11 March 2014

Inchcape

Inchcape plc
2013 Annual Results Announcement
Results for the year ended 31 December 2013

"Premium growth delivering premium returns"

Operational and strategic highlights:

- Partnership with leading premium and luxury OEMs delivered robust revenue and profit growth
- Operating margin of 4.4%, up 10 bps year on year and back to peak
- Fourth consecutive year of double-digit earnings growth and over 20% ROCE
- Strong profit performance from Trivett Automotive group acquired in March 2013
- Returned £125m cash to shareholders through dividends and share buy backs in 2013

Financial highlights:

- Reported sales up 7.7% to £6.5bn (2012: £6.1bn) and like for like sales up 3.0% at constant currency
- Pre-exceptional PBT up 11.2% to £274.6m (2012: £247.0m)*
- Reported PBT £266.1m (2012: £247.7m)*, up 7.4%
- Adjusted EPS growth of 11.3% to 43.5p (2012: 39.1p)*
- Operating cash flow of £227.0m (2012: £249.2m)
- £50m of Group's £100m share buy back programme completed by year end
- Board recommends final dividend of 11.7p per share** giving a total dividend for the year of 17.4p per share (2012: 14.5p), up 20%

* 2012 restated for the adoption of IAS 19 (revised)

**subject to final dividend approval at AGM on 16 May 2014

André Lacroix, Group CEO of Inchcape plc, commented:

"Inchcape's strategic partnership with the world's leading premium and luxury brands and our differentiated Customer 1st strategy continue to deliver robust revenue growth which, combined with our operational discipline on cost, has enabled the Group to deliver double-digit earnings growth. The share buy back programme and 20% increase in the full year dividend demonstrate our commitment to capital discipline and delivering shareholder value.

2013 marks the fourth consecutive year of double-digit EPS growth and return on capital of over 20%. This is testament to the Inchcape business model. We operate in the right international markets with the right premium and luxury brands and generate diversified profit streams from the right categories.

The acquisition of the Trivett Automotive group in Australia has successfully increased the Group's footprint in the region and as the integration completes, and we leverage commercial synergies, this will further boost the prospects for our expanded business.

The Group has a track record of delivering sustainable earnings growth with a high return on capital employed. We expect to deliver a robust constant currency performance in 2014 as we will benefit from broad-based growth across our markets and categories. Our partnership with the world's leading OEMs, our industry-leading processes and the strength of our balance sheet positions us well to seize attractive consolidation opportunities in high margin and high growth markets."

Ends

There will be a presentation for analysts and investors at 09:30am GMT on Tuesday 11th March, the details of which can be obtained from FTI Consulting.

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Notes to editors

About Inchcape:

1. Inchcape is a leading, global premium automotive group operating in 26 markets as a distributor and retailer for the world's leading premium and luxury car brands. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance. Inchcape's core purpose is to create an incredible customer experience for the best car brands in the world. Inchcape has six leading premium vehicle manufacture groups as core brand partners - Volkswagen/Audi/Porsche; BMW/MINI/Rolls-Royce; Subaru; Mercedes-Benz; Toyota/Lexus; and Jaguar/Land Rover. Inchcape, which has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 14,400 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

The Group delivered record results in 2013.

2013 has been another strong year for Inchcape, marking a record profit and a return to peak operating margin performance. The strength of our premium operations, our focus on Asia Pacific and Emerging Markets, our dedication to our Customer 1st strategy and the passion of our colleagues have enabled Inchcape to achieve these record results.

We acquired Trivett, Australia's leading luxury and premium automotive group, on 1 March 2013 for an expected final consideration of £76m. The acquisition was an important step in the development of our operations in Australasia, positioning us with greater scale with premium and luxury brands represented in high quality retail centres in Sydney and Melbourne.

On 2 August 2013 we announced a share buy back programme of £100m within 12 months, of which £50m was completed by 31 December 2013. The Board of Inchcape recognised the opportunity to return cash to our shareholders and thus ensure capital discipline, recognising the priority to invest organically and retaining the capacity for M&A opportunities.

Inchcape is well positioned to benefit from the exciting growth prospects and attractive consolidation opportunities in the global automotive market given our competitive advantage in customer service and our strong relationships with the world's leading brands in the premium and luxury segments.

I am very pleased to report that our share price performance and progressive dividend policy have combined to deliver an excellent total shareholder return (TSR) in 2013 of 47%.

Performance

Group sales increased by 7.2% to £6.5bn for the full year to 31 December 2013. The Group benefited from the Trivett acquisition and like for like sales growth was achieved in most of the geographic segments. The Group also achieved profit growth across the majority of its markets in 2013. The performance of our Emerging Markets was especially pleasing. In Chile and Peru, where we are the distributor for BMW, the luxury car market grew by 28% and 22% respectively. 2013 has seen broad based growth across our five value drivers as the recovery in New vehicle volumes since 2010, in a number of our markets, has led to growth in Service and Parts sales.

Profit before tax and exceptional items of £274.6m was 11.2% higher than 2012. On a statutory basis, profit before tax was £266.1m, 7.4% above 2012. Adjusted earnings per share (EPS) rose by 11.3% to 43.5p, driving a four year compound annual growth rate of 12.6%.

Cash generated from operations during the year was £227.0m which represents an 81.5% conversion of statutory operating profit.

Capital expenditure

The Group continued to be selective on capital expenditure in 2013, ensuring that cash was allocated to the right growth prospects that meet our high return requirements.

In 2013, we completed new flagship BMW facilities in Chile and Peru. These class-leading sites in Santiago and Lima will enable Inchcape to take full advantage of the significant growth of recent years in BMW volumes in both markets and critically we are well placed to serve the aftersales requirements of the fast growing Car Parcs. In China we opened a Porsche site in Nanchang and a Mercedes-Benz site in Jiujiang. In Russia we opened new facilities for Rolls-Royce in St. Petersburg and for Jaguar, Land Rover and Volvo in Moscow.

Board

Following nine years' service, Will Samuel, the Deputy Chairman and Senior Non-Executive Director, retired from the Board on 16 May 2013. We are very grateful for the valuable insights and dedication delivered by Will to the Group. Following this change Simon Borrows became Senior Independent Director. John Langston joined the Board on 1 August 2013, and was appointed Chairman of the Audit Committee on 1 September 2013.

Dividend

The Board is pleased to recommend payment of a final dividend for the year ended 31 December 2013 of 11.7p, +11.4% on 2012 (10.5p). This gives a total dividend for 2013 of 17.4p, representing a payout ratio of 40% and a 20% increase on 2012 (14.5p). Subject to approval at the Company's Annual General Meeting (AGM) on 16 May 2014, the final dividend will be paid on 24 June 2014 to shareholders of the Company on the register of members at the close of business on 30 May 2014.

People
On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their outstanding commitment and support in 2013.

Outlook
We are well positioned moving forward. We operate with the world's leading premium brands across 26 markets, in which we have long-standing market share strength and where we deploy our bespoke operational processes to deliver excellence throughout the value chain and thus enabling us to outcompete local operators.

The Group has a track record of delivering consistent profit growth despite challenging trading conditions in some of our key regions, namely South Asia and Europe. The commencement of the anticipated recovery in 2014 of the New vehicle market in Singapore as well as the expected recovery of the Greek market in 2014 are important developments for the Group.

Our geographic footprint positions us for structural growth in Asia Pacific and Emerging Markets, and our leading premium partners give us confidence in our ability to take market share and maintain pricing power.

Furthermore, our operational discipline supports the sustainability of returns and when coupled with the intrinsically cash generative nature of our business model, we are confident in our ability to create long term value for our shareholders.

Ken Hanna,
Chairman

Chief Executive's statement

Premium growth delivering premium returns for our shareholders

Inchcape is a leading global premium automotive group, operating in 26 countries worldwide both as a Distributor and as a scale Retailer.

I am delighted to report another year of strong performance for the Group. We achieved robust growth across each of the categories in which we operate, continuing a long term trend of strong performance, not just in the context of the global economic challenges but also in comparison with our competitors across the world.

In the last four years, we have delivered consistent profit growth and attractive returns for our shareholders, with an earnings per share (EPS) compound annual growth rate of 12.6%, total shareholder return (TSR) of 125% and a return on capital employed (ROCE) of 22%.

Our unique approach is based on a global geographic footprint focused on high margin, high growth markets, a diversified set of revenue streams with an emphasis on growing sustainable high margin aftersales activities, and a competitive advantage based on operational excellence and delivering outstanding customer service.

At the heart of our business lies our close, long term partnerships with six premium and luxury automotive manufacturer groups, from which we derive c. 90% of our gross profit: BMW/MINI/Rolls-Royce, Jaguar/Land Rover, Mercedes-Benz, Subaru, Toyota/Lexus and Volkswagen/Audi/Porsche.

These premium and luxury brands are growing ahead of the global automotive market as a whole, due to their appeal to the burgeoning middle classes in the emerging markets. Their R&D strength allows them to invest ahead of their competition in fuel-efficient automotive technology that appeals to customers in the more developed markets. Importantly, the pricing power of these brands helps us to secure and grow our margins, which enables us to achieve such strong returns.

We believe that our market leading sales and aftersales performance in premium and luxury segments, supported by our premium Customer 1st strategy and premium operations, while seizing attractive consolidation opportunities, is the key to delivering sustainable growth for our shareholders.

Premium Markets

Three quarters of our profits are derived from the fast growing markets of Asia Pacific and the Emerging Markets.

Indeed, we are highly selective about the markets where we choose to operate and for us the world's most attractive markets are not necessarily the largest. The stand-alone New car markets in, for example, Hong Kong, Singapore, Guam, Macau, Peru and Ethiopia are small in a global context but this is a great strength for Inchcape as we have established competitive positions with high returns.

Our Distribution and VIR operations are focused in those small to medium sized markets, where our scale position, superior operating processes, marketing and sales expertise and the quality of our people provide a significant local advantage to our brand partners in terms of brand stewardship, advertising and promotional capability, aftersales expertise, network management and customer experience. During 2013, our Distribution and VIR operations generated 79% of our Group trading profits and 90% of the profits from our Distribution and VIR activities come from Australasia, North Asia, South Asia, Eastern Europe, Africa and South America.

