13 March 2012

Inchcape plc
The "Group" or the "Company"

2011 Annual Results Announcement
Results for the year ended 31 December 2011

Inchcape delivers robust EPS growth of 11%

Inchcape plc, a leading, independent, international automotive distributor and retailer, announces its annual results for the year ended 31 December 2011.

Operational and strategic highlights:

- Robust profit performance delivered 11% EPS growth
- Four of six regions increased underlying operating margins, with Group operating margin up 40 bps*
- 41% profit growth in Russia delivering £20.3m operating profit
- New distribution contracts won in Hong Kong (Land Rover) and Chile (Rolls-Royce)
- Maintained disciplined cost control: costs reduced by 6.7%*
- Strong operating cash conversion of 103%* (2010: 124%*); year end net cash of £243.5m (2010: £205.8m)

Financial highlights:

- Reported sales of £5.8bn (2010: £5.9bn)
- Pre exceptional PBT £227.7m (2010: £214.0m)
- Reported PBT £203.4m (2010: £192.1m)
- Adjusted EPS* 35.5p (2010: 32.0p)
- Reported EPS 31.0p (2010: 27.9p)
- Operating cash flow £244.7m (2010: £274.3m)
- Board recommends final dividend of 7.4p per share giving a total dividend for the year of 11.0p per share (2010: 6.6p)

* Pre exceptionals

André Lacroix, Group CEO of Inchcape plc, commented:

"Inchcape delivered a robust set of results in 2011 as the Group continued to strengthen its profitability and balance sheet while focusing on its differentiated customer service strategy and growing market share around the world. Reported sales for the year were affected by restricted supply from Japan, however strong cost actions enabled the Group to deliver improved margins.

In the new car segment we continued to benefit from the strong pricing power of our portfolio of leading premium and luxury brands in Asia Pacific and Emerging Markets; in our aftersales segment which represents c.50% of our gross profit, our gross margin remained strong for our global service and parts operations.

Our robust profit performance in 2011 gives us confidence in the Group's earnings growth potential moving forward. Given this strong performance, the Board is pleased to recommend a final dividend of 7.4p per share; this gives a total dividend of 11.0p for the year.

Notwithstanding challenging trading conditions in the UK and Europe, we expect to deliver a solid performance in 2012. We will leverage an exciting pipeline of new products from our brand partners to gain market share and we will benefit from our scale exposure to the fast growing economies of Asia Pacific and Emerging Markets which represent two-thirds of the Group's earnings.

We believe that the Group is well positioned to leverage the structural growth prospects in Asia Pacific and Emerging Markets through our scale brand partner relationships in the premium and luxury segments, our excellent geographic positioning, our diversified revenue streams and our strong financial position."

Ends

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Notes to editors

About Inchcape:

1. Inchcape is a leading, independent international automotive distributor and retailer operating in 26 markets. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance.

Inchcape's vision is to be the world's most customer-centric automotive retail group and represents some of the world's leading automotive brands, including Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, Porsche, Rolls-Royce, Subaru, Toyota and Volkswagen.

Inchcape, which has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 13,900 people.

www.inchcape.com

2. Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences are 'forward-looking statements' within the meaning of the United States federal securities laws. These forward-looking statements reflect the Group's current expectations concerning future events and actual results may differ materially from current expectations or historical results.

Chairman's statement

Inchcape has delivered robust earnings growth in 2011

In a year that has been characterised by challenging conditions in many developed markets countered by strong demand and industry growth for premium vehicles in Asia Pacific and the Emerging Markets, I am pleased to report robust results for 2011 coupled with a strong year end net cash position. Inchcape has delivered ahead of expectations in the UK and Europe as well as achieving excellent results in our Asia Pacific and Emerging Markets despite the supply issues faced following the Japanese earthquake in March.

Performance

Group sales decreased by 1.0% to £5.8bn for the full year to 31 December 2011 largely as a result of the temporary supply constraints from the March earthquake and tsunami in Japan which affected our Subaru distribution business in Australasia and our Toyota/Lexus operations in Europe and Asia, combined with the challenging market conditions in Greece and the UK. On a like for like, constant currency basis, sales decreased by 1.7%.

Our swift and decisive actions to strengthen and protect the business in response to the global downturn since the last quarter of 2008 have significantly reduced our cost base. In the fourth quarter of 2011 we announced further productivity initiatives to offset the impact of inflation on our global cost base in 2012. The Group remains focused on tight cost control throughout its operations.

Our 4.5% Group trading margin is a 30bps improvement on last year and only 40bps below our 2006 peak. Given that like for like revenues are significantly below our historical peak this is a great result, highlighting the emphasis on performance management and the potential for the Group to gain from operating leverage.

Profit before tax and exceptional items of £227.7m was 6.4% higher than 2010 and adjusted earnings per share rose by 10.9% to 35.5p. On a statutory basis, profit before tax was £203.4m, 5.9% above 2010. Cash generated from operations during the year was £244.7m which represents a 105.9% conversion of statutory operating profit.

Capital expenditure

Following two years of reduced capital expenditure the Group invested at a greater level in 2011 while continuing to be selective and specific in our spending, in line with our Top Five Priorities. We have expanded our capacity in Chile, Peru, Poland and Russia where we also opened new sites in Moscow for BMW and Land Rover in 2011. We have made further strategic greenfield investments in China, with our new 3S Jaguar Land Rover site in Shaoxing and are building a new site with Porsche in Nanchang. We are also building a new Porsche site in the UK.

Board

Following seven years with the Group, Michael Wemms retired in May 2011. Michael has been a valuable member of the Board, bringing a depth of knowledge and experience to his role as Chairman of the Remuneration Committee. Michael stepped down from the Remuneration, Audit, Nominations and Corporate Responsibility Committees at the beginning of the year. I would like to thank Michael for his contribution during his time with the Group.

Vicky Bindra joined the Board on 1 July 2011 and Till Vestring joined the Board on 1 September 2011. I am delighted with the new appointments as these bring valuable international and Asian expertise to the Board.

Dividend

The Board is pleased to recommend a payment of a final dividend for the year ended 31 December 2011 of 7.4p per share (2010: 6.6p). This gives a total dividend for 2011 of 11.0p per share.

Subject to approval at the Company's Annual General Meeting (AGM) on 10 May 2012, the final dividend will be paid on 12 June 2012 to shareholders registered in the books of the Company at the close of business on 18 May 2012.

Approach to governance and Corporate Responsibility (CR)

We see governance as an evolving set of principles and the Annual Report gives the Board an opportunity to communicate how we have incorporated these principles to underpin the delivery of the Group's strategy. In 2011 the CR Committee, responsible for the strategic direction of the Group's CR programme, continued to develop a global approach to making responsible economic, environmental and social behaviour fundamental to the way we work.

People

We have experienced another year of challenges and opportunities, and I wish to express my sincere thanks, on behalf of the Board, to all our colleagues across the Group for their outstanding commitment and support in 2011.

Outlook

Inchcape is uniquely positioned in the global car industry and while we remain cautious regarding the short term outlook in some of our markets, we expect to deliver another solid performance in 2012. The global recovery remains uneven with the European sovereign credit issues continuing to unsettle financial markets. We expect the trading environment to remain challenging in the UK and Europe as the various austerity measures are likely to affect consumer confidence and disposable income. However, we are well positioned to take advantage of the structural growth prospects driven by the premiumisation of consumer demand in Asia Pacific and the Emerging Markets.

Ken Hanna, Chairman

Group Chief Executive's strategic review

Engineered for performance

Our results for 2011 clearly demonstrate the resilience of our unique business model as we strengthened our profitability and balance sheet while continuing to grow market share around the world.

A strategy engineered for performance

Inchcape is a global industry leader in automotive distribution and retailing. We have deep relationships with the world's leading luxury and premium brands and have scale operations in 26 markets. 21 of these are in the fast growing economies of Asia Pacific and the Emerging Markets with burgeoning new middle classes that are driving the robust growth of global industry volumes.

Our vision is to be the world's most customer-centric automotive retail group driven by our Customer 1st strategy to both strengthen the performance of our existing assets through improved market share and aftersales service retention and, through the strong brand partner relationships that this creates, to gain access to expansion opportunities in high margin/high growth areas of the world. We operationalise this strategy to deliver organic growth through a disciplined focus on our 'Top Five Priorities', growing market share, growing aftersales, improving margins, controlling working capital and being selective about capital expenditure, and we drive consistently superior customer service in every site through the proprietary processes of our unique Inchcape Advantage programme.

Over the last three years, we have taken swift and decisive action to protect and strengthen our business against the impact of the economic downturn. These actions have supported the delivery in 2011 of strong profits for the Group, with EPS +11% year on year following 18% EPS growth in 2010. This was achieved despite a small decrease in revenue from the previous year, highlighting the effectiveness of our cost controls and governance at the Group, country and retail centre level.

Our results for 2011 clearly demonstrate the value of our international reach, which has successfully protected us against the uneven recovery of the global automotive market. During the year we witnessed strong growth momentum for luxury and premium vehicles in Asia Pacific and the Emerging Markets, although consumer confidence weakened further in the more mature and developed economies of the UK and Europe.

However in the UK, we benefited from our position in the market, as the luxury and premium segment continued to outperform in an increasingly competitive environment. This meant that we too outperformed the industry, managing to again win market share.

