infrastructure expertise locally, which we support with strong governance and performance management centrally.

Our decentralised, empowered management structure enables local teams to apply their in-depth personal knowledge of individual markets within a globally aligned group structure. We have the scale that enables investments in world-class Group-wide information systems, shared best practice and advanced business processes, but this is combined with in-depth local skills and the ability to respond swiftly and decisively to fast-changing conditions. Thus, our organisational model provides both the benefits of global scale and of local agility.

A differentiating strategy with clear operational priorities

We have pursued our Customer 1st strategy for 10 years now, creating an incredible customer experience for the world's best car brands. The cornerstone of this approach is our commitment to outstanding customer service coupled with a strong operational discipline.

While our industry in general is not renowned for customer service, achieving excellence in this area is critical to us because it differentiates Inchcape from competitors and strengthens the performance of our existing assets.

Indeed, our strategy is based on the consistent delivery of outstanding customer service to drive premium returns: creating superior customer value through our unique Inchcape Advantage programme to strengthen our business and, through the strong brand partner relationships this creates, gaining access to expansion opportunities in high-margin/high-growth areas of the world.

Inchcape Advantage is our unique programme to deliver a consistently superior customer experience, underpinned by customer insights (from our 16,000 monthly customer interviews), proprietary Retail operating processes and cutting-edge Retail metrics. It is our key competitive advantage: it drives our market share growth across five revenue streams; it protects the pricing power of our brands; and it helps us retain our customers.

A key strategic component of our strong business model is the diversity of our five revenue streams which we classify into 'growth' and 'defensive' categories. Our main growth category is New Vehicle sales and, when combined with our Finance and Insurance products, represents around 40% of Group gross profit.

Our 'defensive' categories of Used Vehicle sales, Aftersales Service and Parts now collectively account for 60% of our gross profit and the trend towards substantial growth in the global Car Parc (which is over 10 times the size of the New Car market) is driving true sustainability for these high-margin business streams.

We drive the successful implementation of our Customer 1st strategy through a set of operational disciplines that are enshrined in Inchcape's Top Five Priorities. We first developed these in response to the dawning of the financial crisis back in 2008, but they have proven equally relevant and valuable during the period of recovery and into the current growth phase that is now taking us forward.

These priorities give us a balance between a set of commercial and cash initiatives that ensure our business growth ambitions are founded upon strong capital disciplines. In short, they focus our attention on growing revenue and profit faster than our competitors and upon driving leverage of both profit and cash generation.

Our two commercial priorities are to ensure constant year-on-year revenue growth by increasing our market share of New Vehicle sales and to deliver Aftersales growth during both the warranty and post-warranty periods. We achieve these goals through our innovative digital and traditional marketing campaigns and effective customer contact and retention programmes.

Our cash priorities provide us with the strong financial platform on which our commercial initiatives can flourish: continually improving our margins through a strong focus on the cost of sales and the mix of our value drivers; robust inventory management, tracked on a daily basis within a clear Group-wide policy of 1.5 months' of forward stock cover; and being highly selective on capital investments, focusing upon those initiatives that increase our capacity in strategic markets.

Ultimately, this balance between commercial and cash initiatives is what enables us to offer a premium service to our customers, which translates into premium growth and premium returns for our shareholders.

Culture of high performance management

We have created a suite of insightful reporting systems to drive strong performance management disciplines throughout the organisation, with powerful links between our front and back-office environments to minimise risk and optimise efficiencies.

An ethos of rigorous performance management is ingrained in Inchcape's culture through the frequent and timely implementation of key processes – centrally, locally and at every level of the organisation. Our commitment to daily, weekly and monthly management reporting and disciplined central governance underpins well informed local decision making. A broad and deep range of performance management measures collectively build strategic planning and control tools into the heart of our business to deliver an integrated set of forecasting, budgeting, governance, review, analysis and talent development tools that enable global policies to be tailored for local and regional markets.

World-class proprietary Distribution and Retail information technology enhances our productivity across the Group. Our unique, global iPower programme is designed to reduce complexity and to provide our businesses with relevant management information on a timely basis.

iPower provides the Group with best in class SAP and CDK integrated solutions that are uniquely configured to support our Customer 1st strategy and business model. They effectively 'hardwire' our Inchcape Advantage standards to ensure performance consistency, strengthen the control environment to minimise risk and maximise efficiency, improve operational efficiency and productivity in front and back-office and support our growth agenda.

iPower is a distinct competitive advantage for us, allowing us to deliver a consistently superior customer experience through a unique approach to operational management.

Robust set of industry-leading processes: Formula Inchcape

Our ability to transform revenue growth into sustained earnings growth and strong cash generation stems from the unique approach to operational management we have developed over the past nine years.

Collectively called Formula Inchcape, 12 proprietary processes run through our organisation to provide the backbone of the Group's earnings model. They ensure operational excellence in every market. They comprise: marketing intelligence and forecasting; supply and working capital management; marketing and innovation; dealer network development; world-class retail standards; customer service; performance management; capex and investment; global IT infrastructure; risk management; investing in people; and rewarding performance.

Formula Inchcape was the focus of our 2014 capital markets day, hosted by the entire Group Executive Committee. Presentations and recordings from this event can be found at www.formulainchcape.com

A truly engaged and innovative organisation

Our Group-wide ‘Incredible Inchcape’ engagement programme is successfully mobilising our colleagues to take the Company to new heights.

A key component of this programme is to encourage a sense among all our people that they should ‘feel and act like owners of the business’. This generates a real entrepreneurial hunger for searching out and capitalising on the many growth opportunities that the business faces, as well as stimulating the innovation that ensures we are first to market in our industry with new ideas.

For example, we have been the first to provide an online finance calculator to help customers understand what vehicle they can afford on a monthly payment basis. Further, we have been the first to allow customers to take complete control of their service booking online – reserving a specific time slot on a specific day to suit them – and book a courtesy car.

Innovations like these are helping us to continue to outperform our competitors around the world.

Strong leadership

To create this spirit of shared ownership among all our people, we need strong leaders whose sense of camaraderie and commitment extends beyond their immediate peer group to embrace the entire organisation. The Company is personified by a shared sense of duty to continue Inchcape’s tremendous pioneering heritage and a real commitment to growth for the benefit of our people, our brand partners and our shareholders.

This is a theme that has given Inchcape a strong backbone throughout our Company’s long history, right from our earliest days in the 19th century.

Today, we define this approach within a set of leadership skills that help great leaders at Inchcape deliver consistently high performance. These leadership skills are focused on shaping the future through a strategic focus and being always ahead of our competitors; energising the organisation through building engagement and developing their people; and delivering outstanding results through executional excellence and a high performance mindset.

Track record of performance with expertise in shareholder value creation

Our tenth strategic asset is our exceptional financial and trading performance and our expertise at creating superior shareholder value.

This year has been no exception to our record of strong performance and the work put in across the organisation has once again helped us to deliver record underlying results. For example, our determined cost discipline over the past five years has contributed to the emergence of a far leaner and more efficient Inchcape. Since 2009, our overheads have fallen as a proportion of revenues by 200bps. Similarly, our decision to buy back our shares (£150m completed since 2012) shows our commitment to capital discipline and our confidence in Inchcape’s sustainable future success.

Furthermore, our strong cash position creates strategic expansion opportunities, such as our 2013 acquisition of Australia’s leading automotive group, Trivett, which is already outperforming our initial expectations for the business.