Our long lasting relationships with our brand partners combined with the superior quality of our operations have given us a scale advantage in these markets. In 12 of our markets, we achieved a top three market share position for our brand partners in 2013. Not only does this deliver significant opportunities for New car sales, it also provides strong and sustainable revenue streams across all our categories, particularly in our high margin Aftersales servicing and Parts business. Our scale advantage in the Distribution/VIR markets is driving superior returns for our shareholders.

In the world's larger car markets, like the UK, Russia and China, our six core brand partners run their own distribution and marketing companies. Here, we have selectively invested in large-scale premium retail facilities and provide our OEM partners with the highest quality brand representation and deliver exceptional standards in customer care.

Premium Strategy

Inchcape has a twin-track *strengthen* and *expand* Customer 1st growth strategy.

Our key focus is on strengthening our business through organic growth, maximising the return on our existing assets through a differentiated customer experience to increase market share in both vehicle sales and aftersales.

In fact, no matter where we operate, it is our unique Customer 1st strategy that prevails, providing a premium customer experience for the world's best car brands. This is what drives our competitive advantage: creating high levels of customer satisfaction, that we measure consistently through our Inchcape Advantage programme, and leveraging this to sustain and protect our margins. Quite simply, we set standards in markets across the world which the local competition cannot match.

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

Our 'defensive' categories of Used vehicle sales, Aftersales servicing and Parts now collectively account for 60% of our gross profit. This is excellent progress for the Group; not only is the trend towards substantial growth in the global Car Parc driving true sustainability for these business streams – the Car Parc is over 10 times the size of the New car market – but margins in this category are higher too.

Our premium strategy is supported by our strong operational discipline, a balanced focus between cash and commercial priorities that we summarise under our Top Five Priorities: maintaining tight control over margins, working capital and capital expenditure, while growing the business through increased market share and aftersales.

Through the strong brand partner relationships our Customer 1st strategy creates, we gain access to expansion opportunities in high margin, high growth areas of the world which we can pursue thanks to the strength of our balance sheet, as evidenced in 2013 when we completed the acquisition of the Trivett Automotive group, Australia's largest premium automotive retailer.

This premium growth strategy, in premium markets, with premium brands, is enabling us to deliver a premium financial performance.

Premium Operations

Our operational approach is to appoint strong and experienced local management teams and support them with industry best practice, market-leading technology and central governance. Quite simply, this means we bring to local markets a level of operational resource and global expertise that enables us to outperform the competition.

To maximise this advantage, we have developed a proprietary approach to management that ensures operational excellence in every market. This is made up of 12 unique operational processes:

- Market intelligence and forecasting: Our understanding and knowledge of the markets where we operate has improved over the years based on powerful retail indicators and leading technology which enable us to make accurate sales forecasts and to spot trends even before they emerge – providing strong competitive advantage in good economic times and bad.
- Supply and working capital management: We accurately synchronise supply with demand thanks to the exceptional integration of our management processes, our market measures and our forecasting. Not only does this approach enable us to control costs, it also ensures we can satisfy our customers more easily than the competition.
- Marketing and innovation: Our in-depth knowledge of our markets and our OEM partners enables us to bring unparalleled insight and understanding to positioning and promoting brand and models. Our Star Plus model processes provide marketing excellence in our 26 markets. This not only drives growth in revenues and market share, it also further strengthens the equity and image of our brand.
- Dealer network development: In our distribution markets, our route to market is largely managed by third party dealers and our network development teams provide expertise in network expansion, retail standards, operational training and IT support which enables us to deliver world class representation for our brands.
- World class retail standards: We continually invest in the world's most advanced retail technologies, in infrastructure and in our people to ensure that all customers in every market have an outstanding experience every time they interact with us.
- Customer service: Our unique Inchcape Advantage programme, which underpins our commitment to delivering consistently superior customer service in every outlet, continues to drive sustainable aftersales retention and market share growth everywhere we operate.
- Performance management: A key element of Inchcape's way of working is the careful balance between strong central governance and local management, who are empowered to make decisions based on their market understanding. This means Inchcape can respond rapidly and effectively at every level to changing market conditions.
- Capex and investment: The strength of the Group's balance sheet and our brand relationships give us access to investment opportunities. We follow a highly disciplined and selective approach to investment that targets high growth and high margin markets.
- Global IT infrastructure: Proprietary Distribution, VIR and Retail information technology enhances our productivity across the Group. Our global Ipower programme is designed to reduce complexity and to provide our businesses with better management information on a timely basis.
- Risk management: Within our operationally decentralised organisation, the Group's risk appetite is dictated by the Board while day-to-day risk oversight is the responsibility of the Group iPOM (Inchcape Peace of Mind) Committee. Oversight of risk management, however, remains in the hands of the most senior management in our local markets.
- Investing in people: The key to outperforming our competition in every market is to ensure that we have winning people in winning teams. That's why Inchcape is focused, both centrally and locally, on ensuring that we have in place the right people, the right learning opportunities, the right reward systems and the right culture.
- Rewarding performance: Our people thrive in a culture which recognises individual contributions to our collective performance. This means that recognition and acclaim are as important as compensation in maintaining an engaged workforce made up of committed, energetic and enthusiastic people.

The application of these strong operational processes differentiates us both within the markets where we operate and in the eyes of the manufacturers we work with; our brand partners benefit from our consistent market share and customer service performance which strengthen our brand relationships giving us access to new business opportunities.

Premium Growth, Premium Returns

Our consistent growth in the premium and luxury segment has delivered premium returns for our shareholders. We believe that our performance track record is based on five competitive advantages: our focus on premium and luxury brands that continue to outperform the market; a rising Car Parc that feeds our high margin Aftersales business; our differentiated Customer 1st strategy which underpins strong pricing power; a unique set of 12 operational disciplines creating local competitive advantage; and an ability to leverage attractive consolidation opportunities in high growth/high margin markets. All these growth drivers remain relevant into the future.

Over the next five years, annual New car sales are set to grow globally by 21%. Even more important for the sustainability of our earnings, the global Car Parc is forecast to increase substantially, by 21% over the same period, to 1,165 billion vehicles. Consequently we see significant growth opportunities ahead in all those categories where we operate – New and Used premium car sales, Finance and Insurance products, Aftersales servicing and Spare parts.

The geographic spread of our markets gives us a well-balanced approach to growth. Our 21 Asia Pacific and Emerging Markets businesses delivered 56% of our revenue and 73% of our trading profit in 2013, thanks to the 6.1% average trading profit margin they deliver. Our operations in the UK and Europe, meanwhile, delivered 44% of our revenue and 27% of our trading profit.

With both New vehicle sales and the Car Parc set to deliver substantial growth over the next five years, these markets provide the balance and stability needed to give us a solid, sustainable platform for continued growth across the Group.

In summary, Inchcape's dedicated focus on premium growth is delivering premium returns for our shareholders:

We have a scale presence in the right premium markets, where we expect robust, broad based growth across all categories.

We have a highly attractive portfolio of premium and luxury brands, with which we have deep and long-standing relationships.

We have a premium strategy driven by a strong focus on superior customer service, enabling us to enjoy strong pricing power in our markets and market share growth in premium and luxury Vehicle sales and in Aftersales.

We have the right operational discipline, with a strong track record of delivering leading market share.

We deliver premium returns with a balanced mix of growth and defensive drivers and a highly disciplined approach to cost and cash management.

And we have a strong balance sheet, which together with our outstanding manufacturer partnerships clearly positions us strongly to take advantage of the exciting premium consolidation opportunities in Asia Pacific and the Emerging Markets, as evidenced by our recent acquisition of the Trivett Automotive group.

Trivett's fit with Inchcape is excellent: the business has 22 retail centres in and around Sydney, Australia's largest metropolitan area for premium brands, and two in Melbourne. This scale enables Trivett to make a substantial contribution to Inchcape Australasia – itself a considerable business with 21 owned and managed retail centres and 101 independently owned franchised Subaru centres throughout Australasia. Just as important, however, is Trivett's portfolio of premium brands, including BMW, Jaguar, Land Rover, Volvo and Honda, as well as super luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren.

In Trivett's first year as part of Inchcape, the business has already proved itself as a powerful source of value for our Australian operation, with a trading profit of £9.9m, a trading margin of 3.3% and a ROCE of 17.3% in 2013. The prospects are promising as Trivett integrates completely into our global organisation, enabling us to leverage significant commercial synergies.

Our premium growth strategy combined with our strong cash and cost discipline is the right one for Inchcape and for our shareholders and I am confident we can look forward to a long term performance that continues our record of generating sustainable premium growth and premium returns.

André Lacroix,
Group Chief Executive

Key performance indicators (KPIs)

Inchcape's premium growth delivering premium returns

These KPIs are how we measure our business performance

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

Sales

Definition

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

Achievements in 2013

Group sales were up 7.2% on last year driven by strong top line performance in Australia, the UK and the Emerging Markets.

Trading profit

Definition

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

Achievements in 2013

A continued focus on cost control and accretive margin growth has meant that trading profit has grown by 9.2% year on year.

Trading margin

Definition

Calculated by dividing trading profit by sales.

Achievements in 2013

The Group's trading margin grew to 4.7% (+0.1ppt).

Profit before tax and exceptional items

Definition

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

Achievements in 2013

Profit before tax and exceptional items increased by 11.2%, to a record £274.6m.

Working capital

Definition

Inventory, receivables, payables, and supplier related credit.

Achievements in 2013

Working capital was tightly managed ending at £45.8m.

Cash generated from operations

Definition

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

Achievements in 2013

The Group has generated an operating cash flow of £227.0m.

Like for like sales

Definition

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

Achievements in 2013

Like for like sales increased by 3.0%.

Operating review

Sustained top line growth and operating margin expansions

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 2014 outlook commentary is also referenced at constant currency.

The Group has delivered record results as we continued to benefit from our broad geographic spread and our partnership with the leading OEMs in the premium and luxury segments. The Group has delivered robust top line growth and double digit profit growth.