Against a difficult economic backdrop, it is pleasing to report that our disciplined approach to performance enabled us to grow market share in Europe during the year. We benefited from strong growth in Russia and the Emerging Markets as we focused on meeting the aspirations of these economies' fast-growing middle classes. All this was achieved despite significant supply difficulties due to the Japanese earthquake in the spring that affected our operations in Asia Pacific.

In 2011, we also made important strategic investments in our retail and aftersales capacity in a number of key markets including China, Russia, Poland, Peru and Chile, and we were awarded two strategically significant distribution contracts in Hong Kong and Chile. Our close relationship with our manufacturer brand partners and long standing track record of performance has given us access to expansion opportunities in these exciting growth markets.

We first entered China in 2007 with the three objectives of testing the retail unit economics, building a local organisation and establishing best practice operating processes. We achieved this by 2010 through three successful pilot operations, one in Shanghai and two in Shaoxing. 2011 saw further expansion in China, with two Jaguar Land Rover facilities in Shaoxing and the award of the highly prestigious retail franchise for Porsche in Nanchang, which is set to open in 2012. These are key elements of our strategy for China, which sees us target 20 retail sites in the next five years.

Looking to other newer markets for Inchcape, we have 22 retail centres in Moscow and St Petersburg. This reflects predictions that Russia will be Europe's largest – and the world's fourth biggest – car market within the next five years. Building a portfolio of scale businesses with our core brand partners in the fast-growing premium segment is the right expansion strategy for Inchcape in markets that are set to become the largest in the world.

During 2011 we were appointed as distributor for Land Rover and Ford in Hong Kong and Macau and as exclusive representative of Rolls-Royce in Chile, where we have complete responsibility for these brands within the markets. These successful gains clearly show that desirable distribution contracts are available to the right businesses with a proven track record of effective brand stewardship, a disciplined process to integrate acquisitions and a strong balance sheet.

Our strong performance for 2011 gives us a solid platform for growth into the future. We plan to take advantage of growth opportunities that arise in the global industry, leveraging our financial strength and long standing, deep brand partnerships.

Naturally, as we move forward we will continue to exercise strong control over our working capital and inventory management as a key aspect of our Top Five Priorities. But as the global middle class grows in both scale and buying power, we are a company whose structure and strategy make consistent growth over the years to come an achievable reality. This is the key benefit to being engineered for performance.

Looking ahead to 2012 and beyond, we will benefit from five unique strengths as we seek to engineer the best possible performance for our brand partners, customers and shareholders. A brief summary of these follows.

Performance track record in all economic cycles

Our unique business model is based on a number of key strengths and has played a key role in ensuring that the Group has, over the years, delivered a performance track record during growth, downturn and recovery cycles.

First, we have a broad geographic spread with scale operations in 26 markets, of which 21 are among the world's fastest growing Asia Pacific and Emerging Markets. In fact, Inchcape is the world's only automotive distribution and retail Group with scale businesses across five continents.

This geographic reach has been key to the six consecutive years of growth and strong returns we achieved prior to the downturn in 2008, peak operating cashflow in 2009, strong earnings recovery in 2010 and robust profit growth in 2011, despite challenging UK and European markets and the impact of the Japanese earthquake.

Second is the diversity of our revenue streams, covering both 'defensive' and 'growth' value drivers.

We generate around 50% of our gross profit from the 'defensive' value drivers of aftersales servicing and parts, which balance our 'growth' revenue streams of vehicle sales alongside finance and insurance products. Looking ahead, however, we believe that there is a great opportunity to expand our aftersales business significantly by not only growing new aftersales customer bases in our expanding emerging market operations but also by further building on our competitive strengths to retain an even higher proportion of customers following the expiry of their warranties.

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

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

A further critical factor behind Inchcape's success is our decentralised organisation, which enables us to gain from the empowerment of highly knowledgeable local management who can respond rapidly and decisively to changing market conditions.

Alongside the global alignment of processes, controls, performance measures, governance and the sharing of best practice across the Group, this enables us to adapt rapidly and to tailor our approach precisely to the needs of each local market.

Performance discipline through operational focus on our Top Five Priorities

At Inchcape, we constantly seek to achieve a balance between commercial and cash initiatives to ensure we remain focused on growth while maintaining a disciplined approach to financial returns.

At the base of our business is the strength we gain through our close partnerships with the world's leading luxury and premium automotive brands. We maximise the opportunities these represent through focusing on what we call our 'Top Five Priorities', the elements of which ensure we grow our revenues ahead of our competitors through increasing market share and aftersales, while successfully growing profit and operating cash faster than revenue through improved margins, control of our working capital and by being selective about capital expenditure investment.

For example, since the global downturn of 2008 we have undertaken a number of separate rationalisations of our business to manage costs and strengthen our margins across the organisation. These have included the closure of underperforming and non-core retail sites, the move of a number of national head offices into cost-effective office suites above showrooms and a more disciplined approach to marketing that involves a greater emphasis on digital advertising with better commercial returns.

Such initiatives have seen us drive a particularly strong profit and cash performance over the last three years that demonstrates the defensive strengths of our business model.

Looking ahead, while we recognise the need to invest in the increase of our revenues and profitability in the years to come, we will not relax our focus on tight cost and cash controls, even in already strong economies or those markets moving out of downturn and into recovery.

One of the main reasons we were able to improve our competitive position during the economic downturn, which has seen many of our competitors either suffer long term damage or fail altogether, was the fact that the market intelligence we gain through the leading indicators of our unique Inchcape Advantage portal enables us to carry only six weeks' worth of stock across the Group. This enables us to manage our working capital efficiently, so giving us exceptional financial strength and flexibility. Drawing on the investments in customer insight that we make, it will continue to be a unique advantage for Inchcape as we maintain our focus throughout 2012 and beyond.

Performance management with industry leading processes

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. These include the use of a suite of sales and aftersales based customer metrics, which provide leading indicators to help manage the business, and the sharing of best practice across the Group.

The way in which Inchcape is structured and the day to day management practices we use throughout the organisation are designed to ensure we grow revenue ahead of our competitors and grow operating profit and gross margin faster than revenue.

For example, our commitment to daily, weekly and monthly management reporting and disciplined central governance underpins well informed local decision making, in which expenditure is only ever justified by its positive impact on our profitability. This is further supported by our daily analysis of the metrics we access through our unique 'customer funnel' – dynamic information relating to the purchase and aftersales process that we glean through live customer contacts at every point in the journey. This gives us early insights into future customer behaviour that drive performance for every brand in every national market and retail centre.

These are examples of our broad and deep range of performance management measures collectively building 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.

Performance advantage for customers with ever better cars and superior customer service

Every month, we conduct around 12,000 interviews with our customers and non buyers to provide us with the insight we need to drive revenues ahead of our competitors and to stay closely in touch with changing consumer behaviour and attitudes. These are clearly showing us that consumers have changed since the downturn of 2008 and 2009 in markets across the world, and are now, more than ever, seeking value for money in their purchases.

This does not mean that they are seeking low cost alternatives to the models they used to buy. On the contrary, we are witnessing the 'premiumisation' of Emerging Markets and Asia Pacific countries as newly middle class customers seek better quality, innovation and environmental performance from their vehicles. In advanced economies, luxury and premium vehicles are gaining market share as the brand strength of our manufacturer partners provide superior value for money.

We in turn leverage this pricing power of our brand partners with outstanding customer service to create superior margins, delivering value through the right vehicle specifications, warranty support, cost effective marketing, service support and finance options.

Our manufacturer partners are investing more than ever in green technologies that are in fast growing demand from perceptive buyers. BMW, for example, has achieved a 63% improvement in the MPG performance and a 39% reduction in the CO2 emissions of its 2011 320d model over its 2005 equivalent, and our other manufacturer partners have achieved similar advances.

Customer service is, and has been for some years, our number one competitive advantage. Not only does it enable the strengthening of existing assets for improved market share and aftersales service retention, it also facilitates expansion opportunities as we leverage our increasingly powerful brand partner relationships.

Inchcape Advantage, our unique Group-wide programme for continuous improvement, which is now in its fifth year, lies at the heart of our strategic commitment to customer-centric operational excellence. Its proprietary processes are what drive the organic growth of our business, both through delivering for our customers and through the resultant superior relationships with our brand partners.

To maintain and expand upon our leading position, we intend to constantly raise the bar in every aspect of customer service. This we have done in 2011, and we will continue to drive further improvements during 2012 and into the future.

Performance ahead with exciting growth prospects

Looking to the future, for many of the reasons I have already outlined, Inchcape is uniquely positioned to take advantage of five important trends that are set to affect the global car market.

The growth prospects are truly exciting in our industry as we expect the global car market to increase by 30% (source: IHS Automotive) in the next five years.

The first key trend is the expected broad based global recovery in the medium term. Some of our markets have quickly rebounded in 2010 and 2011 and are now ahead of their pre-2008 levels. Some of our markets are slightly below their 2007 peak level and are poised for growth as the ageing of the car parc will accelerate the recovery pace in the years to come. Thanks to our geographic spread, we are well positioned to benefit from this uneven recovery.

The second trend is the growing wealth in Asia Pacific and the Emerging Markets. Between 2011 and 2016, these markets will represent 94% of the world's population growth (source: IMF) and 72% of GDP growth (source: EIU). As a result, these regions will also be the key drivers of the predicted 16% growth in the global car parc over the same period (source: LMC Automotive), responsible for 78% of car industry growth and coming to represent 64% of global car sales by 2016 (source: IHS Automotive). Inchcape is already in 21 such growth markets.