During 2014, our approach has yet again enabled us to deliver record financial results and this is our fifth year of double-digit underlying earnings growth.

The Group’s commitment to delivering value creation for our stakeholders is built on a foundation of disciplined capital allocation. Our return on capital employed before exceptional items climbed to 26% in 2014, a year-on-year increase of 380bps.

Total shareholder return over five years now stands at 173%, reinforced by our consistent growth in profitability and capital discipline. Sustainable dividend growth highlights the confidence our Board has in the Group’s underlying current and future performance and the steady growth of free cash flow is enabling us to continue seeking opportunities to enhance shareholder value.

With sales up by 2.7% to £6.7bn in 2014, and our operating margin before exceptional items, including the Singapore property disposal profit of £17.3m, improving to 4.8% from 4.4% in the previous record year of 2013, we have clearly set new records for our operating profit before exceptional items (£318.4m) and profit before tax and exceptional items (£303.2m).

For me, this feels like the right time to hand over the stewardship of the business. I am very grateful for the incredible commitment and hard work of all those who have contributed to our success. Inchcape is run by a particularly strong Group Executive Committee and, as I have outlined, the business is uniquely well positioned to benefit from a growth industry. I am confident that the Company’s future performance will remain strong and that Inchcape people, brand partners and shareholders will enjoy an exhilarating drive ahead.

André Lacroix
Group Chief Executive

Key Performance Indicators (KPIs)

These KPIs are how we measure our business performance

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

Sales

Definition

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

Achievements in 2014

Group sales were up 2.7% on last year driven by strong top line performance in the UK, Emerging Markets, South Asia and North Asia.

Trading margin

Definition

Calculated by dividing trading profit by sales.

Achievements in 2014

The Group's trading margin grew to 5.1% (+40bps)

Trading profit

Definition

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

Achievements in 2014

A continued focus on cost control and accretive margin growth has meant that trading profit has grown by 12.7% year-on-year.

Working capital

Definition

Inventory, receivables, payables, and supplier related credit.

Achievements in 2014

Working capital was tightly managed throughout the year and the Group benefited from a reduction in stock in Russia given the Rouble devaluation and delays to shipments in the second half of December, resulting in a year end position of £(16.2)m.

Profit before tax and exceptional items

Definition

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

Achievements in 2014

Profit before tax and exceptional items increased by 10.4%, to a record £303.2m.

Cash generated from operations

Definition

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

Achievements in 2014

The Group has generated an operating cash flow of £405.8m.

Like for like sales

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 in 2014

Like for like sales increased by 10.1%.

Operating Review

The Group delivered a strong performance in 2014 in the face of significant currency headwinds

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 2015 outlook commentary is also referenced at constant currency.

The Group has once again delivered record pre-exceptional results as we continued to benefit from our broad geographic spread and our partnerships with the leading brand partners in the premium and luxury segments. Adverse exchange rates during the year reduced our profit before tax by £20.9m which was largely offset by a property profit of £17.3m.

Group sales at £6.7bn were up 10.0% on last year driven by strong revenue performance in the UK, Emerging Markets, South Asia and North Asia. The Group delivered revenue growth across all operating segments.

The Group delivered a trading profit of £344.6m, 21.0% ahead of 2013. Excluding the profits on disposal of property in Singapore in the first half of 2014 and in South America in the first half of 2013, the Group delivered underlying trading profit growth of 16.9%. Following a strong performance in 2013, overheads before exceptional items as a percentage of sales were reduced by 40bps (20bps excluding the property disposal profits in both 2013 and 2014).

We grew our revenue in Russia by 6.6% in constant currency and remain confident in the long-term market potential however, given the geopolitical uncertainty, we have reduced our near-term growth expectations and taken a £47.4m (45% of goodwill) non-cash exceptional impairment to the carrying value of goodwill (note 3).

Working capital was tightly managed throughout the year and we benefited from a reduction in stock in Russia given the Rouble devaluation and delays to shipments in the second half of December, resulting in an exceptional year end position of £(16.2)m.

We have continued to make strategic capital investments throughout the year, with a programme of capacity expansion in Emerging Markets and refurbishment in the UK as well as the acceleration of the roll out of our strategic IT programme, iPower. Net capital expenditure for the year was £35.0m, lower than last year partly due to the property disposal in Singapore in the first half of 2014.

Performance Indicators – Results

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**6,702.7**	6,524.9	2.7	10.0
Trading profit	**344.6**	305.8	12.7	21.0
Trading margin %	**5.1**	4.7	0.4ppt	0.5ppt
Like for like sales	**6,359.8**	6,177.8	2.9	10.1
Like for like sales growth %	**2.9**	2.6	0.3ppt	
Profit before tax before exceptional items	**303.2**	274.6	10.4	18.8
Working capital	**(16.2)**	45.8	135.3	
Cash generated from operations	**405.8**	227.0	78.8	
Net cash	**210.2**	123.0	70.9	

Regional Analysis

	2014 Trading profit £m	**2014 Exceptional items £m**	**2014 Operating profit £m**	2013 Trading profit £m	2013 Exceptional items £m	2013 Operating profit £m
Australasia	**89.3**	**–**	**89.3**	78.9	(5.7)	73.2
Europe	**20.8**	**–**	**20.8**	19.5	–	19.5
North Asia	**66.9**	**–**	**66.9**	59.2	–	59.2
South Asia	**58.7**	**–**	**58.7**	29.7	–	29.7
United Kingdom	**65.2**	**–**	**65.2**	63.3	(1.1)	62.2
Emerging Markets	**43.7**	**(47.4)**	**(3.7)**	55.2	(1.0)	54.2
	344.6	**(47.4)**	**297.2**	305.8	(7.8)	298.0
Central costs		**–**	**(26.2)**		(0.7)	(19.6)
Operating profit		**–**	**271.0**		(8.5)	278.4

Business Analysis

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales				
Distribution	**2,584.1**	2,540.0	1.7	9.8
Retail	**4,118.6**	3,984.9	3.4	10.1
Like for like sales				
Distribution	**2,452.1**	2,423.7	1.2	9.0
Retail	**3,907.7**	3,754.1	4.1	10.9
Trading profit				
Distribution	**260.8**	219.4	18.9	29.0
Retail	**83.8**	86.4	(3.0)	1.4

Net cash at the end of the year was £210.2m, £87.2m ahead of last year as we achieved strong cash conversion, driven by exceptionally low working capital, a significantly reduced pension outflow and lower capital expenditure. During 2014, we completed the second £50m of our 2013 £100m share buy back scheme at an average price of 620p and the first £50m of our 2014 £100m share buy back scheme at an average price of 679p.

Distribution business

Our Distribution business delivered a record year, growing year-on-year sales by 9.8% to £2.6bn and trading profit by 29.0% (23.4% excluding the profit on the property sale) to £260.8m.

We delivered strong performance in our Australasian segment with trading profit growth of 30.5% to £64.3m. The 320bps of trading margin expansion was driven by a favourable product mix, an improvement in the exchange rate between the Australian Dollar and Japanese Yen and a strong Aftersales performance.

In South Asia, sales increased strongly by 26.9% and trading profit by 111.1% (48.9% excluding the profit on the sale of property), driven by the increase in the New Car market as a result of increased Certificates of Entitlement (COE) availability.

In North Asia, sales increased by 11.7% and trading profit by 19.1% to record levels of £600.3m and £66.9m respectively. This was driven by another very strong year of market share expansion in our Hong Kong business where we retained the Toyota Triple Crown award for the 23rd consecutive year.

