Inchcape

Annual Report and Accounts 2010

Industry leader

Powering ahead worldwide

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www.Inchcape.com/ar10

Powering ahead worldwide

Inchcape is a leading global automotive distributor and retailer operating in the premium vehicle sector where worldwide sales growth is strongest and margins are healthiest.

Our focused and disciplined management of commercial and cash initiatives has strengthened our industry leading position during both the downturn and the beginning of the recovery in 2010.

Our lower cost base, driven by our determined management response to the downturn, has geared our business to deliver significant operational leverage.

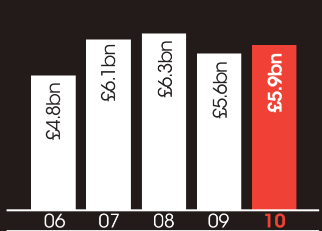
Our broad geographic spread, across 26 markets around the globe, uniquely positions us to benefit from the 'premiumisation' of the fast-growing economies of the Emerging Markets and Asia-Pacific.

Our deep, scale relationships with the world's leading vehicle manufacturers will enable us to leverage our strong balance sheet and to take advantage of global consolidation opportunities.

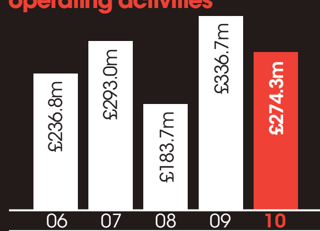
Financial highlights

Robust earnings growth and strong cash conversion.

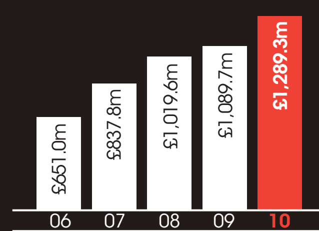
Sales



Cash flows from operating activities

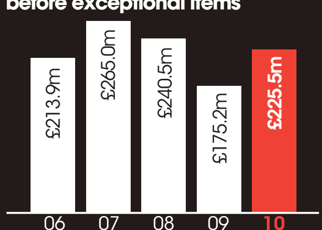


Net assets



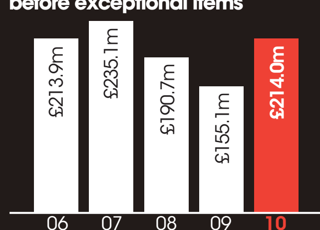
Operating profit

before exceptional items



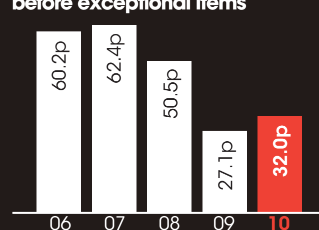
Profit before tax

before exceptional items

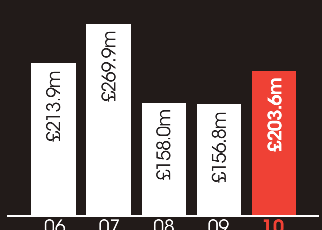


Adjusted earnings per share*

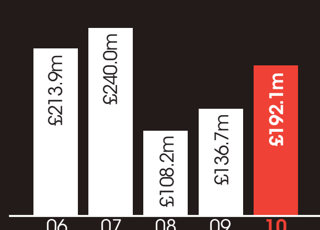
before exceptional items



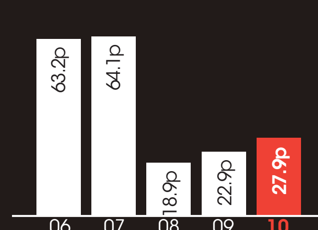
Operating profit



Profit before tax



Earnings per share*



*Restated to reflect the bonus element of the Rights Issue and the Share Consolidation

Having won the Accountancy Age Award for Best Report & Accounts for our 2009 report, you may notice that our report looks a little different this year. We believe that every company needs to continually look for ideas that lessen its impact on the environment. In line with this, we have decided to decrease the overall number of pages and reduce the size of the print run of this year's report. In doing so, we have reduced the amount of paper that we use and have saved on printing costs. Some of these savings have been invested in the online version of this report.

Please be assured that we have still retained the same quality of reporting and level of disclosure in this printed version.

View more online at our new corporate website www.inchcape.com

Inchcape worldwide

Global footprint uniquely positions Inchcape for future growth

See online
www.inchcape.com/ar10

Key

- Distribution
- Retail
- Vertically integrated retail (VIR)

Australasia

Inchcape operates a multi brand retail strategy in Australia and is the distributor for Subaru in Australia and New Zealand.

Brand partners

Market channels

Financial highlights

Sales	+35.1%	Trading profit	+64.9%
£1,030.3m		£62.5m	
2009: £762.8m		2009: £37.9m	

Contribution to Group profit

25.2%

See page 15

Europe

Inchcape operates distribution and retail across four western European markets – Belgium, Greece, Finland and Luxembourg.

Brand partners

Market channels

Financial highlights

Sales	-13.4%	Trading profit	-2.8%
£870.9m		£27.8m	
2009: £1,006.1m		2009: £28.6m	

Contribution to Group profit

11.2%

See page 16

North Asia

Inchcape operates a multi brand vertically integrated retail model in Hong Kong, Macau, Guam and Saipan.

Brand partners

Market channels

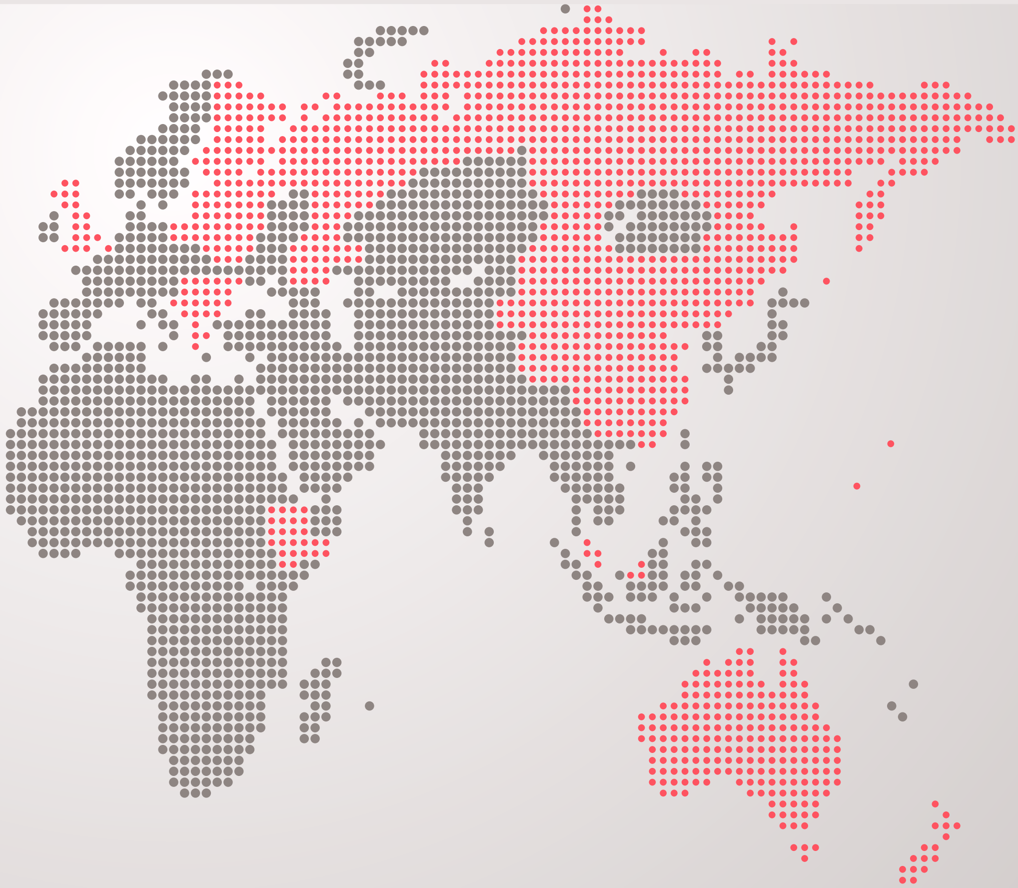
Financial highlights

Sales	+37.9%	Trading profit	+70.9%
£430.6m		£34.0m	
2009: £312.2m		2009: £19.9m	

Contribution to Group profit

13.7%

See page 17



South Asia

Inchcape operates a multi brand vertically integrated retail model in Singapore and Brunei.

Brand partners

Market channels

Financial highlights

Sales	-32.2%	Trading profit	-35.4%
£371.8m		£36.1m	
2009: £548.2m		2009: £55.9m	

Contribution to Group profit

14.6%

See page 18

United Kingdom

Inchcape operates a scale retail business with premium brand partners in key regions together with a fleet leasing business.

Brand partners

Market channels

Financial highlights

Sales	+1.9%	Trading profit	+19.7%
£2,125.8m		£55.9m	
2009: £2,085.7m		2009: £46.7m	

Contribution to Group profit

22.5%

See page 19

Russia and Emerging Markets

Inchcape operates a vertically integrated retail model in the Baltics, Africa, South America; distribution and retail in the Balkans; and retail in Russia, China, and Poland.

Brand partners

Market channels

Financial highlights

Sales	+21.6%	Trading profit	+536.0%
£1,056.0m		£31.8m	
2009: £868.7m		2009: £5.0m	

Contribution to Group profit

12.8%

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Chairman's statement

Ken Hanna,
Chairman

Inchcape has delivered robust earnings growth in 2010.

Following a year of gradual global economic and industry recovery I am pleased to report strong results for 2010. Our robust earnings growth is a testament to the strength of our broad geographic portfolio and the success of our resilient business model together with the decisive actions taken by management since the start of the downturn.

Performance

Group sales have increased by 5.4% to £5.9bn for the full year to 31 December 2010, benefiting from the start of the global recovery and our operational focus on growing market share and aftersales. On a like for like, constant currency basis, sales increased by 3.1%.

Our decisive response to changing market conditions in the last quarter of 2008 and early 2009 generated annualised cost savings of approximately £70m. We have kept our overheads flat in 2010 as we offset the cost of inflation with productivity improvements. We announced a further restructuring plan in the third quarter of 2010 to lower our cost base by an additional annualised £25m through reducing our headcount and a disposal of 10 underperforming sites. We have exceeded our expectations disposing of 15 sites and the expected annualised cost base reduction will now be £30m. This latest process has resulted in an exceptional restructuring charge of £21.9m in the fourth quarter of 2010. We are continuing to keep tight cost control measures in place throughout the Group.

Profit before tax and exceptional items of £214.0m was 38.0% higher than 2009 and adjusted earnings per share rose by 18.1% to 32.0p (adjusted for the Share Consolidation). On a statutory basis, profit before tax was £192.1m, 40.5% above 2009. Cash generated from operations during the year was £274.3m which represents a 134.7% conversion of statutory operating profit.

Capital expenditure

Whilst, in agreement with our brand partners, we continued to keep our discretionary capital expenditure to a minimum, we have made several strategic investments in 2010, opening two sites in emerging markets.

Board

Following two and a half years with the Group, Graham Pimlott stepped down as a Non-Executive Director and Chairman of the Audit Committee on 31 October 2010. Simon Borrows joined the Board on 6 October 2010 and was appointed Chairman of the Audit Committee, taking over from Graham. I would like to thank Graham for his contribution during his time with the Group.

Dividend

In line with our disclosure in this year's Interim Report, the Board is pleased to recommence the payment of a dividend and is recommending the payment of a final ordinary dividend for the year of 6.6p. No dividend was paid or recommended in 2009 in light of the challenging trading conditions at that time.

Share consolidation

At the Annual General Meeting held on 13 May 2010, a 1 for 10 consolidation of Inchcape plc ordinary shares was approved by shareholders. The purpose of the share consolidation was to reduce the total number of shares in issue following the Rights Issue undertaken in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market. Following the share consolidation there are approximately 460m Inchcape ordinary shares in issue, reduced from approximately 4.6bn in 2009.

Approach to governance and Corporate Responsibility (CR)

We continue to focus on the importance of good governance and apply the Combined Code and other relevant guidance for listed companies in our global operations. Integrating socially responsible behaviour into every aspect of how we operate and define ourselves remains important to us. In 2010, we established the CR Board committee, responsible for the strategic direction of the Group's CR programme that continues to build a global approach to making responsible economic, environmental and social behaviour intrinsic to the way we work.

People

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their outstanding commitment and support throughout 2010.

Outlook

Due to the uneven nature of the global recovery we remain cautious regarding the short term outlook in some of our markets. However, Inchcape is well positioned to benefit from the global recovery in most of our markets and, as such, we expect to deliver a solid performance in 2011.

Ken Hanna,
Chairman

See online
www.inchcape.com/ar10

Group Chief Executive's strategic review

André Lacroix,
Group Chief Executive

Sales

£5.9bn

+5.4%

Operating profit
before exceptional items

£225.5m

+28.7%

Profit before tax
before exceptional items

£214.0m

+38.0%

Powering ahead worldwide.

Inchcape is a leading, independent, international automotive distributor and retailer with scale operations in 26 global markets, 21 of which are in the fast-growing Emerging Market and Asia-Pacific economies.

In the last two Inchcape annual reports we have described how the global financial crisis and recession affected our industry and how we responded with decisive management action. Our focus on five operational priorities (see page 8) was designed not only to manage the situation we faced, but also to improve our competitive position by growing our revenues ahead of our competitors and by growing profit and operating cash faster than revenues.

I am pleased to report that in 2010 we ended the year with profits ahead of our expectations. At the same time, we have seen our market share grow in several of our markets. Moreover we consolidated our market leadership position in 14 markets and we have increased our aftersales market coverage, improving our standing at the forefront of our industry worldwide.

For Inchcape, 2010 will be remembered as a year of robust earnings growth which saw us continue to power ahead as a global industry leader.

Looking to the immediate future, due to the uneven nature of the economic recovery, we remain cautious regarding the short term industry outlook in some of our markets. Competitive pressure on price will continue, especially in countries where demand is weak and additionally we expect some margin erosion on new cars due to the Yen appreciation and the increase in input costs for manufacturers. Consequently we expect some pressure on gross margin in 2011. However given our strong track record and the industry recovery in most of our markets, we expect the Group to deliver a solid performance in 2011 and further improve its leading industry position.

I believe that our medium to long-term outlook, in what I consider to be one of the world's most exciting and rewarding industries, is excellent. Importantly, much of the work our Company's spirited, committed and entrepreneurial employees have undertaken in 2010 will have a significant impact in the years to come, making it one of the most important periods in our long and vibrant history.

Longer-term, as we explore in this report, the global industry and economic trends are truly exciting for our Group.

Now, I would like to outline why I believe Inchcape has been able to take advantage of the global economic recovery in 2010. To do so, I will describe and explain our approach to achieving growth in a global market. This involves our unique business model, our vision and strategy and our operational discipline on our Top Five Priorities. None of this would be possible without the invaluable talent and passion of our employees.

The Inchcape business model

Proven business model in global premium car markets with strong performance in all cycles.

A unique business model

Our proven business model enabled us to deliver six consecutive years of record growth with strong returns until the start of the global economic crisis in 2008. In 2009 we achieved peak operating cash flow amidst the deepest time of the downturn and 2010 has seen us realise many significant benefits from an ever-improving operational environment, enabling us to report robust earnings growth as a result of solid revenue progression and strong operational leverage with margin improvement.

There are five main constituents of our business model: a broad geographic spread with scale operations; a portfolio of leading, premium automotive brand partners; multiple channels to market; diversified revenue streams that include both growth and defensive value drivers; and a decentralised and empowered organisation, with local management who are close to their markets and highly responsive to changing conditions.

Broad geographic spread – strong in the fastest growing global economies

It is our wide geographic spread that most precisely defines Inchcape. Of the 26 global markets in which we operate, 21 are among the world's fastest-growing economies. This is important to our future growth – during 2010, for example, around 65% of our trading profit was generated in the Emerging Markets and Asia-Pacific and we currently expect this proportion to grow both as our business expands and as untapped potential develops.

Portfolio of leading premium brands as core partners

Next is our unique portfolio of leading, premium automotive brands that are our core partners across the world, including Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, Porsche, Subaru, Toyota and Volkswagen.

Premium brands have been at the forefront of the recovery in automotive sales. They are outperforming other segments in the majority of markets and they have continued to provide a strong driver of revenue growth for Inchcape during 2010, as well as supporting profitability through their strong pricing power. And our manufacturer partners are amongst the main powerhouses of innovation in our industry, making major research and development investments in breakthrough powertrain and environmental advances.

Inchcape plays a key role in the automotive value chain for our brand partners. Our global infrastructure and the professionalism of our marketing and sales operations ensure that these initiatives succeed in the local marketplace.

Because our unique business model is multi-layered in its structure, at first glance some observers of Inchcape may not fully appreciate the depth and closeness of our brand partner relationships, many of which have been in place for several decades. I would now like to explain how the nature of these relationships give us the benefits of a multiple-channel route to market, comprising distribution, retail and a combination of the two that we call vertically integrated retail (VIR).

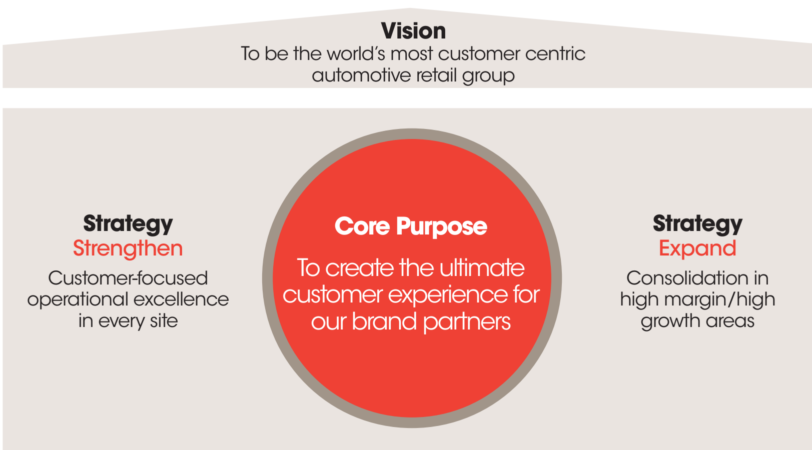
Multiple channels – providing a professional and well-funded route to market for the world's leading automotive brands

Our retail route is a well known model: a manufacturer appoints us to provide retail representation which we offer through scale facilities on a regional basis. Through these retail centres we sell new and used vehicles, offer car finance and insurance products and provide aftersales servicing and parts. Our competitive differentiation is through the creation of a superior customer experience delivered through the proprietary processes of our Inchcape Advantage programme. These advanced retailing techniques help us achieve a tangible advantage over our competitors and improve the competitive position of our brand partners.

The distribution route involves a wider range of critical functions that we carry out for our brand partners. This includes many activities that in other markets would be carried out by the manufacturer themselves. In effect, as the distributor, we operate as the manufacturer's exclusive master-franchise partner in a particular territory to carry out all marketing and sales activities – from selecting market-specific models, setting prices, ordering new cars and parts and their subsequent distribution, to appointing and managing the entire dealer network (of which we typically own 20% ourselves). We also undertake national marketing activities, including brand advertising, public relations and customer database management and fulfil back-office functions. Effectively, where we run distribution operations, we manage and

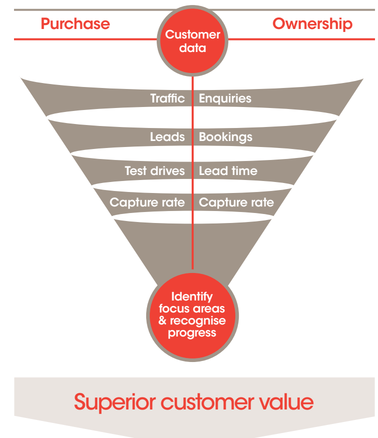
Customer 1st strategy

A clear strategy to deliver organic growth and take advantage of external growth opportunities.



The customer funnel

Customer insight is critical to driving revenues ahead of the competition.



deliver every aspect of the customer interface in those markets and our leading consumer research provides our brand partners with invaluable insights on local market trends.

There are also some territories – typically city-state markets such as Hong Kong and Singapore – where we operate both as the exclusive market distributor and the exclusive market retailer for our brand partners. Called VIR, this enables us to capitalise on important margin opportunities.

As franchise and retail partner to the world's leading automotive brands, our global footprint gives us scale presence across five continents whilst making optimum use of our capital.

Growth and defensive value drivers

We enjoy the benefits of diversified revenue streams, which are carefully balanced to deliver strong margins during times of economic growth and decline alike. Our 'growth' value drivers are sales of new and used vehicles, alongside the finance and insurance products that are associated with them. Inchcape's 'defensive' value drivers are aftersales, servicing and parts, which in an average year delivers around 50% of our gross profit.

Decentralised and empowered organisation

The final key element of our business model is our decentralised management structure, which enables local management teams to use their in-depth personal knowledge of individual markets within a globally aligned group structure.

For a global organisation like ours, we believe that this is the best way to operate. We have the scale that enables investments in world-class Group wide information systems, shared best practice and advanced business processes together with in-depth local market knowledge and the ability to respond swiftly and decisively to fast-changing conditions. This gives us important advantages in our local markets, and, through them, across our entire global footprint.

Our organisational model provides both the benefits of global scale and local agility which is proving to be the winning formula to compete both in local markets and worldwide.

Vision and strategy

Our unique business model is powered by a vision and strategy aimed, ultimately, at generating consistently excellent results for our shareholders.

Our vision is simply to be the world's most customer-centric automotive retail group. Our strategy for success is based on organic and external growth: to *strengthen* our business, by delivering superior customer value; and to *expand*, by growing and consolidating our presence in high-growth areas of the world where we can realise high returns.

This Group-wide Customer 1st approach has proven to be highly successful over the last five years. We have made major progress in raising our customer service competitive advantage, delivering strong returns and strengthening our industry leading position.

Inchcape Advantage

At the heart of our successful Customer 1st strategy is Inchcape Advantage, our unique, systematic Group-wide continuous improvement programme – and our most powerful source of competitive advantage.

Customer insight is critical to driving revenues ahead of our competitors and our c.12,000 interviews every month keep us closely in touch with changing consumer behaviour. It is clear that, post-downturn, the car market is becoming increasingly polarised between brands competing purely on price and those offering 'added value' to customers. We are strongly positioned in the latter category, providing superior customer value through our proprietary Inchcape Advantage processes.

Additionally this programme gives us Group-wide access to industry leading metrics, covering all aspects of the customer journey in both car purchase and aftersales and enabling us to take decisions concerning inventory, market activity, promotions and more… and always ahead of the market.

Combined, these elements of the Inchcape Advantage programme drive us to achieve customer-centric operational excellence throughout our retail networks, realising our Group's core purpose: to create the ultimate customer experience for our brand partners.

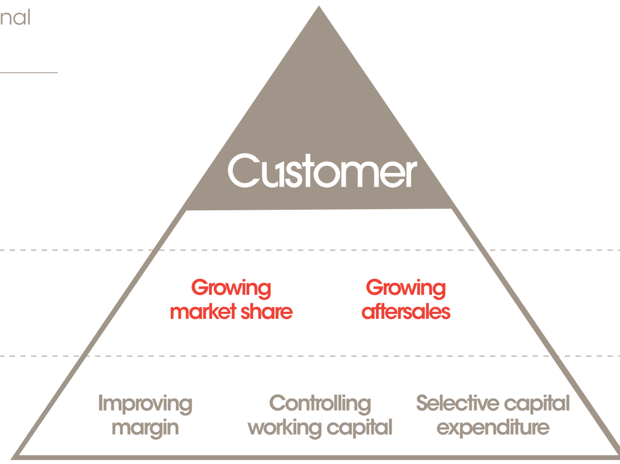
Top Five Priorities

Primary focus on organic growth through strong operational discipline on Top Five Priorities.

Differentiated strategy

Commercial initiatives
to grow revenues ahead of competitors

Cash initiatives
to grow profit and operating cash faster than revenue



Balanced focus on commercial initiatives and cash initiatives in every operation.

Operational discipline on our Top Five Priorities

Much of our success in 2010 has been due to our continued focus on organic growth management through a strong operational discipline on our Top Five Priorities. Commercial initiatives to increase our market share and grow our aftersales business have been balanced by cash initiatives to improve our margins, closely control our working capital and to be highly selective in prioritising capital expenditure projects.

Commercial initiatives

Commercial initiatives to grow revenues ahead of our competitors are underpinned with superior customer service and the proprietary operating procedures of our Inchcape Advantage programme – throughout each part of the customer journey, from consideration to purchase and car ownership. Initiatives to drive customer traffic into the showroom dovetail into programmes to make the visit a special one, from the initial welcome to a flexible test drive programme and a memorable car handover process.

In aftersales too, bespoke programmes, such as vehicle health checks, express service and oil and tyre programmes ensure a differentiated customer experience, all delivered against a backdrop of qualitative and quantitative customer feedback to provide deep insight and strengthen our advantage.

Cash initiatives

Cash initiatives to grow profit and operating cash faster than revenue are driven by a focused performance management approach, based on daily, weekly and monthly operational and financial metrics.

We leverage the pricing power of our premium brands with margin accretive initiatives and tight controls on pricing to ensure that we maximise our revenue growth. Gross margin is controlled with careful mix management on each value driver based on rigorous benchmarking, while overheads are tightly managed through a focus on constantly improving productivity, returns on marketing investments and costs.

Our focus on working capital remains resolute with proven processes in place to effectively manage the supply chain with no more than 1.5 months stock cover worldwide. And our capital expenditure on existing sites has been limited to brand and safety requirements with only selective investment in new strategic sites in the faster growing emerging markets.

Balanced approach to growth

It is this balanced approach that in 2010 has allowed us to deliver a solid revenue growth and to grow profit and operating cash faster than revenue, attaining a far stronger outlook than any of our rivals and a business performance ahead of expectations. We are committed to continuing our focus on these Top Five Priorities to enable us to return to peak earnings and beyond.

Five key global trends

Inchcape is uniquely positioned to take advantage of exciting growth opportunities.

Uneven global market recovery

Structural growth led by wealth creation in Asia-Pacific and Emerging Markets

Technology will create value and drive replacement in advanced markets

Car parc growth in both the fast growing and the advanced markets

Strongest players will lead industry consolidation

Exciting growth opportunities ahead

Looking ahead, we have identified five key global trends that we believe will have a major influence on our industry in years to come. We are already focused on these – positioning ourselves to leverage the opportunities and outperform our competitors.

First, we believe that the global economic recovery will be uneven. That said, the forecast for the total car market is exciting as the global industry is geared for 33% growth over the next five years (Source: Global Insight). Thanks to our geographic spread, we are well positioned to benefit from this uneven recovery.

Secondly, we believe the structural growth in the industry will be led by wealth creation in Asia-Pacific and the Emerging Markets. With our strong portfolio of premium brands, Inchcape is uniquely positioned to take advantage of the premiumisation of these markets as consumers increasingly aspire to better lifestyles.

The third trend is that in the more advanced markets, progress in technology will create value and drive vehicle replacement. Inchcape's premium brand partners are at the forefront, with their leading-edge development of hybrid and electric vehicles and fuel-efficient technology for both diesel and petrol engines.

Fourth, research shows that the global car parc, comprising new and used cars, is set to grow by 18% over the next five years (source: JD Power). While this is an obvious driver of our continued growth through the sale of new and used vehicles, its significance for us is further strengthened through the opportunities it brings for the sale of finance and insurance products and for aftersales servicing through the whole ownership life-cycle as the car parc increases.

The fifth of these trends is that the strongest, best funded players in the industry will continue to lead its consolidation in years to come. Motor manufacturers will continue to strengthen both their market coverage and quality of operations to compete effectively. We are well positioned to gain access to expansion opportunities, benefiting from our long standing and close relationships with the world's leading manufacturers, a proven track record of effective brand stewardship across five continents and a strong balance sheet.

Powering ahead worldwide

Inchcape is extremely well placed to capitalise on these exciting growth opportunities. Our global footprint and proven business model in the premium car market uniquely positions us to return to our peak financial performance… and then power beyond. We have a healthy exposure to the fastest growing economies, with 21 of our 26 markets in Asia-Pacific and the Emerging Markets. We have long-standing partnerships with the world's leading car manufacturers and the vehicles we sell are in the premium category, which is leading demand in markets worldwide. We have a differentiated Customer 1st strategy with a strong operational discipline and people with outstanding ability.

Inchcape continues to power ahead, worldwide.

André Lacroix,
Group Chief Executive

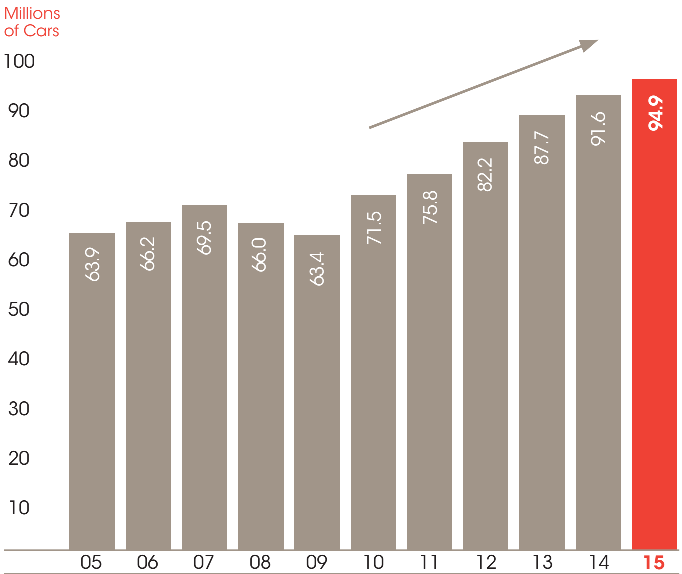
See online
www.inchcape.com/ar10

Worldwide trends

Inchcape is uniquely positioned to take advantage of exciting market growth opportunities to go back to peak earnings and beyond

Global industry growth

Inchcape is well positioned to take advantage of growth through its broad geographic spread.



*Source: Global Insight

Global car sales forecast to grow

+33%

between 2010 and 2015

Structural growth led by wealth creation in Asia-Pacific and Emerging Markets

The majority of global growth in population and GDP will come from Asia-Pacific and Emerging Markets which are expected to represent 94% of population growth 2010-15 and 68% of GDP growth (source: IMF).

This pattern is reflected in the forecast growth of the car market with Asia-Pacific and Emerging Markets representing 63% of global car sales by 2015 and 68% of TIV growth 2010-15 (source: Global Insight).

Inchcape is well positioned to take advantage of the 'premiumisation' of these markets

+700m

people from the Emerging Markets will join the middle classes over the next decade*

21 of Inchcape's 26 markets are in the fast-growing Asia-Pacific and Emerging Market economies.

The expanding middle class will be the drivers of growth in these territories, where Inchcape has scale, management expertise and a track record of growth.

*Source: The Economist

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Technology will create value and drive replacement in advanced markets

Oil price volatility and increased taxation on CO_2 emissions will raise the importance of the total cost of vehicle ownership. New car technologies offer lower running costs and reduced CO_2 emissions.

Inchcape is well positioned with brand partners who are at the forefront of green technology developments.

BLUE EFFICIENCY
HYBRID SYNERGY DRIVE
Audi
BMW EfficientDynamics
Less consumption. More driving pleasure.
LAND ROVER
LEXUS HYBRID DRIVE

Car parc growth in both the fast growing and the advanced markets

Car parc growth will drive revenue growth in the highly profitable areas of used cars and aftersales.

Global car parc

+18%

between 2010 and 2015 with growth opportunities across the value chain*

*Source: Global Insight

Strongest players will lead industry consolidation

Car manufacturers will continue to strengthen both their market coverage and quality of operations to compete effectively.

Inchcape has long standing partnerships with the strongest vehicle manufacturers across five continents; a proven track record of effective brand stewardship; consistently delivers customer service excellence; a strong balance sheet and disciplined processes to integrate acquisitions and establish synergies.

Key performance indicators (KPIs)

These KPIs are how we measure our business performance

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

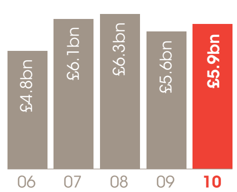
Sales

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

Achievements in 2010
Sales grew by 5.4% in 2010 thanks to our market leading positions and the start of the global recovery.

Sales

£5.9bn
+5.4%



Trading profit

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

Achievements in 2010
Trading profit increased by 27.9% in 2010 driven by our operational focus on our Top Five Priorities in all the Group's regions.

Trading profit split

Australasia	25.2%
Europe	11.2%
North Asia	13.7%
South Asia	14.6%
UK	22.5%
Russia and Emerging Markets	12.8%

£248.1m

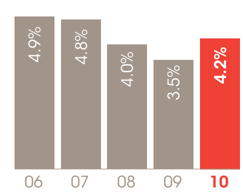
Trading margin

Definition
Calculated by dividing trading profit by sales.

Achievements in 2010
A robust trading margin of 4.2% was achieved in 2010 despite challenging trading conditions in some of our markets.

Trading margin

4.2%
+0.7ppt



Like for like sales and trading profit

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

Achievements in 2010
Like for like sales and trading profit grew by 6.0% and 25.8% respectively in 2010 as a result of the start of the global recovery together with our restructuring activities.