Group sales at £6.5bn were up 7.7% on last year driven by strong revenue performance in the UK, Emerging Markets and North Asia, and by the acquisition of the Trivett Automotive group in Australia. The Group delivered revenue growth in all segments except Europe and South Asia.

Continued focus on margin expansion with disciplined cost control enabled the Group to achieve an increase of 10.3% in trading profit to £305.8m. Following a strong performance in 2012, overheads before exceptional items as a percentage of sales were reduced by 30 bps.

Working capital was tightly managed throughout the year and resulted in a year end position of £45.8m, higher than in 2012 due to the growth in revenue.

We have continued to make strategic investments throughout the year, developing greenfield sites in China, Chile, Peru and Russia and upgrading existing facilities in Singapore and the UK. Net capital expenditure for the year was £84.9m.

Net cash at the end of the year was £123.0m, with the reduction vs. 2012 driven by the share buy back programme announced in August 2013 and the acquisition of the Trivett Automotive group. During 2013 we completed the first £50m of our £100m share buy back scheme at an average price of 613.7p and we plan to complete the final £50m in the first half of 2014.

We acquired Trivett Automotive group, Australia's leading luxury and premium automotive group, on 1 March 2013 for an expected total consideration of £76m. In the first 10 months, our Trivett business performed in line with expectations with £298.8m in revenue, £9.9m in trading profit, a return on sales (ROS) of 3.3% and a return on capital employed (ROCE) of 17.3%. The integration of the business was completed to plan and we are confident about the prospects for sustained profitable growth.

Performance indicators – Results

	Year ended 31.12.2013 £m	Year ended 31.12.2012* £m	% change	% change in constant currency
Sales	6,524.9	6,085.4	7.2	7.7
Trading profit	305.8	280.1	9.2	10.3
Trading margin %	4.7	4.6	0.1ppt	0.1ppt
Like for like sales	5,911.6	5,762.0	2.6	3.0
Like for like sales growth %	2.6	4.6	(2.0)ppt	
Profit before tax before exceptional items	274.6	247.0	11.2	12.5
Working capital	45.8	25.9	76.8	
Cash generated from operations	227.0	249.2	(8.9)	
Net cash	123.0	276.2	(55.5)	

	2013 Trading profit £m	2013 Exceptional items £m	2013 Operating profit £m	2012 Trading profit £m	2012* Exceptional items £m	2012* Operating profit £m
Australasia	78.9	(5.7)	73.2	67.2	(2.2)	65.0
Europe	19.5	–	19.5	16.8	(4.7)	12.1
North Asia	59.2	–	59.2	52.8	(0.1)	52.7
South Asia	29.7	–	29.7	35.1	–	35.1
United Kingdom	63.3	(1.1)	62.2	65.2	(2.9)	62.3
Russia & Emerging Markets	55.2	(1.0)	54.2	43.0	(8.1)	34.9
Trading profit	305.8	(7.8)	298.0	280.1	(18.0)	262.1
Central costs		(0.7)	(19.6)		18.7	(1.6)
Operating profit		(8.5)	278.4		0.7	260.5

* 2012 restated for the adoption of IAS 19 (revised)

Business analysis

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales				
Distribution	2,540.0	2,511.5	1.1	1.5
Retail	3,984.9	3,573.9	11.5	12.0
Like for like sales				
Distribution	2,453.6	2,451.1	0.1	0.5
Retail	3,458.0	3,310.9	4.4	4.9
Trading profit				
Distribution	219.4	194.0	13.1	14.1
Retail	86.4	86.1	0.3	1.6

Distribution business

Our Distribution business grew year on year by 1.5% to £2.5bn in terms of sales and 14.1% to £219.4m in trading profit. All regions other than South Asia delivered margin expansion.

Sales in our Australasian segment declined by 4.3% to £674.8m but trading profit grew by 14.0% to £55.0m. The130 bps in trading margin expansion was driven by a favourable product mix, an improvement of the exchange rate between the Australian dollar and Japanese Yen and a strong aftersales performance.

In South Asia, year on year sales decreased by 5.1% and trading profit by 16.4% driven by the decline of the New car market and the competitive pressure on vehicle margin due to the high Certificate of Entitlement (COE) prices.

In North Asia, sales grew by 7.5% and trading profit by 10.5% to record levels of £566.1m and £59.2m respectively. This was driven by very strong performance in our Hong Kong business where we retained the Triple Crown award for the 22nd year in a row.

Russia and Emerging Markets continued to grow in 2013 with sales up by 15.3% and trading profit up by 59.7%, driven by a year of strong profitable growth in Ethiopia and South America. Included in the results is a property profit of £6.2m on the disposal of a property in South America which, if excluded, would have seen an underlying profit improvement of 38.7%.

Our European segment returned to growth at a reported level, but delivered a slight decline in sales at constant currency of 1.5%. Our successful new product launches and our continuing cost controls allowed us to grow our trading profit by 8.7%, giving us a trading margin increase of 40 bps.

Retail business
Sales from our Retail operations increased by 12.0% to £4.0bn, driven by the acquisition of the Trivett business in Australia and by an 8.7% like for like performance in the UK. Trading profit increased by 1.6%.

The UK New car market reached a five year high; and whilst our UK Retail business grew headline sales by 4.1%, our like for like sales growth of 8.7% (after the disposal of the Ford sites in February 2013) was robust. Our gross margin decreased year on year, as a result of the price pressure on new vehicles and the consequent impact on used vehicle prices. Our UK Retail business retained an industry leading trading margin of 2.5%.

With the addition of Trivett, we increased sales in Australasia by 74.9% and trading profit by 59.8%. Our trading margin was slightly down on last year due to the opening of a new site and a significant recall for one of our brand partners. Our Trivett business delivered a strong performance with a trading margin of 3.3%.

The European segment experienced a decline in sales, but at a slower rate than 2012. Sales declined by 4.0% compared to a decline of 6.0% in 2012.

The Russia and Emerging Markets segment continued to grow at a similar rate to last year with sales up by 5.5% to £981.1m. Trading profit was down 38.2% year on year as improved profitability in China and Poland was more than offset by margin pressure in Russia as industry over-supply drove unprecedented pricing competition.

Regional analysis
The Group reports its regional analysis in line with IFRS 8 'Operating Segments'. This standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

Distribution	Retail
Australasia	Australasia
Europe	Europe
North Asia	United Kingdom
South Asia	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 these markets have started to grow but have yet to reach a mature stage of development and accordingly are in, or are expected to return to, the growth phase of the development cycle.

Australasia

Successful integration of Trivett drives record sales and trading profit

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	1,365.9	1,168.7	16.9	24.1
Distribution	674.8	747.8	(9.8)	(4.3)
Retail	691.1	420.9	64.2	74.9
Like for like sales	1,026.8	1,122.5	(8.5)	(2.8)
Distribution	674.8	747.8	(9.8)	(4.3)
Retail	352.0	374.7	(6.0)	0.1
Trading profit	78.9	67.2	17.4	24.8
Distribution	55.0	51.3	7.2	14.0
Retail	23.9	15.9	50.3	59.8
Trading margin %	5.8	5.7	0.1ppt	–
Distribution	8.2	6.9	1.3ppt	1.3ppt
Retail	3.5	3.8	(0.3)ppt	(0.3)ppt

The market

The Australian economy continued to grow in 2013 with total industry volume up 2.2% and the car market in New Zealand grew strongly, up 12.6% on 2012.

Business model & strategy

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

Our Inchcape Australia operation holds franchises for Subaru, Volkswagen, Mitsubishi, Isuzu and Kia. Moreover, on 1 March 2013 we acquired the Trivett Automotive group, the leading premium automotive group in Australia, significantly expanding our Retail footprint and expanding our portfolio with a number of the world's leading premium brands, including BMW, Jaguar, Land Rover, Volvo, Honda and Harley Davidson and the highly aspirational, super-luxury brands Rolls-Royce, Bentley, Aston Martin and McLaren.

The Subaru launch of the new Forester was very successful throughout 2013, driven by improvements in design, engine performance and vehicle interior.

During the year, our brand partners in Retail delivered a successful programme of model launches, including the BMW X5, MINI Paceman, Jaguar F-Type, Volvo V40 and Range Rover Vogue that have contributed strongly to growth of the segment.

At the end of 2013, we owned 45 retail centres and managed a network of 101 independently owned Subaru centres throughout Australasia.

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

Our operating performance

In 2013, we delivered strong top line growth and margin expansion as our Distribution business delivered strong performance due to the launch of the new Forester and more favourable exchange rates and our Trivett business delivered £9.9m in trading profit in line with expectations.

Total revenue of £1,365.9m for the year was up by 24.1%. Like for like revenue was down by 2.8% compared to 2012 due to the benefit in our 2012 revenue base of the one-off supply replenishment after the 2011 earthquake in Japan.

Outlook for 2014

In 2014, we expect the industry to benefit from the structural growth drivers of population growth, premiumisation and replacement cycle acceleration. Our Distribution business will continue to leverage its strong pricing power based on the premium positioning of Subaru and based on a better exchange rate between the Australian dollar and Japanese Yen. We will continue to focus on the growth of our Trivett business in 2014 and there are a number of exciting product launches planned across our portfolio of brands.

We expect to deliver a robust performance in 2014.

Europe

Gaining market share and returning to profitable growth

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	629.5	616.6	2.1	(2.0)
Distribution	499.8	486.9	2.6	(1.5)
Retail	129.7	129.7	–	(4.0)
Like for like sales	615.6	601.9	2.3	(1.9)
Distribution	499.8	486.9	2.6	(1.5)
Retail	115.8	115.0	0.7	(3.4)
Trading profit	19.5	16.8	16.1	11.7
Distribution	19.5	17.3	12.7	8.7
Retail	–	(0.5)	–	–
Trading margin %	3.1	2.7	0.4ppt	0.4ppt
Distribution	3.9	3.6	0.3ppt	0.4ppt
Retail	–	(0.4)	0.4ppt	0.4ppt

The market
The Belgian private car market remained stable in 2013 following the 14.9% decline in 2012 driven by the end of the government's CO_2 incentive scheme.

The Greek market also stabilised with private vehicles in marginal growth following the 40.2% decline in total industry volume in 2012.