Emerging Markets continued to grow faster than the overall Distribution segment in 2014 with sales up by 19.9%. Trading profit was up 8.4% excluding the impact of a property disposal in Chile in 2013.

Our European segment delivered another year of growth driven by the recovery of the Greek market and Belgium market share gain. This drove the sales increase of 6.8% to £507.8m and trading profit by 9.9% to £20.5m.

Retail business

Sales from our Retail operations increased by 10.1% to £4.1bn, driven by double-digit growth in the UK and the first full year of the Trivett business in Australasia. Trading profit improved by 1.4% despite highly competitive pricing in the UK market and challenging macro-economic conditions in Russia.

The UK market grew by 9.3% to reach a new 10 year high, and our business delivered like for like revenue growth of 12.7%. Trading margin was down 20bps impacted by a higher mix of New Car sales coupled with the continuing pricing pressure in New and Used Car segments.

Strong economic fundamentals and the completion of the first full year of Trivett trading within the Group drove sales growth in Australasia to 9.9% and trading profit by 17.4%. We grew our trading margin 20bps as we continued to drive synergistic benefits from the newly integrated business.

We delivered like for like sales growth in Europe of 20.9% and the segment returned to profitability.

The Emerging Markets segment was impacted by geopolitical events in Russia effecting consumer confidence and driving a 10.3% reduction in the Russian market. Against this backdrop, our business in Russia delivered a creditable 6.6% increase in revenue over 2013, however trading profit was down £4.1m in actual currency. Trading profit was down 44.2% for the segment as a whole.

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

Another record year with double-digit profit growth

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**1,243.4**	1,365.9	(9.0)	2.0
Distribution	**566.7**	674.8	(16.0)	(6.1)
Retail	**676.7**	691.1	(2.1)	9.9
Like for like sales	**1,163.3**	1,305.6	(10.9)	(0.2)
Distribution	**566.7**	674.8	(16.0)	(6.1)
Retail	**596.6**	630.8	(5.4)	6.2
Trading profit	**89.3**	78.9	13.2	26.6
Distribution	**64.3**	55.0	16.9	30.5
Retail	**25.0**	23.9	4.6	17.4
Trading margin %	**7.2**	5.8	1.4ppt	1.4ppt
Distribution %	**11.3**	8.2	3.1ppt	3.2ppt
Retail %	**3.7**	3.5	0.2ppt	0.2ppt

The market

In Australia, total industry volume was slightly down in 2014, decreasing by 2.0%. The car market in New Zealand continued to grow strongly by 12.4%.

Business model & strategy

We are the Distributor for Subaru in both Australia and New Zealand. In addition, we have multi-franchise Retail operations based in Sydney, Melbourne and Brisbane.

Our Australian operation holds franchises for Subaru, Volkswagen, Mitsubishi, Isuzu and Kia. 2014 was the first full year of integration of the business we acquired from the Trivett Automotive Group, which significantly expanded our Retail footprint. It added to our portfolio a number of the world's leading luxury and premium brands, including BMW, Jaguar, Land Rover, Volvo, Honda and Harley Davidson and the highly aspirational, super-luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren. At the end of 2014, we owned 40 retail centres and managed a network of 107 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, our Retail business, as well as other independent dealers.

Our operating performance

The Australian New Car market decreased by 2.0% versus last year driven by economic uncertainty in the mining regions and a lower demand in the Commercial Vehicle segment. Despite these market conditions and some supply restrictions impacting the growth of our Distribution business, total revenue of £1.2bn for the year was up by 2.0%.

Trading margin continued to benefit from favourable exchange rates between the Australian Dollar and Japanese Yen across the Subaru range, a favourable product mix and a strong performance in Aftersales.

Our Subaru business delivered a 10bps market share gain despite supply constraints as we benefited from the new advertising campaigns for Impreza and the successful launch of the highly acclaimed new WRX, further strengthening the Subaru brand. Our Retail segment delivered strong revenue and profit growth aided by the first full year of integration of the Trivett business which continues to deliver ahead of expectations with a trading margin of 3.9% up 60bps and a ROCE of 20.5% up 320bps year-on-year.

Outlook for 2015

In 2015, we anticipate a continuation of the solid economic fundamentals and expect the industry to continue to benefit from the structural growth drivers of population growth, premiumisation of demand and a replacement cycle supported by a relatively old Car Parc. Our Distribution business will continue to take advantage of growth in the SUV segment and leverage its strong pricing power based on the premium positioning of Subaru and a favourable exchange rate between the Australian Dollar and Japanese Yen. We will continue to focus on the profitable growth of our Retail business in 2015 and look forward to a number of exciting product launches planned across our portfolio of brands. We expect to deliver a solid performance in 2015.

Europe

Sustaining the momentum of profitable growth

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**629.9**	629.5	0.1	5.1
Distribution	**507.8**	499.8	1.6	6.8
Retail	**122.1**	129.7	(5.9)	(1.1)
Like for like sales	**624.0**	600.8	3.9	9.1
Distribution	**507.8**	499.7	1.6	6.8
Retail	**116.2**	101.1	14.9	20.9
Trading profit	**20.8**	19.5	6.7	11.9
Distribution	**20.5**	19.5	5.1	9.9
Retail	**0.3**	–	–	–
Trading margin %	**3.3**	3.1	0.2ppt	0.2ppt
Distribution %	**4.0**	3.9	0.1ppt	0.1ppt
Retail %	**0.2**	–	0.2ppt	0.3ppt

The market

The Greek market continued its recovery from the years following its sovereign debt restructuring and related austerity measures with the overall market growing by 22.5%. The Belgian Private Car market was broadly flat in 2014.

Business model & strategy

In Belgium and Luxembourg, we distribute Toyota and Lexus and own 11 retail centres with a network of 95 retail centres operated by independent third party retailers and 36 repair outlets. In Luxembourg, we also operate a retail centre for Jaguar.

In Greece, we are the Distributor for Toyota and Lexus, owning five retail centres and overseeing a further 42 which are independently owned.

In Finland, we are the Distributor for Jaguar, Land Rover and Mazda and we managed a network of 50 independent retailers. During the first half of 2014 we exited our Retail business in the region.

Our operating performance

Our Greek business outperformed the market again, increasing market share by 40bps to 12.0%, to further consolidate overall market leadership. In Belgium, our market share of 4.1% improved on last year by 30bps.

Revenue growth across the region accelerated in 2014 to 5.1%, as we benefited from our strategic focus on Toyota's hybrid competitive advantage and on the new diesel powertrains in the MPV segment coupled with the launch of the new Aygo and Yaris from Toyota and the new Lexus NX.

We delivered trading profit growth of 11.9% as our businesses continued to leverage the pricing power of our brands and our control on costs enabled us to increase our trading margin by 20bps.

Overall, we have delivered a solid trading performance, continuing the momentum of revenue growth, profit growth and share growth.

Outlook for 2015

The Greek market is expected to continue its recovery after six years of decline prior to 2013, which will enable our strong Toyota business to further leverage its market leading position to deliver continued profitable growth in both our Sales and Aftersales businesses. The Belgian market is expected to remain broadly flat.

We expect our European segment to deliver a solid performance in 2015.

