Inchcape

ROBUST REVENUE AND PROFIT GROWTH

Results for the year ended
31 December 2015

"ROBUST REVENUE AND PROFIT GROWTH"

2015 HIGHLIGHTS

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

KEY FINANCIALS (AUDITED)

Actual Rates	2015	2014	Actual Currency YoY	Constant Currency YoY
Revenue	**£6.8bn**	£6.7bn	+2.0%	+7.8%
Reported operating profit	**£275.2m**	£271.0m	+1.5%	+1.6%
Underlying[1] pre-exceptional[2] operating profit	**£324.7m**	£301.1m	+7.8%	+10.3%
Reported profit before tax	**£262.6m**	£255.8m	+2.7%	+1.5%
Underlying[1] pre-exceptional[2] profit before tax	**£312.1m**	£285.9m	+9.2%	+10.5%
Basic adjusted EPS	**52.1p**	50.2p	+3.8%	
Final dividend[3]	**14.1p**	13.8p		

1. In 2014, we benefited from a property disposal which generated a one-off profit of £17.3m. Underlying growth rates exclude this one-off profit from the base.
2. Reported profit includes non-cash exceptional impairment charges of £47.4m in 2014 and £49.5m in 2015.
3. Subject to final approval at the AGM on 26 May 2016, the dividend will be paid on 24 June 2016 to all shareholders on the register of members on 27 May 2016. Dividend Reinvestment Plan (DRIP) is available to Ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 9 June 2016.

STRATEGIC UPDATE

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

STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED

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

The Group has converted robust revenue and profit growth in 2015 into strong cash generation, supporting our ability to invest in our brand representation and enabling us to sustain long term advantage versus our competitors. We continue to maintain a strong but efficient balance sheet, with a growing dividend and share buybacks strengthening shareholder returns. Our performance in 2015 reflects the strength of Inchcape's foundations and I would like to express sincere thanks to my hard-working colleagues and for the warm welcome afforded to me by our OEM partners.

The long-term strength of Inchcape reflects both our solid fundamentals and the quality of our strategic decisions. Alongside the Executive Committee and the Board, I have revised and simplified our focus, developing five strategic objectives. This will enable us to adapt to find opportunities from changes underway in our industry, while fully leveraging the strategic assets we have from our unique position as an independent multi-brand Distributor and Retailer with global scale.

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

Chairman's statement

LONG-TERM VALUE CREATION

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

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

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

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

I am delighted with the appointment of Richard Howes as the Group's new Chief Financial Officer. Richard will take up his appointment and join the Inchcape Board on 11 April 2016. Richard is joining from the position of Chief Financial Officer at Coats Group plc, the leading industrial thread and consumer textile crafts business, with operations in over 70 countries across six continents.

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

Performance

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

2015 saw a continuation of the Group's trading momentum, supported by broad based growth across our markets and revenue streams. Group profit before tax and exceptional items of £312.1m was up 2.9% on 2014, and excluding the property profit in Singapore of £17.3m in 2014, the underlying increase was 9.2%.

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

Adjusted earnings per share (EPS) rose by 3.8% to 52.1p. Cash generated from operations during the year was £328.4m which represents a 101% conversion of pre-exceptional operating profit.