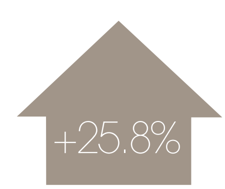
Like for like sales and trading profit

Like for like sales

£5.8bn

Like for like trading profit

£246.7m



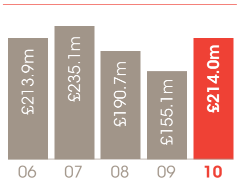
Profit before tax and exceptional items

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

Achievements in 2010
Profit before tax and exceptional items increased by 38.0%, only 9.0% away from the 2007 peak.

Profit before tax and exceptional items

£214.0m
+38.0%



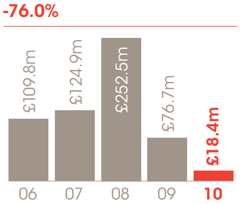
Working capital

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

Achievements in 2010
We have maintained our stock at our target of 1.5 months and have reduced working capital to £18.4m.

Working capital

£18.4m
-76.0%



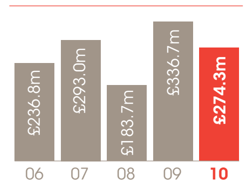
Cash generated from operations

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

Achievements in 2010
Our approach of selective capital expenditure together with our working capital control has enabled the Group to deliver operating cash flow of £274.3m.

Cash generated from operations

£274.3m
-18.5%



See online
www.inchcape.com/ar10

Operating review: **Group**

John McConnell
Group Finance Director

Sales

£5.9bn

+5.4%

Trading profit
before exceptional items

£248.1m

+27.9%

Working capital

£18.4m

-76.0%

Net cash

£205.8m

2009: £0.8m

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.

Our unique global business model and focus on our Top Five Priorities have delivered a robust earnings recovery and strong cash generation.

Performance indicators – Results

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**5,885.4**	5,583.7	5.4	2.6
Trading profit	**248.1**	194.0	27.9	21.9
Trading margin %	**4.2**	3.5	0.7ppt	0.7ppt
Like for like sales	**5,819.7**	5,490.3	6.0	3.1
Like for like trading profit	**246.7**	196.1	25.8	20.1
Like for like sales growth/(decline) %	**6.0**	(8.6)	14.6ppt	
Like for like trading profit growth/(decline) %	**25.8**	(21.5)	47.3ppt	
Profit before tax before exceptional items	**214.0**	155.1	38.0	31.0
Working capital	**18.4**	76.7	(76.0)	
Cash generated from operations	**274.3**	336.7	(18.5)	
Net cash	**205.8**	0.8	25,625.0	

The uneven global economic recovery continued in 2010. Demand for new and used cars improved particularly in Hong Kong, Australia, Belgium and Russia (in the second half of the year) whilst a number of our markets, Greece, Singapore, the Baltics and the Balkans declined. Against these market conditions we generated sales of £5.9bn, a growth of 2.6% compared to last year.

We retained our focus on margin improvement and the tight management of pre-exceptional operating costs, which increased only 0.6% compared to last year. This resulted in a 0.7ppt improvement in our trading margin to 4.2% and enabled us to deliver an operating profit before exceptional items of £225.5m, a 22.2% increase on 2009.

Our continued focus on the management of working capital resulted in a further £58.3m reduction to £18.4m, a historically low position. This enabled us to deliver a strong cash generation from operations of £274.3m.

Our net cash expenditure on investing activities was £37.3m lower than last year and our expectations primarily due to the timing of capital expenditure.

When combined with our strong operating cash conversion we ended the year with £205.8m in net cash, up from £0.8m at the end of 2009.

Retail business

In our retail businesses, strong sales growth of 6.4% versus 2009 and our continued focus on our Top Five Priorities resulted in a trading profit of £77.6m, an increase of 31.2%.

In the UK we continued to outperform the market, which grew by 1.8%, gaining market share and delivering sales growth of 1.6%. Rigorous margin and cost management resulted in trading profit growth of 15.4% and a 2.4% trading margin, a 0.3ppt improvement on 2009.

Our Australian retail business delivered strong trading profit of £14.6m, a 10.4% growth on 2009, with a trading margin of 3.9%.

Across Europe the challenging market conditions have resulted in a sales decline of 13.3% versus 2009. A consistent focus on cost reduction has resulted in £0.9m trading profit.

In Russia and Emerging Markets the strong market growth in Russia and a rigorous focus on costs in the Baltics have resulted in sales growth of 25.4% and an increase in trading profit for the segment to £12.7m.

Distribution business

Our distribution businesses have delivered a solid performance despite very challenging trading conditions, with sales of £2.5bn, 2.3% below 2009. Strong margin management, good aftersales performance and further cost reductions resulted in a trading profit of £170.5m, a 18.1% increase on 2009 and a trading margin of 6.9%, 1.2ppts better than 2009.

In Europe, market growth in Belgium and Finland (13% and 23% respectively) was offset by a significant market decline of 40% in Greece, where after a strong first quarter of vehicle sales, the economic conditions significantly deteriorated.

In our vertically integrated retail (VIR) business in North Asia, the Group delivered a strong trading profit increase of 69.3% as a result of significant market and share growth in Hong Kong. This was offset in South Asia by the continued decline of the Singapore market as a result of a 34% decline in the Certificate of Entitlement (COE) quota.

The market in Australia rebounded faster than expected, growing 10% and we held our market share, resulting in a strong trading profit of £47.9m for Australasia. Included in the result is a one off profit of £7.3m on the disposal of surplus property.

Strong market growth in South America and Africa and the benefits of the restructuring programmes in the Baltics delivered a £19.1m trading profit in the Russia and Emerging Markets segment. Included in the result is a £7.5m impairment cost on a property in Romania (2009: £4.2m).

Business analysis

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Retail	**3,429.5**	3,156.7	8.6	6.4
Distribution	**2,455.9**	2,427.0	1.2	(2.3)
Like for like sales				
Retail	**3,370.9**	3,083.4	9.3	7.1
Distribution	**2,448.8**	2,406.9	1.7	(1.8)
Trading profit				
Retail	**77.6**	56.4	37.6	31.2
Distribution	**170.5**	137.6	23.9	18.1

Regional analysis

	2010 Operating profit £m	**2010 Exceptional items £m**	**2010 Trading profit £m**	2009 Operating profit £m	2009 Exceptional items £m	2009 Trading profit £m
Australasia	**58.4**	**(4.1)**	**62.5**	37.9	–	37.9
Europe	**23.1**	**(4.7)**	**27.8**	26.8	(1.8)	28.6
North Asia	**34.0**	**–**	**34.0**	19.9	–	19.9
South Asia	**35.2**	**(0.9)**	**36.1**	55.9	–	55.9
United Kingdom	**47.5**	**(8.4)**	**55.9**	43.7	(3.0)	46.7
Russia and Emerging Markets	**28.1**	**(3.7)**	**31.8**	(7.1)	(12.1)	5.0
Central costs	**(22.7)**	**(0.1)**		(20.3)	(1.5)	
Operating profit	**203.6**	**(21.9)**		156.8	(18.4)	

Regional analysis

The Group reports its regional analysis in line with IFRS 8 'Operating Segments' which we adopted in 2009. This standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics.

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

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

Operating review: **Australasia**

Spencer Lock
Chief Executive Officer, Inchcape Australasia

Key financial highlights

Sales

£1,030.3m +35.1% (2009: £762.8m)*

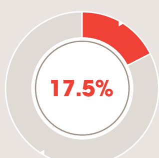
Trading profit

£62.5m +64.9% (2009: £37.9m)*

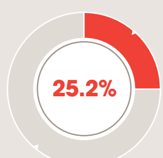
Operational highlights for the year

- Record sales for Subaru
- Strong aftersales performance

Contribution to Group sales



Contribution to Group profit



* at actual exchange rates

Our Australasian segment encompasses our businesses in Australia and New Zealand.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**1,030.3**	**762.8**	**35.1**	**14.8**
Retail	372.9	284.4	31.1	11.4
Distribution	657.4	478.4	37.4	16.8
Like for like sales	**1,026.5**	**762.8**	**34.6**	**14.3**
Retail	369.1	284.4	29.8	10.2
Distribution	657.4	478.4	37.4	16.8
Trading profit	**62.5**	**37.9**	**64.9**	**39.8**
Retail	14.6	11.2	30.4	10.4
Distribution	47.9	26.7	79.4	52.2
Like for like trading profit	**62.3**	**37.9**	**64.4**	**39.4**
Retail	14.4	11.2	28.6	8.9
Distribution	47.9	26.7	79.4	52.2
Trading margin (%)	**6.1%**	**5.0%**	**1.1ppt**	**1.1ppt**
Retail	3.9%	3.9%	-ppt	-ppt
Distribution	7.3%	5.6%	1.7ppt	1.7ppt

The market

The Australian market was stronger than expected in 2010, growing 10% versus the previous year, which was driven by a strong economy and boosted by a Government incentive scheme for the car industry.

Business model & strategy

We are the distributor for Subaru in both Australia and New Zealand. In addition we have multi franchise retail operations based in Sydney, Melbourne and Brisbane. These operations hold franchises for Subaru, Volkswagen, Mitsubishi and Kia. We own 23 retail centres and manage a network of 105 independently owned centres on behalf of Subaru.

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

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

Our operating performance

Supported by a strong Subaru brand campaign – *All 4 the Driver* – and new model launches, our distribution business achieved record sales volume and this, together with a significant improvement in wholesale parts sales, resulted in trading profit 52.2% ahead of 2009 at £47.9m. This includes the one off £7.3m gain on the disposal of surplus property; excluding this gain, trading profit was 29.0% higher than 2009.

Our retail business delivered a 10.4% increase in trading profit to £14.6m, as a result of a strong new and used vehicle sales and improved aftersales performance through successful call centre activities.

Outlook for 2011

We expect to see continued recovery in the Australian market in 2011 despite the end of the Government incentive scheme which ended in 2010.

We expect to benefit from the launch of the face-lifted Forester in January 2011 and new Impreza model in the fourth quarter.

We anticipate further fluctuations in currency rates in 2011 which may impact our gross margin performance. We have put in place currency hedging contracts to manage our JPY/AUD exposure on vehicles and parts purchases through to June 2011 and will put in place further coverage for the rest of the year at the appropriate time.

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

Operating review: Europe

George Ashford
Chief Executive Officer, Toyota Belgium

Aris Aravanis
Chairman & Managing Director, Toyota Hellas

Jean Van der Hasselt
Chief Executive Officer Russia and the Nordics

Key financial highlights

Sales

£870.9m -13.4% (2009: £1,006.1m)*

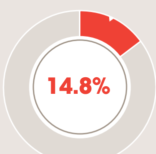
Trading profit

£27.8m -2.8% (2009: £28.6m)*

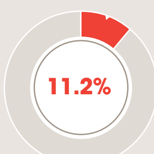
Operational highlights for the year

- Resilient performance despite challenging market conditions in Greece and the impact of product recalls

Contribution to Group sales



Contribution to Group profit



* at actual exchange rates

The Europe segment includes Belgium, Luxembourg, Greece and Finland.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**870.9**	**1,006.1**	**(13.4)**	**(9.6)**
Retail	169.6	204.3	(17.0)	(13.3)
Distribution	701.3	801.8	(12.5)	(8.6)
Like for like sales	**870.9**	**995.0**	**(12.5)**	**(8.6)**
Retail	169.6	193.2	(12.2)	(8.3)
Distribution	701.3	801.8	(12.5)	(8.6)
Trading profit	**27.8**	**28.6**	**(2.8)**	**1.6**
Retail	0.9	(1.6)	156.3	156.5
Distribution	26.9	30.2	(10.9)	(7.1)
Like for like trading profit	**27.8**	**29.0**	**(4.1)**	**0.1**
Retail	0.9	(1.2)	175.0	176.9
Distribution	26.9	30.2	(10.9)	(7.1)
Trading margin (%)	**3.2%**	**2.8%**	**0.4ppt**	**0.4ppt**
Retail	0.5%	(0.8)%	1.3ppt	1.4ppt
Distribution	3.8%	3.8%	-ppt	-ppt

The market

Belgium's market grew 13% compared to 2009 aided by the biannual Motor Show, held in January 2010, and by a Government CO_2 incentive in the first half of the year, targeted at small engine vehicles. The Greek market declined by 40% in 2010 having been significantly affected by the deteriorating economy and Government austerity measures introduced in the second quarter of the year. Finland started to recover in 2010 and the market grew by 23% compared to 2009.

Business model & strategy

In Belgium and Luxembourg we distribute Toyota and Lexus and own nine retail centres with a network of 89 retail centres operated by independent third party retailers. In Luxembourg we also have a retail centre for Jaguar.

In Greece we are the distributor for Toyota and Lexus, owning six retail centres and overseeing a further 47 which are independently owned.

In Finland we are the distributor for Jaguar, Land Rover and Mazda and own four retail centres managing 52 third party outlets.

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

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

Our operating performance

Despite challenging trading conditions across our European markets our businesses delivered £27.8m trading profit, an increase of 1.6%.

In Belgium, we delivered a robust performance despite the impact of the Toyota recall. Increased aftersales and higher used car margins helped offset a challenging environment in our vehicle segment.

In Greece, although trading profit declined slightly due to the difficult trading and economic conditions, we saw a record market share and an improved aftersales performance. In retail our focus on our Top Five Priorities broadly mitigated the impact of the economic decline.

In Finland, the improvement in the overall market combined with the impact of the restructuring in 2009 saw both the distribution and retail businesses deliver significant trading profit improvements.

Outlook for 2011

The outlook for our markets in Europe remains challenging for 2011 and we will continue to focus on growing market share, leveraging new product launches such as the new Auris Hybrid, the Lexus CT200h and the new Yaris as well as developing our aftersales business. Moreover, we will benefit from the cost restructuring implemented in 2010.

Whilst in Finland we anticipate further economic and industry recovery, in Belgium, in the absence of the Motor Show and no Government incentive scheme, we expect the industry to contract in 2011.

In Greece we expect the ongoing austerity measures to result in a continued decline in the market. To partially mitigate the effect of the industry decline we have reduced our cost base and will continue to focus on our Top Five Priorities.

Operating review: **North Asia**

Patrick Lee
Managing Director, Inchcape North Asia

Our North Asia segment contains the Group's vertically integrated retail (VIR) operations in Hong Kong, Macau, Guam and Saipan.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Distribution	**430.6**	312.2	37.9	36.8
Like for like sales				
Distribution	**426.2**	307.9	38.4	37.3
Trading profit				
Distribution	**34.0**	19.9	70.9	69.3
Like for like trading profit				
Distribution	**33.8**	19.6	72.4	70.9
Trading margin (%)				
Distribution	**7.9%**	6.4%	1.5ppt	1.5ppt

Key financial highlights

Sales

£430.6m +37.9% (2009: £312.2m)*

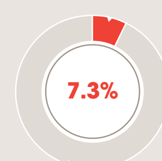
Trading profit

£34.0m +70.9% (2009: £19.9m)*

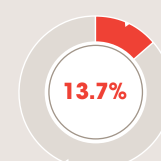
Operational highlights for the year

- Toyota was the fastest growing brand in 2010
- Strong growth in aftersales through innovative marketing programmes
- Inchcape in Hong Kong awarded the Toyota Triple Crown for 18 consecutive years

Contribution to Group sales



Contribution to Group profit



* at actual exchange rates

The market

The market in Hong Kong grew strongly in 2010 up 39% on 2009, reflecting the considerable improvement in consumer confidence and a stronger economy as a whole. Both private cars and commercial vehicles were significantly ahead of last year.

Business model & strategy

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

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

Our operating performance

The Group increased its market share in Hong Kong by 2.1ppts to 31.0% in 2010 despite a challenging competitive environment. Our performance benefited from a series of new and face-lifted model launches across the year including Toyota Prado, Previa, Wish and Vellfire, Lexus RX270, Mazda5 and Mazda6, and Jaguar XJ.

This strong market share performance has contributed to sales growth of 36.8%, a trading profit growth of 69.3% and an increase of 1.5ppts in trading margin to 7.9% for North Asia. New vehicle sales were the key growth driver but we also benefited from a strong growth in aftersales revenues and a strong margin performance.

Outlook for 2011

We anticipate the market will continue its recovery in North Asia in 2011. We will leverage another strong line up of product launches across all of the brands we represent, including Toyota Yaris, Camry, Auris HV, Alphard HV, Prius C, Lexus CT200h, Jaguar XK, Mazda3 and Hino 300. Further, we will continue to drive sales and aftersales through our industry leading Inchcape Advantage programmes such as our *Day to Remember* handover process.

Our controls on costs and cash will remain firmly in place.

Operating review: South Asia

Koh Ching Hong
Managing Director, Inchcape South Asia

Key financial highlights

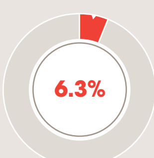
Sales
£371.8m -32.2% (2009: £548.2m)*

Trading profit
£36.1m -35.4% (2009: £55.9m)*

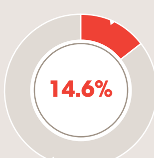
Operational highlights for the year

- Maintained a strong market position and resilient margin despite challenging market conditions
- Innovative marketing programmes continue to drive aftersales performance

Contribution to Group sales



Contribution to Group profit



* at actual exchange rates

The South Asia segment contains the Group's VIR operations in Singapore and Brunei.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales				
Distribution	371.8	548.2	(32.2)	(37.0)
Like for like sales				
Distribution	371.1	548.2	(32.3)	(37.1)
Trading profit				
Distribution	36.1	55.9	(35.4)	(39.9)
Like for like trading profit				
Distribution	35.9	55.9	(35.8)	(40.3)
Trading margin (%)				
Distribution	9.7%	10.2%	(0.5)ppt	(0.5)ppt

The market

The market in Singapore continued to decline in 2010 and ended the year 34% down on 2009, due to a reduction of the number of Certificates of Entitlement (COEs) available following the slowdown of deregistrations.

Business model & strategy

In Singapore we are the distributor for Toyota, Lexus, Hino Trucks and Suzuki. We have represented Toyota in Singapore since 1967 and been the Singapore market leading retailer by sales for eight consecutive years since 2002. We have held the Suzuki distribution franchise since 1977. We own and operate all six retail centres in the market.

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

Our operating performance

Although sales declined by 37.0% as a result of the fall in volume of new car sales in Singapore, South Asia delivered £36.1m trading profit with a 9.7% margin thanks to strong management of our sales mix, a tight gross margin control and reduction in the cost base.

As expected the market was down by 34% in 2010 as we saw a significant reduction in the COE quota following a lower level of deregistrations.

Aftersales outperformed the market in Singapore through effective targeted campaigns driving customer retention rates.

Outlook for 2011

2011 will be another challenging year in the Singapore market and we expect a further decline in new vehicle volumes.

We will aim to grow our market share with new model launches such as the Toyota Vios and Prius, Suzuki Kizashi and Swift and Lexus CT200h.

We will continue to protect our gross margin by defending our pricing power despite competitive pressure on price.

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

Our controls on cost and cash will remain firmly in place during 2011.

Operating review:
United Kingdom

Connor McCormack
Chief Executive Officer, Inchcape UK

In the UK we operate a scale retail business with 128 franchised retail centres representing the leading premium brands in the industry.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**2,125.8**	**2,085.7**	**1.9**	**1.9**
Retail	2,088.9	2,055.7	1.6	1.6
Distribution	36.9	30.0	23.0	23.0
Like for like sales	**2,111.0**	**2,043.5**	**3.3**	**3.3**
Retail	2,074.1	2,013.5	3.0	3.0
Distribution	36.9	30.0	23.0	23.0
Trading profit	**55.9**	**46.7**	**19.7**	**19.7**
Retail	49.4	42.8	15.4	15.4
Distribution	6.5	3.9	66.7	66.7
Like for like trading profit	**56.0**	**47.2**	**18.6**	**18.6**
Retail	49.5	43.3	14.3	14.3
Distribution	6.5	3.9	66.7	66.7
Trading margin (%)	**2.6%**	**2.2%**	**0.4ppt**	**0.4ppt**
Retail	2.4%	2.1%	0.3ppt	0.3ppt
Distribution	17.6%	13.0%	4.6ppt	4.6ppt

Key financial highlights

Sales

£2,125.8m +1.9% (2009: £2,085.7m)

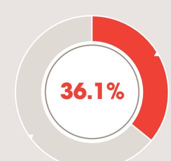
Trading profit

£55.9m +19.7% (2009: £46.7m)

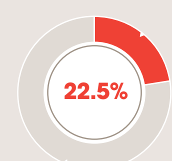
Operational highlights for the year

- Inchcape continued to outperform the market, growing market share by another 0.1ppt
- Successfully leveraged demand in the used car market
- Aftersales growth as a result of strong customer retention programmes

Contribution to Group sales



Contribution to Group profit



The market

The UK market performed better than expected in 2010, ending the year 1.8% above 2009. Momentum in the first quarter, driven by the extended Government scrappage scheme, continued through to the half year. The second half of 2010 experienced a year on year decline in the absence of the scrappage incentive.

Business model & strategy

We have scale operations in the core regions of the South East, Midlands, North and North East of England with a streamlined portfolio of 128 retail centres focused on premium brands. We aim to create significant differentiation by delivering an outstanding level of customer service through our Inchcape Advantage programme and to drive growth in aftersales and car finance penetration.

The distribution element of our results is made up of our fleet leasing business, Inchcape Fleet Solutions (IFS), which offers fleet management and leasing services to corporate and Government customers. With over 50 years' experience in the automotive industry, IFS has a combined fleet size of approximately 41,000 vehicles.

Our operating performance

We continued to outperform the market in 2010, growing market share by 0.1ppt, benefiting from new model launches across key brand partners and continued improvements in customer service. Our retail business delivered like for like sales growth of 3.0%, driven by market share growth and volume in new vehicles and market share gains in used vehicles; all supported by superior Inchcape Advantage processes. Aftersales performed ahead of last year and as a result of Inchcape Advantage initiatives (focused on appointment desk, follow-up calls, electronic vehicle health checks and loyalty offerings) and a continued reduction in overhead costs, trading margins have increased by 0.3ppts to 2.4%.

Our IFS business delivered a robust £6.5m trading profit in 2010, a 66.7% growth on the prior year as we benefited from successful end of contract extension deals. Rigorous control of costs in the year resulted in a trading margin of 17.6%, 4.6ppts ahead of 2009.

Outlook for 2011

2011 will be a challenging year for the UK market with economic uncertainty compounded by a 2010 comparison which included the impact of the scrappage scheme. The industry forecast is for the new car market to be at 1.9m.

We will launch a number of new models across various brands in 2011, including Mercedes-Benz CLS, Volkswagen EOS, Lexus CT200h, Audi A6, Range Rover Evoque and BMW X6 and will further focus on market share gains through driving improved customer traffic from our Inchcape Advantage programmes.

We will also target increases in aftersales through an upgraded customer call centre and target increased customer retention rates.

Our controls on costs and cash will remain firmly in place.

Operating review:
Russia and Emerging Markets

Bertrand Mallet
Managing Director
Emerging Markets

Jean Van der Hasselt
Chief Executive Officer
Russia and the Nordics

Key financial highlights

Sales

£1,056.0m +21.6% (2009: £868.7m)*

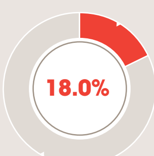
Trading profit

£31.8m +536.0% (2009: £5.0m)*

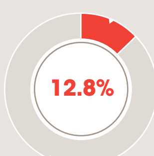
Operational highlights for the year

- Strengthened positions in Emerging Markets and delivered results significantly ahead of 2009
- Capacity expansion in Moscow, well positioned for market recovery in Russia
- New Jaguar Land Rover site in Shaoxing opened in December 2010

Contribution to Group sales



Contribution to Group profit



* at actual exchange rates

The Russia and Emerging Markets segment contains the Group's operations in Russia, the Balkans, the Baltics, Poland, China, South America and Africa.

	Year ended 31.12.2010 £m	Year ended 31.12.2009 £m	% change	% change in constant currency
Sales	**1,056.0**	**868.7**	**21.6**	**19.2**
Retail	798.1	612.3	30.3	25.4
Distribution	257.9	256.4	0.6	3.4
Like for like sales	**1,014.1**	**832.7**	**21.8**	**19.4**
Retail	758.2	592.2	28.0	23.2
Distribution	255.9	240.5	6.4	9.3
Trading profit	**31.8**	**5.0**	**536.0**	**601.0**
Retail	12.7	4.0	217.5	169.8
Distribution	19.1	1.0	1,810.0	11,544.7
Like for like trading profit	**31.0**	**6.5**	**376.9**	**424.6**
Retail	12.6	3.5	260.0	203.6
Distribution	18.4	3.0	513.3	938.5
Trading margin (%)	**3.0%**	**0.6%**	**2.4ppt**	**2.5ppt**
Retail	1.6%	0.7%	0.9ppt	0.9ppt
Distribution	7.4%	0.4%	7.0ppt	7.5ppt

The market

Recovery started in many of our emerging markets in 2010. The Russia market grew by 35% aided by a Government scrappage scheme, China continued to enjoy significant growth up 31% and our South American markets increased by 50%. Poland and the Baltics grew by 2% and 9% respectively in 2010. Continued economic uncertainty and a lack of available credit resulted in a decline of 30% in the Balkans.

Business model and strategy

In Russia we operate 21 scale retail centres in St Petersburg and Moscow representing 13 brands.

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

In the Baltics we operate VIR for Mazda, Jaguar and Land Rover and retail BMW, Mitsubishi and Hyundai with a total of 22 retail centres.

In Ethiopia we operate VIR for Toyota and in South America as distributor for BMW with 11 retail centres in total.

In China we have four scale retail centres for Toyota, Lexus, Jaguar and Land Rover in Shanghai and Shaoxing.

Our operating performance

Our businesses delivered results significantly ahead of 2009 with a 19.2% growth in revenue and a trading profit of £31.8m; £19.1m in distribution and £12.7m in retail. As a result of margin management and cost reductions, our trading margin increased 2.4ppts to 3.0%. Included in the distribution result was an impairment of land value in the Balkans of £7.5m (£4.2m in 2009).

In Russia, our market share improvement and a focus on cost management has delivered an underlying trading profit of £14.4m.

Our Polish business delivered a record profit whilst in the combined regions of the Baltics and Balkans we have improved our financial performance despite challenging market conditions.

Our performance in Ethiopia was strong due to customer management initiatives and our growing aftersales business which enabled us to deliver a record profit. Our South American operations exceeded our expectations with the market rebounding well following the earthquake earlier in the year.

Our China business continues to grow with a new Jaguar Land Rover retail centre opening in Shaoxing in December 2010.

Outlook for 2011

We expect to see further recovery across many of the markets in 2011, with market growth forecast in Russia, China, South America, Africa and the Baltics, while we expect the Balkans to remain flat.

We will continue to improve our competitive position through superior operating and customer service processes and benefit from new product launches which we will leverage with focused marketing campaigns.

We continue to grow aftersales through programmes to drive traffic and vehicle health checks and our controls on costs and cash will remain firmly in place.

We will expand our retail capacity to meet the increased demand with investment in facility expansion in Moscow, Wroclaw, Santiago and Lima.

Finance review

The Group has delivered results ahead of our expectations.

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

Central costs

Unallocated central costs for the full year are £22.6m before exceptional items (2009: £18.8m). The year on year increase is principally driven by increases in share based award costs following the growth in the share price.

Joint ventures and associates

The share of profit after tax from joint ventures was a loss of £1.7m driven primarily by a net loss in our Greek joint venture, as a result of the significant market impact of the austerity measures in the market.

Exceptional items

We have reported exceptional costs of £21.9m for 2010 which relate to a global restructuring exercise conducted in the fourth quarter of 2010, to ensure we continue to maintain an organisation structure and cost base which reflects trading conditions across the Group. The costs relate to a reduction in headcount and disposal of 15 underperforming sites and write off of associated goodwill.

Net financing costs

Net financing costs for the full year of £9.8m are £11.0m lower than 2009 as we benefited from strong cash generation across the Group, lower interest rates in many of our markets and lower levels of debt.

The hedging arrangements in place for the US$ Private Placement resulted in a net gain of £2.0m for 2010 (2009: £0.9m).

Tax

The effective tax rate before exceptional items for the year is 29% compared to 28% in 2009. This marginal increase has arisen due to the mix of profits across the territories in which we operate. The rate is expected to be similar for 2011.

Non controlling interests

Profits attributable to our non controlling interests were £5.1m, compared to £3.0m in 2009. This increase was largely due to increased profits in our Australia business. At the year end, the Group's non controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Foreign currency

During 2010, the Group benefited by £9.9m from the translation of its overseas profits before tax into sterling at the 2009 average exchange rate.

Cashflow and net debt

The Group's operations have delivered a strong cash generative performance in 2010. The Group's focus on tight working capital management has delivered a further £58.3m reduction to £18.4m, a historically low position. The Group has invested £44.3m in capital expenditure during the year. At the end of 2010 we had £205.8m in net cash.

The year end net cash position has enabled the Group to review and cancel £225.0m of undrawn borrowing facilities.

Dividend

The Board recommends a final ordinary dividend of 6.6p per ordinary share which is subject to the approval of shareholders at the 2011 Annual General Meeting. No interim dividend was paid in 2010.

Pensions

During the year, and in line with the funding programme agreed with the Trustees in 2009, the Group made cash contributions to the UK defined benefit scheme amounting to £28.4m (2009: £34.7m). A revision of market and actuarial assumptions for the UK defined benefit schemes has resulted in a closing deficit on Group schemes of £22.2m, compared to a deficit of £74.8m in 2009.

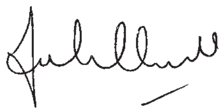
Acquisitions and disposals

We invested £10.7m in a joint venture with the Independence Group of Companies to establish a Toyota Retail Centre in Moscow. In addition, we had a further £2.2m payment for Musa Motors.

Capital expenditure

The Group continues to work closely with its brand partners to minimise the level of capital expenditure while maintaining the required operational standards and as a result net capital expenditure additions were £19.5m in 2010, which includes £24.8m of disposal proceeds relating primarily to the sale of surplus land in Australia. The Group has continued to make strategic investments by opening a new Jaguar Land Rover site in Shaoxing in China.

The Group also continued with its implementation plans for SAP, with a focus on development in Russia.



John McConnell,
Group Finance Director

7 March 2011

See online
www.inchcape.com/ar10

Principal risks

The Group applies an effective system of risk management which identifies, monitors and mitigates risks. Further details of the Group's risk management process can be found on pages 35 – 36.

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 along with the mitigating actions in place.

Strategy

Description of risk	Impact	Mitigation
Failure to deliver on our Top Five Priorities: growing market share; growing aftersales; improving margin; controlling working capital; and selective capital expenditure	We do not increase our profits, revenues and margins. There may be an impact on our relationships with the brand partners we represent	• The Group is investing in its Inchcape Advantage and Customer 1st programmes to ensure that we win new customers and retain existing ones – with particular emphasis upon retaining customer loyalty in respect of older vehicles • Group-wide focus on working capital (particularly aged stock) reduction • Obtaining favourable credit terms and making improvements in supply chain management • Thorough reviews of all proposed capital expenditure

Finance and treasury

Description of risk	Impact	Mitigation
Funding and liquidity risk	Unable to meet obligations within available committed facilities	• The Group maintains sufficient committed facilities to meet forecast debt requirements and ensure adequate headroom is maintained
Currency risk	Transactional foreign exchange exposures as a significant proportion of Group trading is denominated in local currency	• Where possible, foreign exchange exposures are matched internally before hedging externally • Where businesses are billed in a foreign currency, committed transactional exposures are hedged back to the reporting currency
Interest rate risk	Increase in net interest	• Continuous monitoring of short and long term rates • Group policy permits the fixing of gross borrowings at fixed interest rates if deemed appropriate by management
Counterparty risk	Credit losses	• Approved counterparties and approved credit limits with regular review

Brand partners, key relationships and reputation

Description of risk	Impact	Mitigation
Not sustaining current relationships with brand partners	Impact on our ability to retain existing businesses on contract renewal and to take on new opportunities	• Constant focus on performance, effective communication and ensuring that our objectives are closely linked to those of our brand partners
Ability to continue to partner with brand partners best placed to deliver competitive technologies	Impact on ability to deliver on strategy through lack of competitive products	• Relationships with brand partners best placed to invest in technology

Systems and technology

Description of risk	Impact	Mitigation
Failure to appropriately support the business operations	Fraud Loss of competitive advantage	• Strategy in place to invest in new systems and technology • Investments made to support legacy systems

People, including EH&S

Description of risk	Impact	Mitigation
Failure to attract, develop and retain talent	Unable to deliver business plans Employees who lack motivation and engagement	• Global annual performance management process • Talent review and planning process • Internal annual employee engagement survey and action planning • External benchmarking of remuneration • Succession plans in place for key positions

Economic, political and environmental

Description of risk	Impact	Mitigation
Corporate responsibility risk	Loss of reputation as a good corporate citizen	• Global corporate responsibility programme
Increased demand for greener technologies	Consumers seek alternate vehicles	• Group works closely with brand partners who recognise their environmental responsibility
European markets recover more slowly due to Governmental austerity measures.	Lower purchases of new vehicles	• Group has multi-market strategy with a presence in Asia-Pacific and Emerging Markets where the potential for strong growth is forecast • Group has multi-channel business model including used cars and aftersales which reduce dependency on a single revenue stream

Legal and regulatory

Description of risk	Impact	Mitigation
Litigation and regulatory risk	Litigation or breaching the laws or regulations of the countries in which we operate could have a financial and/or reputational impact	• The Group ensures that it obtains timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of detriment or non-compliance • Processes are in place which are aimed at reducing the potential for litigation and for escalating any problems which do arise with a view to managing the exposure appropriately • The Group has a risk management programme in place aimed at preventing issues from arising where possible and managing any that do crystallise

Tax, pensions and insurance

Description of risk	Impact	Mitigation
Risk arising out of the Group's defined benefit pension funds	Increase in contributions in the event of adverse change in the schemes' financial position or to fund increases in future benefits	• The Group maintains an open dialogue between the Company and Trustees • The Group employs specialist staff that manage the ongoing compliance and financial health of the schemes • The schemes' funding position is monitored quarterly

Corporate Responsibility

At Inchcape, we recognise that Corporate Responsibility (CR) is a long term programme. Our approach is to ensure that we make responsible, economic, environmental and social behaviour intrinsic to the way we work. Inchcape's CR Programme is recognised by our continued inclusion in the FTSE 4 Good index. We also take part in the Carbon Disclosure Project's review and have qualified and registered for participation in the UK Government's Carbon Reduction Commitment scheme.