North Asia

Another record year of profitable growth

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**600.3**	566.1	6.0	11.7
Distribution	**600.3**	566.1	6.0	11.7
Like for like sales	**549.9**	512.4	7.3	13.1
Distribution	**549.9**	512.4	7.3	13.1
Trading profit	**66.9**	59.2	13.0	19.1
Distribution	**66.9**	59.2	13.0	19.1
Trading margin %	**11.1**	10.5	0.6ppt	0.7ppt
Distribution %	**11.1**	10.5	0.6ppt	0.7ppt

The market

Hong Kong is our main market in this segment, and New Car registrations grew by 10.4% in 2014 reflecting the underlying strengths of the economy as well as the start of the impact of the government scheme to replace Pre-Euro 4 diesel vehicles. Our highly profitable Distribution markets with fully integrated Retail businesses again delivered double-digit growth in 2014.

Business model & strategy

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 13 retail centres for these brand partners in this market.

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 further retail centre.

Our operating performance

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

In Hong Kong, we retained and strengthened our number one position with a market share of 30.5%, up 270bps year-on-year, as we benefited from the successful launch of a number of new models including the Toyota Noah, Toyota Camry, Lexus NX, Lexus CT200h and the Lexus ES. Crown Motors won the coveted Toyota Triple Crown award for the 23rd consecutive year.

The Pre-Euro 4 diesel replacement programme came into effect in February 2014 and the incentives being offered for replacement purchases have started to drive a significant increase in demand for new Commercial Vehicles. We have already benefited from this with increased Commercial Vehicle orders in the second half of 2014 and we have strategically invested to ensure that we capitalise on the additional profit stream this will create in 2015 and beyond.

Overall, we delivered 11.7% sales growth in North Asia with revenues significantly higher than 2013 in both Vehicle Sales and Aftersales. Following the record 2013, North Asia further increased trading profit by 19.1% to a new record level of £66.9m, with trading margin up 70bps to 11.1%.

Outlook for 2015

We expect the Hong Kong economy to remain strong and the New Car market to continue to grow in 2015 as the Commercial Vehicle market will continue to grow driven by the Pre-Euro 4 diesel replacement programme. We have a strong pipeline of exciting new product launches across the Toyota, Lexus, Ford, Jaguar and Land Rover brands and we expect to deliver a robust performance in North Asia in 2015.

South Asia

Strong double-digit growth as the market starts to rebound

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**439.3**	369.3	19.0	26.9
Distribution	**439.3**	369.3	19.0	26.9
Like for like sales	**433.4**	362.2	19.7	27.6
Distribution	**433.4**	362.2	19.7	27.6
Trading profit	**58.7**	29.7	97.6	111.1
Distribution	**58.7**	29.7	97.6	111.1
Trading margin %	**13.4**	8.0	5.4ppt	5.4ppt
Distribution %	**13.4**	8.0	5.4ppt	5.4ppt

The market
Our largest business in this segment is Singapore where, as expected, the market was up year-on-year by 39.1% as growing de-registrations resulted in an increase in the quota of available Certificates of Entitlements (COE) driven by the ten year COE lifecycle.

Business model & strategy
In Singapore we are the Distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967. We have held the Suzuki distribution franchise since 1977. We own and operate all five retail centres in the market.

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

Our operating performance
We have delivered a strong performance, with revenue growth of 26.9% delivering a market share of 18.8% up 90bps year-on-year and becoming market leader as we successfully launched new products including the Toyota Corolla Altis and the Lexus ES.

Our Aftersales activities remain an important source of profit as we further leveraged the new flagship sites for Toyota and Lexus which we modernised in 2013.

We delivered a trading profit of £58.7m up year-on-year by 111.1% enabling us to deliver a trading margin of 13.4% up 540bps year-on-year. Included in this result is a £17.3m profit on a property disposal in Singapore. Excluding the profit from this property sale, underlying trading profit growth in South Asia was 48.9% and underlying trading margin was 9.4%, a year-on-year increase of 140bps.

Our Brunei business retained its market share leadership position in Passenger and Commercial Vehicles as well as for the total market. In doing so, it won the Toyota Triple Crown for the 34th consecutive year.

Outlook for 2015
We expect the market will continue to grow strongly in 2015 driven by the continuing increase in de-registrations year-on-year.

The growth prospects remain exciting for our Singapore business and we are well positioned, given our leadership position, strong brand portfolio, new products and our excellent service reputation, to take advantage of the continued market recovery. We expect to deliver a strong underlying performance in South Asia in 2015.

United Kingdom

Strong revenue growth in a competitive market

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**2,472.8**	2,224.3	11.2	11.2
Distribution	**51.4**	41.3	24.5	24.5
Retail	**2,421.4**	2,183.0	10.9	10.9
Like for like sales	**2,394.3**	2,121.0	12.9	12.9
Distribution	**51.4**	41.3	24.5	24.5
Retail	**2,342.9**	2,079.7	12.7	12.7
Trading profit	**65.2**	63.3	3.0	3.0
Distribution	**10.4**	8.6	20.9	20.9
Retail	**54.8**	54.7	0.2	0.2
Trading margin %	**2.6**	2.8	(0.2)ppt	(0.2)ppt
Distribution %	**20.2**	20.8	(0.6)ppt	(0.6)ppt
Retail %	**2.3**	2.5	(0.2)ppt	(0.2)ppt

The market

The UK New Car market reached a 10-year high in 2014 with 2.5m units sold, 9.3% more than in 2013 as we saw a continued acceleration of the replacement cycle, a sustained high level of consumer confidence and attractive finance offers in all segments. Growth was driven by both the retail market, increasing 9.8%, supported by affordable Personal Contract Purchase (PCP) financing, and the fleet/business market that grew by 9.0%.

Business model & strategy

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio of 110 retail centres focused on luxury and premium brands. We aim to create significant differentiation by delivering a superior level of customer service through the bespoke operating processes of our Inchcape Advantage programme and to drive growth in Aftersales and car finance penetration.

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.

Our operating performance

We have delivered strong sales growth of 11.2% driven by the successful launch of new models including the BMW 2 and 4-series, Jaguar F-Type coupe, Land Rover Discovery Sport, MINI hatch, Mercedes-Benz GLA, Audi A2, BMW X4 and X6, Lexus NX, Mercedes-Benz C Class, Toyota Aygo and VW Polo.

We have also seen continued strong growth in Aftersales as we benefited from our investment in our customer contact centres to capitalise on the strong Car Parc growth in the UK.

In 2014 we have delivered a trading profit of £65.2m up 3.0% year-on-year and industry-leading margin of 2.6%.

Trading margin in our Retail business declined by 20bps in 2014, in line with our expectations, impacted by the higher contribution of Vehicle Sales to our gross profit and by competitive price pressure in the New and Used Car segments. We continue to invest to deliver superior customer experiences with new and refurbished facilities in Chester (VW), Durham (BMW) and Norwich (BMW/MINI).

Our market-leading digital programmes are driving increased customer traffic to our retail centres and providing existing customers with innovative Aftersales facilities such as online service bookings.

IFS delivered a strong performance for the year, generating a record trading profit of £10.4m, a year-on-year increase of 20.9%, resulting in a trading margin of 20.2%.

Outlook for 2015

We expect the solid fundamentals of the UK economy, coupled with factors unique to the automotive market, such as PCP financing, to support further industry growth in 2015. Post-2007, automotive sales in the UK declined significantly, remaining below 2007 levels for six years and creating significant demand for New Cars in the market. Furthermore, our Aftersales operations will continue to benefit from the growth in the 1–5 year Car Parc.

The momentum in the UK across our categories and our focus on winning through superior customer service leads us to expect a solid performance from our operations in 2015.