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

Board

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

Dividend

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

Outlook

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

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

Ken Hanna
Chairman

Chief Executive's statement

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

A vision and strategy for the future

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

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

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

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

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

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

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

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

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

Insight and observations

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

Pioneering spirit

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

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

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

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

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

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

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

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

Growth opportunities

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

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

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

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

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

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

Enabling positive change

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

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

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

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

Our five strategic objectives

1. Lead in customer experience
   We will invest to maintain our position as leader in customer service innovation in automotive Distribution and Retail, with digital a key priority. Through a programme of global research, we will build on our insights into the customer journey in an omni-channel world and create stand-out customer experiences combining data-driven personalisation with a human touch.
2. Become the OEM's partner of choice
   We will build and strengthen our working relationships with our OEM partners by investing time in understanding their needs, seeking greater opportunities for collaboration and sharing our insight into customer and industry trends with the aim of becoming a consistent strategic business partner at both global and local levels.
3. Deliver full potential from all our revenue streams
   We will increase our management focus on our Used vehicle and Aftersales activities at all levels of the organisation, enhancing their perceived status within the business and deepening further reporting and analysis. We will more actively seek to develop business opportunities, sharpening our emphasis on building our brand and unique selling points in these areas to match our profile in New vehicle sales.
4. Leverage our global scale
   We will allocate more resources to innovation, sharing and benefiting even more effectively from the proven ideas generated throughout the global organisation. We will sharpen further our business processes, management skills, creativity and strategic planning across the Group, focusing on procurement, talent management and shared services to boost performance and reduce costs. And we will leverage our unique competitive advantage to develop and grow our proposition in new, emerging and developed markets.
5. Invest to accelerate growth
   We have increased our business development resources to ensure we have the management capabilities to participate in industry consolidation. Furthermore we will involve the CEOs of our market-specific operations, and leverage their knowledge and insight more directly in delivering our growth agenda.

Single-minded focus

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

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

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

A unifying vision

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

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

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

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

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

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

Trust. A priceless commodity

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

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

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

Valuable attributes

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

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

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

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

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

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

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

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

A path of improvement

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

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

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

Stefan Bomhard
Group Chief Executive

KEY PERFORMANCE INDICATORS

The 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 2015
Group sales were up 2.0% on last year driven by strong top line performance in Australia, the UK, North Asia and South Asia.

Trading profit

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

Achievements in 2015
A continued focus on cost control and margin growth has meant that trading profit has grown by 2.9% year-on-year.

Trading margin

Definition
Calculated by dividing trading profit by sales.

Achievements in 2015
The Group's trading margin grew to 5.2% (+10bps).

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 2015
Profit before tax and exceptional items increased by 2.9%, to a record £312.1m.

Working capital

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

Achievements in 2015
Working capital continued to be tightly managed throughout the year and we ended the year with £24.4m of working capital, following the normalisation of last year's unusually low position in Russia.

Cash 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 2015
The Group has generated an operating cash flow of £328.4m.

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 2015

Like for like sales increased by 9.0%.

Operating Review

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

Our results are stated at actual rates of exchange. However, to enhance comparability we also present year-on-year changes in sales and trading profit in constant currency, thereby isolating the impact of exchange. Unless otherwise stated, changes in sales and trading profit in the operating review are at constant currency. The 2016 outlook commentary is also referenced at constant currency.

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

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

Despite Russia delivering a trading performance in line with our expectations, the further weakening in the macroeconomic outlook has led us to include a £49.5m non-cash exceptional impairment to write off the full value of goodwill in our Russian business (see note 3).

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

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

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

We have taken further steps to de-risk our balance sheet, entering into a transaction with Aviva to insure the liabilities of our TKM pension scheme.

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

Performance Indicators – Results

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

Business Analysis

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

Regional Analysis

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

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

Distribution

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

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

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

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

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

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

Retail

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

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

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

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

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

Regional analysis

The Group reports its regional analysis in line with IFRS 8 'Operating Segments'.

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

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

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

Australasia

Another record year with double digit profit growth

Key financial highlights

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

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

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

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

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

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

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

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

Outlook for 2016
We expect some modest underlying growth in the market due to structural population growth, premiumisation of demand and a replacement cycle supported by a relatively old Car Parc.

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

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

EUROPE

Market recovery in Greece offset by weak consumer demand in Belgium

Key financial highlights

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

Market

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

Business model

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

Operating performance

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

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

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

Outlook for 2016

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

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

North Asia

Market share gains drive another record year

Key financial highlights

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

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

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

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

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

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

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

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

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

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

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

South Asia

Acceleration of underlying momentum

Key financial highlights

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

Market

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

Business model

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

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

Operating performance

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

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

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

Improved trading margins in the second half of the year of 11.1% drove full year trading margin of 10.4%. This represents an underlying improvement of 100bps on 2014 with margin improvements in each revenue stream offsetting the increased contribution of vehicle sales to the overall business.