At Inchcape, we take responsibility for the impact of our activities on five core areas and our key developments during 2010 have focused on these:

- Our environment page 26
- Our people page 27
- Our brand partners page 28
- Our customers page 28
- Our communities page 29

Our responsibilities

This section of the Annual Report sets out the Group's key principles of its Corporate Responsibility (CR) Programme and how we have taken further steps in our CR journey.

In particular, building on our programme in 2008 and 2009, throughout 2010 we have been collecting data to enable us to measure the Group's CO_2 footprint and discuss these steps below. We have been developing our CR initiatives for our customers and our people. Finally, we have provided highlights of some of our achievements in respect of the Group's impact on the communities within which our many businesses operate.

We continue to be committed to integrating socially responsible behaviour into every aspect of how we operate and define ourselves. We believe that our commitment to CR will deliver a sustainable approach to our business for all of our stakeholders and their varying needs. To this end, when we reviewed the approach to our CR journey in 2007, we specifically reviewed, with the assistance of an external consultancy, our stakeholders and their needs. We review this on an annual basis across our markets and engage with them during the course of the year on our approach.

Our CR Committee

To emphasise the importance of CR, this year we established a Board CR Committee which met four times in 2010. It is chaired by David Scotland, a Non-Executive Director. Its members in 2010 were Michael Wemms, a Non-Executive Director, the Group Chief Executive, Group HR Director and the General Counsel and Group Company Secretary. Day to day management of CR activities are delegated to an operational CR Committee which meets monthly at the Group's head office and to local CR Committees and Champions within each of our businesses.

Governance and management

Good governance is a fundamental element of CR. We have clear goals, which are effectively communicated and have demonstrated strong leadership, strong performance management and transparent reporting. As a UK listed

Our CR journey

CR is an evolving journey. We have taken a number of steps which have resulted in significant progress in raising awareness of CR issues and in changing the way that we operate and how we can help our customers. We believe that CR is an important part of our future and we are committed to building on the good work that has been done to date.

The past 160 years
Inchcape has a heritage of integrity and a history of caring for its local markets, its people and its customers

2007
Customer 1st 'strengthen and expand' corporate strategy defined

Focus on encouraging local community support

2008
Core purpose defined, values refreshed

People strategy announced

2009
CR strategy implemented and KPIs listed

Focus on CO_2 emissions tracking for the Group

2010
Continued focus on CO_2 emissions tracking for the Group

Raising employee engagement through various initiatives company, we are required to comply with a variety of legislation including the UK Corporate Governance Code. Details on our approach and how we have complied are set out at www.inchcape.com/about_us/governance.

Subsidiary governance

The Group has in place minimum standards across all of its subsidiaries. These polices are set out in the Group's Subsidiary Governance Manual and compliance is verified annually, through the year end reporting processes and through Internal Audit reviews. These policies – recognising that there may be variances in local laws – require that each subsidiary complies to at least the standard set out in the Group policy and to a more stringent standard where required by local law. In this way, the Group can ensure that despite variances there is a consistent approach to business taken across all core functional activities, including legal, governance, tax, treasury, finance and HR.

Financial

Financial stability and viability is essential to the operation of the Company and therefore the sustainability of the Group and all its initiatives. As set out on page 8 of the Group Chief Executive's strategic review, we are focusing on our Top Five Priorities. This allows us to be efficient with our resources and to benefit from the growth opportunities in emerging markets.

Verification and assurance

The Board is responsible for the strategic direction of all CR initiatives, and the programme as a whole, as part of the risk management programme. The Board is ultimately accountable to our shareholders for our CR Programme. Management of the CR Programme has been delegated to the CR Committee. Above all, the CR Committee's role is to ensure that our day to day business operations respond to the opportunities, and avoid the risks, posed by CR issues.

Through a network of locally based CR Champions, employees with global and local responsibilities, support the work of the CR Committee. Our activities are focused through our CR Aware campaign.

Health and safety is reviewed by Group health and safety officers and as part of the Internal Audit Programme.

Human resources data is reviewed and verified ultimately by the Group HR Director. Community engagement data is reviewed by the CR Committee and the Executive Committee.

Other information presented is reviewed by the relevant functional experts.

Progress against our 2010 goals

In 2009 we focused on a small number of core steps that would cement the foundations of our long term CR Programme and allow us to develop a world class approach in the future. We not only met, but exceeded our goals in 2009. Having established these solid foundations, in 2010 we looked to embed these practices in our global operations, particularly focusing on our people and our CO_2 footprint management.

Objective	What we did	Goal attainment
Raising employee engagement through the various initiatives from our people strategy including significant reward and development plans	• All employees were part of the appraisal process • All senior employees were part of the talent review process • All senior employees have individual development plans	✓
Extending our employee survey to our global employee base	• We continued to implement Heartbeat, our employee survey, across the Group • Action plans were implemented to build on results	✓
Extending best practice in health and safety to our operations worldwide	• We measured and monitored our accident rates and agreed, on a market by market basis targets for reduction • We reviewed time lost through accidents and monitored the impact on business	✓
Supporting our communities in which we operate through focused initiatives	• We continued to focus on appropriate local initiatives	✓
Continued collection of CO_2 data in order to establish trends and seasonal variations and eliminate practices which do not support both our CO_2 and business strategies	• We continue to collect CO_2 data, simplifying the system by implementing an automated data collection process • We performed analysis to identify trends	✓
Identification of CO_2 reduction and/or offset opportunities for our core markets	• Based on above, we are constantly reviewing the opportunities to positively impact our CO_2 footprint in support of our objectives, our shareholders, our brand partners, our customers and employees	✓

Our 2011 goals

CR is firmly embedded within our Group and we seek to harness the energies of our employees to ensure that we have a positive impact on all that we do, wherever we do it.

Objective	What we will do
Raising awareness of local CR activities and employee engagement through the 'Green Baton' initiative	• Each of our markets to showcase local CR initiatives for a designated period during 2011
Identifying opportunities to demonstrate and share our best practices within our industry	• Work with industry bodies to share the learnings we have from two full years of data collection on improving retail centre efficiencies
Extending best practice in health and safety to our operations worldwide	• Continue to measure our accident rates and agree targets for reduction • Review time lost through accidents and continue to monitor impact on business
Continued support of the communities in which we operate through focused initiatives	• Encourage local initiatives and provide support for these
Building on the data collected to date, continued collection of CO_2 data to perform further trend analysis, eliminate unproductive activities and ensure data is as robust and reliable as possible	• Continue to collect CO_2 data • With greater depth of data, perform more detailed qualitative and quantitative trend analysis • Review opportunities to improve our positive impact on our communities, shareholders, brand partners, customers and employees
Identification of CO_2 reduction and/or offset opportunities for our core markets	• Based on the above, review the opportunities which positively impact our CO_2 footprint to support our objectives, our shareholders, our brand partners, our customers and employees

Our environment

In 2008, the Group commenced collecting data on its CO_2 footprint, measured against three Key Performance Indicators (KPIs).

Energy	This KPI measures our global electricity and gas usage. Since 2008, data has been collected on the basis of megawatt hours for electricity and cubic metres for gas.
Transport	This KPI measures the movement of cars and parts from the point of ownership (which means legal or contractual ownership) to the point we cease to have legal ownership. This includes test drives. We calculate our CO_2 footprint by car or parts kilometres depending on the mode of transport with a CO_2 multiplier.
Flights	This KPI measures the impact of the movement of our people. We have recorded the number of flights (each flight leg counts as one unit) and calculate our flight CO_2 emissions with a multiplier by flight kilometre.

At the start of 2009, we refined the process to ensure that the collection of CO_2 data was sufficiently robust and to build on the experiences gained in 2008. In 2010 we have followed the same reporting basis, but in order to facilitate the data collection process, we moved during the second half of the year to a more automated process. This makes the process more efficient and will allow us to prepare reports and carry out analysis on the data more easily.

This data collated has started to provide us with insights into our CO_2 footprint, particularly now that we are building month by month comparisons. We still consider that additional data collection is required in order to provide meaningful guidance.

Namely:

- Additional data is required in order to understand if there is an impact of seasonality on our data usage;
- Whilst there are early indications of trend patterns in the data, there is insufficient data to establish if these are actual or perceived trends. In particular, as 2009 was the first full year of reporting on the new basis and was a difficult year due to the global recession, it is not apparent at this stage how representative the 2009 data will be;
- Verification and robustness of our data remains key. We are ensuring that from the start of the process we are building in sufficient control points so that our data is capable of independent verification as part of our overall planning process for this element of our CR Programme.

Measuring our direct costs using a CO_2 metric will present opportunities to work closely with our brand partners as we can support their CR values and vice versa, ensuring that there is a consistent approach throughout all elements of the supply chain.

We have ensured that all travel is necessary and have used alternative communications where practicable, such as conference calls, video conferencing and virtual offsite meetings. The cultural change in our ways of working has been implemented positively.

We have already introduced a number of measures into our offices designed to protect our environment. These are highlighted in our code of best practice that is shared across the Group .

As Inchcape operates three routes to market – distribution, retail and VIR (please see www.inchcape.com for more detail) – there are variances in our CO_2 footprint across these channels. Direct comparisons between markets' operating channels are unlikely to produce meaningful results. However, we are looking for opportunities to exploit synergies between the channels by having a consistent approach to reduction and offsetting goals and by sharing best practices.

In addition, there are significant variances between our markets engaging in similar activities e.g. between distribution markets. We measure CO_2 responsibility from the point where we have control, for some distribution markets, such as Australia where this control extends to the point of shipment, compared to other markets such as Belgium, where our control commences in-country. Therefore, we will need to devise a sliding scale of targets as a 'one size fits all' approach will not complement our business, nor allow meaningful CO_2 management objectives to be set.

2010 analysis

We are looking at how the data collected can provide meaningful insights into our CO_2 footprint and therefore how we can ensure that our activities have a positive impact. We have carried out initial analysis which shows how many CO_2 tonnes we produce per pounds sterling of revenue against each of our KPIs.

The actual figures produced are of limited relevance until we have sufficient data to analyse the significance of any trends that emerge. However, the early analysis does show that there is an opportunity to reduce our CO_2 footprint by implementing changes in how we rely on utilities, particularly electricity and gas in our retail centres. We are looking at how this can be implemented and the potential for a positive impact.

Our people

During 2010 we continued our rigorous focus on our Top Five Priorities – growing market share, growing aftersales, improving margins, controlling working capital and being selective with our capital expenditure. This has meant a continued focus on our cost base. Despite this, our customer and employee satisfaction and engagement scores remain at high levels and our clearly defined people strategy continues to have a positive impact.

Our people strategy has the ultimate goal of having 'Engaged People in Winning Teams'. We believe that in our business it is only when our people are fully engaged that we will see the fruition of our business strategy. After all, it is only when our employees really want to give the best customer service that we will become the most customer-centric automotive retail company in the world.

We continue to believe that this goal will be achieved through four areas of priority:

The Right People – by becoming a magnet for talented people who live our values and enjoy working in winning teams delivering outstanding results;

The Right Learning – by equipping our people to excel today and providing exciting development opportunities for the future, aligned to our business strategy;

The Right Reward – by recognising, celebrating and rewarding the contribution our people and teams make to delivering our challenging business ambition;

The Right Culture – by creating a great place to work, where people choose to make a real difference and deliver the ultimate customer experience for our brand partners.

Our employee base is diverse and reflects the different cultures and markets within which we operate. This diversity creates a range of perspectives that allow us to constantly challenge and improve the way we do things as we work towards our goal of putting the customer at the centre of our business.

Talent and performance management

Talent planning and performance management sits at the heart of our people strategy as we look to ensure we have the right people in every role. Whilst our processes are continuous, there is a more detailed review and planning session conducted within each of our markets and at head office at least once a year. 2010 was the fourth year for this process. The processes are designed to ensure that we constantly upgrade our talent and look to create the right development opportunities for all our people.

Arising out of the talent planning process we have made several key people decisions, including secondments, promotions, lateral development moves, mentoring, and in many cases enhanced the development plans of the individual on-the-job. As a global business we are also able to provide international opportunities to our people and this allows us to create even more stimulating career paths and personal growth for many of our talented people. In 2010 we have made changes within the Group Executive Committee and each of these changes was a consequence of this talent planning process.

Our analysis continues to validate our belief that talented people who are fully engaged and aligned with our Company's leadership skills and values, yield higher levels of customer satisfaction and profit.

In the future, we will continue to focus our efforts on ensuring that each of our employees has a meaningful growth plan that takes into account their strengths, development areas, aspirations as well as the needs of the business. We recognise that each individual has their own unique growth style and requirements and that the nourishment of this growth is core to the growth of the individual and, through that, the growth of the Company.

Ethical behaviour

The Group's business ethics policy defines the core ethical behaviours expected of all employees. In particular, the Group:

- Has zero tolerance of bribes or facilitation payments;
- Has a zero tolerance of fraud or theft;
- Has a strict limit to the value of corporate hospitality given or received, including the provision or receipt of gifts;
- Does not make political donations or incur political expenditure;
- Seeks to avoid actual or perceived conflicts of interest;
- Prohibits the misuse of information;
- Conducts appropriate due diligence in the selection of our joint venture and other partners.

Employee communications

During 2010, more than ever before, we have regularly communicated with our employees to ensure they were always well informed of the forces acting on us as a Company, the state of the automotive industry and the actions we were taking to address these. Through the various forums and channels of communication we were able to create much higher levels of involvement with our people on business priorities. This was achieved in several ways, including Group Chief Executive roadshows, monthly employee meetings, a monthly Group-wide newsletter, weekly customer letters, and through cascading messages through line managers.

Employee survey

Our annual Heartbeat survey is an important part of our overall employee engagement programme. We encourage our line managers to use the results of the survey to create action plans that will help their teams increase levels of engagement. We were delighted that well over 90% of our entire Group's population participated in the third year of Heartbeat in 2010. We have seen an increase in the levels of engagement in our people and going forward we intend to continue this process.

The Heartbeat survey is conducted for us by the Gallup organisation, which is the world's leading provider of employee surveys. This allows us to benchmark our progress against other world class companies, as well as providing us with deep insights at a team level into the areas we need to work on to further increase engagement.

Employee reward

We recognise that it is our culture, our values, and the opportunities we provide our people that attracts talented individuals to us. However we also recognise the need to have well benchmarked, stretching yet stimulating reward opportunities for everyone. Our management incentive programmes have elements relating to customer satisfaction in addition to financial measures. As we have reported in the Director's report on remuneration, this year we have undertaken a thorough review of our Group remuneration strategy to ensure that we continue to align rewards with the specific needs of our business. In addition we have several local and Group-wide schemes aimed at recognising people for high levels of performance and for demonstrating our values.

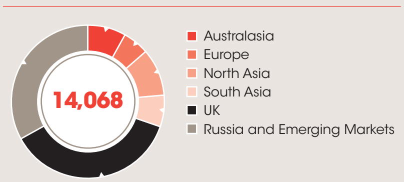
Employee safety

The safety of our people is of paramount importance to us. Many of our people handle hazardous substances and work with heavy machinery. We report and monitor accidents and lost time incidents to ensure that the safety of our staff and customers remains at the top of our agenda. We regularly review our policies and procedures for our people and have appropriate training programmes in place.

The 2010 results are set out below. There is no specific trend or consistency of accidents that has occurred, either in a given location or across the Group.

Location	%	Accident no.
Australasia	5	8
Europe	6	9
North Asia	19	29
South Asia	3	5
UK	54	80
Russia and Emerging Markets	13	19
Total	100	150

Average number of employees 2010



See note 3f on page 74

In our business we seek to eliminate discriminatory practices and to promote the support of fundamental human rights in all of our operations.

We support our brand partners in seeking to enforce positive labour practices including the eradication of child labour and a safe working environment. We support freedom of association and, as applicable, collective bargaining arrangements.

Driven by our values

We believe it is the enthusiasm and understanding of our people that will shape and empower Inchcape's CR culture.

We combine the local knowledge, enthusiasm and expertise of our employees worldwide with our clearly defined values – Respect for each other, Winning together, Treating every £ as our own, Integrity without compromise, Pioneering new ideas, Passionate about customers, Caring for our environment – standards and policies to enable us to contribute responsibly and sustainably to society.

For more information please visit our website www.inchcape.com/about_us/values

Our brand partners

We carefully select the brand partners that we choose to work with in each market. The automotive industry has made significant progress in reducing vehicle emissions and we fully support the investment that is being made by our brand partners in this area.

In the UK, average new car emissions have fallen by over 13% in the last 10 years. The biggest impact that motorists could have on the environment is replacing older high emission vehicles and having their cars regularly serviced. Improvements in emissions have been achieved in all vehicle segments.

As an industry leader, Inchcape is close to CO_2 related technological developments.

Inchcape brand partners CO_2 emissions

	2009	**2010**
Average CO_2 g/km	145.75	**141.55**

This represents a decrease of 2.9%

Our customers

We place great importance on the quality of our customer service and as part of our Customer 1st strategy, in 2007 we launched the Inchcape Advantage programme to deliver outstanding customer service "every time, every day, everywhere". In 2008 the programme was expanded to include our aftersales operations.

Following extensive consumer research, we developed and implemented superior customer processes, training and systems throughout our retail centres. In particular, this has allowed local managers to set targets for each centre based on customer satisfaction measured through Net Promoter Score (NPS) and sales and service funnel management analysis.

We have introduced a system for tracking daily customer information for both sales and aftersales operations, including retail centre traffic, sales leads, test drives and vehicle and service orders. Additionally, we have introduced key aftersales operational metrics that not only track our monthly performance, but allow us to benchmark our businesses across all our markets.

Results are collected and monitored daily through a dedicated award-winning web portal. This information is aggregated overnight, providing reports and comparisons against brand, country, region and across time periods. This allows us to measure, for example, the number of orders taken as a percentage of leads and to set targets accordingly. Importantly, these leading indicators give local management detailed insight into particular markets.

Our customer understanding is facilitated by a mystery shop carried out in each of our retail centres' sales and aftersales operations and by quantitative analysis of our NPS results. Here, on a monthly basis, each retail centre submits feedback from 20 buyers and a further 20 non-buyers about their experience at the centre. This exercise is also undertaken with aftersales customers.

Guidance on best practice as well as detailed recommendations on opportunities to improve customer service are accessible to all retail centre employees and we actively pursue knowledge sharing via the network of Inchcape Advantage champions present in all of our businesses.

We use the Inchcape Advantage programme to monitor both our own performance as retailer for our brand partners, and the performance of our third party retailers where we manage the retail network as the distributor.

We believe that this focus on customer service and sales technology helps us deliver a superior retail experience to our customers. Further, improved customer service sets us apart from our competitors and builds loyalty, resulting in stronger relationships with our brand partners and leaving the Group better positioned to grow market share.

Customer 1st in 2010

- We carried out approximately 2,800 mystery shop exercises in 237 retail centre show rooms across the Group.
- We carried out approximately 2,300 mystery shop exercises in 246 service sites across the Group.

- We talked to over 85,000 customers for our vehicle sales NPS programme, 2,000 more than 2009.
- We talked to over 76,000 service customers for our Aftersales NPS, 20,000 more customers than 2009.

Our NPS performance has improved again across the Group in 2010 in both sales and aftersales.

Supporting our customers

We are committed to providing clear information to our customers to help support them in their vehicle purchase choices. This is provided in our showrooms and on our websites.

As part of providing a customer focused aftersales service, we offer an environmental Vehicle Health Check which includes:

- Tyre pressure check
- CO_2 test and emissions test
- Air condition check
- Engine lubricant test
- Emissions test

In some of our retail centres, customers are offered a free Green Test Drive when they visit us for vehicle maintenance. The Green Test Drive shares tips with the customer on how to drive more efficiently, how to improve their environmental impact and ultimately how to reduce their vehicle running costs.

We also have accessories available that help our customers manage their environmental footprint, including low rolling resistance tyres, which can reduce CO_2 emission by around 2% and lower engine friction lubricants, which can reduce CO_2 emission by around 1%.

Our communities

Inchcape's extensive international interests allows the Group to support many different communities and cultures within our operating markets, often through sponsorship and support of local charities for local people. We believe that each business selecting and supporting local initiatives gives us the best opportunities to engage with and work closely in the communities in which we operate. We have highlighted some of the work that we have been undertaking in our communities in the following case studies.

Sponsorship of Children's Soccer School in Hong Kong

Our business in Hong Kong, Crown Motors, sponsored the Arsenal Soccer School for children aged from five to 12. Inspired by Toyota's 'Live Young' campaign, the initiative helped to encourage over 100 young people to take up the sport, get fit and develop a positive attitude and sense of teamwork. Matches have been held in Hong Kong between teams and the children have established great friendships.

Inchcape Australia supports an exceptional team member

In April of 2009, a young Service Advisor, Jerome, in the Inchcape Australia team was involved in a serious motor bike accident, leaving him paralysed from the waist down and confined to a wheelchair. Within weeks, colleagues rallied together and raised over AUD$28,500 to help him and his family with medical costs and costs of modifying their home. Throughout his recovery, Inchcape Australia kept in touch with Jerome and, in late 2010, he was able to go back to work in a technical customer relations role, providing expert advice. Jerome has continued to work for the brand he loves and is dedicated to delivering outstanding customer service. Inchcape Australia has been fortunate enough to retain this talented and dedicated member of staff, with a long and bright career ahead of him.

Belgium team donate car to local community hero

Sister Florentine, who has been living in Burkina Faso for the past 20 years, works tirelessly to help local communities with education and health issues. She had a 17 year old Land Cruiser in which she travelled at least 500,000 miles, and was in desperate need of a new vehicle. Toyota Belgium was able to offer her a new Toyota Hilux, which was shipped to Burkina Faso in a container – also filled with generous donations of children's clothes from our staff in Belgium. These were distributed to local communities and Sister Florentine put her old Land Cruiser to rest and is now driving from village to village with her new Toyota Hilux.

Inchcape supports the Mother and Child Rehabilitation Centre (MCRC) in Ethiopia

This fantastic charity takes in extremely disadvantaged children from Addis Ababa and beyond, provides shelter, food, education, medical care and therapy for children and their parents. MCRC aims to help them recover from past traumas and equip them through employment and professional training with the means to be independent and successful in the future.

Over 2010, staff around the world donated money, clothes and toys, took part in a number of fundraising events and, in November 2010, Inchcape agreed to fund the centre's monthly rental costs securing their new premises. All of these ongoing contributions help ensure the programme continues to provide support and hope to these children and their mothers. www.mcrc-addisababa.org

Singapore

Inchcape Singapore (Borneo Motors & Champion Motors) is collaborating with the SouthWest Community Development Council (CDC) to plant 1,000 native plants and trees over a three year period. The project, Tree of Life, aims to create an environment and ecosystem which attracts more than 200 local species of birds and butterflies, and contribute to an eventual reduction of 22,000kg of CO_2 annually.

The Tree of Life project brings together staff of Inchcape Singapore and residents of the community in a joint effort to create a vibrant, colourful and sustainable landscape.

Inchcape Fleet Solutions supports UK road safety charity Brake

During 2010, Inchcape Fleet Solutions (IFS) signed up as a corporate donor to road safety charity Brake, which promotes road safety and provides support to families affected by serious road accidents.

IFS staff have raised a total of £12,000 through various initiatives including the Yorkshire Three Peaks Challenge. As a result of these donations, IFS has gained access to services like Brake's Fleet Safety Forum, which provides road safety resources to fleet managers. Thanks to this burgeoning relationship, the business is able to further enforce its road safety awareness message to clients and staff alike, raising donations in the process.

Greek colleagues clean up

Our Toyota Hellas Greece colleagues participated in the fourth annual Beach Cleaning event during June 2010, Toyota's Green Month. In association with Environmental NGO the Mediterranean SOS Network and the Municipality of Marathonas, staff volunteered for a day and cleaned Schinias beach. The event really cultivated the spirit of social responsibility and volunteerism among our staff.

Inch-by-inch bikers cycle 400 miles for UK charity Havens Hospices

In September 2010, Nigel Woodman and James Tayler cycled 400 miles from Sunderland to Southampton over six days to raise funds for Inchcape plc's Charity of the Year Havens Hospices. The team raised a total of £10,600 that went to supporting the invaluable support Havens provides for sick adults, children and their families. For more information on the charity see www.havenshospices.org.uk

Board of Directors

Ken Hanna
Chairman

Appointment to Board:
September 2001

Ken became Chairman in May 2009. He is also a Non-Executive Director of Tesco plc and became a Non-Executive Director of Aggreko plc in 2010. Prior to joining Inchcape, Ken was an Executive Director and Chief Financial Officer of Cadbury plc. He was previously a Partner of Compass Partners International and Group Finance Director and Chief Executive of Dalgety plc and had previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker.

Ken is Chairman of the Nominations Committee and a member of the Remuneration Committee.

André Lacroix
Group Chief Executive

Appointment to Board:
September 2005

André is a Non-Executive Director of Reckitt Benckiser Group plc and the Chairman of Good Restaurants AG. He was previously Chairman and Chief Executive Officer of Euro Disney S.C.A. Prior to this he was the President of Burger King International, previously part of Diageo.

André is a member of the Nominations Committee.

Will Samuel
Deputy Chairman and Senior Independent Non-Executive Director

Appointment to Board:
January 2005

Will is Chairman of Howden Joinery Group plc (previously known as Galiform plc) and Ecclesiastical Insurance Group. He is Vice Chairman of Lazard & Co, a Non-Executive Director of the Edinburgh Investment Trust plc and a Director of the All Churches Trust. He was previously a Director of Schroders plc, Co-Chief Executive Officer of Schroder Salomon Smith Barney (a division of Citigroup Inc.) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H.P. Bulmer plc. Will is a chartered accountant.

Will is a member of the Remuneration, Audit and Nominations Committees.

John McConnell
Group Finance Director

Appointment to Board:
October 2009

John was appointed as Group Finance Director of Inchcape plc in October 2009, having worked with the Group since 1999. John joined Inchcape Australasia as Chief Financial Officer before moving to the role of Chief Executive Officer of Australasia. Prior to joining Inchcape he worked with Reckitt and Colman (now Reckitt Benckiser) for 13 years in a variety of senior financial roles in the UK, Germany and Australia.

Alison Cooper
Non-Executive Director

Appointment to Board:
July 2009

Alison is Chief Executive of Imperial Tobacco Group PLC. Alison joined Imperial Tobacco Group in 1999 and has held a number of senior roles including Director of Finance and Planning, Regional Director Western Europe, Corporate Development Director and Chief Operating Officer. Previously she was with PricewaterhouseCoopers LLP.

Alison is a member of the Audit Committee.

David Scotland
Non-Executive Director

Appointment to Board:
February 2005

David was previously an Executive Director of Allied Domecq plc and a Non-Executive Director of Photo-Me International plc, Brixton plc and Thompson Travel Group plc. He was also a Trustee and Director of Winston's Wish, a child bereavement registered charity.

David is the Chairman of the CR Committee and a member of the Remuneration, Audit and Nominations Committees.

Michael Wemms
Non-Executive Director

Appointment to Board:
January 2004

Michael is a Non-Executive Director of Howden Joinery Group plc (previously known as Galiform plc) and Moneysupermarket.com Group plc. He was previously an Executive Director of Tesco plc and Chairman of House of Fraser plc and British Retail Consortium. He also held Non-Executive Director positions with Coles Myer Ltd, Majid Al Futtaim Group LLC and A&D Pharma Holding S.R.L.

Michael is a member of the Remuneration, Audit, Nominations and CR Committees.

Nigel Northridge
Non-Executive Director

Appointment to Board:
July 2009

Nigel is Chairman of Paddy Power plc and Debenhams plc. He spent 32 years with Gallaher Group plc in sales and marketing roles, becoming the Group Chief Executive in 2000. He was previously a Non-Executive Director of Thomas Cook plc and the Senior Independent Non-Executive Director of Aggreko plc.

Nigel is Chairman of the Remuneration Committee and a member of the Audit Committee.

Simon Borrows
Non-Executive Director

Appointment to Board:
October 2010

Simon is the Chairman of Greenhill & Co International LLP. He was a founding partner of Greenhill's European business in 1998 becoming Co-Managing Partner in 2000. Following flotation on the NYSE he became Co-President of Greenhill & Co. Inc in 2004 and Co-Chief Executive in 2007. He stepped down from this role in April 2010. Prior to Greenhill, Simon was the Managing Director of Baring Brothers International Limited. He is also a Non-Executive Director of The British Land Company PLC.

Simon is Chairman of the Audit Committee.

Executive committee

1 André Lacroix
Position: Group Chief Executive
Appointment to Executive Committee:
February 2006
Please see page 30 for full biography.

2 John McConnell
Position: Group Finance Director
Appointment to Executive Committee:
February 2006
Please see page 30 for full biography.

3 Aris Aravanis
Position: Chairman & Managing Director, Toyota Hellas
Appointment to Executive Committee:
July 2009
Skills and experience: During his tenure with Inchcape, Aris has led the establishment and development of Tefin, a finance company that was constituted by Toyota Hellas and EFG Eurobank, to the top of the automotive financing market in Greece. In February 2000, Aris assumed the position of General Manager of Toyota Hellas and then became Deputy Managing Director and member of the Board of Directors. During his service, Toyota has established solid and clear leadership in the Greek market.

Before joining Toyota Hellas and Inchcape, Aris had extensive experience in the finance field working in various sectors including the food industry, electric cable and banking.

4 George Ashford
Position: Chief Executive Officer, Toyota Belgium
Appointment to Executive Committee:
October 2006
Skills and experience: George joined Inchcape in March 2006 as Director of Implementation, Inchcape Advantage. In this role George led the implementation of Inchcape Advantage, a Company wide strategic programme putting the customer at the heart of the Group's service initiatives. In October 2006, George was appointed Managing Director European Retail. In this role he led the implementation of world class retail operation programmes across the European retail network. He was also responsible for the integration of businesses acquired in the Baltics and the construction and opening of four greenfield operations in eastern Europe. George was appointed as Chief Executive Officer, Toyota Belgium in July 2009.

George joined Inchcape from Yum Restaurants International (previously Pepsi Restaurants International), where he spent 10 years holding several senior management positions.

5 Dale Butcher
Position: Group Development Director
Appointment to Executive Committee:
February 2006
Skills and experience: Dale joined Inchcape in 1986 and has been involved in numerous restructuring and reorganisation projects as the Group rationalised its portfolio, and in all acquisitions and disposals since Inchcape became an automotive only Group. Prior to joining Inchcape, Dale worked for British Timken as a financial analyst from November 1980 to 1982 before joining Alghanim Industries in Kuwait as a financial controller, where he worked in their motors and construction divisions. Dale is a member of the London CBI council and is a Freeman of the City of London.

6 Claire Chapman
Position: General Counsel and Group Company Secretary
Appointment to the Executive Committee:
March 2007
Skills and experience: Claire joined Inchcape in March 2007 and is responsible for the Group's legal and compliance programmes, mergers and acquisitions, major contracts, corporate projects and restructurings and effective corporate governance and Board management.

Claire was formerly a solicitor at Freshfields Bruckhaus Derringer from 1991 to 1995 before joining the legal team at the Reuters Group PLC from 1995 to 2007. Claire held various roles whilst at Reuters, working for their UK, European and US businesses. She was General Counsel for the UK from 2000 to 2003 and General Counsel for Europe, Middle East and Africa from 2004 to 2007, advising on a range of matters from major commercial and IT contracts, global projects, integration and key corporate projects. Additionally she advised on company secretariat matters from 2004 to 2007.

Claire is a qualified solicitor for England and Wales and Attorney, New York and has a Masters in International Law.

7 Tony George
Position: Group HR Director
Appointment to the Executive Committee:
February 2007
Skills and experience: Tony joined the Group in February 2007. He has over 23 years of experience in Human Resources and General Management in International FMCG, chemicals, telecommunications and customer service oriented retail companies. In his previous role he was HR Director, Corporate Functions for Vodafone plc and prior to that, SVP International Partner Resources for Starbucks Coffee Company based in the US. He has also worked with ICI in India and Diageo plc where, at the time of the formation of the Company, he was the first Global Management Development Director UDV in the UK and latterly was the SVP International HR for the Burger King business. During his career Tony has lived and worked in India, UK, USA and Australia.