The third trend is of accelerated car replacement in advanced markets thanks to the technological advances pioneered by our brand partners, particularly those that reduce the cost of ownership. Inchcape's premium brand partners are at the forefront of these advances, with their leading-edge development of hybrid and electric vehicles and fuel efficient technology for both diesel and petrol engines.

The fourth is the predicted growth of the global car parc in both advanced and emerging markets. The global car parc, comprising new and used cars, is set to grow by 16% over the next five years (source: LMC Automotive) which will drive revenue growth for us in both the highly profitable areas of used cars and in aftersales servicing.

The fifth trend is the fact that in a fragmented global market place only the strongest players will lead industry consolidation through expansion and the erosion of weaker rivals. Vehicle manufacturers will want to strengthen both their market coverage and quality of operations and, as we have demonstrated in 2011, Inchcape is well positioned to gain access to expansion opportunities, benefiting from our long standing and deep relationships with the world's leading car manufacturers, a proven track record of effective brand management, customer service excellence and a strong balance sheet.

As a Group we are already focused on positioning ourselves to take advantage of and benefit from these key trends, again moving ahead of our competition to seize opportunities as they arise.

We have a unique and proven business model, a differentiated strategy, a strong operational focus and Inchcape people who have a genuine passion for performance.

Inchcape is a global industry leader and engineered for performance.

André Lacroix, Group Chief Executive

Key performance indicators (KPIs)

Measuring our performance

These KPIs are how we measure our business performance

The 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 2011
Sales marginally declined by 1.0% with strong sales growth in Russia and Emerging Markets offsetting much of the impact of the earthquake in Japan and tougher trading conditions in some markets.

Trading profit

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

Achievements in 2011
Trading profit increased by 5.5% driven by our continued focus on our Top Five Priorities in all of the Group's regions and tight cost controls.

Trading margin

Definition
Calculated by dividing trading profit by sales.

Achievements in 2011
The Group's trading margin grew 30bps to 4.5% despite a challenging year in a number of our markets.

Like for like sales and trading profit

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 2011
Like for like sales decreased by 1.7% while like for like trading profit grew by 3.5% as we continued to focus on cost management in all our markets.

Profit before tax and exceptional items

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

Achievements in 2011
Profit before tax and exceptional items increased by 6.4%, to £227.7m only £7.4m away from the 2007 peak.

Working capital

Definition
Inventory, receivables, payables, and supplier related credit.

Achievements in 2011
We have maintained our stock cover at our target of 1.5 months through the year and have reduced our working capital by a further 33.7% to £12.2m, a historical low for the Group.

Cash generated from operations

Definition
Trading profit adjusted for depreciation, amortisation and other non cash items plus the change in working capital and provisions.

Achievements in 2011
Our strong control over working capital has again enabled the Group to deliver an operating cash flow of £244.7m.

Operating review

Our disciplined focus on the Top Five Priorities has delivered strong margin growth and strong cash generation.

Performance indicators – Results	**Year ended 31.12.2011 £m**	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**5,826.3**	5,885.4	(1.0)	(2.8)
Trading profit	**261.8**	248.1	5.5	3.8
Trading margin %	**4.5**	4.2	0.3ppt	0.3ppt
Like for like sales	**5,736.5**	5,729.0	0.1	(1.7)
Like for like trading profit	**260.5**	247.5	5.3	3.5
Like for like sales growth/(decline) %	**0.1**	6.0	(5.9)ppt	(1.7)
Like for like trading profit growth/(decline) %	**5.3**	25.8	(20.5)ppt	3.5
Profit before tax before exceptional items	**227.7**	214.0	6.4	4.4
Working capital	**12.2**	18.4	(33.7)	
Cash generated from operations	**244.7**	274.3	(10.8)	
Net cash	**243.5**	205.8	18.3	

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 global economic environment in 2011 remained uneven with growth in Asia Pacific and the emerging economies whilst the UK and Europe were challenging. Demand for new and used cars grew in Russia, Australia, the Baltics, South America, Hong Kong and Belgium but demand in the United Kingdom weakened and Greece experienced a further severe downturn.

The supply disruption resulting from the Japanese earthquake and tsunami in March was addressed quickly and effectively by the Group and our brand partners. The full year impact on revenues was less than initially expected in all markets except Australasia, where the loss of sales amounted to approximately three months and South Asia where the loss of sales amounted to approximately one month.

In these conditions the Group's sales were £5.8bn, representing a decline of 2.8% compared to last year with Australia and Singapore sales affected by the temporary disruption to supply.

Focus on margin growth and cost control has been rigorous throughout the Group. Pre-exceptional operating costs were reduced by 8.1% to £611.7m. This ensured our trading margin improved by 0.3ppts to 4.5% and our trading profit grew by 3.8% to £261.8m.

Working capital has been tightly controlled resulting in a historically low position of £12.2m and a strong cash generation from operations of £244.7m.

Net capital expenditure was £88.5m as the Group continued to invest in capacity expansion, and greenfield sites mostly in Asia Pacific and the Emerging Markets.

Net cash at the end of the year was £243.5m, up by £37.7m compared to the end of 2010.

Business analysis	**Year ended 31.12.2011 £m**	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**2,357.4**	2,455.9	(4.0)	(6.5)
Retail	**3,468.9**	3,429.5	1.1	–
Trading profit				
Distribution	**172.0**	170.5	0.9	(0.7)
Retail	**89.8**	77.6	15.7	13.7

Distribution business

The distribution business has performed well despite challenging market and supply conditions with sales down 6.5% on 2010 to £2.4bn. Strong margin management initiatives and focused controls on costs meant that trading profit declined by 0.7% to £172.0m.

In the European markets, we benefited from market growth in Belgium (up 5% on 2010) and Finland (up 13%). Greece experienced another year of vehicle market contraction, down 32% versus 2010.

In our North Asia businesses, trading profit increased by 29.1% to £42.0m on the back of robust market growth driven by a 12% increase in the Hong Kong new car market. As expected, South Asia experienced a further 25% decline in the market as a result of the continued restrictions on the availability of Certificates of Entitlement ("COE").

The Australian market contracted by 3% in 2011 after a 10% increase in 2010 as Japanese brands faced restricted supply. Our market share declined by 0.5ppts to 3.4%. Australasia distribution trading profit was £42.7m, an 18.8% decrease on the previous year. The prior year trading profit included a one-off profit of £7.3m from the disposal of a surplus property. Excluding this effect, underlying trading profit decreased by 4.0%

Russia and Emerging Markets' distribution businesses experienced strong growth with a trading profit of £30.1m and a trading margin of 9.7%, up 3.1ppts on 2010. However it should be noted that the 2010 result included a £7.5m impairment charge on a property in Romania. Excluding this effect, underlying trading profit increased by 25.4%.

Retail business

Although our retail sales were flat year on year at £3.5bn, with our continued focus on the Top Five Priorities the Group grew trading profit by 13.7% in 2011.

The Group's UK Retail business sales declined by 3.1% in a market that declined by 4.4% compared to 2010. The growth in the UK Retail like for like sales of 1.6% represents a clear outperformance of the broader market. The focus on margin growth opportunities and cost management resulted in trading profit growth of 8.3% and a record annual trading margin of 2.6%, an increase of 0.2ppts.

Our Australian Retail business was affected by the Japanese earthquake. Sales were down 4.8% and trading margins were 0.7ppts lower at 3.2% as a result of lower sales and the normalisation of used car margins.

Our European region experienced a sales decline of 14.5% compared to 2010 driven primarily by the severe market downturn in Greece.

Demand in the Russian market continued to strengthen in 2011 and with strong cost controls in the Baltics, Russia and the other emerging markets, sales for the segment grew by 13.8% to £908.6m, delivering a trading profit of £24.0m, up 89.9% year on year.

Regional analysis

The Group reports its regional analysis in line with IFRS 8 'Operating Segments', which we adopted in 2009. 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	Russia and Emerging Markets
United Kingdom	
Russia and Emerging Markets	

Included within the Russia and Emerging Markets segment are Russia, China, South America, Africa, the Balkans, the Baltics, and Poland on the basis that prior to the global downturn these markets had entered the growth phase of their development cycle and we expect these markets to return to that growth phase in the medium term.

Australasia

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**1,011.0**	1,030.3	(1.9)	(10.5)
Distribution	**621.4**	657.4	(5.5)	(13.7)
Retail	**389.6**	372.9	4.5	(4.8)
Trading profit	**55.3**	62.5	(11.5)	(19.4)
Distribution	**42.7**	47.9	(10.9)	(18.8)
Retail	**12.6**	14.6	(13.7)	(21.4)

The market
The Australian market had a strong year in 2011, being in excess of one million units for only the fourth time, although volume contracted by 3% versus 2010. The industry was supported by a government incentive scheme in 2011, however in the wake of the March 2011 tsunami and earthquake, key Japanese brands suffered an 8.3% volume decrease due to supply constraints.

Business model & strategy
We are the distributor for Subaru in Australia and New Zealand. We also have multi-franchise retail operations in Sydney, Melbourne and Brisbane. These operations hold franchises for Subaru, Volkswagen, Mitsubishi and Kia. We own 21 retail centres and manage a network of 104 independently owned centres on behalf of Subaru throughout Australasia.