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

Outlook for 2016

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

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

UK

Well positioned in a growing market

Key financial highlights

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

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

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

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

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

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

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

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

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

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

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

Emerging Markets

Strong performance drives profitable growth

Key financial highlights

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

Market

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

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

Business model

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

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

In Russia, we operate 21 retail centres in St. Petersburg and Moscow, representing 9 brands, having exited loss-making Peugeot operations in St Petersburg. In Poland we own four retail centres for BMW and MINI. In China, we have four scale retail centres for Lexus, Jaguar and Land Rover in Shanghai and Shaoxing and one retail centre each in Nanchang for Porsche and Jiujiang for Mercedes.

Operating performance

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

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

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

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

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

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

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

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

Outlook for 2016

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

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

CENTRAL COSTS

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

JOINT VENTURES AND ASSOCIATES

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

OPERATING EXCEPTIONAL ITEMS

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

NET FINANCING COSTS

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

TAX

As forecast, the effective tax rate for the year before exceptional items was 24%, the same as 2014 (excluding the tax free property gain in South Asia). We expect the effective rate to increase marginally for 2016. The Group has recorded an exceptional deferred tax charge of £4.8m relating to the derecognition of the net deferred tax asset related to our Russian business (see note 6).

NON CONTROLLING INTERESTS

Profits attributable to our non-controlling interests were £7.1m, compared to £7.6m in 2014. At year end, the Group's non-controlling interests principally comprised a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor & Engineering Company of Ethiopia.

FOREIGN CURRENCY

During 2015, the translation of the Group's overseas profits before tax into sterling at the 2015 average exchange rate negatively impacted the year's results by £1.0m (2014: £20.9m).

DIVIDEND

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

PENSIONS

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

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

ACQUISITIONS AND DISPOSALS

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

CAPITAL EXPENDITURE

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

CASH FLOW AND NET FUNDS

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

Consolidated income statement

For the year ended 31 December 2015

	Notes	Before exceptional items 2015 £m	Exceptional items (note 3) 2015 £m	Total 2015 £m	Before exceptional items 2014 £m	Exceptional items (note 3) 2014 £m	Total 2014 £m
Revenue	2	6,836.3	–	6,836.3	6,702.7	–	6,702.7
Cost of sales		(5,847.5)	–	(5,847.5)	(5,749.1)	–	(5,749.1)
Gross profit		988.8	–	988.8	953.6	–	953.6
Net operating expenses		(664.1)	(49.5)	(713.6)	(635.2)	(47.4)	(682.6)
Operating profit	2	324.7	(49.5)	275.2	318.4	(47.4)	271.0
Share of profit / (loss) after tax of joint ventures and associates		0.7	–	0.7	(1.9)	–	(1.9)
Profit before finance and tax		325.4	(49.5)	275.9	316.5	(47.4)	269.1
Finance income	4	14.4	–	14.4	14.8	–	14.8
Finance costs	5	(27.7)	–	(27.7)	(28.1)	–	(28.1)
Profit before tax		312.1	(49.5)	262.6	303.2	(47.4)	255.8
Tax	6	(74.9)	(4.8)	(79.7)	(68.6)	–	(68.6)
Profit for the year		237.2	(54.3)	182.9	234.6	(47.4)	187.2
Profit attributable to:							
– Owners of the parent				175.8			179.6
– Non-controlling interests				7.1			7.6
				182.9			187.2
Basic earnings per share (pence)	7			39.8p			39.7p
Diluted earnings per share (pence)	7			39.4p			39.0p