Business model & strategy
In Belgium and Luxembourg we distribute Toyota and Lexus and own 11 retail centres with a network of 98 retail centres operated by independent third party retailers and 33 repair outlets. In Luxembourg we also operate a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus, owning five retail centres and overseeing a further 40 which are independently owned.

In Finland we are the distributor for Jaguar, Land Rover and Mazda and manage a network of 47 independent retailers.

Our operating performance
Our Greek business outperformed the market, increasing market share by 120 bps to 11.6%, and achieved overall market leadership. In Belgium our market share of 3.8% improved on last year by 10 bps.

At a headline reported level, the region returned to revenue growth in 2013, but at constant currency we delivered a 2.0% reduction in sales as our strong progress in market share in Greece and Belgium was offset by aftersales revenue decline in Greece.

We have delivered a solid trading performance with a break even result in Retail and an overall trading margin of 3.1%, 40 bps up on last year. Our teams have continued to protect the pricing power of our brands and to drive a strong performance in our highly profitable aftersales business.

The continued focus on vehicle mix, pricing and cost control drove an 11.7% increase in trading profit.

Outlook for 2014
The Greek market is expected to start its recovery after six years of decline, which will enable our strong Toyota business to leverage its market leading experience and its lean cost structure to deliver profitable growth.

The Belgian market is expected to remain resilient with an increased customer demand for fuel efficient technology, which positions Toyota well for continued progress in 2014.

Strong marketing programmes increasing traffic into the dealer network with new model launches coupled with tight cost controls and effective pricing should enable us to deliver another year of profitable growth.

We expect our European segment to deliver a strong performance in 2014.

North Asia

Another record year of profitable growth

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	566.1	518.7	9.1	7.5
Distribution	566.1	518.7	9.1	7.5
Like for like sales	499.9	458.5	9.0	7.4
Distribution	499.9	458.5	9.0	7.4
Trading profit	59.2	52.8	12.1	10.5
Distribution	59.2	52.8	12.1	10.5
Trading margin %	10.5	10.2	0.3ppt	0.3ppt
Distribution	10.5	10.2	0.3ppt	0.3ppt

The Market

New vehicle registrations in Hong Kong grew by 11.3% in 2013 reflecting the underlying strengths of the economy as well as the change in government taxation, reducing the number of vehicles benefiting from the efficient vehicle rebate from 1 April.

Business model & strategy

In Hong Kong and Macau we are the exclusive distributor for Toyota, Lexus, Land Rover, Jaguar, Ford, Daihatsu and Hino Trucks. We also own and operate all 19 retail centres for these brand partners in this market.

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

Our operating performance

We have delivered another strong performance across the segment. In Hong Kong we maintained our market leadership position despite increased activities in the market following the change of vehicle taxation in April. We retained our number one position in the market with a 27.8% share and won the Toyota Triple Crown award for the 22nd consecutive year. Our Aftersales operations in Hong Kong had another strong year as we benefited from the growth of the Car Parc and we continued to increase customer retention with our targeted marketing programmes.

In Guam, we delivered a robust performance, growing our share in a growing market, and our Aftersales business continued to benefit from growth in the Car Parc. In Guam, we have been market leader for 33 consecutive years.

Overall, we delivered 7.5% sales growth with revenues significantly higher than 2012 in both sales and aftersales. Following the record 2012, North Asia further increased trading profit by 10.5% to a new record level of £59.2m, with trading margin up 30 bps to 10.5%.

Outlook for 2014

We expect the Hong Kong economy to remain strong and the New car market to continue to grow in 2014. The Commercial vehicle market will start to grow when the proposed replacement programme of pre-Euro IV diesel becomes effective in February 2014.

We have a strong pipeline of exciting new product launches across the Toyota, Lexus, Ford, Jaguar and Land Rover brands and we expect to deliver a robust performance in North Asia in 2014.

South Asia

Gaining market share ahead of the Singapore market recovery

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	369.3	385.1	(4.1)	(5.1)
Distribution	369.3	385.1	(4.1)	(5.1)
Like for like sales	369.3	385.0	(4.1)	(5.0)
Distribution	369.3	385.0	(4.1)	(5.0)
Trading profit	29.7	35.1	(15.4)	(16.4)
Distribution	29.7	35.1	(15.4)	(16.4)
Trading margin %	8.0	9.1	(1.1)ppt	(1.1)ppt
Distribution	8.0	9.1	(1.1)ppt	(1.1)ppt

The market

The car market in Singapore continued to decline in 2013 as expected, and ended the year 9.4% lower than 2012. This market contraction was driven by a reduction in the number of Certificates of Entitlement (COE) available, based on a lower level of deregistrations.

Business model & strategy

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

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

Our operating performance

In 2013 we gained market share in Singapore, maintaining our market leadership and growing our share by 100 bps vs. 2012 driven by successful launches of new models during the year and a return to the taxi segment for Toyota.

Sales were down 5.1%, driven by the New Car market contraction and the decline of the 1-5 year old Car Parc.

Our Aftersales activities remained strong and in the second quarter, we opened our modernised Toyota and Lexus retail flagship facility and introduced a number of customer service innovations, such as “Evening Express”, where customers are provided with light dinner in a lounge whilst having their cars serviced in 45 minutes.

Trading profit reduced year on year by 16.4% to £29.7m, driven by the negative operating leverage based on a revenue decline of 5.1%, offset partially by our controls on margins and costs which enabled us to deliver a trading margin of 8.0%.

In Brunei, we delivered top line growth and margin expansion whilst increasing our strong market share in a growing market.

Outlook for 2014

We expect the market will return to growth in 2014 driven by the fact that we have now seen an increase in de-registrations year on year for 16 consecutive months.

The growth prospects are truly exciting for our Singapore business and we are well positioned, given our strong brand portfolio and our excellent service reputation, to take advantage of the start of market recovery as of 2014.

We expect to deliver a strong performance in South Asia in 2014.

United Kingdom

Strong revenue growth in a competitive market

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	2,224.3	2,133.8	4.2	4.2
Distribution	41.3	37.4	10.4	10.4
Retail	2,183.0	2,096.4	4.1	4.1
Like for like sales	2,134.1	1,962.7	8.7	8.7
Distribution	41.3	37.4	10.4	10.4
Retail	2,092.8	1,925.3	8.7	8.7
Trading profit	63.3	65.2	(2.9)	(2.9)
Distribution	8.6	7.2	19.4	19.4
Retail	54.7	58.0	(5.7)	(5.7)
Trading margin %	2.8	3.1	(0.3)ppt	(0.3)ppt
Distribution	20.8	19.3	1.5ppt	1.5ppt
Retail	2.5	2.8	(0.3)ppt	(0.3)ppt

The market

The UK New car market reached a five-year high in 2013 with 2.3m units sold, around 11% more than in 2012. The retail market continued to be the key driver of growth, increasing 15.6%, while the fleet/business market has also grown, albeit at a lower rate of 5.7%.

Business model & strategy

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio of 111 retail centres focused on luxury and premium brands. We aim to create significant differentiation by delivering a superior level of customer service through the bespoke operating processes of our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

In February we disposed of our Ford retail operations.

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 in the automotive industry, IFS has won a number of industry awards for its unrivalled level of customer service.

Our operating performance

Revenues at £2,224.3m were up 4.2% on the year and on a like for like basis, adjusting for the Ford disposal, were up 8.7%. New car sales drove an increase in revenue as we benefited from both market growth and an improvement in share performance. Used car revenues were in line with our expectations and our Service and Parts business started to benefit from the gradual recovery of the 1-5 year Car Parc.

Our continued cost discipline resulted in overhead reduction vs. last year. This was offset by an unprecedented level of tactical activities in the market which resulted in an over-supply of vehicles and which impacted our gross margin on both new and used cars. In 2013 our UK Retail business delivered an industry leading trading margin of 2.5%.

IFS delivered a strong performance for the year, generating a trading profit of £8.6m, leading to a trading margin of 20.8%, a year on year increase of 150 bps.

Outlook for 2014

We expect the overall industry to continue its growth trajectory in 2014 albeit at a lower rate than 2013. The expected recovery of the European markets should reduce the level of tactical activity in the UK market which should gradually improve new and used vehicles margin performance. The Car Parc of vehicles between 1-5 years is expected to accelerate its growth momentum based on the strength of growth in the New car market in the last five years.

We are well positioned to leverage the growth of the New car and Aftersales market as we stay focused on delivering superior customer service and launch the exciting pipeline of our brand partners' new models.

We expect to deliver a solid performance in the UK in 2014 as we expect a gradual recovery of vehicle margin and we plan to leverage the good growth momentum of the 1-5 year Car Parc.

Russia and Emerging Markets

Strong revenue growth and margin expansion

Key financial highlights

	Year ended 31.12.2013 £m	Year ended 31.12.2012 £m	% change	% change in constant currency
Sales	1,369.8	1,262.5	8.5	8.1
Distribution	388.7	335.6	15.8	15.3
Retail	981.1	926.9	5.8	5.5
Like for like sales	1,265.9	1,231.4	2.8	2.5
Distribution	368.5	335.6	9.8	9.3
Retail	897.4	895.8	0.2	(0.1)
Trading profit	55.2	43.0	28.4	30.5
Distribution	47.4	30.3	56.4	59.7
Retail	7.8	12.7	(38.6)	(38.2)
Trading margin %	4.0	3.4	0.6ppt	0.7ppt
Distribution	12.2	9.0	3.2ppt	3.4ppt
Retail	0.8	1.4	(0.6)ppt	(0.6)ppt

The market

In South America, the demand for luxury cars increased by 26.7% during the year. In Ethiopia, the economic fundamentals remain strong and the demand for Aftersales and New vehicles continued to increase. In Russia, we have seen a decrease in the New car market of 5.4% in 2013. In Eastern Europe we benefited from improved demand in the Baltics, while the demand in the Balkans remained challenging. In China, we have seen a sustained healthy demand for luxury vehicles, with industry year on year growth of 18%.