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

Our strategy for our distribution operations is to continue to grow market share through our superior Customer 1st business processes. Our retail operations are focused on delivering an outstanding customer experience for our brand partners and driving revenue from sales of new and used cars, service and vehicle parts.

Our operating performance
Following a very strong first quarter the Japanese tsunami and earthquake severely disrupted the supply of vehicles and parts driving a 10.5% decrease in sales for the year.

Our distribution trading profit of £42.7m was the result of strong focus on overhead and margin control initiatives. While trading profit decreased by 18.8%, 2010 included a one-off gain of £7.3m on the disposal of surplus property. Excluding this gain, underlying trading profit would have been 4.0% lower than 2010.

Our retail business delivered a trading profit of £12.6m despite a 4.8% sales decrease as a result of the closure of two underperforming non-core brand retail centres and Subaru supply constraints. Used car margins normalised from their record highs and we continued making progress in aftersales retention.

Outlook for 2012
We expect to see solid growth in the market given the normalisation of supply from Japan. We expect to benefit from the launch of the new XV crossover SUV in January 2012 and the new generation Impreza in the second quarter.

We will continue to face restricted supply in the first quarter of the year.

We anticipate some pressure on gross margin due to the appreciation of the Yen. We have put in place currency hedging contracts for the majority of 2012 sales to manage our JPY/AUD exposure on vehicles and parts purchases from Japan.

Our operational focus on our Top Five Priorities of growing market share, growing aftersales, improving margins, controlling working capital and selective capital expenditure should enable us to further increase our competitive position in 2012.

Europe

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**806.0**	870.9	(7.5)	(9.0)
Distribution	**658.5**	701.3	(6.1)	(7.7)
Retail	**147.5**	169.6	(13.0)	(14.5)
Trading profit	**24.0**	27.8	(13.7)	(15.2)
Distribution	**24.3**	26.9	(9.7)	(11.3)
Retail	**(0.3)**	0.9	(133.3)	(132.4)

The market

Belgium's market grew 5% compared to 2010 aided by a Government CO2 incentive, targeted at low emission, small engine vehicles. As it was announced that this incentive scheme would end from January 2012, there was a significant uplift in December 2011 registrations.

As anticipated, the Greek market declined by another 32% in 2011, following a 40% decline in 2010, having been significantly affected by the deep recession, high unemployment and austerity measures.

Finland's economic recovery continued in 2011 delivering market growth of 13% compared to 2010.

Business model & strategy

In Belgium and Luxembourg we distribute Toyota and Lexus and own eight retail centres with a network of 96 further retail centres operated by independent third party retailers and 31 repair outlets. In Luxembourg we also have a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus owning six retail centres and overseeing a further 45 which are independently owned.

In Finland we are distributor for Jaguar, Land Rover and Mazda, owning four retail centres and managing a network of 57 independent retailers. We are delighted to announce we were recently appointed the exclusive retailer for Fisker in Finland with one retail centre.

In distribution, growth is driven by strong marketing programmes increasing traffic into the dealer network with new model launches supported by tight overhead control.

In retail, we focus on customer centric operational excellence and improving footfall conversion.

Our operating performance

Despite the challenging trading environment, our European businesses delivered a resilient trading profit of £24.0m, a decrease of 15.2%.

In Belgium, we delivered a robust performance, growing revenue despite the impact of delayed product availability in the period April-September 2011 following the tsunami in Japan. Volume increased by 12%, enabling us to grow market share. Toyota Belgium is now market leader in the petrol segment.

In Greece we remained profitable, although trading profit declined due to difficult trading and economic conditions. Despite this, we delivered a record market share of 13.2%, up 0.3ppt year on year.

Outlook for 2012

The economies in Europe remain challenging with low levels of consumer confidence and rising unemployment.

In Belgium, the cancellation of the Government CO2 incentive scheme as from January is expected to reduce market volumes in 2012. However we plan to grow Toyota market share with the launch of new models.

In Greece we expect that the ongoing recession, high unemployment and additional austerity measures will result in a further decline in the market. The focus on our Top Five Priorities and the reduction of our cost base will partially mitigate the effect of the industry decline.

North Asia

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**433.3**	430.6	0.6	4.9
Trading profit				
Distribution	**42.0**	34.0	23.5	29.1

The market

The market in Hong Kong grew 12% from 2010 despite the supply problem caused by the earthquake in Japan, reflecting continued economic recovery.

Business model & strategy

In Hong Kong and Macau we are the distributor for Toyota, Lexus, Hino Trucks, Daihatsu and Jaguar. At the end of 2011 we began distribution and retail for Land Rover in Hong Kong and Macau and ceased to distribute Mazda. We own and operate all 20 retail centres for these brand partners in this market.

We are pleased to announce we have recently been awarded the exclusive distribution and retail rights for Ford in Hong Kong and in Macau.

In Guam we are the distributor and retailer for Toyota, Lexus, Chevrolet and Scion owning all three retail centres and in Saipan we are distributor and retailer for Toyota with one further retail centre.

Our operating performance

In Hong Kong, we maintained our position as number one in the passenger car segment for the 22nd consecutive year and celebrated winning the 'Toyota Triple Crown' Award (number one in passenger car sales, commercial sales and overall market position) for the 20th year, the only company to have done so over such an extended period.

Market share was slightly lower than 2010 with the temporary supply issues affecting our second quarter sales. We benefited from the successful launch of Toyota Ractis in the second half of the year and a strong performance of the Lexus brand.

Sales and trading profit for North Asia grew by 4.9% and 29.1% respectively in 2011 despite the supply challenges in the year. Continued strong focus on cost controls and margin initiatives resulted in a trading margin which has improved to 9.7%, up 1.8ppts on 2010.

Outlook for 2012

We anticipate the market will continue to grow in 2012. We will leverage another strong line up of product launches across all brands we represent, including Toyota Mark X, Auris, Prius C, Prius V, Lexus GS and LX and Range Rover Evoque. Further, we will continue to drive sales and aftersales through our industry leading Inchcape Advantage Plus programmes.

South Asia

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales				
Distribution	**296.2**	371.8	(20.3)	(23.7)
Trading profit				
Distribution	**26.0**	36.1	(28.0)	(31.1)

The market
As expected, the market in Singapore continued to decline in 2011 and ended the year 25% down on 2010, due to a reduction of the number of Certificates of Entitlement ("COEs") available following the slowdown of de-registrations.

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 six retail centres in the market.

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

Our operating performance
Although sales revenue declined by 23.7% as a result of the fall in volume of new car sales in Singapore and the impact on supply following the earthquake in Japan, South Asia delivered £26.0m trading profit with a 8.8% trading margin thanks to strong management of our sales mix and strong gross margin performance.

We continued to protect our gross margin by defending our pricing power despite competitive pressure on price and the strength of the Japanese Yen.

We continued to outperform the aftersales market through an expansion of customer contact activities to grow enquiries and capture rate. We strengthened the member benefits programme and increased upselling opportunities with the introduction of new service packages and parts offerings.

Outlook for 2012
We expect the market will start to rebound gradually from the end of 2012 with an increase in availability of COEs. We aim to grow our market share through new model launches such as the Toyota Camry, Toyota Prius C, Lexus GS and Suzuki Swift Sport.

We will face supply constraints in the first quarter for models being manufactured in Thailand such as the Toyota Vios, Corolla and Camry as a result of the floods in November 2011.

Our aftersales business will benefit from our innovative approach to retention on warranty and post warranty customers.

Our controls on cost and cash will remain firmly in place during 2012.

United Kingdom

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**2,059.3**	2,125.8	(3.1)	(3.1)
Distribution	**36.1**	36.9	(2.2)	(2.2)
Retail	**2,023.2**	2,088.9	(3.1)	(3.1)
Trading profit	**60.4**	55.9	8.1	8.1
Distribution	**6.9**	6.5	6.2	6.2
Retail	**53.5**	49.4	8.3	8.3

The market

As expected, the UK market declined in 2011 to 1.9m units (down 4%), due to the impact of the Government scrappage scheme which ended in the first half of 2010. On an underlying basis, excluding scrappage, the market increased by 0.9%, with growth in the corporate market more than offsetting declines in the private sector. Market growth slowed in the second half due to the increasingly uncertain economic environment and pressure on consumer spending.

Business model & strategy

We have scale operations in the South East, Midlands, North and North East of England with a streamlined portfolio of 117 retail centres focused on premium brands. We aim to create differentiation by delivering outstanding customer service through our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

We were awarded two further franchises in the luxury and premium segment: a Porsche retail centre in Portsmouth that will open in 2012 and the West London Volkswagen franchise due to open in 2015.

The distribution element of our results is made up of our fleet management and leasing business, Inchcape Fleet Solutions (IFS) which offers services to corporate and government customers. With over 50 years experience, IFS has a combined fleet size of approximately 50,000 vehicles.

Our operating performance

Our strategy to focus on premium brands continued to provide strong results. Inchcape Retail's like for like total market share increased by 0.3ppts, as we continued to focus on delivering an exceptional customer experience through the Inchcape Advantage programme.

We outperformed the market with like for like sales increasing by 1.6% in our retail business, primarily driven by our market share gains. Aftersales performance also benefited from the roll out of customer contact centres in the Audi, Toyota, Lexus, Mercedes-Benz and Volkswagen businesses. An ongoing focus on tightly controlling operating expenses also contributed to a record trading margin performance of 2.6%, which is 0.2ppts up on 2010.