Consolidated statement of comprehensive income

For the year ended 31 December 2015

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

Consolidated statement of financial position

As at 31 December 2015

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

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 25) £m	Retained earnings (note 26) £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2014		46.5	145.7	134.1	8.7	1,135.0	1,470.0	29.2	1,499.2
Profit for the year		–	–	–	–	179.6	179.6	7.6	187.2
Other comprehensive (loss) / income for the year		–	–	–	(191.3)	1.4	(189.9)	(1.8)	(191.7)
Total comprehensive (loss) / income for the year		–	–	–	(191.3)	181.0	(10.3)	5.8	(4.5)
Share-based payments, net of tax		–	–	–	–	12.5	12.5	–	12.5
Share buy back programme		(1.5)	–	1.5	–	(100.0)	(100.0)	–	(100.0)
Net disposal of own shares by the Inchcape Employee Trust		–	–	–	–	1.2	1.2	–	1.2
Issue of ordinary share capital		–	1.0	–	–	–	1.0	–	1.0
Dividends:									
– Owners of the parent	8	–	–	–	–	(81.5)	(81.5)	–	(81.5)
– Non-controlling interests		–	–	–	–	–	–	(9.8)	(9.8)
At 1 January 2015		45.0	146.7	135.6	(182.6)	1,148.2	1,292.9	25.2	1,318.1
Profit for the year		–	–	–	–	175.8	175.8	7.1	182.9
Other comprehensive (loss) / income for the year		–	–	–	(32.5)	(25.6)	(58.1)	0.8	(57.3)
Total comprehensive income / (loss) for the year		–	–	–	(32.5)	150.2	117.7	7.9	125.6
Share-based payments, net of tax		–	–	–	–	9.8	9.8	–	9.8
Share buy back programme		(1.2)	–	1.2	–	(91.4)	(91.4)	–	(91.4)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(18.9)	(18.9)	–	(18.9)
Dividends:									
– Owners of the parent	8	–	–	–	–	(91.1)	(91.1)	–	(91.1)
– Non-controlling interests		–	–	–	–	–	–	(10.2)	(10.2)
At 31 December 2015		**43.8**	**146.7**	**136.8**	**(215.1)**	**1,106.8**	**1,219.0**	**22.9**	**1,241.9**

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

Consolidated statement of cash flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	9a	328.4	405.8
Tax paid		(69.6)	(52.5)
Interest received		10.1	13.5
Interest paid		(27.5)	(31.3)
Net cash generated from operating activities		241.4	335.5
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10	(5.1)	3.6
Net cash inflow from sale of businesses	10	5.4	1.9
Purchase of property, plant and equipment		(50.2)	(48.5)
Purchase of intangible assets		(19.0)	(21.3)
Proceeds from disposal of property, plant and equipment		15.6	34.8
Net disposal of available for sale financial assets		–	7.9
Dividends received from joint ventures and associates		–	2.2
Net cash used in investing activities		(53.3)	(19.4)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	1.0
Share buy back programme		(91.4)	(100.0)
Net (purchase) / disposal of own shares by the Inchcape Employee Trust		(18.9)	1.2
Net cash inflow from borrowings		3.7	0.1
Payment of capital element of finance leases		(0.5)	(1.2)
Equity dividends paid	8	(91.1)	(81.5)
Dividends paid to non-controlling interests		(10.2)	(9.8)
Net cash used in financing activities		(208.4)	(190.2)
Net (decrease) / increase in cash and cash equivalents	9b	(20.3)	125.9
Cash and cash equivalents at the beginning of the year		416.8	332.2
Effect of foreign exchange rate changes		(21.2)	(41.3)
Cash and cash equivalents at the end of the year		375.3	416.8

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

Notes to the financial statements

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed set of consolidated financial information has been prepared on a going concern basis and has adopted accounting policies consistent with those of the Group's Annual Report and Accounts 2014.

The condensed set of financial information presented for the years ended 31 December 2014 and 2015 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 2014 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 2015 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2015 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 2015 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

2 SEGMENTAL ANALYSIS

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

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly are in or are expected to return to the growth phase of their development cycle. These currently comprise Russia, China, the Balkans, the Baltics, Poland, South America and Africa.

The Group's reported segments are based on the location of the Group's assets. Revenue earned from sales is disclosed by origin and is not materially different from revenue by destination.

Transfer prices between segments are set on an arm's length basis.

Distribution comprises Vertically Integrated Retail businesses as well as Financial Services and other businesses.