Business model & strategy

In South America we operate as the vertically integrated retailer (VIR) for BMW in Peru and VIR for BMW and Rolls-Royce in Chile. In Ethiopia we operate VIR for Toyota, Daihatsu, Komatsu, and New Holland. In Russia we operate 22 scale retail centres in St. Petersburg and Moscow, representing 10 brands.

In the Balkans we are the distributor for Toyota and Lexus, operating five 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 for Mitsubishi in Lithuania. Additionally we retail BMW, Ford and MINI in Latvia, and Ford and Hyundai in Lithuania. We operate a total of 23 centres across the region. In China we have six scale retail centres for Lexus, Jaguar and Land Rover in Shanghai and Shaoxing. We opened a new Porsche centre in Nanchang in April and a Mercedes-Benz centre in Jiujiang in October.

Our operating performance

We have enjoyed robust growth in South America, Africa, Poland and the Baltic states while trading conditions remained challenging in the Balkans and Russia. Our operations in this segment have delivered a record trading profit in 2013 of £55.2m following their significant contribution to the Group’s earnings growth over the last four years. In 2013, revenue for the segment as a whole was £1,369.8m, 8.1% ahead of last year. Trading profit of £55.2m was 30.5% ahead of last year and trading margin at 4.0% was up 70 bps as we improved gross margin and maintained tight control on costs.

Distribution Performance:
The segment delivered revenue of £388.7m in 2013, a 15.3% increase on last year. We delivered trading profit of £47.4m resulting in a trading margin of 12.2%, a full 340 bps ahead of 2012. Our South American operations generated a strong trading profit performance driven by a strong operating leverage on the back of double digit growth in the luxury market and by a profitable disposal of property. In Africa, our profit performance was strong as we benefited from a solid performance in New cars and aftersales in Ethiopia. In Eastern Europe we benefited from a strong operating leverage in the Baltics and on the back of solid industry growth, while the trading environment remains challenging in the Balkans.

Retail Performance:
In 2013, the segment delivered revenue of £981.1m, a 5.5% increase vs. last year. Trading profit was impacted by margin pressure in Russia as a result of unprecedented level of oversupply which triggered an increased level of competitive activities affecting vehicle margins. In Russia, we delivered a full year revenue of £703.9m in 2013 and a trading profit of £4.5m and we continued to strengthen our footprint with the opening of Inchcape City in the centre of Moscow, representing Jaguar, Land Rover and Volvo. In China, we benefited from improved margins on New cars and aftersales and opened two new sites in April (Porsche) and October (Mercedes-Benz). In Poland, we continued to drive profitable growth as we leveraged the capacity expansion we have pursued in the last two years.

Outlook for 2014

In South America, we are now fully operational in landmark, state of the art BMW centres in Lima and Santiago and we are well-positioned to leverage the continued growth in sales and aftersales. In Ethiopia, we will continue to benefit from the favourable economic conditions resulting in increased demand for vehicles and car repairs. In Russia, we will benefit from a full year's trading of our new flagship retail centre, Inchcape City, conveniently located in the heart of Moscow's business centre. We expect a gradual recovery of vehicle margins as the vehicle supply normalises throughout 2014. In China, the demand for premium and luxury vehicles should continue to increase and we will benefit from our two new openings.

Overall, we expect our Russia and Emerging Markets segment to deliver a robust performance in 2014.

Finance review

The Group has delivered a strong performance in 2013

In addition to the segmental results, detailed below is supplementary financial information on our operating activities.

Central costs

Unallocated central costs for the full year are £18.9m before exceptional items (2012 restated: £20.3m). Our costs remain well controlled with moderate inflationary increases. Included in our central costs is a pension restructuring gain of £9.8m (2012 restated: £2.9m) which has been offset by higher share-based payments and other non-recurring costs.

Joint ventures and associates

The Group has reported zero share of profit after tax from joint ventures in 2013 (2012: gain of £0.2m). This is mainly as a result of the acquisition of the remaining 49% interest in the joint venture in Russia in November 2012, thereby converting it into a 100% owned subsidiary.

Operating exceptional items

The Group has reported exceptional operating costs of £8.5m in 2013 (2012 restated: a gain of £0.7m). Included within this are restructuring costs of £4.6m (2012: £17.3m), together with £3.9m of acquisition costs for the Trivett business in Australia. These costs were reported as exceptional costs in the first half of 2013. Given the recent FRC guidance the Group will give further consideration to how costs of a similar nature are treated in future reporting periods.

Net financing costs

Net financing costs before exceptional items have decreased from £13.0m in 2012 (restated) to £12.3m in 2013. In 2013, the Group reported a gain of £2.3m (2012: a gain of £4.8m) in our mark to market reporting of the hedges for the US loan notes and net interest income on pension assets of £5.4m (2012 restated: net income of £0.9m).

Tax

The effective tax rate before exceptional items for the year is 24%, compared to 25% in 2012. This is due to the impact of reducing tax rates in a number of our markets and the successful conclusion of overseas territories tax audits. The rate is expected to be similar for 2014.s

Non controlling interests

Profits attributable to our non controlling interests were £6.6m, compared to £5.9m in 2012. 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 2013, the translation of the Group's overseas profits before tax into sterling at the 2013 average exchange rate negatively impacted the year's results by £3.5m (2012: £nil impact). In the final quarter of 2013, the strengthening of Sterling resulted in a negative profit translation of £4.2m.

Dividend

The Board recommends a final ordinary dividend of 11.7p per ordinary share which is subject to the approval of shareholders at the 2014 Annual General Meeting. This gives a total dividend for the year of 17.4p per ordinary share (2012: 14.5p).

Pensions

Starting 1 January 2013, the Group has adopted IAS 19 (revised), 'Employee benefits'. The revised standard has impacted the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets have been replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are now recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

The principal changes resulting from the adoption of the revised standard are set out in note 15.
In 2013, the IAS 19 net post-retirement surplus was £106.0m (2012 restated: £95.7m) and, in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £32.7m (2012: £23.3m). We have however agreed with the Trustees that future cash contributions will be reduced to circa £2m per annum.

Acquisitions and disposals

In March 2013, the Group acquired Trivett Automotive group, a premium and luxury automotive retailer and distributor in Australia, for an expected total consideration of £76m. This transaction added further scale to our Australian business, which benefits from attractive automotive demand characteristics and a robust economic background.

In February 2013, the Group disposed of its Ford retail centres in the UK and a dealership in China, generating proceeds of £14.9m.

Capital expenditure

During the year, the Group invested £84.9m (2012: £87.3m) of net capital expenditure in the development of greenfield sites and the enlargement of existing facilities, primarily in the UK, Asia Pacific and the Emerging Markets.

Cash flow and net funds
Working capital ended the year at £45.8m (2012: £25.9m) primarily due to higher levels of inventory to support demand in Asia, the UK and the Emerging Markets. At the end of 2013, the Group had net funds of £123.0m (2012: £276.2m) after acquiring the Trivett group for an expected total consideration of £76m and buying back shares at a cost of £50.0m.

John McConnell,
Group Finance Director

Consolidated income statement

For the year ended 31 December 2013

	Notes	**Before exceptional items 2013 £m**	**Exceptional items (note 3) 2013 £m**	**Total 2013 £m**	Before exceptional items (restated)[1] 2012 £m	Exceptional items (note 3) (restated)[1] 2012 £m	Total (restated)[1] 2012 £m
Revenue	2	**6,524.9**	**–**	**6,524.9**	6,085.4	–	6,085.4
Cost of sales		**(5,598.2)**	**(0.5)**	**(5,598.7)**	(5,210.7)	(0.4)	(5,211.1)
Gross profit		**926.7**	**(0.5)**	**926.2**	874.7	(0.4)	874.3
Net operating expenses		**(639.8)**	**(8.0)**	**(647.8)**	(614.9)	1.1	(613.8)
Operating profit		**286.9**	**(8.5)**	**278.4**	259.8	0.7	260.5
Share of profit after tax of joint ventures and associates		**–**	**–**	**–**	0.2	–	0.2
Profit before finance and tax		**286.9**	**(8.5)**	**278.4**	260.0	0.7	260.7
Finance income	4	**15.4**	**–**	**15.4**	16.5	–	16.5
Finance costs	5	**(27.7)**	**–**	**(27.7)**	(29.5)	–	(29.5)
Profit before tax		**274.6**	**(8.5)**	**266.1**	247.0	0.7	247.7
Tax	6	**(65.9)**	**0.6**	**(65.3)**	(60.8)	0.5	(60.3)
Profit for the year		**208.7**	**(7.9)**	**200.8**	186.2	1.2	187.4
Profit attributable to:							
– Owners of the parent				**194.2**			181.5
– Non controlling interests				**6.6**			5.9
				200.8			187.4
Basic earnings per share (pence)	7			**41.8p**			39.4p
Diluted earnings per share (pence)	7			**41.1p**			38.7p

1 See note 15.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 £m	2012 (restated)[1] £m
Profit for the period	**200.8**	187.4
Other comprehensive income:		
Items that will not be reclassified to the consolidated income statement		
Defined benefit pension scheme remeasurements	**(33.9)**	49.7
Deferred tax recognised in statement of comprehensive income	**(3.6)**	8.7
	(37.5)	58.4
Items that may be reclassified subsequently to the consolidated income statement		
Cash flow hedges	**41.4**	(46.1)
Fair value gains on available for sale financial assets	**–**	0.1
Impairment losses on available for sale financial assets transferred to consolidated income statement	**–**	1.0
Recycled fair value gains on disposal of available for sale financial assets	**(1.6)**	–
Effect of foreign exchange rate changes	**(103.9)**	(12.3)
Deferred tax recognised in statement of comprehensive income	**(12.8)**	13.8
	(76.9)	(43.5)
Other comprehensive (loss) / income for the period, net of tax	**(114.4)**	14.9
Total comprehensive income for the period	**86.4**	202.3
Total comprehensive income attributable to:		
– Owners of the parent	**78.4**	199.8
– Non controlling interests	**8.0**	2.5
	86.4	202.3