8 Jean Van der Hasselt
Position: Chief Executive Officer, Russia and the Nordics
Appointment to Executive Committee:
June 2009
Skills and experience: Jean joined Inchcape in 2003 as Chief Executive Officer of Toyota Belgium, having been in the automotive industry since 1985. During this tenure the network has been successfully restructured, leading to fewer and better retailers whilst improving market share and maximising the profitability for Toyota Belgium. The successful run out campaign of Toyota's best selling model in 2006 led to an overall best market share performance. In 2010, Jean was appointed to CEO Russia and the Nordics and has responsibility for our Russian and Nordic operations that include Finland, Estonia, Latvia and Lithuania businesses.

Prior to Inchcape, Jean held several Director positions within the Volvo organisation and was Managing Director for the Volvo Cars operations in Belgium, actively contributing to the set up of the PAG structure, leading to effective synergies within Ford's luxury brand cluster.

Executive committee continued

9 Koh Ching Hong

Position: Managing Director, Inchcape South Asia

Appointment to Executive Committee: August 2009

Skills and experience: Ching Hong joined Borneo Motors as its Managing Director in January 2008. He was appointed as Managing Director, Inchcape South Asia in August 2009 and is responsible for Borneo Motors and Champion Motors in Singapore and NBT in Brunei. Prior to joining the Group, Ching Hong was Managing Director of Fuji Xerox Singapore, an Executive member of the Fuji Xerox Asia Pacific Senior Management from 1996 to 2008. In these roles he led the transformation and restructuring of its business model and business approach, thereby increasing market share, doubling revenue and leading the organisation into the prestigious Singapore Quality Class, achieving a high customer satisfaction index.

10 Arthur Kipferler

Position: Group Strategy and Business Development Director

Appointment to Executive Committee: February 2011

Skills and experience: Arthur joined the Group on 1 February 2011.

Arthur worked for the Toyota Motor Corporation from 2002 until 2011 with assignments in the European headquarters in Brussels and in national sales in central Europe and the USA. He successfully led numerous strategic projects, among them a new European customer satisfaction programme, the streamlining of the European distributor network, the launch of Lexus in the Czech and Slovak Republics and major cost reduction efforts. From 1999 to 2002 Arthur was with The Boston Consulting Group, advising on strategic, corporate development and operational projects mostly in the automotive industry. After becoming a Partner and Director of the company, Arthur led the Global Automotive Practice Group.

11 Ken Lee

Position: Group Communications Director

Appointment to Executive Committee: November 2006

Skills and experience: Ken joined Inchcape in September 2003 as Marketing Director for the UK businesses, where he led the development of online car retailing and a pioneering customer experience programme. In early 2006 he was appointed Customer Strategy Director to lead the Group-wide identification of customer insights to drive the Company's pioneering Inchcape Advantage programme. In late 2006 he was appointed to the Executive Committee as Group Communications Director with global responsibility for internal and external communications.

Prior to joining Inchcape, Ken held the position of Group Marketing Director at the RAC from 1999 to 2003 having been part of the team that acquired and then led the business post demutualisation. During his tenure the company moved from a car breakdown organisation to a customer focused motoring services group. Before joining the RAC, Ken worked for Lex Service plc, where as Marketing Director he successfully established the Hyundai brand in the UK.

12 Patrick S Lee

Position: Managing Director, Inchcape North Asia

Appointment to Executive Committee: November 2006

Skills and experience: Patrick is in charge of our VIR operations in Hong Kong, Macau and Guam. Representing Toyota in all three markets, Toyota has maintained the No.1 position for several years. He is also responsible for Inchcape's operations in China. Before joining Inchcape, Patrick was the Group General Manager, Sales and Marketing of Kerry Beverages Ltd from 1998 to 2006. Kerry Beverages owned and operated 11 Coca-Cola bottling plants in China. Patrick's experience in auto retailing came from a Toronto Honda dealership where he worked for three years and was awarded the highest honour 'Sales Master' by Honda Canada for two consecutive years. Patrick started his career in brand marketing with Procter & Gamble and has worked in various locations including Canada, Switzerland, Thailand and Hong Kong. Patrick holds a BBA and an MBA from the Chinese University of Hong Kong.

13 Spencer Lock

Position: Chief Executive Officer, Inchcape Australasia

Appointment to Executive Committee: February 2006

Skills and experience: Spencer joined Inchcape in 1998 and has held various senior operational roles within the UK Retail business, culminating in his appointment as Chief Executive Officer of Inchcape Retail in 2007. Spencer has been responsible for the development of the premium brand core partner strategy and the acquisition and integration of both European Motor Holdings and Lind Automotive Group. In November 2009, Spencer was appointed Chief Executive Officer of Inchcape Australasia.

Prior to joining Inchcape, Spencer was responsible for franchise development in Nissan GB and previously worked for Ford Motor Company.

14 Bertrand Mallet

Position: Managing Director, Emerging Markets

Appointment to Executive Committee: July 2008

Skills and experience: Bertrand is responsible for the Emerging Markets region, encompassing all of our retail and distribution activities in Poland, the Balkans, South America and Africa businesses. He oversees both current operations and the definition of our future expansion plans in these markets. He also serves as the Group Strategy Director, a role in which he manages the Corporate Strategic Planning process and key strategic projects for the Group.

Before joining Inchcape, Bertrand spent over six years with Euro Disney in both Strategy and Sales roles, most recently as Managing Director for the French market. During his tenure, a new sales and marketing approach was defined and implemented. Prior to Euro Disney, he spent five years as a senior consultant with Bain and Company, both in France and in the US. His main areas of focus were around retail and distribution. Bertrand began his career in Sales and Marketing with Automobiles Peugeot in Sweden.

15 Connor McCormack

Position: Chief Executive Officer, Inchcape UK

Appointment to Executive Committee: November 2009

Skills and experience: Connor has been with the Group since July 2005, having initially joined Inchcape as Finance Director, UK Retail. Connor has led the business through the acquisitions and integrations of the Lind Automotive Group and European Motor Holdings, as well as playing an instrumental part in the right sizing of the UK business in the second half of 2008, as the global economy entered the downturn. Connor was appointed Chief Executive Officer of the UK business in November 2009.

Prior to Inchcape, Connor held senior positions with B&Q plc, Kingfisher plc, the L'Oreal Group and the Gillette Company.

Corporate governance report

Ken Hanna
Chairman

Introduction from the Chairman

The highest standards of governance help strengthen management and underpin decisions made by the Board and the Executive Committee to deliver on shared goals in the interests of all our stakeholders.

As Chairman it is my responsibility to ensure that the Board is able to operate effectively and in order to do this we need to have the right people with the right skills and the right information to enable open and productive discussions and decision making.

As a Board we have followed closely the developments in corporate governance during 2010 and the recommendations made and will implement the changes over the coming year.

On the following pages we explain how we have used corporate governance to help govern our processes during the past year.

Ken Hanna,
Chairman

Compliance statement

It is the Board's view that the Company has been fully compliant with the 2008 Combined Code on Corporate Governance (Code) throughout the year. The following sections explain how the Company has complied with the main and supporting principles of the Code. The UK Corporate Governance Code (new Code) was published in June 2010 and replaces the Code. The new Code applies to companies with accounting periods beginning on or after 29 June 2010. Whilst our formal obligation for 2010 is to report by reference to the Code, we have taken account of the new Code when preparing this report.

The information required under DTR 7.2.6 is given on pages 49 to 50 and forms part of the Corporate Governance Report.

Going concern

Details of the Group's business activities can be found in the Operating and Financial Reviews on pages 13 to 21. The principal risks of the Group are shown on pages 22 to 23. The Financial statements are shown on pages 51 to 120.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern for the foreseeable future. As such, the Company and the Group continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Directors

The Board

The Board is collectively responsible for the long term success of the Company. In order to achieve success the Board is responsible for setting the strategic goals for the Group whilst ensuring that adequate financial and human resources are available. Achievement of the strategic goals are also dependent on a system of effective controls which enable risk to be managed and assessed, and these controls underpin the Board's decision making process. The Board also has responsibility for ensuring that these controls are robust and for setting the values and standards of the Group.

The Board met seven times during the year and attendance is shown in the table on page 34.

Matters discussed at the board meetings are set out in a formal schedule of Matters Reserved for the Board which is available at www.inchcape.com/about_us/governance. The Board delegates some decisions to its Committees as there are issues best served by further discussions within specific committee structures. Further information on the Committees can be found in their reports on pages 38 to 40. Day to day management is the responsibility of the Executive Directors and the Executive Committee. The Board is responsible for monitoring management and continually reviews their performance against the goals and targets set for the Company's long term plans, taking into account risks and opportunities facing the business.

The scheduled board meetings also included an overseas board meeting, meetings at two UK dealerships and a two day strategy meeting. The Board and Executive Committee also have an annual informal dinner.

The overseas board meeting took place in the Group's Toyota business in Belgium. The visit included meetings with key management and an overview of operations. The UK operational board meetings were held at Croydon and Romford after which the Board was given a tour of the dealerships. These board meetings offer the Board an excellent opportunity to see first hand the running of the business and to meet and talk to employees throughout the Group.

At the two day strategy meeting the Board and the Executive Committee developed the strategic plan. The two day event included detailed presentations from members of the Executive Committee on key markets and operational issues, human resources, including a discussion on succession planning, Group strategy and financial updates. The Board was also given a presentation on Inchcape Advantage and an update on risk management. An industry expert attended as part of the Board discussion on the industry landscape, market trends, technological developments and mobility trends.

The Chairman and Non-Executive Directors also met during the year without the Executive Directors present.

Corporate governance report continued

	Board		Audit Committee		Remuneration Committee		Nominations Committee		CR Committee	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Simon Borrows*	2	2	1	1	–	–	–	–	–	–
Alison Cooper	7	7	4	4	–	–	–	–	–	–
Ken Hanna	7	7	–	–	3	3	2	2	–	–
André Lacroix	7	7	–	–	–	–	2	2	3	3
John McConnell	7	7	–	–	–	–	–	–	–	–
Nigel Northridge	7	7	4	3	3	3	–	–	–	–
Graham Pimlott**	6	6	4	4	–	–	–	–	–	–
Will Samuel	7	7	4	4	3	3	2	2	–	–
David Scotland	7	7	4	4	3	3	2	2	3	3
Michael Wemms	7	6	4	4	3	3	2	2	3	3

* Simon Borrows joined the Group on 6 October 2010
** Graham Pimlott left the Group on 31 October 2010

Chairman and Chief Executive

As Chairman, Ken Hanna has responsibility for the leadership of the Board. The Chairman ensures that the Board receives timely, accurate and concise information before each board meeting, that the agenda addresses all relevant issues and that there is adequate time available for open debate amongst all the board members. André Lacroix is the Group Chief Executive with responsibility for the leadership of the Executive Committee and day to day operations of the Group. There is a clear division of responsibilities between the Chairman and Group Chief Executive to ensure an appropriate balance of power and authority.

Will Samuel is the Deputy Chairman and Senior Independent Non-Executive Director. In his role, Will is available to any shareholders whose concerns have not been resolved by the Chairman, Group Chief Executive or Group Finance Director. No such concerns arose during 2010. The Senior Independent Non-Executive Director is also available to act as an intermediary between board members if necessary.

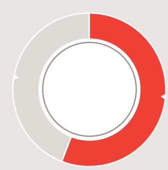
Board balance and independence

The Board comprises a Non-Executive Chairman, six Non-Executive Directors and two Executive Directors. The biographies of the Directors are set out on page 30.

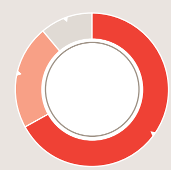
Simon Borrows was appointed a Non-Executive Director on 6 October 2010 and replaced Graham Pimlott as the Audit Committee Chairman on 1 November 2010. Further details of Simon's appointment can be found in the Nominations Committee Report on page 38. Graham decided to step down for personal reasons and left the Group on 31 October 2010. Nigel Northridge replaced Michael Wemms as Chairman of the Remuneration Committee with effect from 1 January 2011. Michael will remain a member of the Remuneration Committee.

All the Non-Executive Directors are considered independent in accordance with the Code. Will Samuel and Michael Wemms are both Non-Executive Directors of Howden Joinery Group plc. Having regard to all the circumstances, including the fact that there are no cross shareholdings or business relationships between Howden Joinery Group plc and the Company, the Board is satisfied and has determined that they are independent in respect of these roles. Simon Borrows is Chairman of Greenhill & Co International Ltd. Whilst Greenhill advised the Company on its Rights Issue in 2009, this was a discreet activity and Simon did not have an active day to day role, therefore the Board considers that Simon is independent.

Directors' industry background experience



Balance of Executive/ Non-Executive Directors



During the year Ken Hanna became a Non-Executive Director of Aggreko plc. Ken is also a Non-Executive Director of Tesco plc. The Board is satisfied that these additional commitments do not have an impact on the time commitment Ken has to the Company and welcome the additional experience and knowledge these positions will bring to the Board's discussions.

Appointments to the Board

It is important to the Company to maintain a strong skills base across the Board members as this brings a depth of knowledge and experience to the matters under discussion. The Board regularly reviews its membership against objective criteria to ensure that it remains appropriate to the business. The Nominations Committee is responsible for recommending board appointments to the Board and an external consultancy assists with the selection process. Further information on the Nominations Committee can be found on page 38.

Information and professional development

All members of the Board receive a full board pack prior to each board or committee meeting. Ensuring that the Board has access to all the information available regardless of whether they are committee members enables the Directors to keep themselves informed of all matters under discussion. The Board also receives regular additional financial updates on performance and governance to enable them to stay informed between board meetings.

All Directors receive a full induction programme on joining the Company which is designed to give the new director a comprehensive understanding of business operations and strategy. Simon Borrows received an induction in 2010 and his programme consisted of a briefing with the General Counsel and Group Company Secretary on his duties as a director and his obligations under the Code and the Disclosure and Transparency Rules and one on one meetings with the members of the Executive Committee and functional heads including tax, treasury and finance. Simon also made site visits to Jaguar and Land Rover, Toyota, Lexus and Ford in Guildford, BMW in Croydon and Audi in Crawley. The site visits are designed to give a full overview of the day to day operations of the business.

The Chairman is responsible for ensuring that the Directors continually update their knowledge and familiarity with the Company. The Directors are able to obtain independent professional advice should they require it in order to carry out their duties. As part of each meeting, the Board receive a governance update from the Company Secretariat team to ensure that they are fully informed of their obligations, best practice and any new developments which are significant to them.

Performance evaluation

Process

An external facilitator was employed to carry out the performance evaluation of the Board. The evaluation covered the effectiveness of the Board, each committee's performance against its objectives, risk management, board meetings, corporate governance, strategy and the skills set of the Board.

Focus

The changes to the Board since 2009 have provided an opportunity to review the effectiveness of the Board and individual directors in discharging their duties. Following the evaluation the Board have identified the following areas of focus:

- with greater emphasis generally on risk management, the Board will review the Group's risk management approach and in particular how it discharges its responsibilities.
- as the new Code comes into force, the Board will review its policies to ensure that it continues to adopt best practices.

Identification of actions

Following the evaluation, the Board members concluded that appropriate actions had been identified to address areas that could be improved and that, overall the Board and Committees continued to perform effectively.

Individual performance evaluation

As part of the evaluation process the Chairman evaluated the performance of the Non-Executive Directors and met each of them individually to discuss their performance. The Non-Executives Directors also met without the presence of the Chairman to evaluate his performance during the year.

Conclusion

Following the performance evaluation process, the Chairman has confirmed that the Non-Executive Directors continue to perform effectively and demonstrate commitment to their roles, the Board will continue to review performance annually.

Re-election

In accordance with the provisions of the Code and Article 74 of the Company's Articles of Association, the Directors are currently required to stand for election at the first AGM after their appointment and for re-election every three years thereafter. Simon Borrows will stand for election as it is his first AGM after appointment to the Board and André Lacroix and Will Samuel will stand for re-election.

Remuneration

Details of remuneration are set out in the Remuneration Committee Report on page 40 and in the Directors' Report on Remuneration on pages 41 to 48.

Accountability and Audit

A statement of the Directors' responsibility for reporting the Financial statements is set out on pages 49 to 50.

The Board sets the tone for the Group's risk appetite and culture and retains overall responsibility for risk management and internal control processes. After the roll out of the Inchcape Peace of Mind (iPOM) programme in 2009, the iPOM Committee was established with responsibility for the day to day management of risk. Principal risks are validated and reviewed by the Audit Committee and the Board. Primary updates to the key risks are completed following the annual strategy meeting.

Risks are identified and captured using an agreed risk framework which includes compliance with external reporting requirements. The Board annually assesses the processes to ensure they remain relevant and robust. The systems and processes can only provide a reasonable but not absolute assurance against any material misstatement or loss and cannot eliminate business risk.

The Board regularly reviews the control procedures and monitoring systems in the following areas:

Financial reporting

There is a comprehensive system with an annual budget approved by the Board. Monthly actual results are reviewed and reported against budget and, where appropriate, revised forecasts are presented at Board meetings. The data consolidated into the Group's Financial statements is reviewed by management to ensure that it reflects the true position of the Group and complies with approved accounting policies.

Investment appraisal

The Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal and review procedures. This process is managed by the Group Capital Committee.

Internal Audit

The adequacy and effectiveness of the Group's internal control systems are monitored by the Internal Audit team who report to the Audit Committee on a regular basis. Internal Audit also works closely with management and the external auditor.

Business Unit Controls

Each business in the Group is required to identify its key risks and the control procedures in place to mitigate those risks. This evaluation takes place twice a year as part of the preparation and update of the business plans. Financial reporting systems are monitored through regular reporting and are continually reviewed by management.

Corporate governance report continued

During 2010, the Managing Director and Finance Director of each business unit in the Group signed a compliance certificate to confirm:

- the accuracy and completeness of the accounts submitted for consolidation;
- compliance with local laws and regulations;
- the absence of fraud;
- the absence of conflicted directorships; and
- compliance with Inchcape policies.

Details of the Audit Committee can be found in the Audit Committee Report on page 39.

iPOM

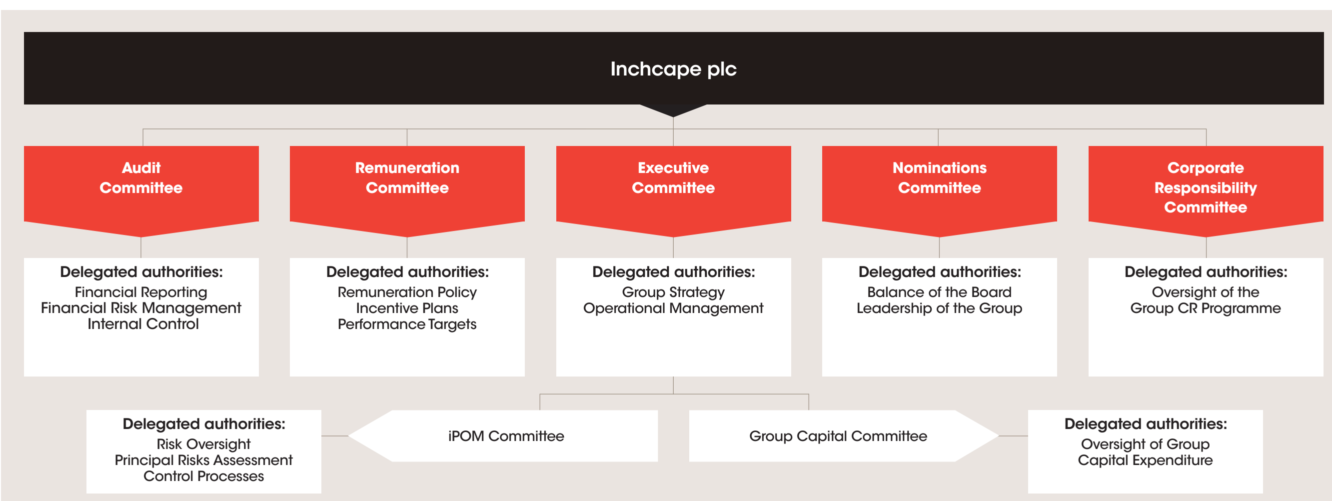
The iPOM programme aims to maximise the opportunities to improve performance and meet strategic goals with an integrated, simple approach to risk management. Our seven step structure provides a framework with which each risk based activity must comply and be assessed against.

Each market has an iPOM Committee which reports into the Group iPOM Committee. This provides a structure for risks to be identified and reviewed both at Group and operational level. This allows a cross market and cross functional risk management approach as well as allowing for the early identification of issues that may arise.

Through this structure, and depending on the nature of a risk, risks are managed, monitored and escalated for discussion with the Executive Committee, the Audit Committee and the Board as appropriate and in accordance with approved terms of reference. Specifically, the Group iPOM Committee manages compliance with agreed policies and applicable legislation, is responsible for issuing new and updated policies to reflect changes in both regulation and the Group's risk profile and seeks to identify key emerging or systematic risks before issues arise.

Building on the lessons learnt since the introduction of iPOM and taking into account best practice, the iPOM Committee has reviewed the Group's approach to risk identification, mitigation and management and operates a more streamlined approach using eight principal categories which are shown on pages 22 to 23. This ensures consistency across all key risk related activities. In addition the iPOM Committee has eliminated duplication of risk processes which enables more consistent tracking and action plans to be utilised.

Inchcape committee structure



Executive committee

The Executive Committee is chaired by the Group Chief Executive. Biographies of the members of the Executive Committee can be found on pages 31 to 32.

The Committee has responsibility for managing the day to day operations of the Group. The Committee met four times during 2010. These meetings were held over a number of days and the Committee discussed all aspects of the business and the Group's strategy.

The Committee delegates various areas to sub-committees. These are:

iPOM Committee

The iPOM Committee is chaired by the Group Chief Executive. Its members are the Group Finance Director, the General Counsel and Group Company Secretary, the Group Corporate Affairs Director and the Director of Audit and Risk. Operational heads are invited to attend for all or part of any meeting. From 2011 the Group HR Director will become a member of the Committee.

The Committee met five times during 2010 to review risk management and control processes. It is the principal operational risk committee. Its review covers such matters as responses to significant risks that have been identified, output from monitoring system processes and changes made to the internal control systems.

Group Capital Committee (GCC)

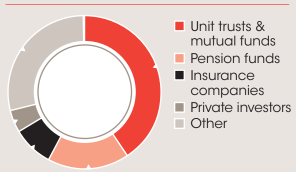
The GCC consists of the Group Chief Executive, the Group Finance Director, the Group Business Development Director, the Group Financial Controller, the General Counsel and Group Company Secretary and the Group Capital Projects Manager. The Committee meets on a regular basis and its remit is the oversight of capital expenditure for the Group.

Investor relations

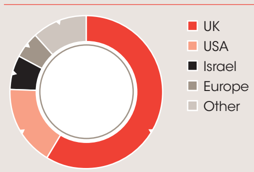
Shareholder profile

As at 31 December 2010 the Company had 7,830 holdings on its register of ordinary shareholders (2009: 8,837). 71% of the total share register was held on behalf of investment institutions such as pension funds, mutual funds, insurance funds and funds managed for private individuals (2009: 69%). The majority of funds are managed from the UK including 8% in Scotland.

Register analysis by holder



Register analysis by geography



Significant shareholdings

As at 7 March 2011, the Company had been notified of the following significant interests:

Holding	No. of shares	% holding
Prudential plc	55,333,305	12.01
Mr George Horesh	41,487,781	8.99
Axa SA	29,285,293	6.36
FMR LLC	23,633,665	5.13

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

Communication with shareholders

A comprehensive investor relations programme has been in place for many years with senior management, Executive and Non-Executive Directors meeting with existing and prospective institutional investors on a regular basis. These meetings cover a wide range of issues including strategy, performance and governance. During the year, over 170 existing or prospective shareholders or their representatives attended meetings, roadshows or conferences held by the Company.

Shareholders are also kept informed through regular press releases. These are made available to the London Stock Exchange and the Company's website. Presentations were held for analysts for our annual and half year results. Recorded conference calls are also held on the release of Interim Management Statements for analysts. These presentations and calls are recorded and published on the Company website so that all investors may access them.

The Board is provided with regular updates on the views and issues raised by the Company's investors. During the year, the Board received external presentations from advisors, including the Company's brokers, on shareholder and market perception of the Company's strategy.

Annual General Meeting (AGM)

The Board is equally concerned with the views of private shareholders and encourages them to attend the AGM which gives shareholders the opportunity to ask questions and vote on resolutions. If shareholders are unable to attend they can give their views using the prepaid reply form issued each year with the AGM documentation. The Company complies with the Code as it relates to voting, the proposal of separate resolutions on each substantially separate issue and the attendance of Committee Chairmen. Details of proxy voting by shareholders, including votes withheld, are made available on the Company's website following the meeting.

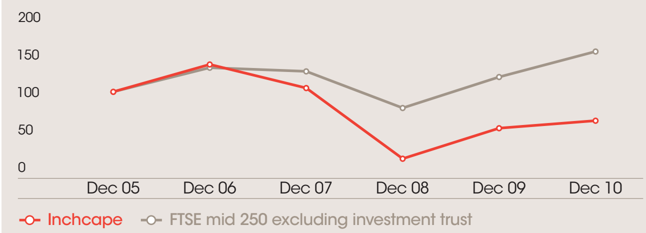
Analyst coverage

We are aware of 12 analysts who have regularly published notes on the Company during 2010 and we provide names of these analysts, their firms and contact details on our website.

Total shareholder return (TSR)

The following graph illustrates the Group's TSR over a five year period, relative to the performance of the total return index of the FTSE mid-250 group of companies (excluding investment trusts). TSR is essentially share price growth plus re-invested dividends. The FTSE mid-250 has been chosen as the most suitable comparator group as it is the general market index in which the Company appears.

Historical TSR performance



Source: Datastream

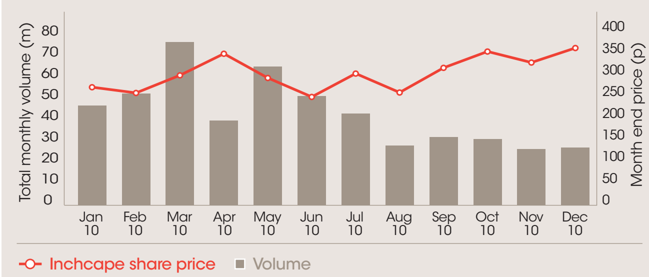
Growth in the value of a hypothetical £100 holding over five years FTSE 250 (excluding investment companies) comparisons based on 30 trading day average values.

Dealing in Inchcape shares

The Company's ordinary shares are listed on the London Stock Exchange. Prices are reported daily in the Financial Times and on our website. For further information please call Computershare Investor Services on +44 (0) 870 707 1076.

The share price by volume graph shows the steady growth in the share price closing at 356.6p as at 31 December 2010. The Company's shares trade within the FTSE 250 index and at the year end it was ranked no.143 by market capitalisation in the FTSE 350 (2009: 136). The Company's market capitalisation at 31 December 2010 was £1,642.1m (2009: £1,374.3m). The average daily number of shares traded on the London Stock Exchange was 1.97m (2009: 2.47m adjusted for Share Consolidation). This represents an average of 0.43% of the Company's shares traded each day (2009: 0.54%).

Share price by volume during 2010



Source: Datastream

Electronic communications

To reduce printing and paper usage, shareholders are encouraged to sign up to receive electronic communications. Details are on the Company's website.

Corporate governance report continued

CR Committee report

David Scotland
Chairman

Responsibilities

The key responsibilities of the CR Committee are to:

- Consider the Group's CR strategy and monitor relevant external developments;
- Review the Group's CR policy and to consider whether it continues to meet the Group's CR strategy and objectives;
- Review and monitor the Group's CR risk exposure;
- Review and approve the annual CR Report.

Full terms of reference can be found at www.inchcape.com/about_us/governance

A formal Committee of the Board was established in 2010 to review and monitor the CR strategy implemented by the Company. The CR Committee is chaired by David Scotland and consists of two Non-Executive Directors, the Group Chief Executive, the Group HR Director and the General Counsel and Group Company Secretary.

The Committee met three times during 2010. Attendance of these meetings is set out in the table on page 34.

Activities

During 2010, the Committee evaluated the scope of the CR activities of the Group with a view to ensuring that the Group's day to day business operations respond to the opportunities, and avoid the risks, posed by CR issues. Through a network of locally based CR Champions, employees with global and local responsibilities support the work of the CR Committee. Our activities are focused through our 'Aware' campaign.

The remit of the CR Committee is to:

- seek to eliminate discriminatory practices in our business;
- promote the support of fundamental human rights in all our operations;
- support our brand partners in seeking to enforce positive labour practices;
- support freedom of association and as applicable, collective bargaining arrangements;
- monitor and report accidents and lost time incidents to ensure that the safety of our staff and customers remains at the top of our agenda; and
- review policies and procedures for our people and have appropriate training programmes in place.

Full details can be found in the CR Report on pages 24 to 29.

Nominations Committee report

Ken Hanna
Chairman

Responsibilities

The key responsibilities of the Nominations Committee are to:

- Evaluate the balance of skills, knowledge and experience on the Board;
- Nominate suitable candidates to the Board for approval;
- Review the leadership needs of the Group; and
- Election and re-election of Directors at the AGM.

The full terms of reference can be found at www.inchcape.com/about_us/governance

The Nominations Committee is chaired by Ken Hanna. It comprises three Non-Executive Directors and the Group Chief Executive. The Group HR Director and external advisors may be invited to attend for all or part of any meeting, as and when appropriate.

The Committee met twice during 2010. Attendance is set out in the table on page 34.

Activities

After evaluating the balance of the Board, the Committee recommended the appointment of a new Non-Executive Director and prepared a description of the role and skills required. An external consultant assisted with the search and Simon Borrows was identified as a suitable candidate. Simon received a formal letter of appointment setting out clearly what is expected of him in terms of time commitment, Committee service and involvement outside of Board meetings.

The Committee also reviewed the experience of the current Board members and the skills required to effectively discharge its duties. The Committee advised that the skills and experience of the current Board members remained adequate and appropriate.

During the year, the Committee endorsed the establishment of a formal CR Committee as it was recognised that CR is an important part of the strategic agenda and would benefit from a formal Board Committee. The Committee approved its terms of reference and membership and confirmed that there should be at least three meetings per year.

The Committee recommended the election of Alison Cooper, Nigel Northridge and Graham Pimlott at the 2010 AGM, all of whom were elected by shareholders for a three year term. The Committee recommends the re-election of André Lacroix and Will Samuel and the election of Simon Borrows, by shareholders, at the 2011 AGM.

The Committee also reviewed its membership and terms of reference during the year to ensure it remained compliant with the principles of the Code.

Audit Committee report

Simon Borrows
Chairman

Responsibilities

The key responsibilities of the Committee are to:

- Monitor the integrity of the Financial statements including all formal announcements relating to performance;
- Monitor the audit of annual accounts;
- Review Group accounting policies;
- Review internal controls and risk management systems;
- Whistleblowing;
- Review internal audit function;
- Recommend the appointment of external auditors; and
- Oversee the relationship with external auditors.

The full terms of reference can be found at www.inchcape.com/about_us/governance

Graham Pimlott was the Chairman of the Audit Committee until 31 October 2010 after which Simon Borrows was appointed as Chairman. All members of the Committee are independent Non-Executive Directors. Will Samuel is a chartered accountant and the Board has determined that he has recent and relevant financial experience as required by the Code.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Group Chief Executive, Group Finance Director, Group Audit and Risk Director and external auditors attend by invitation.

The Committee met four times during 2010. Two meetings are scheduled to coincide with the financial calendar and focus on a review of financial risks and two meetings focus on non-financial risks to ensure that we have a balanced approach. Attendance of these meetings is shown on page 34.

The Committee also met with external auditors without management present.

Activities

The Committee plans its activities around key financial dates of the Company. During the year the Committee reviewed the Financial statements for the 2009 Annual Report and the 2010 interim report. The review included an assessment of the going concern statement and an impairment review.

The Committee continuously reviews the effectiveness of the audit partner and auditors throughout the year and carries out a formal review of their effectiveness annually. In line with best practice, the PricewaterhouseCoopers audit partner changed in April 2010 after the announcement of the Group's 2009 full year results as he had been with the Company for five years.

A managed handover took place during the first half of 2010 and was completed by May 2010. The Committee reviewed the skills and experience of the new audit partner and were satisfied with his appointment. The Board and senior management also provide input into the auditors' own review of their performance. After the formal review the Committee agreed that the auditors remained effective during 2010. The Committee also agreed the role of the auditors for 2011 and their fees for the coming year.

The Committee reviewed its policy regarding the scope and extent of non audit services provided to it by its auditors during the year. The purpose of the policy is to ensure that the external auditors remain objective and independent. The Committee is responsible for approving the engagement of the auditors for any non audit work and restrictions are imposed on permitted areas of non audit work. The Committee tests the performance of the auditors against this policy and reviews all the factors in the engagement of the auditors in non audit work. After reviewing the performance of the auditors the Committee agreed that they remain independent.

Following the assessment of effectiveness and independence, the Committee makes its recommendation to the Board for the re-appointment of the auditors by the shareholders at the AGM.

A full statement of the fees paid for audit and non audit services is provided in note 3d on page 74.