	Distribution						
2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Total Distribution £m
Revenue							
Total revenue	761.4	577.6	746.2	500.0	62.8	466.6	3,114.6
Inter-segment revenue	(183.7)	(124.5)	–	–	–	(32.0)	(340.2)
Revenue from third parties	577.7	453.1	746.2	500.0	62.8	434.6	2,774.4
Results							
Segment result	67.0	17.9	80.0	51.9	11.4	48.7	276.9
Operating exceptional items	–	–	–	–	–	–	–
Operating profit / (loss) after exceptional items	67.0	17.9	80.0	51.9	11.4	48.7	276.9
Share of profit after tax of joint ventures and associates	–	0.7	–	–	–	–	0.7
Profit / (loss) before finance and tax	67.0	18.6	80.0	51.9	11.4	48.7	277.6
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

	Retail							
2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	642.2	88.0	2,662.4	669.3	4,061.9	7,176.5	–	7,176.5
Inter-segment revenue	–	–	–	–	–	(340.2)	–	(340.2)
Revenue from third parties	642.2	88.0	2,662.4	669.3	4,061.9	6,836.3	–	6,836.3
Results								
Segment result	23.6	–	52.0	2.2	77.8	354.7	(30.0)	324.7
Operating exceptional items	–	–	–	(49.5)	(49.5)	(49.5)	–	(49.5)
Operating profit / (loss) after exceptional items	23.6	–	52.0	(47.3)	28.3	305.2	(30.0)	275.2
Share of profit after tax of joint ventures and associates	–	–	–	–	–	0.7	–	0.7
Profit / (loss) before finance and tax	23.6	–	52.0	(47.3)	28.3	305.9	(30.0)	275.9
Finance income								14.4
Finance costs								(27.7)
Profit before tax								262.6
Tax								(79.7)
Profit for the year								182.9

Net finance costs of £13.3m are not allocated to individual segments.

2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	90.9	128.0	157.2	126.5	40.6	173.8	717.0
Other current assets							
Non-current assets							
Segment liabilities	(218.6)	(102.1)	(123.3)	(109.6)	(50.2)	(140.8)	(744.6)
Other liabilities							
Net assets							

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

2015	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	1.9	0.5	3.8	9.1	0.1	6.5	21.9
– Interest in leased vehicles	–	0.1	13.7	–	6.7	8.8	29.3
– Intangible assets	2.4	0.5	1.6	0.7	0.1	0.2	5.5
Depreciation:							
– Property, plant and equipment	2.6	0.7	3.0	2.3	0.2	4.4	13.2
– Interest in leased vehicles	–	0.2	3.7	–	4.6	1.2	9.7
Amortisation of intangible assets	0.4	0.7	2.0	1.3	0.2	0.2	4.8
Goodwill impairment	–	–	–	–	–	–	–
Net provisions charged / (credited) to the consolidated income statement	6.3	4.5	1.5	5.2	(0.1)	1.7	19.1

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

2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	115.5	16.7	639.1	127.4	898.7	1,615.7
Other current assets						600.5
Non-current assets						1,212.1
Segment liabilities	(115.4)	(12.1)	(637.4)	(86.4)	(851.3)	(1,595.9)
Other liabilities						(590.5)
Net assets						1,241.9

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

2015	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.7	0.4	11.5	5.2	17.8	39.7	0.1	39.8
– Interest in leased vehicles	–	–	–	5.2	5.2	34.5	–	34.5
– Intangible assets	0.1	0.1	2.7	2.0	4.9	10.4	8.8	19.2
Depreciation:								
– Property, plant and equipment	1.7	0.7	12.0	6.6	21.0	34.2	0.3	34.5
– Interest in leased vehicles	–	–	–	0.1	0.1	9.8	–	9.8
Amortisation of intangible assets	–	–	5.0	3.2	8.2	13.0	1.0	14.0
Goodwill impairment	–	–	–	49.5	49.5	49.5	–	49.5
Net provisions charged / (credited) to the consolidated income statement	10.3	0.4	22.9	1.2	34.8	53.9	(1.3)	52.6

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

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Revenue							
Total revenue	748.8	658.2	600.3	439.3	51.4	446.7	2,944.7
Inter-segment revenue	(182.1)	(150.4)	–	–	–	(28.1)	(360.6)
Revenue from third parties	566.7	507.8	600.3	439.3	51.4	418.6	2,584.1
Results							
Segment result	64.3	20.5	66.9	58.7	10.4	40.0	260.8
Operating exceptional items	–	–	–	–	–	–	–
Operating profit / (loss) after exceptional items	64.3	20.5	66.9	58.7	10.4	40.0	260.8
Share of loss after tax of joint ventures and associates	–	(1.9)	–	–	–	–	(1.9)
Profit / (loss) before finance and tax	64.3	18.6	66.9	58.7	10.4	40.0	258.9
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result in South Asia includes a profit of £17.3m on the sale of a property.