1 See note 15.

Consolidated statement of financial position

As at 31 December 2013

	Notes	2013 £m	As at 31 December 2012 (restated)[1] £m	As at 1 January 2012 (restated)[1] £m
Non-current assets				
Intangible assets		**587.1**	559.5	542.6
Property, plant and equipment		**732.7**	693.1	647.6
Investments in joint ventures and associates		**14.0**	13.8	29.5
Available for sale financial assets		**1.4**	4.0	5.6
Trade and other receivables		**26.9**	31.2	34.4
Deferred tax assets		**24.6**	40.4	43.0
Retirement benefit asset		**125.4**	122.4	56.6
		1,512.1	1,464.4	1,359.3
Current assets				
Inventories		**1,042.7**	928.9	905.5
Trade and other receivables		**309.9**	258.4	251.5
Available for sale financial assets		**8.3**	2.7	0.5
Derivative financial instruments		**106.2**	116.1	139.7
Current tax assets		**2.2**	3.0	2.2
Cash and cash equivalents		**396.8**	597.9	558.9
		1,866.1	1,907.0	1,858.3
Assets held for sale and disposal group	11	**8.2**	31.3	5.7
		1,874.3	1,938.3	1,864.0
Total assets		**3,386.4**	3,402.7	3,223.3
Current liabilities				
Trade and other payables		**(1,278.8)**	(1,150.7)	(1,140.6)
Derivative financial instruments		**(36.9)**	(62.6)	(7.4)
Current tax liabilities		**(49.5)**	(47.5)	(45.1)
Provisions		**(37.0)**	(41.9)	(36.8)
Borrowings		**(65.7)**	(113.5)	(101.9)
		(1,467.9)	(1,416.2)	(1,331.8)
Non-current liabilities				
Trade and other payables		**(18.0)**	(22.4)	(29.6)
Provisions		**(31.8)**	(43.0)	(54.1)
Derivative financial instruments		**(4.5)**	–	–
Deferred tax liabilities		**(43.1)**	(26.9)	(42.9)
Borrowings		**(297.9)**	(320.0)	(338.6)
Retirement benefit liability		**(19.4)**	(26.7)	(60.8)
		(414.7)	(439.0)	(526.0)
Liabilities directly associated with the disposal group	11	**(4.6)**	(19.1)	–
Total liabilities		**(1,887.2)**	(1,874.3)	(1,857.8)
Net assets		**1,499.2**	1,528.4	1,365.5
Shareholders' equity				
Share capital		**46.5**	46.9	46.4
Share premium		**145.7**	136.5	126.9
Capital redemption reserve		**134.1**	133.3	133.3
Other reserves		**8.7**	86.7	126.8
Retained earnings		**1,135.0**	1,099.2	903.7
Equity attributable to owners of the parent		**1,470.0**	1,502.6	1,337.1
Non controlling interests		**29.2**	25.8	28.4
Total shareholders' equity		**1,499.2**	1,528.4	1,365.5

1 See note 15.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	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 2012		46.4	126.9	133.3	126.8	895.7	1,329.1	28.4	1,357.5
Adjustment for IAS 19 (revised)	15	–	–	–	–	8.0	8.0	–	8.0
At 1 January 2012 (restated)[1]		46.4	126.9	133.3	126.8	903.7	1,337.1	28.4	1,365.5
Profit for the year (restated)[1]		–	–	–	–	181.5	181.5	5.9	187.4
Other comprehensive income / (loss) for the year (restated)[1]		–	–	–	(40.1)	58.4	18.3	(3.4)	14.9
Total comprehensive income / (loss) for the year (restated)[1]		–	–	–	(40.1)	239.9	199.8	2.5	202.3
Share-based payments, net of tax		–	–	–	–	10.4	10.4	–	10.4
Net purchase of own shares by ESOP Trust		–	–	–	–	(2.3)	(2.3)	–	(2.3)
Issue of ordinary share capital		0.5	9.6	–	–	–	10.1	–	10.1
Dividends:									
– Owners of the parent	8	–	–	–	–	(52.5)	(52.5)	–	(52.5)
– Non controlling interests		–	–	–	–	–	–	(3.3)	(3.3)
Disposal of businesses		–	–	–	–	–	–	(1.8)	(1.8)
At 1 January 2013 (restated) [1]		**46.9**	**136.5**	**133.3**	**86.7**	**1,099.2**	**1,502.6**	**25.8**	**1,528.4**
Profit for the year		**–**	**–**	**–**	**–**	**194.2**	**194.2**	**6.6**	**200.8**
Other comprehensive (loss) / income for the year		**–**	**–**	**–**	**(78.0)**	**(37.8)**	**(115.8)**	**1.4**	**(114.4)**
Total comprehensive income / (loss) for the year		**–**	**–**	**–**	**(78.0)**	**156.4**	**78.4**	**8.0**	**86.4**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**7.4**	**7.4**	**–**	**7.4**
Share buy back programme		**(0.8)**	**–**	**0.8**	**–**	**(50.0)**	**(50.0)**	**–**	**(50.0)**
Net purchase of own shares by ESOP Trust		**–**	**–**	**–**	**–**	**(2.5)**	**(2.5)**	**–**	**(2.5)**
Issue of ordinary share capital		**0.4**	**9.2**	**–**	**–**	**–**	**9.6**	**–**	**9.6**
Dividends:									
– Owners of the parent	8	**–**	**–**	**–**	**–**	**(75.5)**	**(75.5)**	**–**	**(75.5)**
– Non controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(4.6)**	**(4.6)**
At 31 December 2013		**46.5**	**145.7**	**134.1**	**8.7**	**1,135.0**	**1,470.0**	**29.2**	**1,499.2**

1 See note 15.

Share-based payments have been stated net of a tax charge of £1.6m (2012 – credit of £3.6m).

Cumulative goodwill of £108.1m (2012 – £108.1m) has been written off against the retained earnings reserve.

Consolidated statement of cash flows

For the year ended 31 December 2013

	Notes	**2013 £m**	2012 (restated)[1] £m
Cash flows from operating activities			
Cash generated from operations	9a	**227.0**	249.2
Tax paid		**(48.7)**	(47.2)
Interest received		**10.9**	14.7
Interest paid		**(28.7)**	(32.3)
Net cash generated from operating activities		**160.5**	184.4
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10a	**(74.1)**	(15.8)
Net cash inflow from sale of businesses	10c	**14.9**	2.9
Purchase of property, plant and equipment		**(96.5)**	(83.8)
Purchase of intangible assets		**(20.0)**	(13.9)
Proceeds from disposal of property, plant and equipment		**31.6**	10.4
Net purchase of available for sale financial assets		**(3.0)**	(0.8)
Net cash used in investing activities		**(147.1)**	(101.0)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**9.6**	10.1
Share buy back programme		**(50.0)**	–
Net purchase of own shares by ESOP Trust		**(2.5)**	(2.3)
Net cash inflow / (outflow) from borrowings		**0.1**	(3.5)
Payment of capital element of finance leases		**(1.7)**	(0.4)
Loans granted to joint ventures		**–**	(3.2)
Equity dividends paid	8	**(75.5)**	(52.5)
Dividends paid to non controlling interests		**(4.6)**	(3.3)
Net cash used in financing activities		**(124.6)**	(55.1)
Net (decrease) / increase in cash and cash equivalents	9b	**(111.2)**	28.3
Cash and cash equivalents at the beginning of the year		**484.9**	461.3
Effect of foreign exchange rate changes		**(41.5)**	(4.7)
Cash and cash equivalents at the end of the year		**332.2**	484.9

	2013 £m	2012 £m
Cash and cash equivalents consist of:		
– Cash at bank and cash equivalents	**290.3**	324.4
– Short term deposits	**106.5**	273.5
– Bank overdrafts	**(64.6)**	(113.0)
	332.2	484.9

1 See note 1

Notes

1 Basis of preparation and accounting policies

Basis of preparation

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

The consolidated policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Account 2012, other than the adoption, with effect 1 January 2013 of IAS 19 (revised), 'Employee benefits', as detailed below.

IAS 19 (revised), 'Employee benefits' has become effective and has been retrospectively applied by the Group for accounting periods starting 1 January 2013. The revised standard impacts the way the Group accounts for pensions and other post-retirement benefits as follows:

- the interest cost and expected return on plan assets are replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability. Under the previous standard, the expected return on plan assets represented the weighted average expected return on the assets held by the pension schemes; and
- expenses, other than investment management expenses, are recognised as period expenses when incurred. Under the previous standard, expenses incurred in connection with running the pension schemes formed part of the defined benefit obligation.

Under the previous accounting policy, the Group recognised actuarial gains and losses directly in other comprehensive income which is as required by the new standard.

The principal changes resulting from the adoption of IAS 19 (revised), 'Employee benefits' are set out in note 15.

The following changes have also been made to the consolidated statement of cash flows and related notes:

- The effect of foreign exchange rate changes on intra-group funding arrangements has been reclassified from settlement of derivatives to effect on foreign exchange rate changes in 2013, with the prior year comparative restated accordingly;
- Other non cash items include non cash pension charges / (credits).