The Committee received reports from the Internal Audit team at each Committee meeting to enable it to review and monitor the Group's internal control procedures and processes. These reports provide the Committee with an update from Group Internal Audit on their activities in accordance with the 2009 and 2010 audit plans. The reports also contained the results from the Key Control Questionnaire which is completed by senior management and gives an overview of how each of the Group's business units are complying with business processes and controls and the Principal Risks Assessment which establishes the key risks facing the Group. Reports were also received from the external auditors.

Any concerns under the Group's Whistleblowing Policy are reported at the Committee meetings. The policy is communicated to employees on a global basis and enables employees to raise concerns with the Disclosure Response Team in cases where conduct may be deemed to be contrary to the Company's values.

The Committee also reviewed its membership and terms of reference during the year to ensure it remained compliant with the principles of the Code.

Corporate governance report continued

Remuneration Committee report

Nigel Northridge
Chairman

Responsibilities

The key responsibilities of the Remuneration Committee are to:

- Set the Remuneration Policy;
- Review share based incentive schemes;
- Set annual bonus targets; and
- Set share performance targets.

The full terms of reference can be found at www.inchcape.com/about_us/governance

The Remuneration Committee consists of five Non-Executive Directors. Michael Wemms was the Chairman of the Remuneration Committee during 2010. Nigel Northridge was appointed as Chairman with effect from 1 January 2011. Michael Wemms remains a member of the Committee.

No one other than the Remuneration Committee Chairman and its members are entitled to attend meetings. However the Group Chief Executive and Group HR Director advise the Remuneration Committee internally and attend meetings upon invitation.

Kepler Associates, as external consultants, also attend meetings upon invitation. No Director or Executive is involved in deciding his or her own remuneration.

The Committee met three times during 2010 and attendance of these meetings is shown on the table on page 34.

Kepler Associates was appointed as remuneration advisors during 2010. Kepler ensures that the Committee receives independent advice and their terms of reference can be found on the Company website at www.inchcape.com/about_us/governance. Kepler Associates has no other connection with the Company other than as remuneration advisors.

Activities

During the year, the Committee reviewed the remuneration policy to ensure that it remains relevant and competitive. It was agreed in 2009 that a review of the existing policy was needed to ensure that the Company remains able to attract, retain and motivate talented employees to deliver on the Company strategy and to remain consistent with best practice. The Committee has worked closely with its remuneration advisors, Kepler Associates, to develop a new policy. As stated in the 2009 Annual Report, the Committee carried out a consultation with its major shareholders in respect of the remuneration policy in order to seek their views and to discuss any questions they may have. Further details can be found in the Directors' Report on Remuneration on pages 41 to 45.

The Committee also approved the bonus structure for 2010 and the award levels and performance targets for the share option plan. Details of the awards made to the Executive Directors can be found in the tables on pages 46 to 48.

The Committee also reviewed its membership and terms of reference during the year to ensure it remained compliant with the principles of the Code.

Chairman's remuneration

The Chairman's remuneration is determined by the Remuneration Committee, taking advice from the remuneration consultants on best practice and competitive levels taking into account responsibilities and time commitment. Life assurance is provided under the Inchcape Group (UK) Pension Scheme but the appointment is not pensionable, nor is the Chairman eligible for pension scheme membership or participation in the Company's bonus, share option or other incentive schemes.

The fees paid to the Chairman are shown on page 46.

Non-Executive Directors' remuneration

The remuneration for Non-Executive Directors consists of fees for services in connection with Board and Committee meetings. Fees for Non-Executive Directors are determined by the Board, within the restrictions contained in the Articles of Association. Non-Executive Director fees are reviewed annually, taking advice from the remuneration consultants on best practice and competitive levels. The levels of remuneration for the Non-Executive Directors reflect the time commitment and responsibilities of the role. The Non-Executive Directors are not involved in deciding their fees.

Non-Executive Directors are not eligible for pension scheme membership or participation in the Company's bonus, share option or other incentive schemes.

The fees paid to Non-Executive Directors are shown on page 46.

External appointments

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and that this additional experience is likely to benefit the Company. The Executive Directors are generally permitted to take one Non-Executive Directorship as long as it does not lead to conflicts of interest or undue time commitment. André Lacroix holds two such positions as Non-Executive Director for Reckitt Benckiser for which he earned a fee of £85,000 and as Non-Executive Chairman of Good Restaurants AG for which he does not receive a fee.

Directors' report on remuneration

Compliance

This report complies with Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and other relevant requirements of the FSA Listing Rules. The Remuneration Committee believes that the Company has complied with the provisions regarding the remuneration matters contained within the Code.

Details of those who served on the Remuneration Committee (the Committee) during the year and information on Kepler Associates, who acted as remuneration consultants during the year, can be found in the Remuneration Committee Report on page 40.

Remuneration policy

Over the last few years, the Group's remuneration policy has evolved to ensure it supports the business strategy. During the downturn, the Committee took a number of measures to reduce costs and conserve cash:

- no bonuses paid for 2008 performance;
- salaries frozen for both 2009 and 2010;
- cash-based measures introduced into both the annual bonus (cash flow from operating activities (CFOA) in 2009, working capital in 2010) and option plan (CFOA in 2009);
- co-investment plan suspended in 2009 and 2010; and
- option awards made at 50% of normal grant levels in 2010.

As the Group moves into the recovery cycle, it is equally important to use the remuneration policy to drive recovery and growth. Our strategy has now shifted towards a balanced focus between commercial initiatives to grow revenue ahead of the competition and cash initiatives to grow profit and operating cash faster than revenue. With this in mind, and as we committed to our shareholders last year, the Committee undertook a comprehensive review of its remuneration arrangements during 2010. In conducting its review, the Committee had regard to the following objectives:

- continue to align with and support the Group's evolving business strategy;
- enable the Company to motivate and retain its executive management whilst having regard to pay and conditions throughout the Group;
- provide a remuneration structure that encourages the right behaviours, drives performance and rewards results;
- recruit executives of high quality; and
- align the remuneration package of executives with shareholder interests.

Shareholder consultation

Over the last few months, the Committee has consulted with shareholders and shareholder representative bodies to explain the developments in the business strategy and the changes proposed to the remuneration policy to support this. The revised incentives are consistent with the Group's strategic focus described earlier; to grow revenue ahead of the competition and to grow profit and operating cash faster than revenue.

We discussed four key principles for remuneration design:

- ensure remuneration helps attract and retain the talent required, and motivates them to deliver the strategic plan;
- use the annual bonus to focus executives on driving revenue and profits;
- put in place long term incentives that drive growth in earnings per share (EPS) and return on capital employed (ROCE);
- provide the right balance of reward that delivers median pay for median performance, upper quartile pay for upper quartile performance and upper decile pay for upper decile performance.

We also discussed the detailed proposals for the new performance share plan, and the specific changes proposed for the annual bonus and co-investment plan.

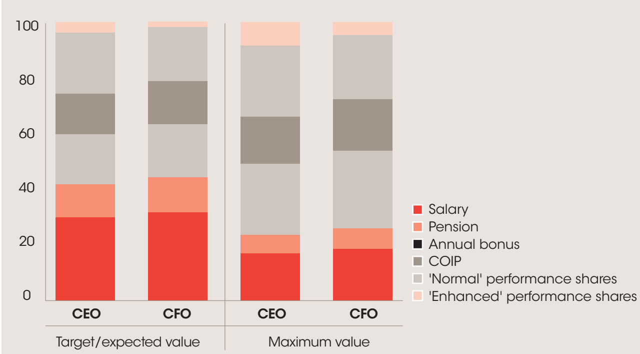
The key changes proposed to the remuneration structure for 2011 are as follows:

- introduce revenue growth in the annual bonus, together with operating profit and Net Promoter Score (NPS);
- steepen the relationship between pay and performance such that maximum opportunities increase from 120% to 150% for delivering more stretching performance targets (with a smaller increase at target from 50% to 60% of salary);
- deliver any bonus above 100% of salary in shares;
- offer a voluntary co-investment opportunity in 2011, with 3 year EPS growth and ROCE replacing Economic Profit to determine the vesting of matching shares;
- reduce vesting at threshold performance from 1:1 to 0.5:1;
- replace options with performance shares, vesting 75% based on 3 year EPS growth and 25% on ROCE;
- link a portion of the performance shares to exceptional EPS growth targets.

Pay mix chart

The chart below shows the relative importance of each element of the package for Executive Directors.

Proportion of package delivered through fixed and performance related reward.



Directors' report on remuneration continued

2011 summary

In summary, performance-related remuneration arrangements for our most senior executives are shown below and in the Pay Mix Chart on page 41:

Element	Objective	Structure	Award level
Annual bonus	• incentivise growth and a return to peak earnings; • motivate outstanding performance; specifically, reward sustainable growth in profits, i.e. growth that comes from the top line as well as from improving margins; • reward profitable growth whilst maintaining exceptional levels of customer service.	• a matrix structure rewarding simultaneous delivery of growth in revenue and operating profit, heavily weighted towards delivery of profit growth; • Net Promoter Score that falls below target levels of performance will detract from the bonus earned; • any bonus earned above 100% of salary will be paid in shares and automatically invested into shares under the co-investment plan.	• maximum opportunity for Executive Directors of 150% of salary for achieving stretch performance against all measures; • 60% of salary payable for target performance.
Co-investment plan	• encourage executive share ownership; • ensure a balance between growth and returns.	• offer executives a voluntary investment opportunity in return for a performance based match; • replace the Economic Profit performance condition with a combination of EPS and ROCE.	• Executive Directors may invest up to an overall maximum of 50% of salary after tax; • maximum match of 2:1,threshold reduced from 1:1 to 0.5:1
Performance share plan	• ensure remuneration is robust to market downturns and volatility; • deliver median pay for median performance; upper quartile pay for upper quartile performance; and upper decile pay for upper decile performance; • strengthen alignment with shareholders.	• introduce a new performance share plan, with share awards vesting based on 3 year EPS and ROCE performance; • executives will receive two types of awards; 'normal' awards linked to stretching performance targets and an 'enhanced' award of shares linked to exceptional performance.	• awards for the CEO in 2011 will be 150% of salary in 'normal' awards and 50% of salary in 'enhanced' awards. For the CFO these will be 125% and 25% of salary respectively; • going forward these opportunities will be fixed as a number of shares, subject to an overall cap of 300% of salary, so that the face value of awards will fall if the share price falls and vice versa.

The UK Corporate Governance Code

The Committee considered the UK Corporate Governance Code requirement regarding remuneration incentives being compatible with the Group's risk policies and systems. The Committee is satisfied that the approach to setting the structure of remuneration packages for senior executives underpins the effective and proper management of risk by rewarding executives fairly for sustainable profit growth and long term returns to shareholders and delivering a significant proportion of senior executive remuneration in shares.

The Committee has no current intentions to make significant changes to the remuneration design for 2012, although it will of course keep this under review, with reference to both the business strategy and external market developments.

Base salary

Our policy is to pay competitive salaries (i.e. at or around median) when compared with those organisations of similar size, complexity and type, that are sufficient to attract and motivate talent. Salaries are reviewed annually and salaries for members of the Executive Committee were frozen for a second consecutive year in 2010. The Committee considered this decision was in keeping with the need for the Company to continue its focus on costs and margins.

For 2011, the Committee will review executive salaries prior to the normal review date of 1 April, taking into account pay and conditions elsewhere across the Group, and relevant market data. Benchmarking is carried out on a total remuneration basis.

Annual bonus

For 2010, the annual bonus was based on stretching operating profit targets, but with 35% of the bonus also subject to achieving working capital targets and a further 30% subject to achieving targets for NPS. During 2010, the Group delivered operating profit growth of 22.2% over the prior year, which resulted in meeting the stretch target in full. Strong performances were also achieved on both working capital targets and NPS so no reductions were applied to the bonus. Overall, Executive Directors therefore received bonuses for 2010 of 120% of salary.

The review of remuneration during 2010 identified that while operating profit and NPS remain core to the Group's strategy, the strategic focus moving forward has now shifted from cash management, during an unprecedented global downturn, to revenue and profit growth as the Group moves into the recovery business cycle.

To help drive this growth, the Committee felt it would be appropriate to increase the targets and amend the measurement criteria. The Committee also identified the opportunity to encourage ownership and alignment with shareholders by re-instating the co-investment plan and requiring partial payment of the annual bonus in shares.

Additionally, the Committee is aware that bonus opportunities have fallen below market for companies of similar size.

The Committee has therefore made the following changes to annual bonus arrangements for 2011:

- incorporate revenue growth, and combine with operating profit in a matrix;
- NPS will act only as a downwards adjustment; if financial performance thresholds are not met, there will be no payment against NPS performance. This structure is intended to reinforce the objective of rewarding profitable growth, whilst maintaining exceptional levels of customer service;

Illustration of bonus structure for Executive Directors
Financial performance matrix (% of salary payout)

Revenue	Operating Profit: Threshold	Operating Profit: Target	Operating Profit: Stretch
Stretch	30%	90%	150%
Target	20%	60%	120%
Threshold	15%	45%	90%

NPS multiplier

X 0.8 – 1.0

Note: In this way, 20% of total bonus is based on NPS – the customer measure

- increase the leverage in the annual bonus by steepening the relationship between pay and performance. This will increase the maximum opportunity to 150% of salary for Executive Directors but with very stretching performance targets which require both revenue and operating profit stretch hurdles to be achieved in order for the bonus to pay in full;
- increase the target bonus opportunities from 50% to 60% of salary to bring total cash into line with market and reflect the more stretching nature of a matrix of targets; and
- deliver any bonus earned above 100% of salary in shares.

Performance share plan

The Committee is proposing to replace the current executive share option plan with a new performance share plan. The Committee believes this change would provide a more robust and motivating long term incentive as well as reflect changes in market practice since the introduction of the executive share option plan. The Committee is therefore seeking approval at the 2011 Annual General Meeting for the adoption of the Inchcape Performance Share Plan ('PSP'). The proposal to adopt the PSP has the full support of the Committee and the Board as a whole and the Committee intends to make grants pursuant to this plan following the 2011 Annual General Meeting, subject to shareholder approval.

The key features of the PSP are as follows:

- annual awards of 'normal' performance-vesting shares, vesting 75% on 3 year EPS growth, and 25% on 3 year average ROCE.

For 2011 awards, targets will be as follows:

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

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

Directors' report on remuneration continued

- awards of 'enhanced' performance shares vesting on stretch EPS targets, over and above those attached to 'normal' performance shares. For the first cycle these would be set as follows:

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

- the first 'normal' performance share awards under the PSP will be granted at c.150% of salary for the CEO and c.125% of salary for the CFO, with 'enhanced' awards of up to 50% and 25% of salary for the CEO and CFO respectively;
- these awards will then be expressed as a number of shares which will be fixed for 2012, subject to an overall cap of 300% of salary as defined under the plan rules;
- dividends, if any, would accrue on PSP share awards over the vesting period and would be paid only on those shares that vest;
- for good leavers, or on a change of control, awards would be pro-rated for time and performance, subject to Committee discretion;
- the Committee can also reduce or prevent vesting in the event of a material restatement of the Group Financial statements or gross misconduct.

EPS has been retained as the primary long term incentive measure as the Committee continues to believe that this is the best measure of long term performance for the Group. It provides strong line of sight for executives, who are familiar with the existing basis of EPS performance measurement and is consistent with our long term strategy focusing on sustainable profit growth. The introduction of ROCE, combined with EPS, is intended to provide a balance between growth and returns.

The 2011 targets have been set taking into account a range of reference points including the strategic plan and broker forecasts both for the Group and other sector peers. The Committee believes that these targets are very stretching, and that the maximum overall award of 200% of salary for the CEO (150% of salary for the CFO) is appropriate given that it will only be available for truly outstanding performance. The Committee feels that fixing the award sizes as a number of shares provides strong alignment with shareholders, as the face value of awards will fall if the share price falls and vice versa. In order to provide flexibility to follow this policy, while recognising our shareholders desire for a cap on potential awards, the PSP rules contain an individual limit of 300% of salary. However, the Committee will continue to review award sizes prior to each grant to ensure they are appropriate in light of market data and individual and company performance.

Co-investment plan

The co-investment plan (COIP) was introduced during 2008 after receiving shareholder approval in 2007. In 2010, it was recommended that the COIP be suspended since the performance conditions were not felt to be stretching enough when viewed in the context of the recovery phase, and to address any shareholder concerns around the opportunity for windfall gains. However, the Committee intends to re-instate the COIP for 2011, but replace the Economic Profit performance condition with a combination of EPS and ROCE, as these measures are better understood by participants whilst continuing to recognise the benefits of balancing growth and returns. For simplicity and alignment, the performance targets against each of these measures will be exactly the same as for the normal PSP awards, as previously described. This represents a reduction in vesting at threshold from a 1:1 match under the previous arrangements to a 0.5:1 match under the proposed scheme.

The maximum investment opportunity in 2011, with respect to bonuses earned for 2010, will remain at 50% of post-tax salary for the CEO, but will increase from 40% to 50% of salary for the CFO. The maximum matching opportunity will remain at 2:1, based on performance over 3 years.

For annual bonuses earned in respect of 2011 onwards, any amounts above 100% of salary will automatically be paid in shares and invested in the COIP. If this amount is less than the maximum investment opportunity allowed under the COIP, Executive Directors may make further voluntary investments up to the 50% of salary limit. Invested shares can be withdrawn at any time, but would lose any entitlement to a match if withdrawn before the end of the relevant 3 year performance period.

The Committee is asking shareholders to approve the renewal of the COIP at the 2011 Annual General Meeting.

No changes to the existing rules are being proposed.

Executive share option plan

During 2010, Executive Directors received grants of executive share options at half of the normal levels (100% of salary) with a view to reducing operating costs for the Company. These options vest on 3 year EPS growth, as follows:

EPS growth per annum	Vesting Percentage
Less than RPI+3%	0%
RPI+3%	25%
RPI+8%	100%
Between RPI+3% and RPI+8%	Straight line basis

There will be no retesting of performance. This vesting schedule also applies to all options granted prior to 2009. However, for executive share options granted in 2009, CFOA was selected as the performance measure, rather than EPS, to provide better alignment with the Company's business strategy during the period. These options vest according to the following sliding scale:

CFOA	Vesting Percentage
Less than 70% of target	0%
70% to 99% of target	25%
100% of target	100%
Between 70% and 100%	Straight line basis

The cumulative CFOA for 2009 and 2010, for the purposes of the 2009 executive share option grant is £651.7m which is 74.2% higher than target.

Details of options granted to Executive Directors are shown on page 47.

Subject to gaining approval for the PSP, the Committee currently has no intention to grant any further options to Executive Directors under this plan.

Save as you earn

Executive Directors are eligible to participate in the Company's save as you earn (SAYE) scheme on the same terms as other employees. Participants make monthly savings, to a maximum of £250 per month, over a three year period. At the end of the savings period the funds are used to purchase shares under option. The acquisition of shares under this scheme is not subject to the satisfaction of a performance target.

Executive share ownership

To emphasise the importance the Committee places on executive share ownership, Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. Each Executive Director has five years from 2007, or date of appointment (if later), to reach this shareholding target. As at 31 December 2010, André Lacroix and John McConnell held 217% and 142% respectively of base salary in shares.

Retirement benefits

Our policy is to provide market competitive pension benefits. The Inchcape Group (UK) Pension Scheme (UK Scheme) provides benefits for Executive Directors and certain senior executives at normal retirement age of 65, equal to a maximum of two thirds of final base salary, where salary has scheme specific ceiling of £123,600 in the 2010/11 tax year, subject to completion of between 20 and 40 years' service. Pensions in payments are guaranteed to increase in line with the lesser of 5% and the increase in the RPI. The UK Scheme requires members who join after March 2005 to contribute 7% of base salary up to the scheme specific ceiling of £123,600 in the 2010/11 tax year.

Executive Directors, whose base salary is higher than £123,600, are paid a monthly cash supplement to enable them to make additional pension arrangements. John McConnell received such supplements in 2010. Details of the amounts paid are shown on page 46. André Lacroix received a cash supplement of 40% of his base salary in lieu of a formal pension provision. He is not a member of the UK Scheme except in respect of the life assurance benefit for death in service.

A lump sum life assurance benefit of four times full base salary is provided on death in service. For pension scheme members, a spouse's pension of either half or two thirds of the prospective member's pension may also be payable. Children's pensions may also be payable, up to half of the member's pension.

Taxable and other benefits

These include items such as company cars, medical care and life assurance premiums. These benefits are in line with the remuneration policy framework outlined in this report. These benefits are non-pensionable.

Total Shareholder Return

The total shareholder return (TSR) graph is shown in the investor relations section of the Corporate Governance Report on page 37.

Service contracts

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months. In the event of termination the Company will seek fair mitigation of contractual rights. Within legal constraints, the Committee tailors its approach, in the event of early termination, to the circumstances of each individual case.

Non-Executive Directors are appointed for an initial period of three years, which may be extended by agreement with the Board.

No Non-Executive Director is engaged on a service contract with the Company.

Name	Date of contract	Notice period	Unexpired team
André Lacroix	1 September 05	12 months from the Director; 12 months from the Company	To normal retirement age
John McConnell	1 October 09	12 months from the Director; 12 months from the Company	To normal retirement age

By order of the Board

Nigel Northridge,
Chairman of the Remuneration Committee
7 March 2011

Notes to the Directors' report on remuneration (audited)

1. Individual emoluments for the year

	Base salary/fees		Bonus		Taxable and other benefits (e)		Company contributions paid in year in respect of pension arrangements		Termination payment		Total remuneration	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Chairman												
Ken Hanna	**275.0**	201.3	**–**	–	**11.8**	7.3	**–**	–	**–**	–	**286.8**	208.6
Peter Johnson (a)	**–**	110.6	**–**	–	**1.4**	0.5	**–**	–	**–**	–	**1.4**	111.1
Executive Directors												
André Lacroix (b)	**756.0**	756.0	**907.2**	907.2	**18.4**	18.4	**302.4**	302.4	**–**	–	**1,984.0**	1984.0
John McConnell (c)	**390.0**	97.5	**468.0**	117.0	**51.0**	38.2	**79.9**	20.0	**–**	–	**988.9**	272.7
Non-Executive Directors												
Simon Borrows (d) (joined 1 October 2010)	**11.0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11.0**	–
Alison Cooper (d)	**40.0**	20.0	**–**	–	**–**	–	**–**	–	**–**	–	**40.0**	20.0
Nigel Northridge (d)	**44.0**	20.0	**–**	–	**–**	–	**–**	–	**–**	–	**44.0**	20.0
Graham Pimlott (d) (left 31 October 2010)	**38.3**	44.8	**–**	–	**–**	–	**–**	–	**–**	–	**38.3**	44.8
William Samuel (d)	**70.0**	70.0	**–**	–	**–**	–	**–**	–	**–**	–	**70.0**	70.0
David Scotland (d)	**56.2**	48.0	**–**	–	**–**	–	**–**	–	**–**	–	**56.2**	48.0
Michael Wemms (d)	**57.3**	54.0	**–**	–	**–**	–	**–**	–	**–**	–	**57.3**	54.0
Total	**1,737.8**	1,422.2	**1,375.2**	1,024.2	**82.6**	64.4	**382.3**	322.4	**–**	–	**3,577.9**	2,833.2

Notes on Directors' emoluments

(a) The Company agreed to extend post retirement medical expenses for Peter Johnson and his wife until 13 May 2011.

(b) The payment of £302,400 (2009 – £302,400) was paid directly to André Lacroix to allow him to make his own pension arrangements outside of the Company's pension plan. This payment was subject to tax.

(c) The payment of £79,920 (2009 – £19,980) was paid to John McConnell to allow him to make his own pension arrangements outside the Company's pension plan. This payment was subject to tax.

(d) The details shown include fees at the rate of £10,000 per annum for the Audit, Remuneration and CR Committee Chairmanships and fees at the rate of £4,000 per annum for each of the Audit, Remuneration and CR Committee memberships.

(e) Taxable and other benefits comprise such items as company car, medical care, life assurance premiums, petrol allowance and relocation expenses. All Executive Directors are entitled to such benefits.

No Directors waived emoluments in respect of the year ended 31 December 2010 (2009 – none).

2. Directors' pension entitlements

	Increase in accrued pension during the year £'000	Increase in accrued pension during the year (net of inflation)	Accumulated total of accrued pension at 31.12.09	Accumulated total of accrued pension at 31.12.10	Transfer value (less director's contributions) of the increase in accrued benefit net of inflation	Transfer value of accrued benefits at 31.12.10	Transfer value of accrued benefits at 01.01.10	Difference in transfer value less any contributions made in the year
John McConnell	4.1	4.1	1.0	5.2	48.6	71.5	12.0	50.8

The transfer value has been calculated in accordance with the Retirement Benefits Scheme Transfer Values (GN 11), 6 April 2002.

The transfer values of the accrued benefits represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Directors' pension benefits. The transfer values do not represent sums payable or due to the individual Directors and therefore cannot be added meaningfully to annual remuneration.

No Directors made any contributions to their pension in respect of the above during the year.

3. Directors' share options

	Held at 31.12.10	Options held after 1 for 10 Share Consolidation	Lapsed during year	Exercised during the year	Granted during the year	Held at 01.01.10	Exercise price (c)	Exercise period
André Lacroix	205,468 (a)	205,468 (a)	–	–	–	2,054,690 (a)	£6.034	Sept 2008 – Sept 2015
	–	–	1,439,354 (a)	–	–	1,439,354 (a)	£9.726	Apr 2010 – Apr 2017
	209,567 (a)	209,567 (a)	–	–	–	2,095,675 (a)	£7.214	Apr 2011 – Apr 2018
		–	28,053 (b)	–	–	28,053 (b)	£3.422	Nov 2011 – Apr 2012
	755,999 (a)	755,999 (a)	–	–	–	7,560,000 (a)	£2.00	May 2012 – May 2019
	–	–	3,780,000 (a)	–	–	3,780,000 (a)	£2.00	May 2012 – May 2019
	–	–	3,780,000 (a)	–	–	3,780,000 (a)	£2.00	May 2012 – May 2019
	243,870 (a)	243,870 (a)	–	–	2,438,709 (a)	–	£3.10	Apr 2013 – Apr 2020
	4,390 (b)	–	–	–	4,390 (b)	–	£2.05	Nov 2013 – Apr 2014
John McConnell	17,746 (a)	17,746 (a)	–	–	–	177,468 (a)	£2.140	Mar 2006 – Mar 2013
	28,428 (a)	28,428 (a)	–	–	–	284,283 (a)	£4.416	May 2007 – May 2014
	21,644 (a)	21,644 (a)	–	–	–	216,442 (a)	£5.776	Mar 2008 – Mar 2015
	–	–	204,774 (a)	–	–	204,774 (a)	£9.726	Apr 2010 – Apr 2017
	48,952 (a)	48,952 (a)	–	–	–	489,525 (a)	£7.214	Apr 2011 – Apr 2018
	222,772 (a)	222,772 (a)	–	–	–	2,227,722 (a)	£2.00	May 2012 – May 2019
	46,875 (a)	46,875 (a)				468,750 (a)	£3.20	Nov 2012 – May 2019
	125,806 (a)	125,806 (a)	–	–	1,258,064 (a)	–	£3.10	Apr 2013 – Apr 2020

Notes on share options

(a) Under the Inchcape 1999 Share Option Plan.

- The options granted in 2007 did not meet the performance targets set at the time of grant and lapsed in full. André Lacroix also gave up his one–off option award granted in 2009.

(b) Under the Inchcape SAYE Share Option Scheme.

- There were no option exercises by Executive Directors during 2010.

(c) Exercise prices are determined in accordance with the rules of the relevant share option scheme.

- All options were granted for nil consideration.
- Exercise prices are shown after the adjustment for the Share Consolidation.
- The table shows Executive Directors' options over ordinary shares of 1.0p at 1 January 2010. After the Share Consolidation the options are over ordinary shares of 10.0p at 31 December 2010.
- The mid market price for shares at the close of business on 31 December 2010 was 356.6p. The price range during 2010 was 24.5p to 368.1p.
- Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including Executive Directors of the Company.
- Such options are normally exercisable between three and ten years of grant.
- Details of performance targets are given on page 44.
- The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months' service.
- Participants make monthly savings for a three year period. At the end of the savings period options become exercisable within a six month period.

Notes to the Directors' report on remuneration continued

4. Deferred bonus plan/co-investment plan

	Awarded ordinary shares 31.12.10	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded ordinary shares 01.01.10	Date of grant	Exercise Period
André Lacroix	–	886,360	–	–	886,360	1 Jan 07	Jan 2010 – Jun 2010
John McConnell	–	–	124,130	–	124,130	1 Jan 07	Jan 2010 – Jun 2010
Total	**–**	**886,360**	**124,130**	**–**	**1,010,490**		

Notes on the deferred bonus plan

- Executive Directors will become entitled to award shares if they remain employed by the Company for three years and retain the shares purchased with their bonus throughout that period and the performance targets are met.
- Growth in the Company's EPS over a three year period must exceed the increase in RPI over the same period by 3.0% per annum with no opportunity to retest in order for the award to vest. Special rules apply on termination of employment and change of control.
- As John McConnell was not an Executive Director at the time the award shares were granted he was not subject to the performance targets. The market price on the date of vesting, 1 January 2010, was 30.0p.
- Awards granted on 1 January 2007 were purchased at 578.0p.

	Awarded ordinary shares 31.12.10	Ordinary shares lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded shares held after 1 for 10 Share Consolidation	Awarded ordinary shares 01.01.10	Date of grant	Exercise Period
André Lacroix	190,524	–	–	–	190,524	1,905,240	1 Jan 08	Jan 2011 – Jun 2011
John McConnell	29,669	–	–	–	29,669	296,690	1 Jan 08	Jan 2011 – Jun 2011
Total	**220,193**	**–**	**–**	**–**	**220,193**	**2,201,930**		

Notes on co-investment plan

- Executive Directors will be entitled to matching shares if they remain employed by the Company for three years and retain the shares they have purchased under the Plan throughout that period and the performance targets are met.
- The Company's Economic Profit (EP) must exceed the increase in RPI over the same period by 3.0% per annum to receive a one for one match.
- If that Company's EP exceeds the increase in RPI over the same period by 12.0% per annum the match is two for one. Special rules apply on termination of employment or change of control.
- Awards granted on 1 January 2008 were purchased at 396.8p each.
- Awards were adjusted on a 1 for 10 basis in line with the Share Consolidation.

By order of the Board

Nigel Northridge,
Chairman of the Remuneration Committee
7 March 2011

Other statutory information

Business review

The information that fulfils the requirements of the business review can be found in the Operating Review on pages 13 to 20, which are incorporated in this Report by reference. Information on the environment, employees, community and social issues is given in the Corporate Responsibility Report on pages 24 to 29.

Directors

The names of the Directors, plus brief biographical details are given on page 30. Each Director held office throughout the year except Simon Borrows, who was appointed on 6 October 2010. Graham Pimlott left the Group on 31 October 2010. André Lacroix and Will Samuel will stand for re-election and Simon Borrows will stand for election at the AGM.

Principal activities

A description of the principal activities of the Group and likely future developments and important events occurring since the end of the year are given in the Operating Review on pages 13 to 20.

Results and dividends

The Group's audited Financial statements for the year ended 31 December 2010 are shown on pages 52 to 120. The Board recommends a final ordinary dividend of 6.6p per ordinary share. If approved at the AGM, the final ordinary dividend will be paid on 14 June 2011 to shareholders registered in the books of the Company at the close of business on 20 May 2011 (2009 – 0.0p).

Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' indemnity

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

Directors' interests

The table shows the beneficial interests, excluding share options but including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2010.

	31 Dec 2010	1 Jan 2010
Ken Hanna	**70,000**	700,000
André Lacroix	**459,158**	4,591,600
Will Samuel	**12,000**	120,000
John McConnell	**155,368**	1,438,225
Alison Cooper	**2,500**	25,000
David Scotland	**11,298**	112,980
Michael Wemms	**7,564**	75,640
Nigel Northridge	**10,000**	100,000
Simon Borrows	**500,000**	–

There have been no changes to the number of shares held by Directors between 31 December 2010 and 7 March 2011.

Employee benefit trust

The Executive Directors, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (Trust) and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2010, the Trust's shareholding totalled 1,448,052 ordinary shares.

Between 1 January 2011 and 7 March 2011, the Trust did not transfer any shares to satisfy the exercise of awards under employee share plans.

Charitable and political donations

The Company made a charitable donation to Haven's Hospice of £11,769 during 2010.

No political donations were made during 2010.

Principal financial risk factors

These risks are shown on pages 22 to 23.

Events after the balance sheet date

There have been no events after the balance sheet date.

Authority to purchase shares

At the Company's AGM on Thursday 13 May 2010, the Company was authorised to make market purchases of up to 46,040,193 ordinary shares (representing approximately 10.0% of its issued share capital). No such purchases were made during 2010.

Creditor payment policy

The Company has no trade creditors (2009 – nil). The Group is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. Whilst the Group does not follow any single external code or standard, in line with Inchcape Group policy, payments to suppliers are made in accordance with agreed terms and conditions.

Employees

The Company is committed to a policy of treating all its employees and job applicants equally and to increasing the involvement of employees through engagement activities. Full detail can be found in the Corporate Responsibility Report on pages 24 to 29.

We are committed to the employment of people with disabilities and will interview those candidates who meet the minimum selection criteria. We provide training and career development for our employees, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued development in their role, including consulting them about their requirements, making appropriate adjustments and providing suitable alternative positions.