2014	Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue								
Total revenue	676.7	122.1	2,421.4	898.4	4,118.6	7,063.3	–	7,063.3
Inter-segment revenue	–	–	–	–	–	(360.6)	–	(360.6)
Revenue from third parties	676.7	122.1	2,421.4	898.4	4,118.6	6,702.7	–	6,702.7
Results								
Segment result	25.0	0.3	54.8	3.7	83.8	344.6	(26.2)	318.4
Operating exceptional items	–	–	–	(47.4)	(47.4)	(47.4)	–	(47.4)
Operating profit / (loss) after exceptional items	25.0	0.3	54.8	(43.7)	36.4	297.2	(26.2)	271.0
Share of loss after tax of joint ventures and associates	–	–	–	–	–	(1.9)	–	(1.9)
Profit / (loss) before finance and tax	25.0	0.3	54.8	(43.7)	36.4	295.3	(26.2)	269.1
Finance income								14.8
Finance costs								(28.1)
Profit before tax								255.8
Tax								(68.6)
Profit for the year								187.2

Central costs include a past service pension credit of £7.2m (net of costs).

Net finance costs of £13.3m are not allocated to individual segments.

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	60.5	107.0	121.9	83.9	41.4	153.3	568.0
Other current assets							
Non-current assets							
Segment liabilities	(193.5)	(88.9)	(105.6)	(69.8)	(54.9)	(119.7)	(632.4)
Other liabilities							
Net assets							

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

2014	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	3.9	0.3	1.8	4.5	0.1	7.8	18.4
– Interest in leased vehicles	–	–	7.7	–	7.2	8.0	22.9
– Intangible assets	1.0	0.8	1.4	1.0	0.2	0.7	5.1
Depreciation:							
– Property, plant and equipment	2.8	0.8	2.8	2.2	0.2	3.7	12.5
– Interest in leased vehicles	–	0.6	2.5	–	5.8	1.1	10.0
Amortisation of intangible assets	0.6	0.5	0.4	1.0	0.2	–	2.7
Goodwill impairment	–	–	–	–	–	–	–
Net provisions charged to the consolidated income statement	2.3	2.6	0.5	2.7	0.8	0.5	9.4

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

2014	Retail Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	132.7	12.7	477.8	121.4	744.6	1,312.6
Other current assets						642.9
Non-current assets						1,313.0
Segment liabilities	(135.5)	(13.0)	(494.6)	(86.3)	(729.4)	(1,361.8)
Other liabilities						(588.6)
Net assets						1,318.1

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

2014	Retail Australasia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.3	0.5	32.7	4.9	38.4	56.8	1.1	57.9
– Interest in leased vehicles	–	–	–	–	–	22.9	–	22.9
– Intangible assets	0.4	–	4.0	2.5	6.9	12.0	9.0	21.0
Depreciation:								
– Property, plant and equipment	1.9	0.7	10.8	9.0	22.4	34.9	0.1	35.0
– Interest in leased vehicles	–	–	–	0.1	0.1	10.1	–	10.1
Amortisation of intangible assets	–	–	3.1	3.5	6.6	9.3	0.1	9.4
Goodwill impairment	–	–	–	47.4	47.4	47.4	–	47.4
Net provisions charged to the consolidated income statement	8.1	0.2	19.6	1.7	29.6	39.0	0.7	39.7

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

3 EXCEPTIONAL ITEMS

	2015 £m	2014 £m
Goodwill impairment	(49.5)	(47.4)
Total exceptional items before tax	(49.5)	(47.4)
Exceptional tax (see note 6)	(4.8)	–
Total exceptional items	(54.3)	(47.4)

Following further weakening in the macroeconomic outlook for Russia, the Group has recognised a £49.5m non cash impairment charge (2014 £47.4m)

4 FINANCE INCOME

	2015 £m	2014 £m
Bank and other interest receivable	3.1	2.7
Net interest income on post-retirement plan assets and liabilities	4.2	5.1
Other finance income	7.1	7.0
Total finance income	14.4	14.8