IFS delivered a strong £6.9m trading profit, up 6.2% on 2010 with a trading margin of 19.1%, 1.5ppts ahead of 2010 as we benefited from increased fleet volumes and rigorous cost controls.

Outlook for 2012

The UK economic outlook remains uncertain in 2012. Continued modest GDP growth, combined with higher unemployment is expected to result in a decline in retail market volumes. Our brand partners will continue to grow their market share and we expect to take advantage of an attractive new product pipeline, including the BMW 3 series, Audi Q3, Volkswagen UP! and Beetle, Lexus GS and Mercedes-Benz B Class.

We are confident that our customer centric strategy combined with continued focus on operational excellence and efficiency will enable us to deliver a resilient performance.

Russia and Emerging Markets

	Year ended 31.12.2011 £m	Year ended 31.12.2010 £m	% change	% change in constant currency
Sales	**1,220.5**	1,056.0	15.6	16.4
Distribution	**311.9**	257.9	20.9	24.5
Retail	**908.6**	798.1	13.8	13.8
Trading profit	**54.1**	31.8	70.1	85.9
Distribution	**30.1**	19.1	57.6	82.8
Retail	**24.0**	12.7	89.0	89.9

The market

There was continuing growth in most of our emerging markets driven mainly by Russia (up 39%), South America (up 20%), Africa and Poland. Continued uncertain economic outlook and credit restrictions in the Balkans resulted in a further market decline. The Baltic economies recovered strongly in 2011 driven primarily by increased availability of consumer finance and increased consumer confidence. This contributed towards market growth of over 70% compared to 2010. After a strong growth rate of 31% in 2010, China's passenger car market growth slowed to 5% in 2011 with luxury brands outperforming the market (up 45%).

Business model & strategy

In Russia we operate 22 scale retail centres in St Petersburg and Moscow representing 11 brands. We ceased trading with the Renault brand in the latter part of 2011 given our lack of scale.

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 VIR for Mazda, Jaguar and Land Rover across the Baltic region and we operate VIR 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 retail centres across the region.

In Ethiopia we operate VIR for Toyota and in South America we are the distributor and retailer for BMW and were appointed the exclusive representative for Rolls-Royce in Chile in 2011.

In China we have five scale retail centres for Toyota, Lexus, Jaguar and Land Rover in Shanghai and Shaoxing. We have also been awarded the Porsche franchise for Nanchang and are currently building a retail centre there which is due to be completed toward the end of 2012.

Our operating performance

Russia and Emerging Markets delivered strong growth in 2011 with revenue up 16.4% on 2010 and trading profit growing by 85.9% to £54.1m; £30.1m in distribution and £24.0m in retail. Due to strong margin management and cost controls, trading margin increased 1.7ppts to 4.4%. Included in the 2010 trading profit was an impairment charge of £7.5m on land in Romania. Adjusting for this item, underlying trading profit growth was 47.8%.

In Russia, the market recovery continued albeit at a faster rate in the regions than in the major cities. We delivered a trading profit of £20.3m with a return on sales of 3.0%. In June 2011 we completed the purchase of Musa Motors for a final payment of £19.6m.

We delivered a strong performance and leading market share in Chile and Peru due to innovative marketing initiatives and leading customer service. Ethiopia also delivered a strong performance based on our continued growth in aftersales.

Poland continued to perform well. Our Balkans operations remained profitable throughout the year and our combined Baltics business delivered a solid trading performance.

Our China business continued to grow with a Jaguar Land Rover flagship store opened in Shaoxing in October 2011.

Outlook for 2012

We expect to see further growth in Russia and across many of the markets in South America, Africa and Poland. In the Balkans the recovery is expected in the second half of the year. Although we anticipate the rate of market growth in the Baltics to be moderate in 2012 we still anticipate a strong year for the market and further improvements in our financial performance. The China luxury passenger car market is forecast to grow by 15% in 2012.

We plan to continue to invest in capacity expansion in our retail facilities in Moscow, Santiago, Lima and Wroclaw. We will further strengthen our presence in luxury market with Rolls-Royce operations starting in March 2012 in Chile.

Finance Review

The Group has delivered a solid performance in 2011.

In addition to the segmental results, the financial implications of our operating activities are detailed below

Central costs

Unallocated central costs for the full year are £17.4m before exceptional items (2010: £22.6m). This includes a one-off gain of £6.1m relating to the settlement of certain liabilities in one of the Group's pension schemes.

Joint ventures and associates

The share of profit after tax from joint ventures was a loss of £3.0m (2010: loss of £1.7m) driven by a net loss in our Greek joint venture as a result of the impact of the austerity measures in the market and the start-up of a joint venture retail operation in Russia.

Operating exceptional items

We have reported operating exceptional costs of £13.4m for 2011 (2010: £21.9m), which relate to a global restructuring exercise conducted in the fourth quarter of 2011. The restructuring will ensure we continue to maintain an organisational structure and cost base which reflects trading conditions across the Group.

Net financing costs

Net financing costs before exceptional items for the full year of £13.7m are £3.9m higher than in 2010 primarily due to a loss of £2.4m on the mark-to-market reporting of the hedges for the US Loan Notes (2010: a gain of £2.0m).

Exceptional finance costs of £10.9m represent an impairment charge on Greek Government Bonds held by our insurance business in Greece to back warranty liabilities.

Tax

The effective tax rate before exceptional items for the year is 26% compared to 29% in 2010. This is due to the impact of reducing tax rates in a number of our markets and the successful conclusion of overseas territories audits.

Non controlling interests

Profits attributable to our non controlling interests were £5.6m, compared to £5.1m in 2010. At the year end the Group's non controlling interests principally comprise 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 2011, the Group benefited by £1.2m (2010 benefit: £9.9m) from the translation of its overseas profits before tax into sterling at the 2011 average exchange rate.

Cash flow and net funds

The Group's operations have generated strong cash flow in 2011. Working capital ended the year at an historical low of £12.2m (2010: £18.4m) as we adjusted our inventory in the UK and Europe to reflect challenging trading conditions and as we benefited from the delayed payment of late shipments in some of our operations. At the end of 2011 we had £243.5m in net cash.

Dividend

The Board recommends a final ordinary dividend of 7.4p per share which is subject to the approval of shareholders at the 2012 Annual General Meeting. This gives a total dividend for 2011 of 11.0p per share. A final ordinary dividend for 2010 of 6.6p per ordinary share was paid in 2011.

Pensions

During the year, and in line with the funding programme agreed with the Trustees, the Group made cash contributions to the UK defined benefit scheme amounting to £24.1m (2010: £28.4m). A revision of market and actuarial assumptions for defined benefit schemes has resulted in a closing deficit on Group schemes of £14.9m, compared to a deficit of £22.2m in 2010.

Acquisitions and disposals

In June 2011 the Group completed the purchase of Musa Motors for a final cash consideration of US$32m (£19.6m). The Group also realised £5.5m from the disposal of underperforming sites, which were identified as part of the restructuring exercise conducted in the fourth quarter of 2010.

Capital expenditure

The Group increased its investment in retail capacity expansion with the development of greenfield sites and the enlargement of existing facilities primarily in Asia Pacific and the Emerging Markets. Net capital expenditure was £88.5m in 2011.

John McConnell, Group Finance Director

Consolidated income statement

For the year ended 31 December 2011

	Notes	Before exceptional items 2011 £m	Exceptional items (note 3) 2011 £m	Total 2011 £m	Before exceptional items 2010 £m	Exceptional items (note 3) 2010 £m	Total 2010 £m
Revenue	2	**5,826.3**	**–**	**5,826.3**	5,885.4	–	5,885.4
Cost of sales		**(4,970.2)**	**–**	**(4,970.2)**	(5,004.5)	–	(5,004.5)
Gross profit		**856.1**	**–**	**856.1**	880.9	–	880.9
Net operating expenses		**(611.7)**	**(13.4)**	**(625.1)**	(655.4)	(21.9)	(677.3)
Operating profit		**244.4**	**(13.4)**	**231.0**	225.5	(21.9)	203.6
Share of loss after tax of joint ventures and associates		**(3.0)**	**–**	**(3.0)**	(1.7)	–	(1.7)
Profit before finance and tax		**241.4**	**(13.4)**	**228.0**	223.8	(21.9)	201.9
Finance income	4	**57.3**	**–**	**57.3**	58.6	–	58.6
Finance costs	5	**(71.0)**	**(10.9)**	**(81.9)**	(68.4)	–	(68.4)
Profit before tax		**227.7**	**(24.3)**	**203.4**	214.0	(21.9)	192.1
Tax	6	**(59.2)**	**3.6**	**(55.6)**	(62.2)	3.1	(59.1)
Profit for the year		**168.5**	**(20.7)**	**147.8**	151.8	(18.8)	133.0
Profit attributable to:							
– Owners of the parent				**142.2**			127.9
– Non controlling interests				**5.6**			5.1
				147.8			133.0
Basic earnings per share (pence)	7			**31.0p**			27.9p
Diluted earnings per share (pence)	7			**30.5p**			27.6p