Directors' responsibilities

The Directors are responsible for preparing the Financial statements in accordance with applicable law and regulations. The Group and parent Company Financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Group Financial statements comply with the Companies Act and Article 4 of the IAS

Other statutory information continued

Regulation and the Company Financial statements and the Directors' Remuneration Report complies with the Directors' Remuneration Report Regulations 2002. 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. The work carried out by the auditors does not involve consideration of these matters, and accordingly the auditors accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

Pursuant to Rule 4.1.12 of the Disclosure and Transparency Rules, the Directors, whose names are given on page 30 confirm that to the best of their knowledge:

- the Group Financial statements which have been prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Operating Review on pages 13 to 20 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.

Share capital

As at 31 December 2010, the Company's issued share capital of £46,319,229.70 comprised 463,192,297 ordinary shares of 10.0p.

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

There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired through the Company share schemes rank pari passu with the shares in issue and have no special rights.

Share Consolidation

The Company undertook a 1 for 10 Share Consolidation as agreed by shareholders at the AGM on 13 May 2010. The purpose of the Share Consolidation was to reduce the total number of ordinary shares in issue following the Rights Issue in 2009 and to increase the likely price of the Company's shares to a figure more appropriate for a listed company of its size and nature in the UK market.

Articles of Association

The appointment and replacement of Directors are governed by the Company's Articles of Association.

The Directors have authority to issue and allot ordinary shares pursuant to Article 10 of the Articles of Association and shareholder authority is requested at each Annual General Meeting. The Directors have authority to make market purchases of ordinary shares and this authority is also renewed annually at the Annual General Meeting.

Any changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

Conflicts of interest

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

Change of control

Save as described in the following paragraphs, the Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Certain of the Group's third party funding arrangements would terminate upon a change of control of the Company.

The Group's relationships with its brand partners are managed at Group level. However, the relevant contracts are entered into at a local level, with day to day management being led by each operating business. Certain of the contracts may terminate on a change of control of the local contracting company.

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees to vest on a takeover, except for Dale Butcher. Dale is entitled to receive an enhanced payment if his contract is terminated due to a change of control for 12 months' salary, a bonus payment based on the average of the prior three years' bonus payments, a deferred 12 month pension annuity and a payment in lieu of use of his company car.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 2006 and IAS 24 'Related Parties' was outstanding at 31 December 2010, or was entered into during the year for any Director and/or connected person (2009 – none).

Annual General Meeting

The AGM will be held at 11.00 a.m. on Thursday 12 May 2011 at JP Morgan, 20 Moorgate, London EC2R 6DA. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

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

By order of the Board

P. Claire Chapman.

Claire Chapman,
General Counsel and Group Company Secretary
Inchcape plc

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Financial statements

Consolidated income statement

For the year ended 31 December 2010

	Notes	Before exceptional items 2010 £m	Exceptional items (note 2) 2010 £m	Total 2010 £m	Before exceptional items 2009 £m	Exceptional items (note 2) 2009 £m	Total 2009 £m
Revenue	1, 3	**5,885.4**	**–**	**5,885.4**	5,583.7	–	5,583.7
Cost of sales		**(5,004.5)**	**–**	**(5,004.5)**	(4,757.0)	–	(4,757.0)
Gross profit		**880.9**	**–**	**880.9**	826.7	–	826.7
Net operating expenses	3	**(655.4)**	**(21.9)**	**(677.3)**	(651.5)	(18.4)	(669.9)
Operating profit		**225.5**	**(21.9)**	**203.6**	175.2	(18.4)	156.8
Share of (loss) / profit after tax of joint ventures and associates	13	**(1.7)**	**–**	**(1.7)**	0.7	–	0.7
Profit before finance and tax		**223.8**	**(21.9)**	**201.9**	175.9	(18.4)	157.5
Finance income	6	**58.6**	**–**	**58.6**	52.1	–	52.1
Finance costs	7	**(68.4)**	**–**	**(68.4)**	(72.9)	–	(72.9)
Profit before tax		**214.0**	**(21.9)**	**192.1**	155.1	(18.4)	136.7
Tax	8	**(62.2)**	**3.1**	**(59.1)**	(43.5)	1.8	(41.7)
Profit for the year		**151.8**	**(18.8)**	**133.0**	111.6	(16.6)	95.0
Profit attributable to:							
– Owners of the parent				**127.9**			92.0
– Non controlling interests				**5.1**			3.0
				133.0			95.0
Basic earnings per share (pence)*	9			**27.9p**			22.9p
Diluted earnings per share (pence)*	9			**27.6p**			22.9p

* Earnings per share for 2009 have been restated to reflect the 10 for 1 Share Consolidation that took effect in May 2010.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit for the year		**133.0**	95.0
Other comprehensive income:			
Cash flow hedges		**0.3**	(126.8)
Net investment hedge		**–**	2.9
Fair value (losses) / gains on available for sale financial assets	14	**(3.6)**	0.4
Effect of foreign exchange rate changes		**37.2**	(76.6)
Net actuarial gains / (losses) on defined benefit pension schemes	5	**64.9**	(163.3)
Irrecoverable element of pension surplus	5	**(36.3)**	43.6
Current tax recognised directly in shareholders' equity		**14.7**	–
Deferred tax recognised directly in shareholders' equity	16	**(15.2)**	60.6
Other comprehensive income for the year, net of tax		**62.0**	(259.2)
Total comprehensive income for the year		**195.0**	(164.2)
Total comprehensive income attributable to:			
– Owners of the parent		**188.7**	(165.8)
– Non controlling interests		**6.3**	1.6
Total comprehensive income for the year		**195.0**	(164.2)

Consolidated statement of financial position

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Intangible assets	11	**551.2**	545.6
Property, plant and equipment	12	**632.3**	656.6
Investments in joint ventures and associates	13	**33.1**	22.3
Available for sale financial assets	14	**12.4**	17.8
Trade and other receivables	15	**28.8**	25.4
Deferred tax assets	16	**31.4**	37.6
Retirement benefit asset	5	**22.0**	0.8
		1,311.2	1,306.1
Current assets			
Inventories	17	**844.1**	772.7
Trade and other receivables	15	**232.7**	252.9
Available for sale financial assets	14	**1.7**	0.7
Derivative financial instruments	23	**122.1**	91.0
Current tax assets		**5.1**	5.1
Cash and cash equivalents	18	**561.6**	381.3
		1,767.3	1,503.7
Assets held for sale and disposal group	19	**23.4**	6.6
		1,790.7	1,510.3
Total assets		**3,101.9**	2,816.4
Current liabilities			
Trade and other payables	20	**(1,080.9)**	(939.1)
Derivative financial instruments	23	**(9.0)**	(21.8)
Current tax liabilities		**(46.6)**	(46.4)
Provisions	21	**(36.1)**	(46.7)
Borrowings	22	**(144.2)**	(166.0)
		(1,316.8)	(1,220.0)
Non-current liabilities			
Trade and other payables	20	**(34.6)**	(68.8)
Provisions	21	**(58.8)**	(47.7)
Deferred tax liabilities	16	**(18.1)**	(15.4)
Borrowings	22	**(320.5)**	(299.2)
Retirement benefit liability	5	**(44.2)**	(75.6)
		(476.2)	(506.7)
Liabilities directly associated with the disposal group	19	**(19.6)**	–
Total liabilities		**(1,812.6)**	(1,726.7)
Net assets		**1,289.3**	1,089.7
Shareholders' equity			
Share capital	24	**46.4**	163.3
Share premium		**126.3**	126.1
Capital redemption reserve		**133.3**	16.4
Other reserves	25	**145.2**	112.4
Retained earnings		**811.9**	649.5
Equity attributable to owners of the parent		**1,263.1**	1,067.7
Non controlling interests		**26.2**	22.0
Total shareholders' equity		**1,289.3**	1,089.7

The consolidated Financial statements on pages 52 to 111 were approved by the Board of Directors on 7 March 2011 and were signed on its behalf by:

André Lacroix, Chief Executive Officer

John McConnell, Group Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2009		121.9	126.1	16.4	273.1	458.0	995.5	24.1	1,019.6
Total comprehensive income for the year		–	–	–	(160.7)	(5.1)	(165.8)	1.6	(164.2)
Share-based payments, net of tax	4	–	–	–	–	4.4	4.4	–	4.4
Net purchase of own shares by ESOP Trust		–	–	–	–	(0.7)	(0.7)	–	(0.7)
Issue of ordinary share capital	24a	41.4	–	–	–	192.9	234.3	–	234.3
Dividends:									
– Non controlling interests		–	–	–	–	–	–	(3.7)	(3.7)
At 1 January 2010		**163.3**	**126.1**	**16.4**	**112.4**	**649.5**	**1,067.7**	**22.0**	**1,089.7**
Total comprehensive income for the year		**–**	**–**	**–**	**32.8**	**155.9**	**188.7**	**6.3**	**195.0**
Share-based payments, net of tax	4,16	**–**	**–**	**–**	**–**	**7.2**	**7.2**	**–**	**7.2**
Net purchase of own shares by ESOP Trust		**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**	**–**	**(0.6)**
Share Consolidation	24c	**(116.9)**	**–**	**116.9**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Issue of ordinary share capital		**–**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Dividends:									
– Non controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(2.5)**	**(2.5)**
Acquisition of businesses		**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
At 31 December 2010		**46.4**	**126.3**	**133.3**	**145.2**	**811.9**	**1,263.1**	**26.2**	**1,289.3**

Share-based payments have been stated net of a tax credit of £0.7m (2009 – credit of £0.6m).

Cumulative goodwill of £108.1m (2009 – £108.1m) has been written off against the Retained earnings reserve. In addition, the Retained earnings reserve includes non-distributable reserves of £5.5m (2009 – £5.5m).

Consolidated statement of cash flows

For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Cash flows from operating activities			
Cash generated from operations	26a	**274.3**	336.7
Tax paid		**(49.2)**	(58.5)
Interest received		**10.6**	7.2
Interest paid		**(20.8)**	(40.1)
Net cash generated from operating activities		**214.9**	245.3
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	27a	**(12.9)**	(21.1)
Net cash inflow from sale of businesses		**1.6**	3.0
Purchase of property, plant and equipment		**(36.9)**	(50.1)
Purchase of intangible assets		**(7.4)**	(14.6)
Proceeds from disposal of property, plant and equipment		**24.8**	15.8
Net disposal of available for sale financial assets		**0.3**	0.1
Dividends received from joint ventures and associates		**1.5**	0.6
Net cash used in investing activities		**(29.0)**	(66.3)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**0.2**	234.3
Net purchase of own shares by ESOP Trust		**(0.6)**	(0.7)
Net cash outflow from borrowings		**(39.4)**	(454.8)
Payment of capital element of finance leases		**(1.3)**	(3.7)
Loans granted to joint ventures		**(3.8)**	(2.3)
Settlement of derivatives		**17.8**	10.1
Dividends paid to non controlling interests		**(2.5)**	(3.7)
Net cash used in financing activities		**(29.6)**	(220.8)
Net increase/(decrease) in cash and cash equivalents	26b	**156.3**	(41.8)
Cash and cash equivalents at the beginning of the year		**257.2**	312.8
Effect of foreign exchange rate changes		**6.1**	(13.8)
Cash and cash equivalents at the end of the year		**419.6**	257.2
Cash and cash equivalents consist of:			
Cash at bank and cash equivalents	18	**376.5**	319.6
Short-term deposits	18	**185.1**	61.7
Bank overdrafts	22	**(142.0)**	(124.1)
		419.6	257.2

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.

Accounting convention

The consolidated Financial statements have been prepared on a going concern basis and under the historical cost convention, except for certain balances, including financial instruments, that have been measured at fair value as disclosed in the accounting policies below.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future.

As such, the Group continues to adopt the going concern basis in preparing the annual report and accounts.

Changes in accounting policy and disclosures

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

A number of new standards, amendments and interpretations are effective for the first time for 2010. The Group has adopted, with effect from 1 January 2010, the amendments and revisions to standards noted below:

Amendment to IFRS 2 'Share-based payments group cash-settled transactions' has been adopted by the Group, which results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan. Management has concluded that to date there has been no material impact on the results of the Group as a result of this amendment.

The following new standards are effective for accounting periods beginning 1 January 2010 but have not had a material impact on the results or financial position of the Group:

– IAS 17, 'Amendment to IAS 17 Leases: Transitional provisions'

– IAS 27 (revised), 'Consolidated and separate financial statements'

– IAS 28, 'Investments in associates'

– IAS 31, 'Interests in joint ventures'

– IAS 38, 'Amendment to IAS 38 Intangible assets: Recognition and measurement'

– IFRS 3 (revised), 'Business combinations'

– IFRIC 17, 'Distributions of non-cash assets to owners'

– IFRIC 18, 'Transfers of assets from customers'.

IFRS 9, 'Financial instruments', IAS 24 (Revised), 'Related party disclosures' and 'Prepayments of a minimum funding requirement', (Amendments to IFRIC 14), were in issue but were not yet effective at balance sheet date. These standards have not been adopted early by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2011.

'Classification of rights issues', (Amendment to IAS 32) is effective for annual periods beginning on or after 1 February 2010 and IFRIC 19, 'Extinguishing financial liabilities with equity instruments' is effective from 1 July 2010. These IFRICs are currently not relevant to the Group and therefore have not been early adopted.

Accounting policies continued

Basis of consolidation

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

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

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

Where the Group acquires a controlling interest in a subsidiary with a contractual obligation to purchase the remaining minority, the acquired company is accounted for as a 100% subsidiary, with the liability for the purchase of the remaining minority recorded as deferred consideration. Subsequent changes to estimates of the deferred consideration are recorded as additions / reductions to the amount of goodwill arising on acquisition.

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

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

Foreign currency translation

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

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

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

Revenue, other income and cost of sales

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

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

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

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

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

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

Share-based payments

The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the consolidated income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Group 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee or the Company cancels an award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

Finance costs

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

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

Income tax

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

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

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

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

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

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

Exceptional items

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

Goodwill

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

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

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

Accounting policies continued

Other intangible assets

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is provided, except for freehold land which is not depreciated, on a straight line basis over the estimated useful life of the asset. For the following categories, the annual rates used are:

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

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

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

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

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

Inventories

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

Vehicles held on consignment which are deemed in substance to be assets of the Group are included within 'inventories' with the corresponding liability included within 'trade and other payables'.

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

Pensions and other post-retirement benefits

The Group operates a number of retirement benefit schemes.

The major schemes are defined benefit pension funds with assets held separately from the Group. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in 'cost of sales' or 'net operating expenses' in the consolidated income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. The expected return on assets of funded defined benefit pension plans and the imputed interest on pension plan liabilities comprise the post-retirement benefit element of finance costs and finance income in the consolidated income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

Where scheme assets exceed the defined benefit obligation, a net asset is only recognised to the extent that an economic benefit is available to the Group, in accordance with the terms of the scheme and, where relevant, statutory requirements.

The Group's contributions to defined contribution plans are charged to the consolidated income statement in the period to which the contributions relate.

The Group has also a liability in respect of past employees under post-retirement healthcare schemes which have been closed to new entrants. These schemes are accounted for on a similar basis to that for defined benefit pension plans in accordance with the advice of independent qualified actuaries.

Provisions

Provisions are recognised when the Group has a present obligation in respect of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered to be material, using an appropriate risk free rate on government bonds.

Disposal group and assets held for sale

Where the Group is actively marketing a business and disposal is expected within one year of the end of the reporting period, the assets and liabilities of the associated businesses are separately disclosed on the consolidated statement of financial position as a disposal group. Assets are classified as assets held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Both disposal groups and assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Segmental reporting

Segment information is reported in accordance with IFRS 8 'Operating segments', which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group has identified operating segments, corresponding to the six main regions in which it operates. These segments are then categorised into the Group's two distinctive market channels, distribution and retail.

Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables; held at fair value; amortised cost; and available for sale. The classification is determined at initial recognition and depends on the purpose for which the financial instruments are required.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where the maturity date is more than 12 months after the end of the reporting period. They are initially recorded at fair value and subsequently recorded at net realisable value.

Held at fair value includes derivative financial assets and liabilities, which are further explained below. They are classified according to maturity date, within current and non-current assets and liabilities respectively.

Amortised cost includes non-derivative financial assets and liabilities which are held at original cost, less amortisation or provision raised.

Available for sale financial assets are the residual category and include non-derivative financial assets, such as bonds and equity investments. They are classified as non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period and are held at fair value.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand, short-term bank deposits and money market funds.

In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Leases

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Group does not retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rental payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Offsetting

Netting in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Accounting policies continued

Derivative financial instruments

An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in the Principal risks section of the Business Review.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings and future fixed amount currency liabilities (on its cross currency interest rate swaps). The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings and changes in the fair value of those borrowings are recognised in the consolidated income statement within 'finance costs'. The gain or loss relating to the ineffective portion is also recognised in the consolidated income statement within 'finance costs'.

Cash flow hedge

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the consolidated income statement. When the hedged forecast transaction results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the consolidated income statement in the same period in which the hedged forecast transaction affects the consolidated income statement.

Net investment hedge

The Group uses borrowings denominated in foreign currency to hedge net investments in foreign operations. These are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement in 'net operating expenses'. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time any cumulative gains or losses on the hedging instrument which have been recognised in other comprehensive income are kept in other comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses that have been recognised in other comprehensive income are transferred to the consolidated income statement for the period.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement.

Investments

The Group's investments are classified as available for sale or held to maturity (where management has a positive intention and ability to hold the asset to maturity).

Gains and losses on available for sale financial assets are recognised in other comprehensive income, until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated income statement as part of 'net operating expenses'.

Held to maturity financial assets are carried at amortised cost.

Share capital

Ordinary shares are classified as equity. Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the consolidated Financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated Financial statements.

Revenue recognition on vehicles subject to residual value commitments

Where the Group sells vehicles sourced from within the Group to a finance provider for the purpose of leasing the vehicles to a third party, and retains a residual value commitment, the sale is not recognised on the basis that the value of these assets will be realised over the lease period and from the disposal of the vehicles at the end of the lease period.

Consignment stock

Vehicles held on consignment have been included in 'finished goods' within 'inventories' on the basis that the Group has determined that it holds the significant risks and rewards attached to these vehicles.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Product warranty provision

The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims.

Pensions and other post-retirement benefits

The net retirement benefit asset or liability is calculated based on a number of actuarial assumptions as detailed in note 5. A number of these assumptions involve a considerable degree of estimation, including the rate of inflation, discount rate and expected mortality rates.

Tax

The Group is subject to income taxes in a number of jurisdictions. Some degree of estimation is required in determining the worldwide provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods.

Goodwill

Goodwill is tested at least annually for impairment in accordance with the accounting policy set out above. The recoverable amount of cash generating units is determined based on value in use calculations. These calculations require the use of estimates including projected future cash flows (see note 11).

Property, plant and equipment

Property, plant and equipment is reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows.

Residual value commitments

The Group has residual value commitments on certain leased vehicles. These commitments are an estimate of future market value at a specified point in time. The actual market value of vehicles bought back may vary from the committed purchase value.

Notes to the accounts

1 Segmental analysis

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

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

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

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

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

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

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

1 Segmental analysis continued

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

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

Notes to the accounts continued

1 Segmental analysis continued

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

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

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

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

1 Segmental analysis continued

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

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

2010	Retail Australasia £m	 Europe £m	 United Kingdom £m	 Russia and Emerging Markets £m	 Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**1.2**	**0.6**	**10.7**	**13.6**	**26.1**	**34.7**	**0.4**	**35.1**
– Interest in leased vehicles	**–**	**0.3**	**–**	**1.2**	**1.5**	**37.3**	**–**	**37.3**
– Intangible assets	**–**	**–**	**3.1**	**1.5**	**4.6**	**5.4**	**3.0**	**8.4**
Depreciation:								
– Property, plant and equipment	**0.6**	**1.2**	**9.4**	**6.0**	**17.2**	**27.4**	**0.4**	**27.8**
– Interest in leased vehicles	**–**	**0.2**	**–**	**0.2**	**0.4**	**20.8**	**–**	**20.8**
Amortisation of intangible assets	**–**	**–**	**3.3**	**0.4**	**3.7**	**4.8**	**0.2**	**5.0**
Impairment of goodwill	**3.0**	**–**	**2.3**	**0.2**	**5.5**	**5.5**	**–**	**5.5**
Impairment of property, plant and equipment	**–**	**–**	**5.0**	**0.2**	**5.2**	**12.7**	**–**	**12.7**
Net provisions charged / (released) to the consolidated income statement	**4.3**	**1.7**	**1.7**	**–**	**7.7**	**43.6**	**(3.5)**	**40.1**

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

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Notes to the accounts continued

1 Segmental analysis continued

2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Revenue							
Total revenue	607.4	947.8	312.2	548.2	30.0	300.1	2,745.7
Inter-segment revenue	(129.0)	(146.0)	–	–	–	(43.7)	(318.7)
Revenue from third parties	478.4	801.8	312.2	548.2	30.0	256.4	2,427.0
Results							
Segment result	26.7	30.2	19.9	55.9	3.9	1.0	137.6
Exceptional items	–	(0.2)	–	–	–	(3.9)	(4.1)
Operating profit after exceptional items	26.7	30.0	19.9	55.9	3.9	(2.9)	133.5
Share of profit / (loss) after tax of joint ventures and associates	–	2.0	–	–	–	–	2.0
Profit before finance and tax	26.7	32.0	19.9	55.9	3.9	(2.9)	135.5
Finance income							
Finance costs							
Profit before tax							
Tax							
Profit for the year							

The segment result for Distribution includes an impairment charge of £4.2m for land in Russia and Emerging Markets.

1 Segmental analysis continued

2009	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
	Retail							
Revenue								
Total revenue	284.4	204.3	2,055.7	612.3	3,156.7	5,902.4	–	5,902.4
Inter-segment revenue	–	–	–	–	–	(318.7)	–	(318.7)
Revenue from third parties	284.4	204.3	2,055.7	612.3	3,156.7	5,583.7	–	5,583.7
Results								
Segment result	11.2	(1.6)	42.8	4.0	56.4	194.0	(18.8)	175.2
Exceptional items	–	(1.6)	(3.0)	(8.2)	(12.8)	(16.9)	(1.5)	(18.4)
Operating profit after exceptional items	11.2	(3.2)	39.8	(4.2)	43.6	177.1	(20.3)	156.8
Share of profit / (loss) after tax of joint ventures and associates	–	–	–	(1.3)	(1.3)	0.7	–	0.7
Profit before finance and tax	11.2	(3.2)	39.8	(5.5)	42.3	177.8	(20.3)	157.5
Finance income								52.1
Finance costs								(72.9)
Profit before tax								136.7
Tax								(41.7)
Profit for the year								95.0

Net finance costs of £20.8m are not allocated to individual segments.

Notes to the accounts continued

1 Segmental analysis continued

2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Segment assets and liabilities							
Segment assets	84.2	188.9	64.7	59.2	21.8	66.3	485.1
Other current assets							
Non-current assets							
Segment liabilities	(173.4)	(242.2)	(52.6)	(43.1)	(60.2)	(40.4)	(611.9)
Other liabilities							
Net assets							

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

2009	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Distribution Total Distribution £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	0.9	0.2	0.5	1.6	0.1	3.3	6.6
– Interest in leased vehicles	–	14.3	2.3	–	17.6	4.2	38.4
– Intangible assets	–	0.3	–	–	0.2	0.1	0.6
Depreciation:							
– Property, plant and equipment	3.0	1.4	1.6	1.9	0.1	2.4	10.4
– Interest in leased vehicles	–	5.6	1.8	–	13.0	4.0	24.4
Amortisation of intangible assets	0.2	0.5	–	–	0.3	0.2	1.2
Impairment of property, plant and equipment	–	–	–	–	–	6.7	6.7
Net provisions charged / (released) to the consolidated income statement	10.3	18.7	0.5	5.3	(1.3)	4.0	37.5

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

1 Segmental analysis continued

2009	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total £m
Segment assets and liabilities						
Segment assets	32.4	28.5	346.9	151.4	559.2	1,044.3
Other current assets						481.6
Non-current assets						1,280.7
Segment liabilities	(29.4)	(19.0)	(311.2)	(86.0)	(445.6)	(1,057.5)
Other liabilities						(659.4)
Net assets						1,089.7

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

2009	Retail Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	0.3	0.4	5.3	37.3	43.3	49.9	–	49.9
– Interest in leased vehicles	–	0.3	–	–	0.3	38.7	–	38.7
– Intangible assets	–	–	1.1	0.9	2.0	2.6	7.4	10.0
Depreciation:								
– Property, plant and equipment	0.6	1.5	10.0	5.6	17.7	28.1	0.5	28.6
– Interest in leased vehicles	–	0.3	–	–	0.3	24.7	–	24.7
Amortisation of intangible assets	–	–	1.2	0.2	1.4	2.6	0.2	2.8
Impairment of property, plant and equipment	–	–	–	7.8	7.8	14.5	–	14.5
Net provisions charged / (released) to the consolidated income statement	2.4	(0.5)	4.9	4.1	10.9	48.4	(1.3)	47.1

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

Notes to the accounts continued

2 Exceptional items

	2010 £m	2009 £m
Restructuring costs	**(12.4)**	(5.1)
Goodwill impairment (note 11)	**(5.5)**	–
Impairment of property, plant and equipment	**(4.0)**	(10.3)
Vacant property	**–**	(3.0)
Operating exceptional items	**(21.9)**	(18.4)
Exceptional tax credit	**3.1**	1.8
Total exceptional items	**(18.8)**	(16.6)

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

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

In 2009, the restructuring costs of £5.1m represented the costs of headcount reduction and site closures in Finland, the Baltics and Russia, together with changes in the composition of the Executive Committee. The impairment charge for property, plant and equipment of £10.3m arose from an impairment review of the Group's business in Latvia which was updated following a deterioration in trading conditions compared to prior year. The vacant property cost of £3.0m represented an onerous lease provision relating to a site occupied by the Inchcape Automotive business that was sold in 2007 and which went into administration in early 2009. The Group remains responsible for the head lease on this property.

The 2009 exceptional tax credit represented a deferred tax credit of £0.9m in respect of the future deduction for overseas redundancy costs in the local territories and a current tax credit of £0.9m in respect of onerous lease costs on UK properties.

3 Revenue and expenses
a. Revenue
An analysis of the Group's revenue for the year is as follows:

	2010 £m	2009 £m
Sale of goods	**5,274.6**	4,964.6
Provision of services	**610.8**	619.1
	5,885.4	5,583.7

b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2010 £m	**Exceptional items 2010 £m**	**Net operating expenses 2010 £m**	Net operating expenses before exceptional items 2009 £m	Exceptional items 2009 £m	Net operating expenses 2009 £m
Distribution costs	**358.8**	**3.0**	**361.8**	352.4	0.2	352.6
Administrative expenses	**291.0**	**14.9**	**305.9**	303.1	7.6	310.7
Other operating expense / (income)	**5.6**	**4.0**	**9.6**	(4.0)	10.6	6.6
	655.4	**21.9**	**677.3**	651.5	18.4	669.9

Other operating expense / (income) includes a charge of £12.7m in respect of property impairment (2009 – £14.5m).

c. Profit before tax is stated after the following charges / (credits):

	2010 £m	2009 £m
Depreciation of property, plant and equipment:		
– Owned assets	**27.6**	28.1
– Assets held under finance leases	**0.2**	0.5
– Interest in leased vehicles	**20.8**	24.7
Amortisation of intangible assets	**5.0**	2.8
Impairment of goodwill	**5.5**	–
Impairment of property, plant and equipment	**12.7**	14.5
Bad debt provision	**2.0**	3.8
Profit on sale of property, plant and equipment	**(7.5)**	(2.6)
Operating lease rentals	**45.7**	45.0

Notes to the accounts continued

3 Revenue and expenses continued

d. Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2010 £m	2009 £m
Audit services:		
– Fees payable for the audit of the parent Company and the consolidated Financial statements	**0.4**	0.4
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**1.6**	1.7
– Other services supplied pursuant to such legislation	**0.1**	0.9
– Services relating to taxation	**1.3**	1.4
– All other services	**0.2**	–
	3.2	4.0
Total fees payable to PricewaterhouseCoopers LLP	**3.6**	4.4
Audit fees – firms other than PricewaterhouseCoopers LLP	**0.1**	0.1

In 2009, the fees for other services supplied pursuant to legislation include £0.8m related to the Rights Issue. These costs were recognised in equity as part of the net proceeds of the Rights Issue.

e. Staff costs

	2010 £m	2009 £m
Wages and salaries	**384.3**	356.5
Social security costs	**40.4**	43.0
Other pension costs	**12.1**	11.2
Share-based payment charge	**6.9**	3.8
	443.7	414.5

Information on Directors' emoluments and interests which forms part of these audited consolidated Financial statements, is given in the Directors' report on remuneration which can be found on pages 41 – 48 of this document.

f. Average number of employees

	Distribution		Retail		Total	
	2010 Number	2009 Number	2010 Number	2009 Number	2010 Number	2009 Number
Australasia	**493**	557	**660**	595	**1,153**	1,152
Europe	**351**	350	**414**	474	**765**	824
North Asia	**1,377**	1,381	**–**	–	**1,377**	1,381
South Asia	**929**	1,003	**–**	–	**929**	1,003
United Kingdom	**167**	159	**4,939**	4,955	**5,106**	5,114
Russia and Emerging Markets	**1,315**	1,387	**3,275**	3,074	**4,590**	4,461
Total operational	**4,632**	4,837	**9,288**	9,098	**13,920**	13,935
Central					**148**	156
					14,068	14,091

4 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Board report on remuneration.

The charge arising from share-based payment transactions during the year is £6.9m (2009 – £3.8m), of which £6.5m (2009 – £3.8m) is equity-settled and £0.4m (2009 – £nil) is cash-settled.

The Other Share Plans disclosures below include other share-based incentive plans for senior executives and employees.

The following table sets out the movements in the number of share options and awards during the year:

	Weighted average exercise price*		Executive Share Option Plan		Save As You Earn Plan		Other Share Plans	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Outstanding at 1 Jan	**£0.35**	£3.97	**129,459,199**	11,820,309	**35,716,267**	2,424,699	**12,588,698**	1,550,122
Granted	**£0.31**	–	**26,185,622**	–	**–**	–	**–**	–
Exercised	**£0.20**	–	**(179,960)**	–	**–**	–	**(2,110,760)**	(507)
Lapsed	**£0.59**	£4.17	**(19,653,492)**	(2,888,972)	**(2,921,677)**	(575,934)	**(1,160,715)**	(260,306)
Outstanding at 13 May 2010 / 6 April 2009	**£0.31**	£3.90	**135,811,369**	8,931,337	**32,794,590**	1,848,765	**9,317,223**	1,289,309
Outstanding following Share Consolidation / Rights Issue	**£3.03**	£0.67	**13,580,518**	52,982,611	**3,277,730**	10,990,010	**931,722**	12,893,090
Granted	**£2.06**	£0.21	**20,532**	86,337,398	**1,293,370**	32,295,387	**210,897**	2,445,747
Exercised	**£1.93**	£0.58	**(101,500)**	(154,368)	**(1,304)**	–	**–**	(1,181,178)
Lapsed	**£2.75**	£0.58	**(1,787,837)**	(9,706,442)	**(847,813)**	(7,569,130)	**(41,341)**	(1,568,961)
Outstanding at 31 Dec	**£3.01**	£0.35	**11,711,713**	129,459,199	**3,721,983**	35,716,267	**1,101,278**	12,588,698
Exercisable at 31 Dec	**£5.04**	£0.50	**1,204,957**	14,660,414	**63,945**	479,911	**–**	19,200

* The weighted average exercise price excludes awards made under Other Share Plans as there is no exercise price attached to these share awards.

Included in the table above are 60,021 (2009 – 94,300) share options outstanding at 31 December granted before 7 November 2002 which have been excluded from the share-based payments charge in accordance with the IFRS 2 transitional provisions.

The weighted average remaining contractual life for the share options outstanding at 31 December 2010 is 6.3 years (2009 – 6.9 years).

The range of exercise prices for options outstanding at the end of the year was £1.08 to £7.43 (2009 – £0.80 to £9.73). See note 24 for further details.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model for shares granted during the years ended 31 December 2010 and 31 December 2009:

	Executive Share Option Plan		Save As You Earn Plan		Other Share Plans	
	2010	2009	**2010**	2009	**2010**	2009
Weighted average share price at grant date*	**£3.12**	£2.01	**£2.56**	£2.90	**£3.08**	£2.50
Weighted average exercise price*	**£3.12**	£2.01	**£2.05**	£2.30	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**3.0 years**	3.0 years
Expected volatility	**50.0%**	80.0%	**50.0%**	80.0%	**n/a**	n/a
Expected life of option	**3.5 years**	3.5 years	**3.2 years**	3.2 years	**3.0 years**	3.0 years
Weighted average risk free rate	**1.8%**	2.1%	**0.9%**	1.9%	**n/a**	n/a
Expected dividend yield	**2.0%**	1.0%	**3.0%**	1.0%	**n/a**	n/a
Weighted average fair value per option*	**£1.05**	£1.07	**£1.21**	£1.30	**£3.08**	£2.50

* Weighted average share prices, weighted average exercise prices and weighted average fair values for 2009 have been restated for the 2010 Share Consolidation

The expected life and volatility of the options are based upon historical data.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself and the charge will be treated as a cash-settled transaction.