5 FINANCE COSTS

	2015 £m	2014 £m
Interest payable on bank borrowings	1.7	1.4
Interest payable on Private Placement	3.1	2.9
Interest payable on other borrowings	0.3	0.2
Fair value adjustment on Private Placement	6.4	8.9
Fair value gain on cross currency interest rate swaps	(7.3)	(10.4)
Stock holding interest (see note 20)	18.4	18.6
Other finance costs	5.1	6.5
Total finance costs	27.7	28.1

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2014 – 2.0%).

6 TAX

	2015 £m	2014 £m
Current tax:		
– UK corporation tax	6.2	–
– Overseas tax	73.1	66.5
	79.3	66.5
Adjustments to prior year liabilities:		
– UK	–	–
– Overseas	(0.6)	(0.2)
Current tax	78.7	66.3
Deferred tax	(3.8)	2.3
Tax before exceptional tax	74.9	68.6
Exceptional tax – deferred tax (note 3)	4.8	–
Total tax charge	79.7	68.6

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

Factors affecting the tax expense for the year

The effective tax rate for the year before the impact of exceptional items is 24.0%, the same as 2014 (excluding the tax free property gain of £17.3m in South Asia in that year).

The weighted average tax rate is 24.3% (2014 – 24.0%). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

The table below explains the differences between the expected tax expense at the weighted average tax rate and the Group's total tax expense.

	2015 £m	2014 £m
Profit before tax	262.6	255.8
Profit before tax multiplied by the weighted average tax rate of 24.3% (2014 – 24.0%)	63.8	61.4
Effects of:		
– Permanent differences	6.9	0.5
– Non-taxable income	(2.4)	(0.9)
– Prior year items	(1.7)	(5.1)
– Unrecognised deferred tax movement	(1.3)	(3.2)
– Overseas tax audits and settlements	–	8.3
– Taxes on undistributed earnings	2.5	1.9
– Impact of impairment of intangible assets (Russia)	9.9	9.5
– Impact of derecognition of deferred tax assets (Russia)	4.8	–
– Tax free property gain in South Asia	–	(2.9)
– Other items (including tax rate differentials)	(2.8)	(0.9)
Total tax charge	79.7	68.6

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. The Group assesses the availability of future taxable profits based on historic performance and the forecasts for the Group's operations as are used in the Group's value in use calculations. On this basis, the Directors have determined that net deferred tax assets in respect of tax losses in Russia should no longer be recognised resulting in a deferred tax charge of £4.8m.

7 EARNINGS PER SHARE

	2015 £m	2014 £m
Profit for the year	182.9	187.2
Non-controlling interests	(7.1)	(7.6)
Basic earnings	175.8	179.6
Exceptional items	54.3	47.4
Adjusted earnings	230.1	227.0
Basic earnings per share	39.8p	39.7p
Diluted earnings per share	39.4p	39.0p
Basic Adjusted earnings per share	52.1p	50.2p
Diluted Adjusted earnings per share	51.6p	49.3p

	2015 number	2014 number
Weighted average number of fully paid ordinary shares in issue during the year	442,230,291	455,975,201
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	(753,647)	(1,907,636)
– Held in Treasury	–	(1,443,183)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	441,476,644	452,624,382
Dilutive effect of potential ordinary shares	4,468,252	7,959,690
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	445,944,896	460,584,072

Basic earnings per share is calculated by dividing the Basic earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the Inchcape Employee Trust and repurchased as part of the share buy-back programme.

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

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

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

8 DIVIDENDS

The following dividends were paid by the Group:

	2015 £m	2014 £m
Interim dividend for the six months ended 30 June 2015 of 6.8p per share (30 June 2014 – 6.3p per share)	30.0	28.5
Final dividend for the year ended 31 December 2014 of 13.8p per share (31 December 2013 – 11.7p per share)	61.1	53.0
	91.1	81.5

A final proposed dividend for the year ended 31 December 2015 of 14.1p per share amounting to £61.0m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2015.