Emerging Markets

Key Financial Highlights

	Year ended 2014 £m	Year ended 2013 £m	% change	% change in constant currency
Sales	**1,317.0**	1,369.8	(3.9)	12.8
Distribution	**418.6**	388.7	7.7	19.9
Retail	**898.4**	981.1	(8.4)	9.7
Like for like sales	**1,194.9**	1,275.8	(6.3)	9.6
Distribution	**342.9**	333.2	2.9	13.1
Retail	**852.0**	942.6	(9.6)	8.2
Trading profit	**43.7**	55.2	(20.8)	(9.8)
Distribution	**40.0**	47.4	(15.6)	(4.4)
Retail	**3.7**	7.8	(52.6)	(44.2)
Trading margin %	**3.3**	4.0	(0.7)ppt	(0.8)ppt
Distribution %	**9.6**	12.2	(2.6)ppt	(2.4)ppt
Retail %	**0.4**	0.8	(0.4)ppt	(0.4)ppt

The market

Ethiopia remains one of the fastest growing African economies with economic fundamentals remaining strong and driving increased demand for Aftersales and New Cars. In South America, the market for luxury cars remained broadly flat. In Russia, we have seen a decrease in the New Car market of 10.3% as consumer confidence has weakened in the face of geopolitical events, the falling oil price and the significant weakening of the Rouble. Against this backdrop, the premium and luxury segments in Moscow and St Petersburg were more resilient and have outperformed the overall imported car segment. In Eastern Europe, we benefited from sustained demand in the Baltics and an increase in demand in the Balkans. In China, we saw a healthy demand for luxury vehicles in 2014 as access to consumer credit grows and the middle class continue to aspire to premium brands.

Business model & strategy

In South America, we operate as the Distributor and Retailer for BMW in Peru and for BMW and Rolls Royce in Chile. In Ethiopia, we operate as the Distributor and Retailer for Toyota, Daihatsu, Komatsu and New Holland. In Russia, we operate 21 scale retail centres in St. Petersburg and Moscow, representing 10 brands.

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

Our operating performance

We have delivered continued robust growth in Africa, South America, Poland, the Balkans and the Baltics while trading conditions have been challenging in Russia. Our reported performance at actual currency has been impacted by Emerging Market currency weakness.

In 2014, revenue for the segment was £1.3bn, 12.8% ahead of last year. Trading profit of £43.7m was 9.8% below last year and trading margin at 3.3% was down 80bps driven by competitive pricing pressure in Russia and the impact of a property disposal in 2013. Our operations in this segment have delivered an underlying trading profit slightly up on last year.

In Russia, our operations benefited from our strong presence in the premium and luxury segment in Moscow and St Petersburg enabling us to deliver revenue of £592.3m, up 6.6% year-on-year. Our trading profit of £0.4m in 2014 was below last year as we faced competitive pressure on vehicle pricing due to oversupply in the market and we invested in new retail sites and technology.

Outlook for 2015

In Ethiopia, we will continue to benefit from the favourable economic conditions and our recent capital investments in new and expanded facilities. In Russia, we expect the demand for New Vehicles to be lower than in 2014 but we should benefit from improved vehicle margins and a resilient Aftersales business. In South America, the fundamentals remain strong and we expect demand to increase as currencies stabilise and consumer confidence returns.

In China, the demand for premium and luxury vehicles will continue to increase as a result of a growing aspirational middle class with wider access to credit, and we will continue to benefit from the capacity expansion of the last two years.

Overall, we expect our Emerging Markets segment to deliver a solid performance in 2015.

Operating Review continued

The Group delivered a strong performance in 2014 in the face of significant currency headwinds

Central costs

Unallocated central costs for the full year are £26.2m (2013: £18.9m) before exceptional items. Pension restructuring gains were £3.2m lower than last year.

Joint ventures and associates

The Group has reported a £1.9m loss after tax from joint ventures and associates in 2014 (2013: £nil) primarily driven by a loss in our Belgium leasing business.

Operating exceptional items

In 2014, the Group has recorded a £47.4m non-cash exceptional impairment on the carrying value of the goodwill of our business in Russia (note 3).

In 2013, exceptional costs of £8.5m related to restructuring changes of £4,6m together with £3.9m of costs associated with acquiring the Trivett business in Australia. The exceptional tax credit of £0.6m represents tax relief on restructuring costs.

Net financing costs

Net financing costs have increased from £12.3m in 2013 to £13.3m in 2014. The Group reported a gain of £1.5m (2013: a gain of £2.3m) in our mark to market reporting of the hedges for the US loan notes and net interest income on pension assets of £5.1m (2013: net income of £5.4m).

Tax

As forecast, the effective tax rate for the year before exceptional items and excluding the tax free property gain in South Asia was 24%, the same as 2013. The rate is expected to be similar in 2015.

Non-controlling interests

Profits attributable to our non-controlling interests were £7.6m, compared with £6.6m in 2013. 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 and a 10% share of Subaru Australia.

Foreign currency

During 2014, the translation of the Group's overseas profits before tax into sterling at the 2014 average exchange rate negatively impacted the year's Consolidated Income Statement by £20.9m (2013: £3.5m). The weaker Rouble, Australian Dollar and Euro have been the primary drivers of the translation loss of £180.6m (2013: £103.9m) reported in the Consolidated Statement of Comprehensive Income.

Dividend

The Board recommends a final ordinary dividend of 13.8p per ordinary share which is subject to the approval of shareholders at the Annual General Meeting on 21 May 2015. This gives a total dividend for the year of 20.1p per ordinary share (2013: 17.4p).

Pensions

In 2014, the IAS 19 net post-retirement surplus was £119.3m (2013: £106.0m) and, in line with the funding programme agreed with the Trustees, the Group made significantly reduced additional cash contributions to the UK pension schemes amounting to £1.7m (2013: £32.7m). We have agreed with the Trustees that future cash contributions will continue at broadly this level.

Acquisitions and disposals

During 2014, the Group disposed of multi-franchise dealerships in Finland and Australia at book value, generating disposal proceeds of £1.9m. In 2013, the Group completed the acquisition of the Trivett automotive group in Australia for a purchase consideration of £74.6m. Following the resolution of certain post completion adjustments, £3.6m was received from the vendor in the first half of 2014.

Capital expenditure

During the year, the Group invested £35.0m (2013: £84.9m) 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. The year-on-year reduction is driven partly by the disposal of property in Singapore for £21.6m and delays in the timing of expenditures.

Cash flow and net funds

Working capital ended the year at £(16.2)m (2013: £45.8m) driven by delays in shipments in the second half of December and reduced inventory throughout the Group, notably in our Russian business. At the end of 2014, the Group had net funds of £210.2m (2013: £123.0m) after buying back shares at a cost of £100m. At the end of 2014 we have £50m outstanding from the share buy back programme announced at our Interim Results.