Notes to the accounts continued

5 Pensions and other post-retirements benefits

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its subsidiaries.

The principal schemes are held in the UK and are final salary defined benefit pension schemes. Most of the schemes have assets held in trust in separately administered funds although there are some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

The majority of the overseas defined benefit schemes are final salary schemes which provide a lump sum on retirement, some of which have assets held in trust in separately administered funds and others which are unfunded. The overseas defined contribution schemes are principally linked to local statutory arrangements.

a. UK schemes

The UK has four main defined benefit schemes, namely the Inchcape Group (UK) Pension Scheme, the Inchcape Motors Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. These schemes are considered below:

Open schemes

Inchcape Group (UK) Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The majority of the scheme's liabilities are for pensioners and deferred pensioners, and the investment strategy is to hold a broadly balanced portfolio of equities and gilts.

Inchcape Motors Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out as at 5 April 2009 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. Whilst a majority of the scheme's members are pensioners and deferred pensioners, a sizeable portion of the membership is still accruing benefits and the investment strategy reflects this with the majority of the assets invested in equities and bonds.

Inchcape Overseas Pension Scheme

This scheme is managed from Guernsey and is therefore reported in the United Kingdom segment in this note. The latest triennial actuarial valuation for this scheme was carried out as at 31 March 2009 and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. A significant majority of the scheme's members are pensioners and deferred pensioners and therefore the majority of the assets are invested in bonds.

Closed scheme

TKM Group Pension Scheme

The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2007 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme has a prudent investment strategy and the majority of the assets are invested in bonds, cash or gilts. Approximately half the members are pensioners and half are deferred pensioners and as such no further pension accrual arises.

b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee. These schemes are typically subject to triennial valuations.

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £4.8m (2009 – £5.4m). There are no outstanding contributions to defined contribution schemes at the year end (2009 – £nil).

d. Defined benefit plans

As the Group's principal defined benefit schemes are in the UK, these have been reported separately to the overseas schemes. For the purposes of reporting, actuarial updates have been obtained for the Group's material schemes and these updates are reflected in the amounts reported below.

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2010 %	2009 %	**2010 %**	2009 %
Rate of increase in salaries	**4.9**	5.2	**4.5**	4.5
Rate of increase in pensions	**3.4**	3.7	**–**	–
Discount rate	**5.4**	5.7	**3.2**	3.1
Inflation	**3.4**	3.7	**0.2**	0.5
Expected return on plan assets	**6.1**	6.1	**6.1**	7.0

5 Pensions and other post-retirements benefits continued

The rate of increase in healthcare cost is 6.0% (2009 – 5.5%) per annum.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 22.6 years (2009 – 22.6 years) for current pensioners and 25.0 years (2009 – 25.0 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The expected return on plan assets is based on the weighted average expected return on each type of asset (principally equities and bonds). The overall expected return on plan assets is determined based on the expected real rates of return on equities and expected yields on bonds applicable to the period over which the obligation is to be settled.

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Present value of funded obligations	**(824.8)**	(807.4)	**(37.1)**	(33.4)	**(861.9)**	(840.8)
Fair value of plan assets	**841.6**	736.1	**38.1**	34.7	**879.7**	770.8
Surplus / (deficit) in funded obligations	**16.8**	(71.3)	**1.0**	1.3	**17.8**	(70.0)
Irrecoverable element of pension surplus	**(36.2)**	–	**(0.4)**	(0.3)	**(36.6)**	(0.3)
Net (deficit) / surplus in funded obligations	**(19.4)**	(71.3)	**0.6**	1.0	**(18.8)**	(70.3)
Present value of unfunded obligations	**(1.3)**	(2.3)	**(2.1)**	(2.2)	**(3.4)**	(4.5)
	(20.7)	(73.6)	**(1.5)**	(1.2)	**(22.2)**	(74.8)
The net pension asset / (liability) is analysed as follows:						
Schemes in surplus	**21.2**	–	**0.8**	0.8	**22.0**	0.8
Schemes in deficit	**(41.9)**	(73.6)	**(2.3)**	(2.0)	**(44.2)**	(75.6)
	(20.7)	(73.6)	**(1.5)**	(1.2)	**(22.2)**	(74.8)

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Current service cost	**(5.2)**	(3.0)	**(2.1)**	(2.6)	**(7.3)**	(5.6)
Past service cost	**–**	(0.2)	**–**	–	**–**	(0.2)
Interest expense on plan liabilities	**(45.2)**	(38.0)	**(1.0)**	(0.9)	**(46.2)**	(38.9)
Expected return on plan assets	**44.5**	42.6	**2.4**	1.9	**46.9**	44.5
	(5.9)	1.4	**(0.7)**	(1.6)	**(6.6)**	(0.2)

The actual gain on plan assets amounts to £119.7m (2009 – £48.8m).

The totals in the previous table are analysed as follows:

	Cost of sales		Distribution costs		Administrative expenses		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Current service cost	**(0.5)**	(0.6)	**(1.5)**	(1.2)	**(5.3)**	(3.8)	**(7.3)**	(5.6)
Past service cost	**–**	–	**–**	–	**–**	(0.2)	**–**	(0.2)
	(0.5)	(0.6)	**(1.5)**	(1.2)	**(5.3)**	(4.0)	**(7.3)**	(5.8)
Interest expense on plan liabilities							**(46.2)**	(38.9)
Expected return on plan assets							**46.9**	44.5
							(6.6)	(0.2)

Notes to the accounts continued

5 Pensions and other post-retirements benefits continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Actuarial gains / (losses) on liabilities:						
– Experience gains and losses	**5.2**	4.6	**(0.9)**	0.6	**4.3**	5.2
– Changes in assumptions	**(12.0)**	(178.9)	**(0.2)**	6.1	**(12.2)**	(172.8)
Actuarial gains / (losses) on assets:						
– Experience gains and losses	**73.4**	(1.8)	**(0.6)**	6.1	**72.8**	4.3
Irrecoverable element of pension surplus	**(36.2)**	43.6	**(0.1)**	–	**(36.3)**	43.6
	30.4	(132.5)	**(1.8)**	12.8	**28.6**	(119.7)

Analysis of the movement in the net asset / (liability):

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
At 1 January	**(73.6)**	22.8	**(1.2)**	(16.8)	**(74.8)**	6.0
Amount recognised in the consolidated income statement	**(5.9)**	1.4	**(0.7)**	(1.6)	**(6.6)**	(0.2)
Contributions by employer	**28.4**	34.7	**1.8**	3.0	**30.2**	37.7
Actuarial gains / (losses) recognised in the year	**66.6**	(176.1)	**(1.7)**	12.8	**64.9**	(163.3)
Irrecoverable surplus recognised in the year	**(36.2)**	43.6	**(0.1)**	–	**(36.3)**	43.6
Effect of foreign exchange rates	**–**	–	**0.4**	1.4	**0.4**	1.4
At 31 December	**(20.7)**	(73.6)	**(1.5)**	(1.2)	**(22.2)**	(74.8)

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
At 1 January	**(809.7)**	(631.3)	**(35.6)**	(46.1)	**(845.3)**	(677.4)
Current service cost	**(5.2)**	(3.0)	**(2.1)**	(2.6)	**(7.3)**	(5.6)
Past service cost	**–**	(0.2)	**–**	–	**–**	(0.2)
Interest expense on plan liabilities	**(45.2)**	(38.0)	**(1.0)**	(0.9)	**(46.2)**	(38.9)
Actuarial gains / (losses):						
– Experience gains and losses	**5.2**	4.6	**(0.9)**	0.6	**4.3**	5.2
– Changes in assumptions	**(12.0)**	(178.9)	**(0.2)**	6.1	**(12.2)**	(172.8)
Contributions by employees	**(0.6)**	(1.3)	**(0.1)**	(0.1)	**(0.7)**	(1.4)
Benefits paid	**41.4**	38.4	**2.0**	3.5	**43.4**	41.9
Effect of foreign exchange rate changes	**–**	–	**(1.3)**	3.9	**(1.3)**	3.9
At 31 December	**(826.1)**	(809.7)	**(39.2)**	(35.6)	**(865.3)**	(845.3)

5 Pensions and other post-retirements benefits continued

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
At 1 January	**736.1**	697.7	**34.7**	29.6	**770.8**	727.3
Expected return on plan assets	**44.5**	42.6	**2.4**	1.9	**46.9**	44.5
Actuarial gains / (losses):						
– Experience gains and losses	**73.4**	(1.8)	**(0.6)**	6.1	**72.8**	4.3
Contributions by employer	**28.4**	34.7	**1.8**	3.0	**30.2**	37.7
Contributions by employees	**0.6**	1.3	**0.1**	0.1	**0.7**	1.4
Benefits paid	**(41.4)**	(38.4)	**(2.0)**	(3.5)	**(43.4)**	(41.9)
Effect of foreign exchange rate changes	**–**	–	**1.7**	(2.5)	**1.7**	(2.5)
At 31 December	**841.6**	736.1	**38.1**	34.7	**879.7**	770.8
Irrecoverable element of pension surplus	**(36.2)**	–	**(0.4)**	(0.3)	**(36.6)**	(0.3)
Revised value at 31 December	**805.4**	736.1	**37.7**	34.4	**843.1**	770.5

At the end of the reporting period, the percentage of the plan assets by category had been invested as follows:

	United Kingdom		Overseas		Total	
	2010	2009	**2010**	2009	**2010**	2009
Equities	**10.7%**	33.7%	**67.7%**	71.8%	**13.1%**	35.5%
Corporate bonds	**27.4%**	35.2%	**23.0%**	19.5%	**27.2%**	34.5%
Government bonds	**29.3%**	23.7%	**–**	–	**28.0%**	22.6%
Diversified growth funds	**23.9%**	–	**–**	–	**22.9%**	–
Other	**8.7%**	7.4%	**9.3%**	8.7%	**8.8%**	7.4%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

The history of the plans for the current and previous years is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligation	**(865.3)**	(845.3)	(677.4)	(770.5)	(755.8)
Fair value of plan assets	**879.7**	770.8	727.3	799.3	733.3
Surplus / (deficit)	**14.4**	(74.5)	49.9	28.8	(22.5)
Irrecoverable element of pension surplus	**(36.6)**	(0.3)	(43.9)	(0.3)	(0.2)
Revised (deficit) / surplus	**(22.2)**	(74.8)	6.0	28.5	(22.7)
Experience adjustments on plan liabilities	**4.3**	5.2	16.7	0.1	8.6
Experience adjustments on plan assets	**72.8**	4.3	(117.0)	1.3	3.8

The cumulative actuarial gains and losses arising since 1 January 2004 recognised in shareholders' equity amounted to a £120.3m loss at 31 December 2010 (2009 – £148.9m loss).

The Group has agreed to pay approximately £24.5m to its defined benefit plans in 2011.

Notes to the accounts continued

6 Finance income

	2010 £m	2009 £m
Bank and other interest receivable	**4.5**	4.2
Expected return on post-retirement plan assets	**46.9**	44.5
Other finance income	**7.2**	3.4
Total finance income	**58.6**	52.1

7 Finance costs

	2010 £m	2009 £m
Interest payable on bank borrowings	**2.8**	5.1
Interest payable on other borrowings	**0.6**	1.7
Interest payable on revolving credit facility	**–**	1.6
Interest payable on Private Placement	**3.7**	7.8
Fair value (gain) / loss on cross currency interest rate swaps	**(24.2)**	70.8
Fair value adjustment on Private Placement	**22.2**	(71.7)
Stock holding interest	**13.2**	9.2
Interest expense on post-retirement plan liabilities	**46.2**	38.9
Other finance costs	**5.0**	10.6
Capitalised borrowing costs	**(1.1)**	(1.1)
Total finance costs	**68.4**	72.9

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% (2009 – 2.9%).

8 Tax

	2010 £m	2009 £m
Current tax:		
– UK corporation tax	**19.2**	8.0
– Double tax relief	**–**	(2.2)
	19.2	5.8
Overseas tax	**46.6**	47.5
	65.8	53.3
Adjustments to prior year liabilities:		
– UK	**–**	8.0
– Overseas	**(0.2)**	–
Current tax	**65.6**	61.3
Deferred tax (note 16)	**(3.4)**	(17.8)
Tax before exceptional tax	**62.2**	43.5
Exceptional tax – current tax	**(2.5)**	(0.9)
Exceptional tax – deferred tax	**(0.6)**	(0.9)
Exceptional tax (note 2)	**(3.1)**	(1.8)
Total tax charge	**59.1**	41.7

The effective tax rate for the year, before exceptional items, of 29% (2009 – 28%) is higher than the standard blended rate of tax of 23.6% (2009 – 24.8%) as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2010 £m	2009* £m
Profit before tax	**192.1**	136.7
Profit before tax multiplied by the standard rate of tax of 23.6% (2009 – 24.8%)	**45.4**	33.9
Effects of:		
– Amortisation and impairment	**5.0**	3.2
– Non-tax deductible items	**3.1**	11.9
– Unrecognised tax losses	**(3.7)**	4.4
– Overseas tax levies and austerity taxes	**5.6**	–
– Withholding tax on overseas dividends	**1.1**	1.0
– Disallowed interest due to UK debt cap	**1.1**	–
– Prior year items	**0.9**	(12.3)
– Other items	**0.6**	(0.4)
Total tax charge	**59.1**	41.7

* Comparatives have been restated to conform to the form of presentation in the current year.

Notes to the accounts continued

9 Earnings per share

	2010 £m	Restated 2009* £m
Profit for the year	**133.0**	95.0
Non controlling interests	**(5.1)**	(3.0)
Basic earnings	**127.9**	92.0
Exceptional items	**18.8**	16.6
Adjusted earnings	**146.7**	108.6
Basic earnings per share	**27.9p**	22.9p
Diluted earnings per share	**27.6p**	22.9p
Basic Adjusted earnings per share	**32.0p**	27.1p
Diluted Adjusted earnings per share	**31.7p**	27.1p

	2010 number	Restated 2009* number
Weighted average number of fully paid ordinary shares in issue during the year	**463,111,916**	405,085,186
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(1,365,559)**	(1,371,122)
– Repurchased as part of the share buy back programme	**(2,687,560)**	(2,687,561)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**459,058,797**	401,026,503
Dilutive effect of potential ordinary shares	**3,800,689**	426,638
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**462,859,486**	401,453,141

* The 2009 earning per share and weighted average number of shares presented in the above tables have been restated to reflect the 10 for 1 Share Consolidation that took effect on 14 May 2010.

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

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

Adjusted earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Adjusted earnings per share is calculated by dividing the Adjusted earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

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

10 Dividends

A final proposed dividend for the year ending 31 December 2010 of 6.6p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2010. No dividend payment was made for the 2009 reporting period.

11 Intangible assets

	Goodwill £m	Computer software £m	Other intangible assets £m	Total £m
Cost				
At 1 January 2009	574.5	55.7	7.1	637.3
Businesses sold	(0.2)	(0.1)	–	(0.3)
Additions	22.3	10.0	–	32.3
Disposals	–	(0.2)	–	(0.2)
Effect of foreign exchange rate changes	(25.4)	(1.3)	(0.1)	(26.8)
At 1 January 2010	**571.2**	**64.1**	**7.0**	**642.3**
Additions	**–**	**8.4**	**–**	**8.4**
Disposals	**–**	**(4.4)**	**–**	**(4.4)**
Effect of foreign exchange rate changes	**5.5**	**0.2**	**0.1**	**5.8**
At 31 December 2010	**576.7**	**68.3**	**7.1**	**652.1**
Amortisation and impairment				
At 1 January 2009	(65.6)	(27.2)	(7.1)	(99.9)
Businesses sold	–	0.1	–	0.1
Amortisation charge for the year	–	(2.8)	–	(2.8)
Disposals	–	0.2	–	0.2
Effect of foreign exchange rate changes	4.4	1.2	0.1	5.7
At 1 January 2010	**(61.2)**	**(28.5)**	**(7.0)**	**(96.7)**
Amortisation charge for the year	**–**	**(5.0)**	**–**	**(5.0)**
Impairment charge for the year	**(5.5)**	**–**	**–**	**(5.5)**
Disposals	**–**	**4.4**	**–**	**4.4**
Effect of foreign exchange rate changes	**2.1**	**(0.1)**	**(0.1)**	**1.9**
At 31 December 2010	**(64.6)**	**(29.2)**	**(7.1)**	**(100.9)**
Net book value at 31 December 2010	**512.1**	**39.1**	**–**	**551.2**
Net book value at 31 December 2009	510.0	35.6	–	545.6

As at 31 December 2010, capitalised borrowing costs of £1.5m (2009 – £1.1m) were included within 'computer software', £0.4m of which was capitalised in 2010 (2009 – £0.2m).

Notes to the accounts continued

11 Intangible assets continued

a. Goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. These are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. This may be at country, regional or brand level.

The carrying amount of goodwill has been allocated to the following operating segments:

	2010 £m	2009 £m
United Kingdom	**262.3**	264.6
Russia and Emerging Markets	**219.8**	216.5
South Asia	**20.3**	17.9
Australasia	**9.7**	11.0
	512.1	510.0

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. Impairment tests were performed for all CGUs during the year ended 31 December 2010.

The recoverable amounts of all CGUs were determined based on value in use calculations. These calculations use cash flow projections based on five year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to revenue growth / decline, operating margins and the level of working capital required to support trading, which have been based on past experience, recent trading and expectations of future changes in the relevant markets. They also reflect expectations about continuing relationships with key brand partners.

Cash flows after the five year period are extrapolated at an estimated average long-term growth rate for each market. These growth rates reflect the long-term growth prospects of the markets in which the CGUs operate. The growth rates used vary between 1% and 5% and are consistent with appropriate external sources for the relevant markets.

Cash flows are discounted back to present value using a risk adjusted discount rate. The discount rate assumptions are based on an estimate of the Group's weighted average cost of capital adjusted for a risk premium attributable to the relevant CGU. The pre-tax discount rates used vary between 10% and 12%, and reflect long-term country risk.

The assumptions used with regards to pre-tax discount rates and long-term growth rates in those segments with material goodwill balances were as follows:

	Discount rate	Long-term growth rate
United Kingdom	**11%**	**2%**
Russia and Emerging Markets	**11% to 12%**	**5%**
South Asia	**10%**	**1%**
Australasia	**11%**	**1%**

Impairment

An impairment charge of £5.5m has been recognised in the year ended 31 December 2010 (2009 – £nil). This largely relates to sites in the UK and Australia that are to be sold or closed.

Sensitivities

The Group's value in use calculations are sensitive to a change in the key assumptions used, most notably the discount rates and the long-term growth rates. With the exception of the Musa Motors group in Russia and the Group's business in Lithuania, a reasonably possible change in a key assumption will not cause an impairment in any of the other CGUs.

11 Intangible assets continued

The Group's goodwill in the Russia and Emerging Markets segment at 31 December 2010 is allocated as follows:

	Cost £m	Impairment provision £m	Net book value £m
Musa Motors group (Russia)	**129.5**	**–**	**129.5**
Inchcape Olimp (Russia)	**65.3**	**–**	**65.3**
Latvia	**44.7**	**(44.7)**	**–**
Lithuania	**22.4**	**–**	**22.4**
Other	**2.9**	**(0.3)**	**2.6**
At 31 December 2010	**264.8**	**(45.0)**	**219.8**

The value in use calculations for the Musa Motors group currently exceed the carrying value by approximately 20%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would reduce the headroom available to approximately 5% of the carrying value. The value in use calculations for the Group's business in Lithuania currently exceed the carrying value by approximately 10%. A 0.5% increase in the discount rate or a 0.5% reduction in the long-term growth rate would eliminate the headroom available.

b. Other intangible assets

Computer software costs consist of purchase prices from third parties as well as internally generated software development costs. They include both assets in the course of development and assets in operation. The amortisation charge is largely included within 'administrative expenses' in the consolidated income statement.

Other intangible assets include customer contracts and back orders recognised on the acquisition of a business. These intangible assets are recognised at the fair value attributable to them on acquisition, and are amortised on a straight line basis over their useful life (usually up to one year).

Notes to the accounts continued

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2009	575.7	202.8	778.5	139.4	917.9
Businesses sold	(0.4)	(1.7)	(2.1)	–	(2.1)
Additions	35.2	14.7	49.9	38.7	88.6
Disposals	(6.3)	(8.9)	(15.2)	–	(15.2)
Transferred to inventory	–	–	–	(54.3)	(54.3)
Reclassified to assets held for sale	(7.6)	–	(7.6)	–	(7.6)
Reclassifications	–	(23.5)	(23.5)	23.5	–
Effect of foreign exchange rate changes	(19.5)	(7.4)	(26.9)	(6.0)	(32.9)
At 1 January 2010	**577.1**	**176.0**	**753.1**	**141.3**	**894.4**
Businesses sold	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Additions	**19.0**	**16.1**	**35.1**	**37.3**	**72.4**
Disposals	**(10.2)**	**(8.1)**	**(18.3)**	**–**	**(18.3)**
Transferred to inventory	**–**	**–**	**–**	**(56.9)**	**(56.9)**
Reclassified within disposal group / assets held for sale (note 19)	**(4.0)**	**(2.5)**	**(6.5)**	**–**	**(6.5)**
Effect of foreign exchange rate changes	**9.6**	**6.8**	**16.4**	**(0.8)**	**15.6**
At 31 December 2010	**591.5**	**188.1**	**779.6**	**120.9**	**900.5**
Depreciation and impairment					
At 1 January 2009	(58.4)	(115.3)	(173.7)	(36.1)	(209.8)
Businesses sold	0.1	1.5	1.6	–	1.6
Depreciation charge for the year	(10.1)	(18.5)	(28.6)	(24.7)	(53.3)
Impairment losses recognised during the year	(14.5)	–	(14.5)	–	(14.5)
Disposals	1.1	6.3	7.4	–	7.4
Transferred to inventory	–	–	–	20.7	20.7
Reclassified to assets held for sale	1.0	–	1.0	–	1.0
Reclassifications	–	9.1	9.1	(9.1)	–
Effect of foreign exchange rate changes	2.9	4.4	7.3	1.8	9.1
At 1 January 2010	**(77.9)**	**(112.5)**	**(190.4)**	**(47.4)**	**(237.8)**
Businesses sold	**–**	**0.1**	**0.1**	**–**	**0.1**
Depreciation charge for the year	**(10.8)**	**(17.0)**	**(27.8)**	**(20.8)**	**(48.6)**
Impairment losses recognised during the year	**(12.7)**	**–**	**(12.7)**	**–**	**(12.7)**
Disposals	**1.8**	**5.8**	**7.6**	**–**	**7.6**
Transferred to inventory	**–**	**–**	**–**	**25.4**	**25.4**
Reclassified within disposal group / assets held for sale (note 19)	**1.2**	**1.9**	**3.1**	**–**	**3.1**
Effect of foreign exchange rate changes	**(1.8)**	**(4.1)**	**(5.9)**	**0.6**	**(5.3)**
At 31 December 2010	**(100.2)**	**(125.8)**	**(226.0)**	**(42.2)**	**(268.2)**
Net book value at 31 December 2010	**491.3**	**62.3**	**553.6**	**78.7**	**632.3**
Net book value at 31 December 2009	499.2	63.5	562.7	93.9	656.6

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

12 Property, plant and equipment continued

Assets held under finance leases have the following net book values:

	2010 £m	2009 £m
Leasehold buildings	**2.1**	1.4
Plant, machinery and equipment	**1.7**	2.9
	3.8	4.3

The book value of land and buildings is analysed between:

	2010 £m	2009 £m
Freehold	**376.4**	387.5
Leasehold with over fifty years unexpired	**25.3**	36.7
Short leasehold	**89.6**	75.0
	491.3	499.2

As at 31 December 2010, £3.6m (2009 – £2.9m) of capitalised borrowing costs were included within 'land and buildings', £0.7m of which was capitalised in 2010 (2009 – £0.9m).

Notes to the accounts continued

13 Investments in joint ventures and associates

	2010 £m	2009 £m
At 1 January	**22.3**	21.3
Additions	**10.7**	–
Share of (loss) / profit after tax of joint ventures and associates	**(1.7)**	0.7
Dividends received	**(1.5)**	(0.6)
Loan advances	**3.8**	2.3
Effect of foreign exchange rate changes	**(0.5)**	(1.4)
At 31 December	**33.1**	22.3

Group's share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Non-current assets	**21.2**	68.0	**0.1**	0.8	**21.3**	68.8
Current assets	**24.8**	59.0	**39.7**	46.6	**64.5**	105.6
Group's share of gross assets	**46.0**	127.0	**39.8**	47.4	**85.8**	174.4
Current liabilities	**(16.8)**	(9.2)	**(23.9)**	(32.5)	**(40.7)**	(41.7)
Non-current liabilities	**(4.2)**	(105.2)	**(7.8)**	(5.2)	**(12.0)**	(110.4)
Group's share of gross liabilities	**(21.0)**	(114.4)	**(31.7)**	(37.7)	**(52.7)**	(152.1)
Group's share of net assets	**25.0**	12.6	**8.1**	9.7	**33.1**	22.3

Group's share of results of joint ventures and associates

	Joint ventures 2010 £m	Joint ventures 2009 £m	Associates 2010 £m	Associates 2009 £m	Total 2010 £m	Total 2009 £m
Revenue	**6.6**	2.6	**2.9**	3.6	**9.5**	6.2
Expenses	**(7.9)**	(3.0)	**(2.5)**	(2.6)	**(10.4)**	(5.6)
(Loss) / profit before tax	**(1.3)**	(0.4)	**0.4**	1.0	**(0.9)**	0.6
Tax	**(0.3)**	0.4	**(0.5)**	(0.3)	**(0.8)**	0.1
Share of (loss) / profit after tax of joint ventures and associates	**(1.6)**	–	**(0.1)**	0.7	**(1.7)**	0.7

As at 31 December 2010, no guarantees were provided in respect of joint ventures and associates borrowings (2009 – £nil).

Principal joint ventures and associates are disclosed in note 30 of this report.

14 Available for sale financial assets

	2010 £m	2009 £m
At 1 January	**18.5**	19.9
Additions	**–**	1.6
Disposals	**(0.3)**	(1.7)
Fair value movement transferred to shareholders' equity	**(3.6)**	0.4
Effect of foreign exchange rate changes	**(0.5)**	(1.7)
At 31 December	**14.1**	18.5

Analysed as:

	2010 £m	2009 £m
Non-current	**12.4**	17.8
Current	**1.7**	0.7
	14.1	18.5

Assets held are analysed as follows:

	2010 £m	2009 £m
Equity securities	**0.2**	0.3
Bonds	**11.3**	15.9
Other	**2.6**	2.3
	14.1	18.5

At 31 December 2010 the bonds attracted a weighted average fixed interest rate of 5.2% (2009 – 5.2%). The bonds are traded on active markets with coupons generally paid on an annual basis.

Other includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

Available for sale financial assets, which are valued based on active markets' prices, are reported under Level 1 in note 23 on Financial instruments.

Available for sale financial assets subject to fixed interest rates are aged by maturity date as follows:

	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
2010	**1.4**	**0.8**	**1.4**	**1.3**	**2.6**	**3.8**	**11.3**
2009	0.4	1.5	0.9	1.8	1.8	9.5	15.9

In certain jurisdictions management holds bonds to offset future vehicle warranty obligations. To meet this requirement, management purchases and sells bonds regularly and does not usually hold the bonds to maturity. Accordingly, the maturity profile of the bonds is not necessarily an indication of when management intends to realise the associated future cash flows.

The maximum exposure to credit risk at the reporting date is the fair value of the bonds classified as available for sale.

Notes to the accounts continued

15 Trade and other receivables

	Current		Non-current	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trade receivables	**140.6**	156.5	**0.6**	1.3
Less: provision for impairment of trade receivables	**(7.8)**	(8.0)	**–**	–
Net trade receivables	**132.8**	148.5	**0.6**	1.3
Amounts receivable from related parties	**0.4**	1.2	**–**	–
Prepayments and accrued income	**63.4**	71.8	**13.9**	7.0
Other receivables	**36.1**	31.4	**14.3**	17.1
	232.7	252.9	**28.8**	25.4

Movements in the provision for impairment of receivables were as follows:

	2010 £m	2009 £m
At 1 January	**(8.0)**	(7.1)
Charge for the year	**(2.0)**	(3.8)
Amounts written off	**1.0**	0.5
Unused amounts reversed	**1.1**	1.9
Effect of foreign exchange rate changes	**0.1**	0.5
At 31 December	**(7.8)**	(8.0)

At 31 December, the analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £m	Neither past due nor impaired £m	0 < 30 days £m	30 – 90 days £m	> 90 days £m	Impaired £m
2010	**141.2**	**104.9**	**16.3**	**5.8**	**6.4**	**7.8**
2009	157.8	117.4	16.8	7.0	8.6	8.0

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables have been discounted where the time value of money is considered to be material.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions.

16 Deferred tax

Net deferred tax asset / (liability)	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Total £m
At 1 January 2010	**22.6**	**6.1**	**1.3**	**1.3**	**11.1**	**(20.2)**	**22.2**
Disposal of businesses	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Credited / (charged) to the consolidated income statement	**(3.2)**	**(4.9)**	**1.1**	**6.0**	**(4.6)**	**9.6**	**4.0**
(Charged) / credited to shareholders' equity	**(15.9)**	**0.7**	**0.7**	**–**	**–**	**–**	**(14.5)**
Effect of foreign exchange rate changes	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
At 31 December 2010	**3.5**	**1.9**	**3.1**	**7.3**	**6.5**	**(9.0)**	**13.3**

Analysed as:

	2010 £m	2009 £m
Deferred tax assets	**31.4**	37.6
Deferred tax liabilities	**(18.1)**	(15.4)
	13.3	22.2

The Group has unrecognised deferred tax assets of £32m (2009 – £30m) relating to tax relief on trading losses. The asset represents £136m (2009 – £122m) of losses at the standard blended rate of 23.6%. The asset is not recognised, as £132m (2009 – £122m) relates to losses which exist within legal entities that are not forecast to generate taxable income with reasonable certainty in the foreseeable future.

The deferred tax asset of £7.3m (2009 – £1.3m) relates to trading losses in Belgium (£3.2m), Russia (£3.5m) and other territories (£0.6m) where future profits are anticipated with reasonable certainty.

The Group has unrecognised deferred tax assets of £36m (2009 – £37m) relating to capital losses. The asset represents £134m (2009 – £132m) of losses at the UK standard rate of 27.0%. The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries and joint ventures. The vast majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment but the annual profits for these territories are self assessed for UK current tax each year and hence no deferred tax accrues. If all overseas earnings were repatriated with immediate effect, no tax charge (2009 – £nil) would be payable.

The £9m deferred tax liability for 'provisions and other timing differences' consists of a £31m (2009 – £33.5m) liability in respect of the net book value of property, plant and equipment that do not qualify for tax allowances and property revaluations, and a £22m (2009 – £13.3m) deferred tax asset in respect of provisions and other temporary differences between the accounts base and the tax base. The key temporary differences are £3m for Greece, £16m for Australia and £3m in the UK.

Notes to the accounts continued

17 Inventories

	2010 £m	2009 £m
Raw materials and work in progress	**3.6**	8.1
Finished goods and merchandise	**840.5**	764.6
	844.1	772.7

Vehicles held on consignment which are in substance assets of the Group amount to £109.4m (2009 – £110.0m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £37.0m (2009 – £31.4m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £4,282.9m (2009 – £3,892.8m). The write down of inventory to net realisable value recognised as an expense during the year was £33.5m (2009 – £14.6m). All of these items have been included within 'cost of sales' in the consolidated income statement.

18 Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and cash equivalents	**376.5**	319.6
Short-term deposits	**185.1**	61.7
	561.6	381.3

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2010, the weighted average floating rate was 0.8% (2009 – 0.6%).

£19.0m (2009 – £22.0m) of cash and cash equivalents are held in countries where prior approval is required to transfer funds abroad. If the Group complies with the required procedures, such liquid funds are at its disposition within a reasonable period of time.

At 31 December 2010, short-term deposits have a weighted average period to maturity of 44 days (2009 – 41 days).

19 Assets held for sale and disposal group

	2010 £m	2009 £m
Assets directly associated with the disposal group	**23.4**	–
Assets held for sale	**–**	6.6
Assets held for sale and disposal group	**23.4**	6.6
Liabilities directly associated with the disposal group	**(19.6)**	–

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

	2010 £m	2009 £m
Property, plant and equipment	**3.4**	–
Inventories	**16.6**	–
Trade and other receivables	**3.4**	–
Assets directly associated with the disposal group	**23.4**	–
Trade and other payables	**(19.6)**	–
Liabilities directly associated with the disposal group	**(19.6)**	–

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

Assets held for sale as at December 2009 related to a surplus property that was disposed of in February 2010.

20 Trade and other payables

		Current		Non-current	
		2010 £m	2009 £m	2010 £m	2009 £m
Trade payables:	payments received on account	**79.7**	55.5	**0.1**	0.1
	vehicle funding agreements	**109.7**	67.9	**–**	–
	other trade payables	**638.2**	579.3	**17.7**	24.8
Other taxation and social security payable		**16.7**	18.8	**–**	–
Accruals and deferred income		**202.1**	191.0	**16.8**	25.1
Amounts payable to related parties		**0.2**	6.3	**–**	–
Other payables		**34.3**	20.3	**–**	18.8
		1,080.9	939.1	**34.6**	68.8

The Group entered into vehicle funding agreements whereby the Group is able to refinance interest bearing amounts due to suppliers on similar terms. Amounts outstanding under these agreements are included within vehicle funding agreements above and interest charged under this agreement is included within stock holding interest.