9 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

	2015 £m	2014 £m
Cash flows from operating activities		
Operating profit	275.2	271.0
Exceptional items (see note 3)	49.5	47.4
Amortisation of intangible assets	14.0	9.4
Depreciation of property, plant and equipment	34.5	35.0
Profit on disposal of property, plant and equipment	(2.1)	(17.6)
Share-based payments charge	9.6	9.5
(Increase) / decrease in inventories	(246.5)	3.8
(Increase) / decrease in trade and other receivables	(68.5)	3.4
Increase in trade and other payables	282.2	59.3
Decrease in provisions	(4.2)	(11.9)
Pension contributions less than / (in excess of) the pension charge for the year*	2.7	(1.0)
(Increase) / decrease in interest in leased vehicles	(12.3)	3.3
Payments in respect of exceptional items	–	(1.3)
Other non-cash items	(5.7)	(4.5)
Cash generated from operations	328.4	405.8

* Includes additional payments of £1.7m (2014 – £1.7m).

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

	2015 £m	2014 £m
Net (decrease) / increase in cash and cash equivalents	(20.3)	125.9
Net cash (outflow) / inflow from borrowings and finance leases	(3.2)	1.1
Change in net cash and debt resulting from cash flows	(23.5)	127.0
Effect of foreign exchange rate changes on net cash and debt	(21.2)	(41.3)
Net movement in fair value	0.9	1.5
Movement in net funds	(43.8)	87.2
Opening net funds	210.2	123.0
Closing net funds	166.4	210.2

Net funds is analysed as follows:

	2015 £m	2014 £m
Cash at bank and cash equivalents	335.3	368.9
Short-term deposits	138.5	159.3
Bank overdrafts	(98.5)	(111.4)
Cash and cash equivalents	375.3	416.8
Bank loans	(312.6)	(302.4)
Finance leases	(3.7)	(4.3)
	59.0	110.1
Fair value of cross currency interest rate swap	107.4	100.1
Net funds	166.4	210.2

10 ACQUISITIONS AND DISPOSALS

During the year, the Group acquired a new dealership in the UK for a consideration of £5.1m, with goodwill arising on the transaction of £4.0m.

In 2015, the Group disposed of small number of dealerships in Australia and its interest in Excelease SA, a financial services business in Belgium, generating disposal proceeds of £5.4m and a profit on disposal of £0.6m (2014 – disposals in Australia and Finland at net book value generating disposal proceeds of £1.9m).

11 RELATED PARTY DISCLOSURES

Trading transactions

Intra-group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Vehicles purchased from related parties	**–**	0.2	**–**	–
Vehicles sold to related parties	**–**	0.9	**–**	–
Other income paid to related parties	**0.6**	1.1	**0.1**	0.2
Other income received from related parties	**–**	0.2	**–**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2014 – £nil).

12 FOREIGN CURRENCY TRANSLATION

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

	Average rates		Year end rates	
	2015	2014	**2015**	2014
Australian Dollar	**2.04**	1.83	**2.02**	1.91
Euro	**1.38**	1.24	**1.36**	1.29
Hong Kong Dollar	**11.85**	12.80	**11.42**	12.08
Singapore Dollar	**2.10**	2.09	**2.09**	2.06
Russian Rouble	**93.72**	63.29	**107.30**	92.65

13 EVENTS AFTER THE REPORTING PERIOD

In the year ended 31 December 2015, the Company purchased, for cancellation, 11,931,693 ordinary shares at a cost of £91.4m In the period from 1 January to 14 March 2016, the Company purchased, for cancellation, a further 4,541,107 ordinary shares at a cost of £32.0m. The Company is committed to completing a £58.6m share buy back programme in the first half of 2016.

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:

- Loss of distribution contract with major OEM partners
- Significant retrenchment of credit available to customers, dealer network or Inchcape plc
- OEM Brand failure globally
- Major interruption to OEM partner operations or product reputation
- Major loss of confidential or sensitive data
- Failure to extract maximum value from acquisition strategy
- Growth in new routes to market and methods of engaging the customer
- Increasing demands from brand partners for direct ownership data (e.g. connected customer) restricts our ability to drive demand / margin.

Directors' responsibilities

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

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

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

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

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

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

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

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