The condensed set of consolidated financial information presented for the years ended 31 December 2012 and 2013 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 2012 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 2013 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2013 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 2013 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group has significant resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements have assessed the future funding requirements of the Group and compared this with 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 accordingly are in or are expected to return to the growth phase of their development cycle. 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						
2013	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	**898.5**	**644.3**	**566.1**	**369.3**	**41.3**	**420.5**	**2,940.0**
Inter-segment revenue	**(223.7)**	**(144.5)**	**–**	**–**	**–**	**(31.8)**	**(400.0)**
Revenue from third parties	**674.8**	**499.8**	**566.1**	**369.3**	**41.3**	**388.7**	**2,540.0**
Results							
Segment result	**55.0**	**19.5**	**59.2**	**29.7**	**8.6**	**47.4**	**219.4**
Operating exceptional items	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Operating profit after exceptional items	**55.0**	**19.5**	**59.2**	**29.7**	**8.6**	**47.4**	**219.4**
Share of profit after tax of joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit/(loss) before finance and tax	**55.0**	**19.5**	**59.2**	**29.7**	**8.6**	**47.4**	**219.4**
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

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

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

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

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

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

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

2013	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**3.5**	**0.4**	**5.6**	**4.4**	**0.2**	**27.1**	**41.2**
– Interest in leased vehicles	**–**	**0.1**	**6.2**	**–**	**7.4**	**11.4**	**25.1**
– Intangible assets	**0.6**	**0.8**	**1.4**	**1.6**	**0.1**	**0.4**	**4.9**
Depreciation:							
– Property, plant and equipment	**3.5**	**0.8**	**2.5**	**2.0**	**0.2**	**2.5**	**11.5**
– Interest in leased vehicles	**0.5**	**2.0**	**1.9**	**–**	**6.2**	**1.2**	**11.8**
Amortisation of intangible assets	**0.6**	**0.3**	**–**	**0.6**	**0.1**	**–**	**1.6**
Net provisions charged / (released) to the consolidated income statement	**6.3**	**2.1**	**1.8**	**3.9**	**(0.3)**	**0.6**	**14.4**

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

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

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

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

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

2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
	Distribution						
Revenue							
Total revenue	978.4	617.3	518.9	385.1	37.4	364.3	2,901.4
Inter-segment revenue	(230.6)	(130.4)	(0.2)	–	–	(28.7)	(389.9)
Revenue from third parties	747.8	486.9	518.7	385.1	37.4	335.6	2,511.5
Results							
Segment result	51.3	17.3	52.8	35.1	7.2	30.3	194.0
Operating exceptional items	(0.8)	(3.6)	(0.1)	–	–	(0.2)	(4.7)
Operating profit / (loss) after exceptional items	50.5	13.7	52.7	35.1	7.2	30.1	189.3
Share of profit / (loss) after tax of joint ventures and associates	–	(0.1)	–	–	–	–	(0.1)
Profit / (loss) before finance and tax	50.5	13.6	52.7	35.1	7.2	30.1	189.2
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

2012	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central (restated)[1] £m	Total (restated)[1] £m
Revenue								
Total revenue	420.9	129.7	2,096.4	926.9	3,573.9	6,475.3	–	6,475.3
Inter-segment revenue	–	–	–	–	–	(389.9)	–	(389.9)
Revenue from third parties	420.9	129.7	2,096.4	926.9	3,573.9	6,085.4	–	6,085.4
Results								
Segment result	15.9	(0.5)	58.0	12.7	86.1	280.1	(20.3)	259.8
Operating exceptional items	(1.4)	(1.1)	(2.9)	(7.9)	(13.3)	(18.0)	18.7	0.7
Operating profit / (loss) after exceptional items	14.5	(1.6)	55.1	4.8	72.8	262.1	(1.6)	260.5
Share of profit /(loss) after tax of joint ventures and associates	–	–	–	0.3	0.3	0.2	–	0.2
Profit / (loss) before finance and tax	14.5	(1.6)	55.1	5.1	73.1	262.3	(1.6)	260.7
Finance income								16.5
Finance costs								(29.5)
Profit before tax								247.7
Tax								(60.3)
Profit for the year								187.4

1 See note 15.

Central costs include pension credits of £2.9m (restated).

Net finance costs of £13.0m are not allocated to individual segments.

2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	84.5	104.8	87.5	76.7	33.1	117.0	503.6
Other current assets							
Non-current assets							
Segment liabilities	(250.5)	(117.8)	(76.7)	(57.0)	(54.3)	(94.9)	(651.2)
Other liabilities							
Net assets							

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

2012	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	5.3	1.7	2.8	6.7	0.2	13.7	30.4
– Interest in leased vehicles	11.2	0.2	2.9	–	25.2	2.1	41.6
– Intangible assets	0.5	0.4	0.4	1.6	0.2	0.3	3.4
Depreciation:							
– Property, plant and equipment	3.0	1.0	2.0	2.0	0.1	2.5	10.6
– Interest in leased vehicles	1.7	1.4	1.6	–	7.4	1.5	13.6
Amortisation of intangible assets	0.5	0.2	–	0.1	0.1	0.1	1.0
Impairment of goodwill	–	–	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–	–	–	–
Net provisions charged / (released) to the consolidated income statement	3.9	6.4	2.5	2.3	(1.2)	4.7	18.6

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

2012	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total (restated)[1] £m
	Retail					
Segment assets and liabilities						
Segment assets	85.0	18.5	389.2	218.0	710.7	1,214.3
Other current assets						755.4
Non-current assets						1,433.0
Segment liabilities	(87.8)	(11.3)	(391.3)	(138.2)	(628.6)	(1,279.8)
Other liabilities						(594.5)
Net assets						1,528.4

1 See note 15.

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

2012	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Other segment items								
Capital expenditure:								
– Property, plant and equipment	1.3	0.4	22.3	30.9	54.9	85.3	0.7	86.0
– Interest in leased vehicles	–	0.9	–	0.1	1.0	42.6	–	42.6
– Intangible assets	–	–	2.1	1.7	3.8	7.2	7.9	15.1
Depreciation:								
– Property, plant and equipment	0.7	0.9	10.0	7.3	18.9	29.5	0.2	29.7
– Interest in leased vehicles	–	–	–	0.1	0.1	13.7	–	13.7
Amortisation of intangible assets	–	–	1.2	1.5	2.7	3.7	–	3.7
Impairment of goodwill	–	–	0.2	–	0.2	0.2	–	0.2
Impairment of intangible assets	–	–	0.8	1.1	1.9	1.9	–	1.9
Impairment of property, plant and equipment	–	–	–	0.8	0.8	0.8	–	0.8
Net provisions charged / (released) to the consolidated income statement	4.0	2.3	21.5	0.5	28.3	46.9	5.9	52.8

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

3 Exceptional items

	2013 £m	2012 (restated)[1] £m
Restructuring costs	**(4.6)**	(17.3)
Acquisition of business	**(3.9)**	–
Closure of defined benefit pension schemes to future accrual	**–**	19.2
Loss on deemed disposal of joint venture	**–**	(1.2)
Total exceptional items before tax	**(8.5)**	0.7
Exceptional tax credit	**0.6**	0.5
Total exceptional items	**(7.9)**	1.2

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

In 2012, the restructuring costs of £17.3m represented the cost of headcount reduction across the Group together with the closure of less profitable sites. The restructuring was carried out to ensure that the Group maintained an organisational structure and efficient cost base across the Group. Included within this was an impairment charge of £0.8m in respect of property, plant and equipment and £2.1m in respect of goodwill and other intangible assets.

Also during 2012, the Group closed two of its UK defined benefit pension schemes to future accrual. The net gain[1] to the Group of £19.2m comprised a curtailment gain[1] of £25.5m net of costs of £6.3m associated with implementing the changes including the harmonisation of pension arrangements.

In 2012, the Group had also recognised a loss of £1.2m as a result of measuring at fair value its 51% equity interest in the Inchcape Independence group prior to the acquisition of the remaining 49%.

The 2012 exceptional tax credit of £0.5m represented relief on restructuring and property costs (£3.1m credit), the use of brought forward unprovided tax losses and other reliefs (£1.7m credit), offset by a charge[1] arising on pension scheme curtailment gains (£4.3m charge).

In 2013 and 2012, restructuring costs have been reported as exceptional items in the consolidated income statement. In 2013, these costs were reported as exceptional items in the first half of the year. Given the recent FRC guidance, the Group will give further consideration to how costs of a similar nature are treated in future reporting periods.

1. See note 15. 2012 reported amounts were: net gain of £19.7m, curtailment gain of £26.0m, tax charge of £4.4m.

4 Finance income

	2013 £m	2012 (restated)[1] £m
Bank and other interest receivable	**3.0**	3.7
Net interest income on post-retirement plan assets and liabilities	**5.4**	0.9
Other finance income	**7.0**	11.9
Total finance income	**15.4**	16.5

1 See note 15.

In 2012, the Group recognised £3.7m of interest relating to tax refunds which was included within 'other finance income'.

5 Finance costs

	2013 £m	2012 (restated)[1] £m
Interest payable on bank borrowings	**0.8**	0.6
Interest payable on Private Placement	**2.8**	4.4
Interest payable on other borrowings	**0.2**	0.2
Fair value adjustment on Private Placement	**(24.3)**	(18.0)
Fair value loss on cross currency interest rate swaps	**22.0**	13.2
Stock holding interest	**19.9**	18.0
Other finance costs	**6.9**	11.7
Capitalised borrowing costs	**(0.6)**	(0.6)
Total finance costs	**27.7**	29.5

1 See note 15.

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% (2012 – 2.0%).

6 Income tax

	2013 £m	2012 (restated)[1] £m
Current tax:		
– UK corporation tax	**–**	2.4
	–	2.4
Overseas tax	**53.7**	54.0
	53.7	56.4
Adjustments to prior year liabilities:		
– UK	**(0.6)**	–
– Overseas	**(0.6)**	(0.9)
Current tax	**52.5**	55.5
Deferred tax	**13.4**	5.3
Tax before exceptional tax	**65.9**	60.8
Exceptional tax – current tax	**–**	(4.6)
Exceptional tax – deferred tax	**(0.6)**	4.1
Exceptional tax (note 3)	**(0.6)**	(0.5)
Total tax charge	**65.3**	60.3

The UK corporation tax charge is calculated upon net UK profit and after taking account of all relevant prior year losses and other deductions including pension contributions and capital allowances on plant and buildings.