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit for the year		**147.8**	133.0
Other comprehensive income:			
Cash flow hedges		**5.7**	0.3
Fair value losses on available for sale financial assets		**(6.5)**	(3.6)
Impairment losses on available for sale financial assets transferred to consolidated income statement	5	**10.9**	–
Effect of foreign exchange rate changes		**(26.5)**	37.2
Net actuarial gains on defined benefit pension schemes		**18.0**	64.9
Irrecoverable element of pension surplus		**(36.7)**	(36.3)
Current tax recognised directly in shareholders' equity		**7.0**	14.7
Deferred tax recognised directly in shareholders' equity		**(8.4)**	(15.2)
Other comprehensive income for the year, net of tax		**(36.5)**	62.0
Total comprehensive income for the year		**111.3**	195.0
Total comprehensive income attributable to:			
– Owners of the parent		**105.7**	188.7
– Non controlling interests		**5.6**	6.3
Total comprehensive income for the year		**111.3**	195.0

Consolidated statement of financial position

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Intangible assets		**542.6**	551.2
Property, plant and equipment		**647.6**	632.3
Investments in joint ventures and associates		**29.5**	33.1
Available for sale financial assets		**5.6**	12.4
Trade and other receivables		**34.4**	28.8
Deferred tax assets		**43.0**	31.4
Retirement benefit asset		**47.3**	22.0
		1,350.0	1,311.2
Current assets			
Inventories		**905.5**	844.1
Trade and other receivables		**251.5**	232.7
Available for sale financial assets		**0.5**	1.7
Derivative financial instruments		**139.7**	122.1
Current tax assets		**2.2**	5.1
Cash and cash equivalents		**558.9**	561.6
		1,858.3	1,767.3
Assets held for sale and disposal group	11	**5.7**	23.4
		1,864.0	1,790.7
Total assets		**3,214.0**	3,101.9
Current liabilities			
Trade and other payables		**(1,140.6)**	(1,080.9)
Derivative financial instruments		**(7.4)**	(9.0)
Current tax liabilities		**(45.1)**	(46.6)
Provisions		**(36.8)**	(36.1)
Borrowings		**(101.9)**	(144.2)
		(1,331.8)	(1,316.8)
Non-current liabilities			
Trade and other payables		**(29.6)**	(34.6)
Provisions		**(54.1)**	(58.8)
Deferred tax liabilities		**(40.2)**	(18.1)
Borrowings		**(338.6)**	(320.5)
Retirement benefit liability		**(62.2)**	(44.2)
		(524.7)	(476.2)
Liabilities directly associated with the disposal group	11	**–**	(19.6)
Total liabilities		**(1,856.5)**	(1,812.6)
Net assets		**1,357.5**	1,289.3
Shareholders' equity			
Share capital		**46.4**	46.4
Share premium		**126.9**	126.3
Capital redemption reserve		**133.3**	133.3
Other reserves		**126.8**	145.2
Retained earnings		**895.7**	811.9
Equity attributable to owners of the parent		**1,329.1**	1,263.1
Non controlling interests		**28.4**	26.2
Total shareholders' equity		**1,357.5**	1,289.3

Consolidated statement of changes in equity

For the year ended 31 December 2011

	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 2010		163.3	126.1	16.4	112.4	649.5	1,067.7	22.0	1,089.7
Total comprehensive income for the year		–	–	–	32.8	155.9	188.7	6.3	195.0
Share-based payments, net of tax		–	–	–	–	7.2	7.2	–	7.2
Net purchase of own shares by ESOP Trust		–	–	–	–	(0.6)	(0.6)	–	(0.6)
Share Consolidation		(116.9)	–	116.9	–	(0.1)	(0.1)	–	(0.1)
Issue of ordinary share capital		–	0.2	–	–	–	0.2	–	0.2
Dividends:									
– Non controlling interests		–	–	–	–	–	–	(2.5)	(2.5)
Acquisition of businesses		–	–	–	–	–	–	0.4	0.4
At 1 January 2011		**46.4**	**126.3**	**133.3**	**145.2**	**811.9**	**1,263.1**	**26.2**	**1,289.3**
Total comprehensive income for the year		**–**	**–**	**–**	**(18.4)**	**124.1**	**105.7**	**5.6**	**111.3**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**6.7**	**6.7**	**–**	**6.7**
Net purchase of own shares by ESOP Trust		**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Issue of ordinary share capital		**–**	**0.6**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Dividends:									
– Owners of the parent	8	**–**	**–**	**–**	**–**	**(46.8)**	**(46.8)**	**–**	**(46.8)**
– Non controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(3.4)**	**(3.4)**
At 31 December 2011		**46.4**	**126.9**	**133.3**	**126.8**	**895.7**	**1,329.1**	**28.4**	**1,357.5**

Share-based payments have been stated net of a tax charge of £0.6m (2010 – credit of £0.7m).

Cumulative goodwill of £108.1m (2010 – £108.1m) has been written off against the Retained earnings reserve. In addition, the Retained earnings reserve includes non-distributable reserves of £5.5m (2010 – £5.5m).

Consolidated statement of cash flows

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Cash generated from operations	9a	**244.7**	274.3
Tax paid		**(45.2)**	(49.2)
Interest received		**10.9**	10.6
Interest paid		**(20.4)**	(20.8)
Net cash generated from operating activities		**190.0**	214.9
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10a	**(20.2)**	(12.9)
Net cash inflow from sale of businesses	10b	**5.5**	1.6
Purchase of property, plant and equipment		**(80.7)**	(36.9)
Purchase of intangible assets		**(14.3)**	(7.4)
Proceeds from disposal of property, plant and equipment		**6.5**	24.8
Net disposal of available for sale financial assets		**2.4**	0.3
Dividends received from joint ventures and associates		**–**	1.5
Net cash used in investing activities		**(100.8)**	(29.0)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**0.6**	0.2
Net purchase of own shares by ESOP Trust		**(0.2)**	(0.6)
Net cash inflow / (outflow) from borrowings		**1.5**	(39.4)
Payment of capital element of finance leases		**(0.8)**	(1.3)
Loans received / (granted) to joint ventures		**0.3**	(3.8)
Settlement of derivatives		**4.7**	17.8
Equity dividends paid		**(46.8)**	–
Dividends paid to non controlling interests		**(3.4)**	(2.5)
Net cash used in financing activities		**(44.1)**	(29.6)
Net increase in cash and cash equivalents	9b	**45.1**	156.3
Cash and cash equivalents at the beginning of the year		**419.6**	257.2
Effect of foreign exchange rate changes		**(3.4)**	6.1
Cash and cash equivalents at the end of the year		**461.3**	419.6
Cash and cash equivalents consist of:			
Cash at bank and cash equivalents		**385.6**	376.5
Short-term deposits		**173.3**	185.1
Bank overdrafts		**(97.6)**	(142.0)
		461.3	419.6

Notes

1 Basis of preparation and accounting policies

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

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts 2010.

The condensed set of consolidated financial information presented for the years ended 31 December 2010 and 2011 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 2010 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 2011 and the comparative information have been extracted from the audited consolidated Financial statements for the year ended 31 December 2011 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 2011 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 financial 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.

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 that prior to the global downturn, had entered the growth phase of their development cycle and are expected to return to that growth phase in the medium term. These currently comprise 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						
2011	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	**801.6**	**766.7**	**433.4**	**296.2**	**36.1**	**336.0**	**2,670.0**
Inter-segment revenue	**(180.2)**	**(108.2)**	**(0.1)**	**–**	**–**	**(24.1)**	**(312.6)**
Revenue from third parties	**621.4**	**658.5**	**433.3**	**296.2**	**36.1**	**311.9**	**2,357.4**
Results							
Segment result	**42.7**	**24.3**	**42.0**	**26.0**	**6.9**	**30.1**	**172.0**
Operating exceptional items	**(0.3)**	**(2.7)**	**(0.1)**	**–**	**–**	**(0.3)**	**(3.4)**
Operating profit after exceptional items	**42.4**	**21.6**	**41.9**	**26.0**	**6.9**	**29.8**	**168.6**
Share of (loss) / profit after tax of joint ventures and associates	**–**	**(1.3)**	**–**	**–**	**0.1**	**–**	**(1.2)**
Profit before finance and tax	**42.4**	**20.3**	**41.9**	**26.0**	**7.0**	**29.8**	**167.4**
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

2011	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	**389.6**	**147.5**	**2,023.2**	**908.6**	**3,468.9**	**6,138.9**	**–**	**6,138.9**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**(312.6)**	**–**	**(312.6)**
Revenue from third parties	**389.6**	**147.5**	**2,023.2**	**908.6**	**3,468.9**	**5,826.3**	**–**	**5,826.3**
Results								
Segment result	**12.6**	**(0.3)**	**53.5**	**24.0**	**89.8**	**261.8**	**(17.4)**	**244.4**
Operating exceptional items	**(0.4)**	**–**	**(7.9)**	**(0.1)**	**(8.4)**	**(11.8)**	**(1.6)**	**(13.4)**
Operating profit after exceptional items	**12.2**	**(0.3)**	**45.6**	**23.9**	**81.4**	**250.0**	**(19.0)**	**231.0**
Share of (loss) / profit after tax of joint ventures and associates	**–**	**–**	**(0.4)**	**(1.4)**	**(1.8)**	**(3.0)**	**–**	**(3.0)**
Profit before finance and tax	**12.2**	**(0.3)**	**45.2**	**22.5**	**79.6**	**247.0**	**(19.0)**	**228.0**
Finance income								**57.3**
Finance costs								**(81.9)**
Profit before tax								**203.4**
Tax								**(55.6)**
Profit for the year								**147.8**

Central costs include a post-retirement settlement gain of £6.1m.

Net finance costs of £24.6m are not allocated to individual segments and include an exceptional charge of £10.9m relating to the impairment losses on Greek Government Bonds (see note 3).