Consolidated income statement

For the year ended 31 December 2014

	Notes	**Before exceptional items 2014 £m**	**Exceptional items (note 3) 2014 £m**	**Total 2014 £m**	Before exceptional items 2013 £m	Exceptional items (note 3) 2013 £m	Total 2013 £m
Revenue	2	**6,702.7**	**–**	**6,702.7**	6,524.9	–	6,524.9
Cost of sales		**(5,749.1)**	**–**	**(5,749.1)**	(5,598.2)	(0.5)	(5,598.7)
Gross profit		**953.6**	**–**	**953.6**	926.7	(0.5)	926.2
Net operating expenses		**(635.2)**	**(47.4)**	**(682.6)**	(639.8)	(8.0)	(647.8)
Operating profit	2	**318.4**	**(47.4)**	**271.0**	286.9	(8.5)	278.4
Share of loss after tax of joint ventures and associates		**(1.9)**	**–**	**(1.9)**	–	–	–
Profit before finance and tax		**316.5**	**(47.4)**	**269.1**	286.9	(8.5)	278.4
Finance income	4	**14.8**	**–**	**14.8**	15.4	–	15.4
Finance costs	5	**(28.1)**	**–**	**(28.1)**	(27.7)	–	(27.7)
Profit before tax		**303.2**	**(47.4)**	**255.8**	274.6	(8.5)	266.1
Tax	6	**(68.6)**	**–**	**(68.6)**	(65.9)	0.6	(65.3)
Profit for the year		**234.6**	**(47.4)**	**187.2**	208.7	(7.9)	200.8
Profit attributable to:							
– Owners of the parent				**179.6**			194.2
– Non controlling interests				**7.6**			6.6
				187.2			200.8
Basic earnings per share (pence)	7			**39.7p**			41.8p
Diluted earnings per share (pence)	7			**39.0p**			41.1p

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Profit for the period		**187.2**	200.8
Other comprehensive income:			
Items that will not be reclassified to the consolidated income statement			
Defined benefit pension scheme remeasurements		**2.5**	(33.9)
Joint venture defined benefit pension scheme remeasurements		**(0.2)**	–
Deferred tax recognised in statement of comprehensive income		**(0.9)**	(3.6)
		1.4	(37.5)
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges		**(17.4)**	41.4
Fair value losses on available for sale financial assets		**(0.3)**	–
Recycled fair value gains on disposal of available for sale financial assets		**–**	(1.6)
Effect of foreign exchange rate changes		**(180.6)**	(103.9)
Deferred tax recognised in statement of comprehensive income		**5.2**	(12.8)
		(193.1)	(76.9)
Other comprehensive loss for the period, net of tax		**(191.7)**	(114.4)
Total comprehensive (loss) / income for the period		**(4.5)**	86.4

Total comprehensive (loss) / income attributable to:		
– Owners of the parent	**(10.3)**	78.4
– Non controlling interests	**5.8**	8.0
	(4.5)	86.4

Consolidated statement of financial position

As at 31 December 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Intangible assets		**471.6**	587.1
Property, plant and equipment		**657.6**	732.7
Investments in joint ventures and associates		**9.0**	14.0
Available for sale financial assets		**1.2**	1.4
Trade and other receivables		**28.3**	26.9
Deferred tax assets		**25.7**	24.6
Retirement benefit asset		**147.8**	125.4
		1,341.2	1,512.1
Current assets			
Inventories		**999.2**	1,042.7
Trade and other receivables		**285.2**	309.9
Available for sale financial assets		**0.2**	8.3
Derivative financial instruments		**102.6**	106.2
Current tax assets		**3.0**	2.2
Cash and cash equivalents		**528.2**	396.8
		1,918.4	1,866.1
Assets held for sale and disposal group	11	**8.9**	8.2
		1,927.3	1,874.3
Total assets		**3,268.5**	3,386.4
Current liabilities			
Trade and other payables		**(1,300.7)**	(1,278.8)
Derivative financial instruments		**(28.3)**	(36.9)
Current tax liabilities		**(63.9)**	(49.5)
Provisions		**(28.7)**	(37.0)
Borrowings		**(112.2)**	(65.7)
		(1,533.8)	(1,467.9)
Non-current liabilities			
Trade and other payables		**(14.8)**	(18.0)
Provisions		**(25.6)**	(31.8)
Derivative financial instruments		**(1.6)**	(4.5)
Deferred tax liabilities		**(40.2)**	(43.1)
Borrowings		**(305.9)**	(297.9)
Retirement benefit liability		**(28.5)**	(19.4)
		(416.6)	(414.7)
Liabilities directly associated with the disposal group	11	**–**	(4.6)
Total liabilities		**(1,950.4)**	(1,887.2)
Net assets		**1,318.1**	1,499.2
Shareholders' equity			
Share capital		**45.0**	46.5
Share premium		**146.7**	145.7
Capital redemption reserve		**135.6**	134.1
Other reserves		**(182.6)**	8.7
Retained earnings		**1,148.2**	1,135.0
Equity attributable to owners of the parent		**1,292.9**	1,470.0
Non controlling interests		**25.2**	29.2
Total shareholders' equity		**1,318.1**	1,499.2

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2013		46.9	136.5	133.3	86.7	1,099.2	1,502.6	25.8	1,528.4
Profit for the year		–	–	–	–	194.2	194.2	6.6	200.8
Other comprehensive (loss) / income for the year		–	–	–	(78.0)	(37.8)	(115.8)	1.4	(114.4)
Total comprehensive income / (loss) for the year		–	–	–	(78.0)	156.4	78.4	8.0	86.4
Share-based payments, net of tax		–	–	–	–	7.4	7.4	–	7.4
Share buy back programme		(0.8)	–	0.8	–	(50.0)	(50.0)	–	(50.0)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(2.5)	(2.5)	–	(2.5)
Issue of ordinary share capital		0.4	9.2	–	–	–	9.6	–	9.6
Dividends:									
– Owners of the parent	8	–	–	–	–	(75.5)	(75.5)	–	(75.5)
– Non controlling interests		–	–	–	–	–	–	(4.6)	(4.6)
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		**–**	**–**	**–**	**–**	**12.5**	**12.5**	**–**	**12.5**
Share buy back programme		**(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		**–**	**1.0**	**–**	**–**	**–**	**1.0**	**–**	**1.0**
Dividends:									
– Owners of the parent	8	**–**	**–**	**–**	**–**	**(81.5)**	**(81.5)**	**–**	**(81.5)**
– Non controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(9.8)**	**(9.8)**
At 31 December 2014		**45.0**	**146.7**	**135.6**	**(182.6)**	**1,148.2**	**1,292.9**	**25.2**	**1,318.1**

Share-based payments have been stated net of a tax credit of £3.0m (2013 – charge of £1.6m).

Cumulative goodwill of £108.1m (2013 – £108.1m) has been written off against the retained earnings reserve.

Consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	9a	**405.8**	227.0
Tax paid		**(52.5)**	(48.7)
Interest received		**13.5**	10.9
Interest paid		**(31.3)**	(28.7)
Net cash generated from operating activities		**335.5**	160.5
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10	**3.6**	(74.1)
Net cash inflow from sale of businesses	10	**1.9**	14.9
Purchase of property, plant and equipment		**(48.5)**	(96.5)
Purchase of intangible assets		**(21.3)**	(20.0)
Proceeds from disposal of property, plant and equipment		**34.8**	31.6
Net disposal / (purchase) of available for sale financial assets		**7.9**	(3.0)
Dividends received from joint ventures and associates		**2.2**	–
Net cash used in investing activities		**(19.4)**	(147.1)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**1.0**	9.6
Share buy back programme		**(100.0)**	(50.0)
Net disposal / (purchase) of own shares by the Inchcape Employee Trust		**1.2**	(2.5)
Net cash inflow from borrowings		**0.1**	0.1
Payment of capital element of finance leases		**(1.2)**	(1.7)
Equity dividends paid	8	**(81.5)**	(75.5)
Dividends paid to non controlling interests		**(9.8)**	(4.6)
Net cash used in financing activities		**(190.2)**	(124.6)
Net increase / (decrease) in cash and cash equivalents	9b	**125.9**	(111.2)
Cash and cash equivalents at the beginning of the year		**332.2**	484.9
Effect of foreign exchange rate changes		**(41.3)**	(41.5)
Cash and cash equivalents at the end of the year		**416.8**	332.2

	Notes	2014 £m	2013 £m
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents		**368.9**	290.3
– Short term deposits		**159.3**	106.5
– Bank overdrafts		**(111.4)**	(64.6)
		416.8	332.2

1 Basis of preparation and accounting policies

Basis of preparation

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

The consolidated policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Account 2013.