The effective tax rate for the year, before exceptional items, of 24.0% (2012 – 24.6%) is lower than the standard blended rate of tax of 24.5% (2012 – 23.4%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

	2013 £m	2012 (restated)[1] £m
Profit before tax	**266.1**	247.7
Profit before tax multiplied by the standard rate of tax of 24.5% (2012 – 23.4%)	**65.2**	58.0
Effects of:		
– Amortisation and impairment	**–**	0.1
– Non-tax deductible items	**(3.6)**	4.9
– Unrecognised tax losses	**–**	(0.3)
– Overseas tax levies and austerity taxes	**0.4**	1.7
– Prior year items	**0.2**	(6.1)
– Withholding tax on overseas dividends	**3.3**	2.7
– Profit on disposal of joint ventures	**–**	0.4
– Other items	**(0.2)**	(1.1)
Total tax charge	**65.3**	60.3

1 See note 15.

7 Earnings per share

	2013 £m	2012 (restated)[1] £m
Profit for the year	**200.8**	187.4
Non controlling interests	**(6.6)**	(5.9)
Basic earnings	**194.2**	181.5
Exceptional items	**7.9**	(1.2)
Adjusted earnings	**202.1**	180.3
Basic earnings per share	**41.8p**	39.4p
Diluted earnings per share	**41.1p**	38.7p
Basic Adjusted earnings per share	**43.5p**	39.1p
Diluted Adjusted earnings per share	**42.8p**	38.5p

	2013 number	2012 (restated)[1] number
Weighted average number of fully paid ordinary shares in issue during the year	**468,782,483**	465,120,309
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,765,092)**	(1,552,107)
– Held in Treasury	**(2,687,560)**	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**464,329,831**	460,880,642
Dilutive effect of potential ordinary shares	**7,823,169**	7,580,557
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**472,153,000**	468,461,199

1 Adjusted to reflect the adoption of IAS 19 (revised). 2012 reported dilutive effect of potential ordinary shares was 7,318,204.

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 held in Treasury.

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

Basic Adjusted earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Adjusted earnings per share is calculated by dividing the Adjusted earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the 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:

	2013 £m	2012 £m
Interim dividend for the six months ended 30 June 2013 of 5.7p per share (2012 – 4.0p per share)	**26.6**	18.5
Final dividend for the year ended 31 December 2012 of 10.5p per share (2011 – 7.4p per share)	**48.9**	34.0
	75.5	52.5

A final dividend for the year ended 31 December 2013 of 11.7p per share amounting to £54.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2013.

If approved at the AGM, the dividend will be paid on 24 June 2014 to shareholders, registered on the books of the Company at the close of business on 30 May 2014. Together with the interim dividend of 5.7p per share paid on 12 September 2013 this will make a total ordinary dividend for the year of 17.4p (2012: 14.5p)

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

	2013 £m	2012 (restated)[1] £m
Cash flows from operating activities		
Operating profit	**278.4**	260.5
Exceptional items	**8.5**	(0.7)
Amortisation of intangible assets	**6.1**	3.7
Depreciation of property, plant and equipment	**33.6**	29.7
Profit on disposal of property, plant and equipment	**(7.4)**	(0.2)
Share-based payments charge	**9.0**	6.8
Increase in inventories	**(89.0)**	(42.5)
Increase in trade and other receivables	**(44.0)**	(9.5)
Increase in trade and other payables	**114.4**	47.3
Decrease in provisions	**(12.5)**	(16.5)
Pension contributions in excess of the pension charge for the year*	**(31.0)**	(22.3)
(Increase) / decrease in interest in leased vehicles	**(13.0)**	2.1
Payment in respect of exceptional items	**(15.4)**	(8.2)
Other non cash items	**(10.7)**	(1.0)
Cash generated from operations	**227.0**	249.2

* Includes additional payments of £32.7m (2012 – £23.3m).

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

	2013 £m	2012 £m
Net (decrease) / increase in cash and cash equivalents	**(111.2)**	28.3
Net cash outflow from borrowings and finance leases	**1.6**	3.9
Change in net cash and debt resulting from cash flows	**(109.6)**	32.2
Effect of foreign exchange rate changes on net cash and debt	**(40.6)**	(4.6)
Net movement in fair value	**2.3**	4.8
Net loans and finance leases relating to acquisitions and disposals	**(5.3)**	0.3
Movement in net funds	**(153.2)**	32.7
Opening net funds	**276.2**	243.5
Closing net funds	**123.0**	276.2

Net funds is analysed as follows:

	2013 £m	2012 £m
Cash at bank and cash equivalents	**290.3**	324.4
Short term deposits	**106.5**	273.5
Bank overdrafts	**(64.6)**	(113.0)
Cash and cash equivalents	**332.2**	484.9
Bank loans	**(293.4)**	(317.6)
Finance leases	**(5.6)**	(2.9)
	33.2	164.4
Fair value of cross currency interest rate swap	**89.8**	111.8
Net funds	**123.0**	276.2

1 See notes 1 and 15.

10 Acquisitions and disposals

A. Acquisitions

On 1 March 2013, the Group acquired the Trivett Automotive group in Australia.

Details of the fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	2013 £m
Assets and liabilities acquired, at fair value	
Intangible assets	**0.1**
Property, plant and equipment	**37.5**
Tax assets	**4.8**
Inventory	**76.3**
Trade and other receivables[1]	**15.5**
Cash and cash equivalents	**4.8**
Trade and other payables	**(92.3)**
Provisions	**(4.5)**
Borrowings	**(6.0)**
Tax liabilities	**(4.3)**
Net assets acquired	**31.9**
Goodwill	**42.7**
Purchase consideration	**74.6**
Satisfied by	
Consideration – Cash paid	**78.9**
Consideration – Cash expected to be repaid	**(4.3)**
Purchase consideration	**74.6**
Net cash in business acquired	**(4.8)**
Borrowings in business acquired	**6.0**
Total consideration	**75.8**

1 Included within Trade and other receivables are trade receivables with a fair value of £14.8m with the gross contractual amount being £14.9m.

The goodwill arising on acquisition is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing business in Australia. Specifically, the goodwill represents the premium paid to expand the Group's presence in this important market and achieve regional scale in the premium and luxury brand sector. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion.

During the year, the accounting in respect of the acquisition of the 49% interest in the Inchcape Independence group in Russia was finalised and resulted in an increase in goodwill of £0.5m.

B. Proforma full year information

If the acquisition of the Trivett group had occurred on 1 January 2013, the approximate revenue and operating profit before exceptional items for the period ended 31 December 2013 of the Group would have been £6,587.1m and £287.9m respectively. This information has been estimated based on the management information of the Trivett group prior to acquisition. The acquired business contributed revenue of £298.8m and operating profit before exceptional items of £9.9m to the Group for the period 1 March to 31 December 2013.

C. Disposals

During the year, the Group disposed of Ford retail centres in the UK and a Toyota dealership in China, generating disposal proceeds of £14.9m.

In 2012, the Group disposed of its interest in a dealership in Russia at book value, generating disposal proceeds of £2.9m.

11 Assets held for sale and disposal group

	2013 £m	2012 £m
Assets directly associated with the disposal group	**5.8**	22.7
Assets held for sale	**2.4**	8.6
Assets held for sale and disposal group	**8.2**	31.3
Liabilities directly associated with the disposal group	**(4.6)**	(19.1)

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

	2013 £m	2012 £m
Goodwill	**0.8**	–
Property, plant and equipment	**0.7**	3.6
Inventories	**4.3**	17.1
Trade and other receivables	**–**	2.0
Assets directly associated with the disposal group	**5.8**	22.7
Trade and other payables	**(4.6)**	(19.1)
Liabilities directly associated with the disposal group	**(4.6)**	(19.1)

Assets held for sale relate to surplus properties within the UK, which are actively marketed with a view to sale. The disposal group relates to assets and liabilities of a retail centre in Australasia, which was disposed of in March 2014.

In 2012, the disposal group corresponded to assets and liabilities of the Group’s Ford retail centres in the UK, which were disposed of in February 2013.

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

	Average rates		Year end rates	
	2013	2012	**2013**	2012
Australian Dollar	**1.63**	1.53	**1.86**	1.56
Euro	**1.18**	1.23	**1.20**	1.23
Hong Kong Dollar	**12.14**	12.33	**12.85**	12.59
Singapore Dollar	**1.96**	1.98	**2.09**	1.98
Russian Ruble	**49.97**	49.43	**54.46**	49.53

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	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Vehicles purchased from joint ventures and associates	**–**	0.1	**–**	–
Vehicles sold to joint ventures and associates	**0.1**	61.2	**–**	0.1
Other income paid to joint ventures and associates	**1.0**	0.9	**0.2**	0.2
Other income received from joint ventures and associates	**0.1**	0.1	**–**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2012 – £nil).

14 Events after the reporting period
In the year ended 31 December 2013, the Company purchased, for cancellation, 8,147,813 ordinary shares of 10.0p each at a cost of £49.7m. In the period from 1 January to 10 March 2014, the Company purchased, for cancellation, a further 4,078,000 ordinary shares of 10.0p each at a cost of £25.0m. The Company is committed to completing a £100m share buy back programme by 30 June 2014.

15 Adoption of IAS 19 (revised)

The principal changes as a result of the transition to IAS 19 (revised), 'Employee benefits' are set out in the following tables.

The impacts on the total comprehensive income are detailed below:

	Year to 31 Dec 2012 £m
Increase in pre-exceptional operating expenses	(2.1)
Decrease in exceptional income	(0.5)
Increase in operating expenses	(2.6)
Increase in net finance costs	(1.2)
Decrease in tax expense	0.8
Net decrease in profit for the period	(3.0)
Attributable to:	
Owners of the parent	(3.0)
Non controlling interests	–
Movement in actuarial losses in other comprehensive income	16.1
Deferred tax effect on actuarial losses in other comprehensive income	(0.1)
Net increase in other comprehensive income, net of tax	16.0
Net increase in total comprehensive income	13.0
Attributable to:	
Owners of the parent	13.0

The impacts on the consolidated statement of financial position are detailed below:

	As at 31 Dec 2012 £m	As at 1 Jan 2012 £m
Increase in retirement benefit asset	21.8	9.3
Decrease in retirement benefit obligation	1.2	1.4
Increase in deferred tax liability	(2.0)	(2.7)
Net impact on shareholders' equity	21.0	8.0
Attributable to:		
Owners of the parent	21.0	8.0

There is no impact on the consolidated statement of cash flows.

In note 2 Segmental analysis, operating expenses of £(2.1)m for the year ended 31 December 2012 have been allocated to Central. This relates to £(2.0)m scheme expenses which, under the revised standard, are recognised in the period in which they are incurred, and to a £(0.1)m decrease in the settlement gain recognised in 2012.

A £(0.5)m decrease in the exceptional curtailment gain recognised by the Group in 2012 has also been allocated to Central in the segmental analysis.

Principal risks

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

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

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

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

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Report on Remuneration and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors confirms that, to the best of their knowledge:

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