2011	Distribution Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Segment assets and liabilities							
Segment assets	**110.4**	**142.5**	**94.6**	**50.1**	**27.1**	**103.7**	**528.4**
Other current assets							
Non-current assets							
Segment liabilities	**(237.8)**	**(182.8)**	**(67.0)**	**(37.6)**	**(48.4)**	**(78.3)**	**(651.9)**
Other liabilities							
Net assets							

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

2011	Distribution Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**1.4**	**0.7**	**3.1**	**2.6**	**0.3**	**6.4**	**14.5**
– Interest in leased vehicles	**7.3**	**3.5**	**2.8**	**–**	**23.7**	**0.9**	**38.2**
– Intangible assets	**1.1**	**0.4**	**0.2**	**0.9**	**0.1**	**–**	**2.7**
Depreciation:							
– Property, plant and equipment	**3.0**	**1.2**	**1.5**	**2.2**	**0.1**	**2.2**	**10.2**
– Interest in leased vehicles	**1.6**	**3.2**	**1.6**	**–**	**8.6**	**1.1**	**16.1**
Amortisation of intangible assets	**0.3**	**0.1**	**–**	**–**	**0.2**	**0.1**	**0.7**
Impairment of intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net provisions charged / (released) to the consolidated income statement	**7.2**	**17.9**	**1.6**	**4.2**	**(1.1)**	**1.1**	**30.9**

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

2011	Retail Australasia £m	 Europe £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	**61.3**	**23.9**	**394.8**	**184.7**	**664.7**	**1,193.1**
Other current assets						**705.1**
Non-current assets						**1,315.8**
Segment liabilities	**(62.7)**	**(9.5)**	**(405.7)**	**(101.2)**	**(579.1)**	**(1,231.0)**
Other liabilities						**(625.5)**
Net assets						**1,357.5**

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

2011	Retail Australasia £m	 Europe £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**1.2**	**0.4**	**22.0**	**42.6**	**66.2**	**80.7**	**0.5**	**81.2**
– Interest in leased vehicles	**–**	**0.4**	**–**	**0.3**	**0.7**	**38.9**	**–**	**38.9**
– Intangible assets	**–**	**–**	**3.3**	**1.8**	**5.1**	**7.8**	**5.3**	**13.1**
Depreciation:								
– Property, plant and equipment	**0.6**	**1.0**	**9.4**	**7.3**	**18.3**	**28.5**	**0.5**	**29.0**
– Interest in leased vehicles	**–**	**0.1**	**–**	**0.1**	**0.2**	**16.3**	**–**	**16.3**
Amortisation of intangible assets	**–**	**–**	**2.3**	**1.3**	**3.6**	**4.3**	**0.2**	**4.5**
Impairment of intangible assets	**–**	**–**	**7.1**	**–**	**7.1**	**7.1**	**–**	**7.1**
Net provisions charged / (released) to the consolidated income statement	**3.9**	**1.0**	**21.6**	**0.8**	**27.3**	**58.2**	**–**	**58.2**

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

2010	Distribution Australasia £m	 Europe £m	 North Asia £m	 South Asia £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Distribution £m
Revenue							
Total revenue	846.5	809.0	430.6	371.8	36.9	286.9	2,781.7
Inter-segment revenue	(189.1)	(107.7)	–	–	–	(29.0)	(325.8)
Revenue from third parties	657.4	701.3	430.6	371.8	36.9	257.9	2,455.9
Results							
Segment result	47.9	26.9	34.0	36.1	6.5	19.1	170.5
Exceptional items	(0.3)	(3.8)	–	(0.9)	–	(2.9)	(7.9)
Operating profit after exceptional items	47.6	23.1	34.0	35.2	6.5	16.2	162.6
Share of (loss) / profit after tax of joint ventures and associates	–	(1.3)	–	–	–	–	(1.3)
Profit before finance and tax	47.6	21.8	34.0	35.2	6.5	16.2	161.3
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result for Distribution includes a profit of £7.3m related to the sale of a property in Australasia and an impairment charge of £7.5m for land in Russia and Emerging Markets.

2010	Retail Australasia £m	Retail Europe £m	Retail United Kingdom £m	Retail Russia and Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	372.9	169.6	2,088.9	798.1	3,429.5	6,211.2	–	6,211.2
Inter-segment revenue	–	–	–	–	–	(325.8)	–	(325.8)
Revenue from third parties	372.9	169.6	2,088.9	798.1	3,429.5	5,885.4	–	5,885.4
Results								
Segment result	14.6	0.9	49.4	12.7	77.6	248.1	(22.6)	225.5
Exceptional items	(3.8)	(0.9)	(8.4)	(0.8)	(13.9)	(21.8)	(0.1)	(21.9)
Operating profit after exceptional items	10.8	–	41.0	11.9	63.7	226.3	(22.7)	203.6
Share of (loss) / profit after tax of joint ventures and associates	–	–	0.2	(0.6)	(0.4)	(1.7)	–	(1.7)
Profit before finance and tax	10.8	–	41.2	11.3	63.3	224.6	(22.7)	201.9
Finance income								58.6
Finance costs								(68.4)
Profit before tax								192.1
Tax								(59.1)
Profit for the year								133.0

Net finance costs of £9.8m are not allocated to individual segments.

2010	Distribution Australasia £m	Distribution Europe £m	Distribution North Asia £m	Distribution South Asia £m	Distribution United Kingdom £m	Distribution Russia and Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	126.1	163.8	78.2	56.7	22.6	80.9	528.3
Other current assets							
Non-current assets							
Segment liabilities	(248.9)	(180.5)	(60.2)	(36.8)	(48.7)	(72.0)	(647.1)
Other liabilities							
Net assets							

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

2010	Distribution Australasia £m	Distribution Europe £m	Distribution North Asia £m	Distribution South Asia £m	Distribution United Kingdom £m	Distribution Russia and Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	1.4	0.5	0.8	3.3	0.1	2.5	8.6
– Interest in leased vehicles	10.5	6.6	2.8	–	14.9	1.0	35.8
– Intangible assets	0.2	0.4	–	–	0.2	–	0.8
Depreciation:							
– Property, plant and equipment	2.9	1.2	1.4	2.0	0.1	2.6	10.2
– Interest in leased vehicles	0.9	4.6	1.8	–	10.8	2.3	20.4
Amortisation of intangible assets	0.2	0.5	–	–	0.3	0.1	1.1
Impairment of goodwill	–	–	–	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–	–	7.5	7.5
Net provisions charged / (released) to the consolidated income statement	8.5	18.5	4.8	3.6	(1.1)	1.6	35.9

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

2010	Retail: Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	46.3	20.2	381.2	150.1	597.8	1,126.1
Other current assets						693.4
Non-current assets						1,282.4
Segment liabilities	(48.0)	(10.7)	(378.1)	(99.5)	(536.3)	(1,183.4)
Other liabilities						(629.2)
Net assets						1,289.3

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

2010	Retail: Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	1.2	0.6	10.7	13.6	26.1	34.7	0.4	35.1
– Interest in leased vehicles	–	0.3	–	1.2	1.5	37.3	–	37.3
– Intangible assets	–	–	3.1	1.5	4.6	5.4	3.0	8.4
Depreciation:								
– Property, plant and equipment	0.6	1.2	9.4	6.0	17.2	27.4	0.4	27.8
– Interest in leased vehicles	–	0.2	–	0.2	0.4	20.8	–	20.8
Amortisation of intangible assets	–	–	3.3	0.4	3.7	4.8	0.2	5.0
Impairment of goodwill	3.0	–	2.3	0.2	5.5	5.5	–	5.5
Impairment of property, plant and equipment	–	–	5.0	0.2	5.2	12.7	–	12.7
Net provisions charged / (released) to the consolidated income statement	4.3	1.7	20.4	–	26.4	62.3	(3.5)	58.8

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

3 Exceptional items

	2011 £m	2010 £m
Restructuring costs	**(13.4)**	(12.4)
Goodwill impairment	**–**	(5.5)
Impairment of property, plant and equipment	**–**	(4.0)
Operating exceptional items	**(13.4)**	(21.9)
Impairment of available for sale financial assets (note 5)	**(10.9)**	–
Finance exceptional items	**(10.9)**	–
Total exceptional items before tax	**(24.3)**	(21.9)
Exceptional tax credit	**3.6**	3.1
Total exceptional items	**(20.7)**	(18.8)

The restructuring costs of £13.4m represent the cost of a global restructuring exercise conducted in the fourth quarter of 2011. The restructuring was carried out to ensure that we continue to maintain an organisational structure and cost base that reflects trading conditions across the Group, as well as improving the cost effectiveness of our global IT strategy. Included within the restructuring costs is a £7.1m impairment of computer software costs in the UK.

The £10.9m charge on the impairment of available for sale financial assets relates to the impairment losses on Greek Government Bonds to reflect current market conditions.

The exceptional tax credit of £3.6m represents relief on restructuring costs and impairment of software costs. No relief is available for the impairment of available for sale financial assets.

In 2010, the charge for restructuring costs of £12.4m represented the cost of headcount reduction across the Group and the closure of less profitable sites in the UK, Belgium, South America and Australia. Impairment charges for goodwill (£5.5m) and property, plant and equipment (£4.0m) related to the closure of the same sites.

The 2010 exceptional tax credit of £3.1m represents relief on restructuring costs. In 2010, no relief was available for the impairment of goodwill and property, plant and equipment.