The condensed set of financial information presented for the years ended 31 December 2013 and 2014 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2013 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The financial information for the year ended 31 December 2014 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2014 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated financial statements for 2014 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group has significant resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements have assessed the future funding requirements of the Group and compared this to the level of committed facilities and cash resources.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

Notes to the Financial statements

2 Segmental analysis

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

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly 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						
2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	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.

	Retail							
2014	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	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.

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.

2014	Australasia £m	Europe £m	United Kingdom £m	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	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	**0.3**	**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.

2013	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Total Distribution £m
	Distribution						
Revenue							
Total revenue	898.5	644.3	566.1	369.3	41.3	420.5	2,940.0
Inter-segment revenue	(223.7)	(144.5)	–	–	–	(31.8)	(400.0)
Revenue from third parties	674.8	499.8	566.1	369.3	41.3	388.7	2,540.0
Results							
Segment result	55.0	19.5	59.2	29.7	8.6	47.4	219.4
Operating exceptional items	–	–	–	–	–	–	–
Operating profit / (loss) after exceptional items	55.0	19.5	59.2	29.7	8.6	47.4	219.4
Share of profit / (loss) after tax of joint ventures and associates	–	–	–	–	–	–	–
Profit / (loss) before finance and tax	55.0	19.5	59.2	29.7	8.6	47.4	219.4
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result in Emerging Markets includes a profit of £6.2m on the sale of a property.

2013	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Revenue								
Total revenue	691.1	129.7	2,183.0	981.1	3,984.9	6,924.9	–	6,924.9
Inter-segment revenue	–	–	–	–	–	(400.0)	–	(400.0)
Revenue from third parties	691.1	129.7	2,183.0	981.1	3,984.9	6,524.9	–	6,524.9
Results								
Segment result	23.9	–	54.7	7.8	86.4	305.8	(18.9)	286.9
Operating exceptional items	(5.7)	–	(1.1)	(1.0)	(7.8)	(7.8)	(0.7)	(8.5)
Operating profit / (loss) after exceptional items	18.2	–	53.6	6.8	78.6	298.0	(19.6)	278.4
Share of profit / (loss) after tax of joint ventures and associates	–	–	–	–	–	–	–	–
Profit / (loss) before finance and tax	18.2	–	53.6	6.8	78.6	298.0	(19.6)	278.4
Finance income								15.4
Finance costs								(27.7)
Profit before tax								266.1
Tax								(65.3)
Profit for the year								200.8

Central costs include a past service pension credit of £9.8m (net of costs).

Net finance costs of £12.3m are not allocated to individual segments.

2013	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Total Distribution £m
	Distribution						
Segment assets and liabilities							
Segment assets	78.6	126.4	107.6	69.5	37.3	140.8	560.2
Other current assets							
Non-current assets							
Segment liabilities	(172.4)	(130.6)	(80.5)	(51.3)	(57.6)	(114.2)	(606.6)
Other liabilities							
Net assets							

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

2013	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	3.5	0.4	5.6	4.4	0.2	27.1	41.2
– Interest in leased vehicles	–	0.1	6.2	–	7.4	11.4	25.1
– Intangible assets	0.6	0.8	1.4	1.6	0.1	0.4	4.9
Depreciation:							
– Property, plant and equipment	3.5	0.8	2.5	2.0	0.2	2.5	11.5
– Interest in leased vehicles	0.5	2.0	1.9	–	6.2	1.2	11.8
Amortisation of intangible assets	0.6	0.3	–	0.6	0.1	–	1.6
Net provisions charged / (released) to the consolidated income statement	6.3	2.1	1.8	3.9	(0.3)	0.6	14.4

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

2013	Retail Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	149.4	25.4	461.8	196.4	833.0	1,393.2
Other current assets						508.0
Non-current assets						1,485.2
Segment liabilities	(162.0)	(13.2)	(454.3)	(121.7)	(751.2)	(1,357.8)
Other liabilities						(529.4)
Net assets						1,499.2

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

2013	Retail Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.9	0.3	29.2	22.5	52.9	94.1	1.4	95.5
– Interest in leased vehicles	–	0.3	–	0.1	0.4	25.5	–	25.5
– Intangible assets	–	–	2.2	3.5	5.7	10.6	8.3	18.9
Depreciation:								
– Property, plant and equipment	1.9	0.9	10.3	8.8	21.9	33.4	0.2	33.6
– Interest in leased vehicles	–	–	–	0.1	0.1	11.9	–	11.9
Amortisation of intangible assets	0.1	–	1.9	2.5	4.5	6.1	–	6.1
Net provisions charged / (released) to the consolidated income statement	7.5	0.1	23.8	0.4	31.8	46.2	4.5	50.7

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

3 Exceptional items

	2014 £m	2013 £m
Restructuring costs	**–**	(4.6)
Acquisition of business	**–**	(3.9)
Goodwill impairment	**(47.4)**	–
Total exceptional items before tax	**(47.4)**	(8.5)
Exceptional tax credit	**–**	0.6
Total exceptional items	**(47.4)**	(7.9)

Given the geopolitical uncertainty in the Russian market, the Group has reassessed its short and medium-term forecasts and recognised an impairment charge of £47.4m in 2014.

In 2013, exceptional costs of £8.5m related to restructuring charges of £4.6m together with £3.9m of costs associated with acquiring the Trivett business in Australia. The exceptional tax credit of £0.6m represented tax relief on restructuring costs.

4 Finance income

	2014 £m	2013 £m
Bank and other interest receivable	**2.7**	3.0
Net interest income on post-retirement plan assets and liabilities	**5.1**	5.4
Other finance income	**7.0**	7.0
Total finance income	**14.8**	15.4

5 Finance costs

	2014 £m	2013 £m
Interest payable on bank borrowings	**1.4**	0.8
Interest payable on Private Placement	**2.9**	2.8
Interest payable on other borrowings	**0.2**	0.2
Fair value adjustment on Private Placement	**8.9**	(24.3)
Fair value (gain) / loss on cross currency interest rate swaps	**(10.4)**	22.0
Stock holding interest	**18.6**	19.9
Other finance costs	**6.5**	6.9
Capitalised borrowing costs	**–**	(0.6)
Total finance costs	**28.1**	27.7

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2013 – 2.0%).

6 Income Tax

	2014 £m	2013 £m
Current tax:		
– UK corporation tax	–	–
	–	–
Overseas tax	**66.5**	53.7
	66.5	53.7
Adjustments to prior year liabilities:		
– UK	–	(0.6)
– Overseas	**(0.2)**	(0.6)
Current tax	**66.3**	52.5
Deferred tax	**2.3**	13.4
Tax before exceptional tax	**68.6**	65.9
Exceptional tax – current tax	–	–
Exceptional tax – deferred tax	–	(0.6)
Exceptional tax (note 3)	–	(0.6)
Total tax charge	**68.6**	65.3

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.

The effective tax rate for the year, before exceptional items, is 24.0% (2013 – 24.0%). The standard blended rate of tax is 24.0% (2013 – 24.5%) and the reconciliation is set out below. The effective rate for the year excludes a tax free gain of £17.3m in South Asia. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

	2014 £m	2013 £m
Profit before tax	**255.8**	266.1
Profit before tax multiplied by the standard rate of tax of 24.0% (2013 – 24.5%)	**61.4**	65.2
Effects of:		
– Non-taxable and non-tax deductible items	**6.2**	(3.6)
– Unrecognised deferred tax movement	**(3.2)**	–
– Overseas tax levies, audits and austerity taxes	**8.3**	0.4
– Prior year items	**(5.1)**	0.2
– Withholding tax on overseas dividends	**1.9**	3.3
– Other items	**(0.9)**	(0.2)
Total tax charge	**68.6**	65.3

7 Earnings per share

	2014 £m	2013 £m
Profit for the year	**187.2**	200.8
Non controlling interests	**(7.6)**	(6.6)
Basic earnings	**179.6**	194.2
Exceptional items	**47.4**	7.9
Adjusted earnings	**227.0**	202.1
Basic earnings per share	**39.7p**	41.8p
Diluted earnings per share	**39.0p**	41.1p
Basic Adjusted earnings per share	**50.2p**	43.5p
Diluted Adjusted earnings per share	**49.3p**	42.8p

	2014 number	2013 number
Weighted average number of fully paid ordinary shares in issue during the year	**455,975,201**	468,782,483
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(1,907,636)**	(1,765,092)
– Held in Treasury	**(1,443,183)**	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**452,624,382**	464,329,831
Dilutive effect of potential ordinary shares	**7,959,690**	7,823,169
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**460,584,072**	472,153,000

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.

8 Dividends

The following dividends were paid by the Group:

	2014 £m	2013 £m
Interim dividend for the six months ended 30 June 2014 of 6.3p per share (30 June 2013 – 5.7p per share)	**28.5**	26.6
Final dividend for the year ended 31 December 2013 of 11.7p per share (31 December 2012 – 10.5p per share)	**53.0**	48.9
	81.5	75.5

A final proposed dividend for the year ended 31 December 2014 of 13.8p per share amounting to £61.1m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2014.

9 Notes to the consolidated statement of cash flows
a. Reconciliation of cash generated from operations

	2014 £m	2013 £m
Cash flows from operating activities		
Operating profit	**271.0**	278.4
Exceptional items	**47.4**	8.5
Amortisation of intangible assets	**9.4**	6.1
Depreciation of property, plant and equipment	**35.0**	33.6
Profit on disposal of property, plant and equipment	**(17.6)**	(7.4)
Share-based payments charge	**9.5**	9.0
Decrease / (increase) in inventories	**3.8**	(89.0)
Decrease / (increase) in trade and other receivables	**3.4**	(44.0)
Increase in trade and other payables	**59.3**	114.4
Decrease in provisions	**(11.9)**	(12.5)
Pension contributions in excess of the pension charge for the year*	**(1.0)**	(31.0)
Decrease / (increase) in interest in leased vehicles	**3.3**	(13.0)
Payments in respect of exceptional items	**(1.3)**	(15.4)
Other non cash items	**(4.5)**	(10.7)
Cash generated from operations	**405.8**	227.0

* Includes additional payments of £1.7m (2013 – £32.7m).

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

	2014 £m	2013 £m
Net increase / (decrease) in cash and cash equivalents	**125.9**	(111.2)
Net cash inflow from borrowings and finance leases	**1.1**	1.6
Change in net cash and debt resulting from cash flows	**127.0**	(109.6)
Effect of foreign exchange rate changes on net cash and debt	**(41.3)**	(40.6)
Net movement in fair value	**1.5**	2.3
Net loans and finance leases relating to acquisitions and disposals	–	(5.3)
Movement in net funds	**87.2**	(153.2)
Opening net funds	**123.0**	276.2
Closing net funds	**210.2**	123.0

Net funds is analysed as follows:

	2014 £m	2013 £m
Cash at bank and cash equivalents	**368.9**	290.3
Short term deposits	**159.3**	106.5
Bank overdrafts	**(111.4)**	(64.6)
Cash and cash equivalents	**416.8**	332.2
Bank loans	**(302.4)**	(293.4)
Finance leases	**(4.3)**	(5.6)
	110.1	33.2
Fair value of cross currency interest rate swap	**100.1**	89.8
Net funds	**210.2**	123.0

10 Acquisitions and disposals

During the year, the Group disposed of multi-franchise dealerships in Finland and Australia at book value, generating disposal proceeds of £1.9m (2013 - £14.9m).

In 2013 the Group completed the acquisition of the Trivett automotive group in Australia for a purchase consideration of £74.6m. Following the resolution of certain post completion adjustments, £3.6m was received from the vendor in the first half of 2014.

11 Assets held for sale and disposal group

	2014 £m	2013 £m
Assets directly associated with the disposal group	**–**	5.8
Assets held for sale	**8.9**	2.4
Assets held for sale and disposal group	**8.9**	8.2
Liabilities directly associated with the disposal group	**–**	(4.6)

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

	2014 £m	2013 £m
Goodwill	–	0.8
Property, plant and equipment	–	0.7
Inventories	–	4.3
Assets directly associated with the disposal group	–	5.8
Trade and other payables	**–**	(4.6)
Liabilities directly associated with the disposal group	**–**	(4.6)

Assets held for sale relate to surplus properties within the UK, which are actively marketed with a view to sale.

In 2013, the disposal group related to assets and liabilities of a retail centre in Australasia, which was disposed of in March 2014.

12 Foreign currency translation

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

	Average rates		Year end rates	
	2014	2013	**2014**	2013
Australian Dollar	**1.83**	1.63	**1.91**	1.86
Euro	**1.24**	1.18	**1.29**	1.20
Hong Kong Dollar	**12.80**	12.14	**12.08**	12.85
Singapore Dollar	**2.09**	1.96	**2.06**	2.09
Russian Rouble	**63.29**	49.97	**92.65**	54.46

13 Related party disclosures

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	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Vehicles purchased from related parties	**0.2**	–	**–**	–
Vehicles sold to related parties	**0.9**	0.1	**–**	–
Other income paid to related parties	**1.1**	1.0	**0.2**	0.2
Other income received from related parties	**0.2**	0.1	**–**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2013 – £nil).

14 Events after the reporting period

In the year ended 31 December 2014, the Company purchased, for cancellation, 15,344,110 ordinary shares at a cost of £100m. In the period from 1 January to 9 March 2015, the Company purchased, for cancellation, a further 3,316,668 ordinary shares at a cost of £23.9 m. The Company is committed to completing a £50m share buy back programme in the first half of 2015.

Principal risks

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

Risk is a part of doing business: the risk management system aims to provide assurance to all stakeholders of the effectiveness of our control framework in managing risk against a background of highly diverse and competitive markets.

The key benefits of the system include maximised resource efficiency through controlled prioritisation of issues, benchmarking between business units, sharing best practice and effective crisis management. The following provides an overview of the principal business risk areas facing the Group:

- Strategy, including customer and consumer
- Brand partners, key relationships and reputation
- Systems and Technology
- People, including EH&S
- Economic, political and environmental
- Legal and regulatory
- Tax, pensions and insurance
- Finance and Treasury

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 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 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.