4 Finance income

	2011 £m	2010 £m
Bank and other interest receivable	**5.6**	4.5
Expected return on post-retirement plan assets	**45.1**	46.9
Other finance income	**6.6**	7.2
Total finance income	**57.3**	58.6

5 Finance costs

	2011 £m	2010 £m
Interest payable on bank borrowings	**2.0**	2.8
Interest payable on Private Placement	**3.9**	3.7
Interest payable on other borrowings	**0.3**	0.6
Fair value adjustment on Private Placement	**18.5**	22.2
Fair value gain on cross currency interest rate swaps	**(16.1)**	(24.2)
Stock holding interest	**13.6**	13.2
Interest expense on post-retirement plan liabilities	**43.7**	46.2
Other finance costs	**5.8**	5.0
Capitalised borrowing costs	**(0.7)**	(1.1)
Total finance costs before exceptional items	**71.0**	68.4
Exceptional items:		
Impairment of available for sale financial assets (note 3)	**10.9**	–
Total finance costs	**81.9**	68.4

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% (2010 – 2.0%).

6 Tax

	2011 £m	2010 £m
Current tax:		
– UK corporation tax	**7.0**	19.2
	7.0	19.2
Overseas tax	**49.0**	46.6
	56.0	65.8
Adjustments to prior year liabilities:		
– UK	**(0.3)**	–
– Overseas	**(0.9)**	(0.2)
Current tax	**54.8**	65.6
Deferred tax	**4.4**	(3.4)
Tax before exceptional tax	**59.2**	62.2
Exceptional tax – current tax	**(1.0)**	(2.5)
Exceptional tax – deferred tax	**(2.6)**	(0.6)
Exceptional tax (note 3)	**(3.6)**	(3.1)
Total tax charge	**55.6**	59.1

The effective tax rate for the year, before exceptional items, of 26% (2010 – 29%) is higher than the standard blended rate of tax of 23.8% (2010 – 23.6%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2011 £m	2010 £m
Profit before tax	**203.4**	192.1
Profit before tax multiplied by the standard rate of tax of 23.8% (2010 – 23.6%)	**48.4**	45.4
Effects of:		
– Amortisation and impairment	**2.9**	5.0
– Non-tax deductible items	**4.5**	3.1
– Unrecognised tax credits	**(0.8)**	(3.7)
– Overseas tax levies and austerity taxes	**2.1**	5.6
– Prior year items	**(2.0)**	0.9
– Withholding tax on overseas dividends	**–**	1.1
– Disallowed interest due to UK debt cap	**–**	1.1
– Other items	**0.5**	0.6
Total tax charge	**55.6**	59.1

7 Earnings per share

	2011 £m	2010 £m
Profit for the year	**147.8**	133.0
Non controlling interests	**(5.6)**	(5.1)
Basic earnings	**142.2**	127.9
Exceptional items	**20.7**	18.8
Adjusted earnings	**162.9**	146.7
Basic earnings per share	**31.0p**	27.9p
Diluted earnings per share	**30.5p**	27.6p
Basic Adjusted earnings per share	**35.5p**	32.0p
Diluted Adjusted earnings per share	**34.9p**	31.7p

	2011 number	2010 number
Weighted average number of fully paid ordinary shares in issue during the year	**463,324,543**	463,111,916
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,372,654)**	(1,365,559)
– Repurchased as part of the share buy back programme	**(2,687,560)**	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**459,264,329**	459,058,797
Dilutive effect of potential ordinary shares	**7,193,499**	3,800,689
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**466,457,828**	462,859,486

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 ESOP Trust and those 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.

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 ESOP Trust and those repurchased as part of the share buy back programme.

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

8 Dividends

The following dividends were paid by the Group:

	2011 £m	2010 £m
Interim dividend for the six months ended 30 June 2011 of 3.6p per share (2010 – nil per share)	**16.5**	–
Final dividend for the year ended 31 December 2010 of 6.6p per share (2009 – nil per share)	**30.3**	–
	46.8	–

A final proposed dividend for the year ending 31 December 2011 of 7.4p per share amounting to £34.1m is subject to approval by shareholders at the Annual General Meeting (AGM) on 10 May 2012 and has not been included as a liability as at 31 December 2011.

If approved at the AGM, the dividend will be paid on 12 June 2012 to shareholders registered in the books of the Company at the close of business on 18 May 2012. Together with the interim dividend of 3.6p per share paid on 5 September 2011, this will make a total ordinary dividend for the year of 11.0p per share. The Dividend Reinvestment Plan (DRIP) continues to be available.

9 Notes to the consolidated statement of cash flows

a. Reconciliation of cash generated from operations

	2011 £m	2010 £m
Cash flows from operating activities		
Operating profit	**231.0**	203.6
Operating exceptional items	**13.4**	21.9
Amortisation of intangible assets	**4.5**	5.0
Depreciation of property, plant and equipment	**29.0**	36.5
Profit on disposal of property, plant and equipment	**(0.1)**	(7.5)
Share-based payments charge	**7.3**	6.5
Increase in inventories	**(61.0)**	(64.0)
(Increase) / decrease in trade and other receivables	**(24.0)**	16.7
Increase in trade and other payables	**79.0**	85.9
Decrease in provisions	**(1.1)**	(1.0)
Pension contributions in excess of the pension charge for the year*	**(24.8)**	(22.9)
Increase in interest in leased vehicles	**(1.1)**	(1.4)
Payment in respect of operating exceptional items	**(6.5)**	(5.0)
Other items	**(0.9)**	–
Cash generated from operations	**244.7**	274.3

* The decrease in post-retirement defined benefits includes additional payments of £19.2m (2010 – £23.3m).

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

	2011 £m	2010 £m
Net increase in cash and cash equivalents	**45.1**	156.3
Net cash (inflow) / outflow from borrowings and finance leases	**(0.7)**	40.7
Change in net cash and debt resulting from cash flows	**44.4**	197.0
Effect of foreign exchange rate changes on net cash and debt	**(3.5)**	6.0
New finance leases	**(0.8)**	–
Net movement in fair value	**(2.4)**	2.0
Movement in net funds	**37.7**	205.0
Opening net funds	**205.8**	0.8
Closing net funds	**243.5**	205.8

Net funds is analysed as follows:

	2011 £m	2010 £m
Cash at bank and cash equivalents	**385.6**	376.5
Short-term deposits	**173.3**	185.1
Bank overdrafts	**(97.6)**	(142.0)
Cash and cash equivalents	**461.3**	419.6
Bank loans	**(339.1)**	(318.6)
Other loans	**(0.3)**	(0.7)
Finance leases	**(3.5)**	(3.4)
	118.4	96.9
Fair value of cross currency interest rate swap	**125.1**	108.9
Net funds	**243.5**	205.8

10 Acquisitions and disposals

a. Acquisitions

The Group acquired its interest in the Musa Motors group in July 2008. Under the terms of the original acquisition agreement, contingent deferred consideration dependent on 2010 EBITA was due in respect of 24.9% of the Group. In the first half of 2011, the amount of the deferred consideration was determined and a payment of US$32m (£19.6m) was made to the vendor to complete the Group's purchase.

In addition, a further US$1m (£0.6m) was paid which relates to the consideration agreed upon in October 2009, relating to the acquisition of the initial 75.1% shareholding.

b. Disposals

During the year, the Group disposed of a small number of dealerships at net book value generating disposal proceeds of £5.5m (2010 – proceeds of £1.0m).

11 Assets held for sale and disposal group

	2011 £m	2010 £m
Assets directly associated with the disposal group	**2.8**	23.4
Assets held for sale	**2.9**	–
Assets held for sale and disposal group	**5.7**	23.4
Liabilities directly associated with the disposal group	**–**	(19.6)

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

	2011 £m	2010 £m
Property, plant and equipment	**2.8**	3.4
Inventories	**–**	16.6
Trade and other receivables	**–**	3.4
Assets directly associated with the disposal group	**2.8**	23.4
Trade and other payables	**–**	(19.6)
Liabilities directly associated with the disposal group	**–**	(19.6)

Assets held for sale relate to surplus properties being actively marketed with a view to sale.

In October 2010, the Group announced its intention to dispose of certain non-core franchises. These businesses were actively marketed with a view to sale and the corresponding assets and liabilities have been disclosed as a disposal group in the consolidated statement of financial position in 2010. During the year, the majority of these assets and liabilities were disposed of.

12 Foreign currency translation

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

	Average rates		Year end rates	
	2011	2010	2011	2010
Australian dollar	**1.54**	1.69	**1.52**	1.53
Euro	**1.15**	1.17	**1.20**	1.17
Hong Kong dollar	**12.53**	12.00	**12.07**	12.14
Singapore dollar	**2.02**	2.11	**2.01**	2.00
Russian ruble	**47.11**	47.05	**49.88**	47.61

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	
	2011 £m	2010 £m	2011 £m	2010 £m
Vehicles purchased from joint ventures and associates	**0.1**	0.1	**–**	–
Vehicles sold to joint ventures and associates	**315.2**	299.5	**–**	0.1
Other income paid to joint ventures and associates	**1.3**	2.5	**0.2**	0.2
Other income received from joint ventures and associates	**0.4**	1.7	**0.4**	0.3

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 (2010 – £nil).

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

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report 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 (IFRSs) 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 IFRSs 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;
- 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' Remuneration Report 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 IFRSs 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.