At 31 December 2010 current other trade payables includes £370.7m (2009 – £313.6m) of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 1.9% (2009 – 2.0%). Interest charged on these balances is included within stock holding interest.

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

Notes to the accounts continued

21 Provisions

	Product warranty £m	Vacant leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2010	**58.6**	**11.1**	**12.9**	**11.8**	**94.4**
Charged to the consolidated income statement	**23.1**	**0.3**	**3.3**	**4.0**	**30.7**
Released to the consolidated income statement	**(2.2)**	**(0.3)**	**(3.5)**	**(0.4)**	**(6.4)**
Effect of unwinding of discount factor	**0.3**	**–**	**–**	**–**	**0.3**
Utilised during the year	**(20.3)**	**(2.2)**	**(0.3)**	**(3.3)**	**(26.1)**
Effect of foreign exchange rate changes	**2.3**	**–**	**(0.2)**	**(0.1)**	**2.0**
At 31 December 2010	**61.8**	**8.9**	**12.2**	**12.0**	**94.9**

Analysed as:	2010 £m	2009 £m
Current	**36.1**	46.7
Non-current	**58.8**	47.7
	94.9	94.4

Product warranty

Certain Group companies provide self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of a vehicle. These are not separable products. The warranty periods covered are up to six years and/or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

Vacant leasehold

The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK. Provision has been made to the extent of the estimated future net cost. This includes taking into account existing subtenant arrangements. The expected utilisation period of these provisions is generally over the next 10 years.

Litigation

This includes a number of litigation provisions in respect of the exit of certain motors and non-motors businesses. The majority of these relate to the exit of our former South American bottling business and shipping business. The cases are largely historic claims and are generally expected to be concluded within the next three to five years.

Other

This category principally includes provisions relating to residual values on leased vehicles, which are expected to be settled within three years.

22 Borrowings

2010	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2010 Total £m
Current							
Bank overdrafts	**135.3**	**0.1**	**–**	**–**	**135.3**	**6.7**	**142.0**
Bank loans	**1.0**	**8.8**	**–**	**–**	**1.0**	**–**	**1.0**
Other loans	**0.6**	**0.1**	**0.1**	**1.7**	**0.7**	**–**	**0.7**
Finance leases	**0.4**	**2.6**	**0.1**	**8.6**	**0.5**	**–**	**0.5**
	137.3	**0.2**	**0.2**	**5.2**	**137.5**	**6.7**	**144.2**
Non-current							
Bank loans	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Private Placement	**317.2**	**1.9**	**–**	**–**	**317.2**	**–**	**317.2**
Finance leases	**0.4**	**2.6**	**2.5**	**7.1**	**2.9**	**–**	**2.9**
	317.6	**1.9**	**2.5**	**7.1**	**320.1**	**0.4**	**320.5**
Total borrowings	**454.9**	**1.4**	**2.7**	**7.0**	**457.6**	**7.1**	**464.7**

2009	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2009 Total £m
Current							
Bank overdrafts	122.4	1.5	–	–	122.4	1.7	124.1
Bank loans	35.0	0.8	4.4	13.3	39.4	–	39.4
Other loans	1.2	0.1	0.1	1.8	1.3	–	1.3
Finance leases	0.9	2.9	0.3	7.9	1.2	–	1.2
	159.5	1.3	4.8	12.8	164.3	1.7	166.0
Non-current							
Bank loans	–	–	–	–	–	0.9	0.9
Private Placement	294.8	1.7	–	–	294.8	–	294.8
Finance leases	1.0	3.0	2.5	7.1	3.5	–	3.5
	295.8	1.7	2.5	7.1	298.3	0.9	299.2
Total borrowings	455.3	1.6	7.3	10.8	462.6	2.6	465.2

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value with the exception of the Private Placement which includes a fair value basis adjustment of £38.2m (2009 – £24.6m).

The Group's borrowings are unsecured.

During the year, a £35m term loan was repaid on maturity. In addition, undrawn bank facilities totalling £225m were cancelled by the Group with effect from 30 November 2010. These facilities were previously due to mature in July 2011.

At 31 December 2010, the committed funding facilities of the Group were composed of bank facilities of £500m and Private Placement loan notes totalling US$436m.

At 31 December, £nil (2009 – £nil) of the £500m syndicated credit facility that expires in 2013 was drawn down.

US$475m of the Group's US$550m Private Placement has historically been swapped into Sterling. During 2009, US$114m of the US$550m was repaid to the loan noteholders, of which US$39m related to the original US$475m swapped into Sterling. It was replaced with an opposing US$39m swap. US$275m is repayable in seven years and US$161m in nine years.

Notes to the accounts continued

22 Borrowings continued

The table below sets out the maturity profile of the Group's borrowings that are exposed to interest rate risk. This analysis is presented after taking account of the cross currency fixed to floating interest rate swap on US$436m of the Private Placement.

2010	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Fixed rate							
Other loans	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Finance leases	**0.1**	**0.1**	**0.1**	**–**	**–**	**2.3**	**2.6**
Floating rate							
Bank overdrafts	**135.3**	**–**	**–**	**–**	**–**	**–**	**135.3**
Bank loans	**1.0**	**–**	**–**	**–**	**–**	**–**	**1.0**
Other loans	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.6**
Private Placement	**–**	**–**	**–**	**–**	**–**	**317.2**	**317.2**
Finance leases	**0.4**	**0.4**	**–**	**–**	**–**	**–**	**0.8**

2009	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Fixed rate							
Bank loans	4.4	–	–	–	–	–	4.4
Other loans	0.1	–	–	–	–	–	0.1
Finance leases	0.3	0.1	0.1	–	–	2.3	2.8
Floating rate							
Bank overdrafts	122.4	–	–	–	–	–	122.4
Bank loans	35.0	–	–	–	–	–	35.0
Other loans	1.2	–	–	–	–	–	1.2
Private Placement	–	–	–	–	–	294.8	294.8
Finance leases	0.9	0.6	0.4	–	–	–	1.9

23 Financial instruments

The Group's financial liabilities, other than derivatives, comprise bank loans and overdrafts, loan notes, finance leases and trade and other payables. The main purpose of these instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade and other receivables, cash and short-term deposits which arise from its trading operations.

The Group's primary derivative transactions are forward and swap currency contracts, and cross currency interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

a. Classes of financial instruments

2010	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	**–**	**14.1**	**–**	**–**	**14.1**
Trade and other receivables	**180.9**	**–**	**–**	**–**	**180.9**
Derivative financial instruments	**–**	**–**	**122.1**	**–**	**122.1**
Cash and cash equivalents	**–**	**–**	**–**	**561.6**	**561.6**
Total financial assets	**180.9**	**14.1**	**122.1**	**561.6**	**878.7**
Financial liabilities					
Trade and other payables	**–**	**–**	**–**	**(955.6)**	**(955.6)**
Derivative financial instruments	**–**	**–**	**(9.0)**	**–**	**(9.0)**
Borrowings	**–**	**–**	**–**	**(464.7)**	**(464.7)**
Total financial liabilities	**–**	**–**	**(9.0)**	**(1,420.3)**	**(1,429.3)**
	180.9	**14.1**	**113.1**	**(858.7)**	**(550.6)**

23 Financial instruments continued

2009	Loans and receivables £m	Available for sale £m	Held at fair value £m	Amortised cost £m	Total £m
Financial assets					
Available for sale financial assets	–	18.5	–	–	18.5
Trade and other receivables	245.0	–	–	–	245.0
Derivative financial instruments	–	–	91.0	–	91.0
Cash and cash equivalents	–	–	–	381.3	381.3
Total financial assets	245.0	18.5	91.0	381.3	735.8
Financial liabilities					
Trade and other payables	–	–	–	(891.0)	(891.0)
Derivative financial instruments	–	–	(21.8)	–	(21.8)
Borrowings	–	–	–	(465.2)	(465.2)
Total financial liabilities	–	–	(21.8)	(1,356.2)	(1,378.0)
	245.0	18.5	69.2	(974.9)	(642.2)

b. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Australian Dollar to Japanese Yen exchange rate.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments designated as net investment hedges from movements in the US Dollar to Sterling exchange rate are recorded directly in equity;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement;
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

c. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2010, the Group has borrowed at floating rates only (after taking into account existing interest rate hedging activities). This approach maximises the Group's exposure to the current low interest rate environment. If hedging is deemed appropriate by management in the future, the Board has approved the fixing of up to 30% of gross borrowings. Instruments approved for this purpose include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's 10 and 12 year loan notes, bank borrowings, supplier related finance and the returns available on surplus cash.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact of floating rate borrowings.

	Increase/ decrease in basis points	Effect on profit before tax £m
2010		
Sterling	**75**	**3.0**
Euro	**50**	**–**
Australian Dollar	**100**	**(1.6)**
2009		
Sterling	75	3.4
Euro	50	0.3
Australian Dollar	100	(0.7)

Notes to the accounts continued

23 Financial instruments continued

d. Foreign currency risk

The Group publishes its consolidated Financial statements in Sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than Sterling.

Transaction exposure hedging

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than in that unit's reporting currency. For a significant proportion of the Group these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australia which purchases vehicles in Japanese Yen.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IAS 39 hedges are documented and tested for the hedge effectiveness on an ongoing basis.

Hedge of foreign currency debt

The Group uses cross currency interest rate swaps to hedge the forward foreign currency risk associated with the US$436m Private Placement. The effective portion on the gain or loss of the hedge is recognised in the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement.

Net investment hedging

Consideration is given to the currency mix of debt with the primary objective that interest on such borrowings acts as a hedge on foreign currency earnings.

Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese Yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/ (decrease) in exchange rate	Effect on equity £m
2010		
Yen	**+10%**	**–**
Yen	**-10%**	**–**
2009		
Yen	+10%	(1.0)
Yen	-10%	(0.9)

23 Financial instruments continued

e. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

Credit limits are reviewed regularly.

The table below shows the credit rating and balances held with major counterparties at the end of the reporting period:

			2010			2009
Counterparty	**Derivative assets £m**	**Cash and cash equivalents £m**	**Credit Rating**	Derivative assets £m	Cash and cash equivalents £m	Credit Rating
HSBC Bank plc	**59**	**146**	**AA- / A-1+**	44	89	AA / A-1+
Lloyds TSB Bank	**56**	**26**	**A / A-1**	43	–	A+ / A-1
Royal Bank of Scotland	**1**	**70**	**A / A-1**	3	30	A+ / A-1
ING	**1**	**16**	**A / A-1**	–	5	A+ / A-1
BNP Paribas	**–**	**15**	**AA / A-1+**	–	–	AA- / A-1+
Commercial Bank of Ethiopia	**–**	**11**	**n/a**	–	13	n/a
Fidelity	**–**	**1**	**Aaa**	–	25	Aaa

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

At 31 December 2010, total derivative asset balances included £117m which was held with four counterparties and total cash balances included £285m which was held with seven counterparties. Total cash balances of £561.6m include cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly. Title to the vehicles sold on finance resides with the Group until cleared funds are received from the finance house in respect of a given vehicle.

Notes to the accounts continued

23 Financial instruments continued

f. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Refer to the Business Review on page 22, for discussion of liquidity risks to the Group.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2010 based on expected undiscounted cash flows:

2010	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**543.6**	**18.0**	**–**	**–**	**561.6**
Trade and other receivables	**162.1**	**16.8**	**1.4**	**0.6**	**180.9**
Available for sale financial assets	**0.4**	**1.4**	**6.1**	**6.2**	**14.1**
Derivative financial instruments	**12.5**	**19.7**	**76.1**	**375.4**	**483.7**
	718.6	**55.9**	**83.6**	**382.2**	**1,240.3**
Financial liabilities					
Interest bearing loans and borrowings	**(142.9)**	**(18.3)**	**(85.4)**	**(304.2)**	**(550.8)**
Trade and other payables	**(788.1)**	**(144.8)**	**(22.7)**	**–**	**(955.6)**
Derivative financial instruments	**(4.7)**	**(10.4)**	**(24.3)**	**(280.4)**	**(319.8)**
	(935.7)	**(173.5)**	**(132.4)**	**(584.6)**	**(1,826.2)**
Net outflows	**(217.1)**	**(117.6)**	**(48.8)**	**(202.4)**	**(585.9)**

2009	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	More than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	381.3	–	–	–	381.3
Trade and other receivables	231.9	11.7	1.2	0.5	245.3
Available for sale financial assets	0.4	0.4	6.0	11.8	18.6
Derivative financial instruments	6.3	18.5	73.6	382.9	481.3
	619.9	30.6	80.8	395.2	1,126.5
Financial liabilities					
Interest bearing loans and borrowings	(126.8)	(57.0)	(75.7)	(358.8)	(618.3)
Trade and other payables	(692.0)	(148.7)	(48.4)	–	(889.1)
Derivative financial instruments	(20.2)	(7.2)	(22.2)	(283.9)	(333.5)
	(839.0)	(212.9)	(146.3)	(642.7)	(1,840.9)
Net outflows	(219.1)	(182.3)	(65.5)	(247.5)	(714.4)

23 Financial instruments continued

g. Hedging activities

In accordance with IFRS 7 disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

2010	**Level 1 £m**	**Level 2 £m**	**Total £m**
Assets			
Derivatives used for hedging	**–**	**122.1**	**122.1**
Available for sale financial assets	**14.1**	**–**	**14.1**
	14.1	**122.1**	**136.2**
Liabilities			
Derivatives used for hedging	**–**	**9.0**	**9.0**

2009	Level 1 £m	Level 2 £m	Total £m
Assets			
Derivatives used for hedging	–	91.0	91.0
Available for sale financial assets	18.5	–	18.5
	18.5	91.0	109.5
Liabilities			
Derivatives used for hedging	–	21.8	21.8

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2010.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cross currency interest rate swap	**108.9**	84.7	**–**	–
Forward foreign exchange contracts	**13.2**	6.3	**(9.0)**	(21.8)
	122.1	91.0	**(9.0)**	(21.8)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to a gain of £2.0m (2009 – £0.9m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of £nil (2009 – £0.6m).

Notes to the accounts continued

23 Financial instruments continued

Cash flow hedges

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months of the end of the reporting period.

The nominal principal amounts of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2010 was £637.5m (2009 – £587.3m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2010 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period.

Fair value hedge

At 31 December 2010, the Group had in place five cross currency interest rate swaps. Four of these total US$475m which hedge changes in the fair value of the Group's 10 and 12 year loan notes. Under these swaps the Group receives fixed rate US dollar interest of 5.94% on US$275m and 6.04% on US$200m and pays LIBOR +85bps and LIBOR +90bps for the 10 and 12 year notes respectively. An additional US$39.2m cross currency interest rate swap was put in place after debt reduction in 2009 to offset the non-required portion of the original US$475m swaps. Under this swap the Group pays US dollar interest of 6.04% on US$39.2m and receives LIBOR +214bps for the 12 year notes only. The loan notes and cross currency interest rate swaps have the same critical terms.

h. Capital management

The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation.

	2010	2009
Adjusted EBITA interest cover (times)*	**83.7**	14.0
Net debt to EBITDA (times)**	**n/a**	n/a
Net debt / market capitalisation (percentage)***	**n/a**	n/a

* Calculated as Adjusted EBITA / interest on consolidated borrowings

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation

*** Calculated as net debt / market capitalisation as at 31 December

24 Share capital
a. Allotted, called up and fully paid up

	2010 Number	2009 Number	2010 £m	2009 £m
Ordinary shares				
At 1 January	**4,630,714,974**	487,244,106	**46.4**	121.9
Share capital re-organisation	**–**	–	**–**	(116.9)
Allotted under share option schemes prior to Share Consolidation	**179,960**	–	**–**	–
Rights Issue	**–**	4,143,316,500	**–**	41.4
Share Consolidation	**(4,167,805,441)**	–	**–**	–
Allotted under share option schemes post Share Consolidation / Rights Issue	**102,804**	154,368	**–**	–
At 31 December	**463,192,297**	4,630,714,974	**46.4**	46.4
Deferred shares				
At 1 January	**487,244,106**	–	**116.9**	–
Share capital re-organisation	**(487,244,106)**	487,244,106	**(116.9)**	116.9
At 31 December	**–**	487,244,106	**–**	116.9
			46.4	163.3

b. Share Consolidation
On 13 May 2010, shareholders approved a consolidation of the Company's shares in issue or held in treasury, whereby shareholders received one new ordinary share of 10p each for every 10 existing ordinary shares of 1p each held at the close of business on 14 May 2010. Trading in the new ordinary shares of 10p commenced on 17 May 2010.

c. Deferred shares
On 30 June 2010, the Company completed the transfer and subsequent cancellation of 487,244,106 deferred shares. These shares, which were created in connection with the Rights Issue in 2009, had very limited rights, were not listed and were not freely transferrable, and were effectively worthless. An amount of £116.9m, equivalent to the nominal value of the cancelled deferred shares, has been transferred to the capital redemption reserve. Costs of £0.1m associated with the transfer to the Company of the deferred shares and their subsequent cancellation have been charged to the profit and loss reserve.

d. Share buy back programme
At 31 December 2010, the Company held 2,687,560 treasury shares (2009 – 2,687,561) with a total book value of £99.4m (2009 – £99.4m). These shares may either be cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2010 (2009 – nil). The market value of treasury shares at 31 December 2010 was £9.7m (2009 – £8.0m).

e. Substantial shareholdings
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 7 March 2011 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Investor Relations section on page 37.

Notes to the accounts continued

24 Share capital continued

f. Share options

At 31 December 2010, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan		
– approved (Part II – UK)		
5,188	17 March 2012	1.92
4,668	19 March 2013	2.14
17,348	31 August 2013	3.46
43,056	20 May 2014	4.42
16,017	29 September 2014	4.37
56,193	6 March 2015	5.78
21,521	11 September 2015	6.03
157,160	3 April 2018	7.21
6,978	31 July 2018	4.30
829,298	19 May 2019	2.00
9,375	22 November 2019	3.20
187,352	7 April 2020	3.10
– unapproved (Part I – UK)		
8,670	31 August 2013	3.46
83,915	20 May 2014	4.42
2,288	29 September 2014	4.37
160,872	6 March 2015	5.78
218,727	11 September 2015	6.03
808,190	3 April 2018	7.21
14,904	24 April 2018	6.71
86,075	31 July 2018	4.30
3,095,503	19 May 2019	2.00
37,500	22 November 2019	3.20
1,108,463	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
27,804	21 March 2011	1.08
20,765	17 March 2012	1.93
75,859	19 March 2013	2.14
189,494	20 May 2014	4.42
252,437	6 March 2015	5.78
481,265	3 April 2018	7.21
31,712	24 April 2018	6.70
77,280	5 October 2018	3.24
2,604,447	19 May 2019	2.00
950,857	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme		
– approved		
674	1 December 2010	7.43
63,271	1 May 2011	6.46
50,309	1 December 2011	5.31
104,265	1 May 2012	3.42
2,232,746	1 May 2013	2.30
1,270,718	1 May 2014	2.05

Included within the retained earnings reserve are 1,448,052 (2009 – 1,379,736 post Share Consolidation) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2010 was £2.5m (2009 – £2.1m). The market value of these shares at 31 December 2010 and at 7 March 2011 was £5.2m and £5.7m respectively (31 December 2009 – £4.1m, 9 March 2010 – £4.1m).

25 Other reserves

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2009	(0.4)	194.1	79.4	273.1
Cash flow hedges:				
– Fair value movements	–	–	(164.6)	(164.6)
– Reclassified and reported in inventories	–	–	37.8	37.8
– Tax on cash flow hedges	–	–	38.0	38.0
Movement on net investment hedge	–	2.9	–	2.9
Movement on available for sale financial assets	0.4	–	–	0.4
Effect of foreign exchange rate changes	–	(75.2)	–	(75.2)
At 1 January 2010	**–**	**121.8**	**(9.4)**	**112.4**
Cash flow hedges:				
– Fair value movements	**–**	**–**	**11.3**	**11.3**
– Reclassified and reported in inventories	**–**	**–**	**(11.0)**	**(11.0)**
– Tax on cash flow hedges	**–**	**–**	**0.1**	**0.1**
Movement on available for sale financial assets	**(3.6)**	**–**	**–**	**(3.6)**
Effect of foreign exchange rate changes	**–**	**36.0**	**–**	**36.0**
At 31 December 2010	**(3.6)**	**157.8**	**(9.0)**	**145.2**

Available for sale reserve

Gains and losses on available for sale financial assets are recognised in the 'available for sale reserve' until the asset is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the consolidated income statement.

Translation reserve

The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Notes to the accounts continued

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

	2010 £m	2009 £m
Cash flows from operating activities		
Operating profit	**203.6**	156.8
Exceptional items	**21.9**	18.4
Amortisation	**5.0**	2.8
Depreciation of property, plant and equipment	**36.5**	32.8
Profit on disposal of property, plant and equipment	**(7.5)**	(2.6)
Share-based payments charge	**6.5**	3.8
(Increase) / decrease in inventories	**(64.0)**	271.8
Decrease in trade and other receivables	**16.7**	0.7
Increase / (decrease) in trade and other payables	**85.9**	(93.6)
Decrease in provisions	**(1.0)**	(2.6)
Pension contributions in excess of the pension charge for the year*	**(22.9)**	(31.9)
Increase in interest in leased vehicles	**(1.4)**	(6.5)
Payment in respect of operating exceptional items	**(5.0)**	(13.7)
Other items	**–**	0.5
Cash generated from operations	**274.3**	336.7

* The decrease in post-retirement defined benefits includes additional payments of £23.3m (2009 – £30.1m).

b. Reconciliation of net cash flow to movement in net funds / (debt)

	2010 £m	2009 £m
Net increase / (decrease) in cash and cash equivalents	**156.3**	(41.8)
Net cash outflow from borrowings and finance leases	**40.7**	458.4
Change in net cash and debt resulting from cash flows	**197.0**	416.6
Effect of foreign exchange rate changes on net cash and debt	**6.0**	(8.9)
Net movement in fair value	**2.0**	0.9
Movement in net funds	**205.0**	408.6
Opening net funds / (debt)	**0.8**	(407.8)
Closing net funds	**205.8**	0.8

Net funds is analysed as follows:

	2010 £m	2009 £m
Cash at bank and cash equivalents	**376.5**	319.6
Short-term deposits	**185.1**	61.7
Bank overdrafts	**(142.0)**	(124.1)
Cash and cash equivalents	**419.6**	257.2
Bank loans	**(318.6)**	(335.1)
Other loans	**(0.7)**	(1.3)
Finance leases	**(3.4)**	(4.7)
	96.9	(83.9)
Fair value of cross currency interest rate swap	**108.9**	84.7
Net funds	**205.8**	0.8

27 Acquisitions and disposals

a. Acquisitions

In July 2008, the Group acquired 75.1% of the issued share capital of the Musa Motors group for a total cash consideration of US$240m: a US$200m initial downpayment was made in 2008; a further payment of US$35m was made in October 2009 and a final settlement of US$5m was due in 2010, of which US$3m was paid. The remaining 24.9% is to be acquired in early 2011, with payment dependent on 2010 EBITA and other adjustments, capped at US$250m.

In addition, the Group invested US$16.4m (£10.7m) in its joint venture with the Independence Group of Companies, to establish a Toyota Retail Centre in Moscow.

During the year, the Group also gained control of a small service business in Russia.

b. Disposals

During the year, the Group disposed of a small number of dealerships at net book value generating disposal proceeds of £1.0m (2009 – proceeds of £3.0m and a loss on disposal of £0.7m). In addition, the Group also received deferred proceeds of £0.6m from the sale of businesses in 2007.

28 Guarantees and contingencies

	2010 £m	2009 £m
Guarantees, performance bonds and contingent liabilities	**13.4**	16.3

Guarantees and contingencies largely comprise letters of credit issued on behalf of the Group in the ordinary course of business.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

Notes to the accounts continued

29 Commitments

a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2010 £m	2009 £m
Property, plant and equipment	**3.5**	9.5
Vehicles subject to residual value commitments*	**82.3**	98.6

* Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £44.7m (2009 – £47.6m) has been included within 'trade and other payables'. These commitments are largely expected to be settled within the next 12 months, with a minority to be settled within three years.

b. Lease commitments

Operating lease commitments – Group as lessee

The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Within one year	**40.4**	41.8
Between one and five years	**100.4**	100.9
After five years	**121.3**	133.3
	262.1	276.0

Operating lease commitments – Group as lessor

The Group has entered into non-cancellable operating leases on a number of its vehicles. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Within one year	**3.7**	3.1
Between one and five years	**5.5**	6.2
After five years	**4.0**	6.3
	13.2	15.6

Finance leases and hire purchase contracts

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings) are as follows:

	2010 £m	2009 £m
Minimum lease payments:		
– Within one year	**0.8**	1.3
– Between one and five years	**1.4**	2.1
– After five years	**3.9**	7.0
Total minimum lease payments	**6.1**	10.4
Less: future finance charges	**(2.7)**	(5.7)
Present value of finance lease liabilities	**3.4**	4.7

30 Related party disclosures
a. Principal subsidiaries and joint ventures

The consolidated Financial statements include the principal subsidiaries and joint ventures listed below:

	Country of incorporation	Shareholding	Description
Subsidiaries			
Subaru (Australia) Pty Limited	Australia	90.0%	Distribution
Toyota Belgium NV/SA	Belgium	100.0%	Distribution
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94.1%	Distribution
Inchcape Motors Finland OY	Finland	100.0%	Distribution
Toyota Hellas SA	Greece	100.0%	Distribution
Crown Motors Limited	Hong Kong	100.0%	Distribution
Inchcape Olimp OOO	Russia	100.0%	Retail
Inchcape Moscow Motors BV	Netherlands	75.1%	Intermediate holding company(1)
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Distribution
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services(2)
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Retail Limited	United Kingdom	100.0%	Retail
The Cooper Group Limited	United Kingdom	100.0%	Retail
Gerard Mann Limited	United Kingdom	100.0%	Retail
Joint ventures			
Unitfin SA	Greece	60.0%	Financial services
Tefin SA	Greece	50.0%	Financial services
Inchcape Independence LLC	Russia	51.0%	Retail

(1) Holding company of the Musa Motors businesses in Moscow

(2) Included within distribution in the business segmental analysis (see note 1)

The ultimate parent company of the Group is Inchcape plc, a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange.

Notes to the accounts continued

30 Related party disclosures continued

b. 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Vehicles purchased from joint ventures and associates	**0.1**	48.8	**–**	5.0
Vehicles sold to joint ventures and associates	**299.5**	308.5	**0.1**	0.1
Other income paid to joint ventures and associates	**2.5**	3.8	**0.2**	1.3
Other income received from joint ventures and associates	**1.7**	1.1	**0.3**	1.1

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2009 – £nil).

c. Compensation of key management personnel

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2010 £m	2009 £m
Short-term employment benefits	**8.6**	8.8
Post-retirement benefits	**1.0**	1.0
Share-based payments	**1.1**	0.9
Compensation for loss of office	**0.3**	1.0
	11.0	11.7

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Directors' report on remuneration.

31 Foreign currency translation

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

	Average rates		Year end rates	
	2010	2009	**2010**	2009
Australian dollar	**1.69**	1.99	**1.53**	1.80
Euro	**1.17**	1.12	**1.17**	1.13
Hong Kong dollar	**12.00**	12.11	**12.14**	12.52
Singapore dollar	**2.11**	2.27	**2.00**	2.27

Five year record

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	**5,885.4**	5,583.7	6,259.8	6,056.8	4,842.1
Operating profit before exceptional items	**225.5**	175.2	240.5	265.0	213.9
Exceptional items	**(21.9)**	(18.4)	(82.5)	4.9	–
Operating profit	**203.6**	156.8	158.0	269.9	213.9
Share of (loss) / profit after tax of joint ventures and associates	**(1.7)**	0.7	2.2	3.5	5.9
Profit before finance and tax	**201.9**	157.5	160.2	273.4	219.8
Net finance costs	**(9.8)**	(20.8)	(52.0)	(33.4)	(5.9)
Profit before tax	**192.1**	136.7	108.2	240.0	213.9
Tax before exceptional tax	**(62.2)**	(43.5)	(49.3)	(57.9)	(45.1)
Exceptional tax	**3.1**	1.8	(3.6)	–	8.0
Profit after tax	**133.0**	95.0	55.3	182.1	176.8
Non controlling interests	**(5.1)**	(3.0)	(3.9)	(5.7)	(2.9)
Profit for the year	**127.9**	92.0	51.4	176.4	173.9
Basic:					
– Profit before tax	**192.1**	136.7	108.2	240.0	213.9
– Earnings per share (pence)*	**27.9p**	22.9p	18.9p	64.1p	63.2p
Adjusted (before exceptional items):					
– Profit before tax	**214.0**	155.1	190.7	235.1	213.9
– Earnings per share (pence)*	**32.0p**	27.1p	50.5p	62.4p	60.2p
Dividends per share – interim paid and final proposed (pence)	**6.6p**	–	5.5p	15.8p	15.0p
Consolidated statement of financial position					
Non-current assets	**1,311.2**	1,306.1	1,372.1	1,037.0	666.0
Other assets less (liabilities) excluding cash / (borrowings)	**(227.7)**	(217.2)	55.3	14.3	4.0
	1,083.5	1,088.9	1,427.4	1,051.3	670.0
Net funds / (debt)	**205.8**	0.8	(407.8)	(213.5)	(19.0)
Net assets	**1,289.3**	1,089.7	1,019.6	837.8	651.0
Equity attributable to owners of the parent	**1,263.1**	1,067.7	995.5	813.6	643.8
Non controlling interests	**26.2**	22.0	24.1	24.2	7.2
Total shareholders' equity	**1,289.3**	1,089.7	1,019.6	837.8	651.0

* Earnings per share have been restated to reflect 10 for 1 Share Consolidation

Report of the independent auditors to the members of Inchcape plc

We have audited the Group Financial statements of Inchcape plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of the Directors' responsibilities, the Directors are responsible for the preparation of the Group Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements.

Opinion on Financial statements

In our opinion the Group Financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group Financial statements are prepared is consistent with the Group Financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent Company Financial statements of Inchcape plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Gill,

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2011

Company balance sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investment in subsidiaries	3	**1,608.0**	1,603.3
Current assets			
Debtors:			
– Amounts due within one year	4	**301.7**	299.8
– Amounts due after more than one year	4	**840.1**	742.1
Cash at bank and in hand	5	**16.1**	0.9
		1,157.9	1,042.8
Creditors – amounts falling due within one year	6	**(31.3)**	(3.3)
Net current assets		**1,126.6**	1,039.5
Total assets less current liabilities		**2,734.6**	2,642.8
Creditors – amounts falling due after more than one year	7	**(1,955.8)**	(1,923.2)
Provisions for liabilities and charges	9	**(4.6)**	(8.1)
Net assets		**774.2**	711.5
Capital and reserves			
Share capital	11, 13	**46.4**	163.3
Share premium	13	**126.3**	126.1
Capital redemption reserve	13	**133.3**	16.4
Profit and loss account	13	**468.2**	405.7
Total shareholders' funds		**774.2**	711.5

The Financial statements on pages 113 to 119 were approved by the Board of Directors on 7 March 2011 and were signed on its behalf by:

André Lacroix, Chief Executive Officer **John McConnell**, Group Finance Director

Accounting policies

Basis of preparation

These Financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2010. The Company is the ultimate parent entity of the Inchcape Group (the Group).

Accounting convention

These Financial statements have been prepared on the historical cost basis modified for fair values in accordance with the Companies Act 2006 and applicable UK accounting standards. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. In addition, the Company is not required to prepare a cash flow statement under the terms of FRS 1 – Cash Flow Statements (revised).

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. As such, the Company continues to adopt the going concern basis in preparing the annual report and accounts.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange and are taken to the profit and loss account.

Investments

Investments in subsidiaries are stated at cost, less provisions for impairment.

Deferred tax

Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS 19 – Deferred Tax. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

Provisions

Provisions are recognised when the Company has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Share capital

Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

Dividends

Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the Financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Share-based payments

The Company operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the profit and loss account (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the 'Save as you earn' scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a 'Save as you earn' award, the charge for that award is recognised as an expense immediately, even though the award does not vest. In accordance with the transitional provisions of FRS 20 – Share-based payment, no charge had been recognised for grants of equity instruments made before 7 November 2002. The Company adopts Amendments to FRS 20 in line with the Group's adoption of Amendments to IFRS 2.

Financial instruments

The adoption by the Company of FRS 29 'Financial Instruments: Disclosures' has had no impact as the Company has taken advantage of the exemption not to apply FRS 29 in its own Financial statements. The Group's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are set out in the Group's accounting policies on pages 57 to 63.

Notes to the accounts

1 Auditors' remuneration

The Company incurred £0.1m (2009 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2010.

2 Directors' remuneration

	2010 £m	2009 £m
Wages and salaries	**3.2**	2.7
Social security costs	**0.4**	0.3
Pension costs	**0.4**	0.4
Compensation for loss of office	**–**	0.6
	4.0	4.0

Further information on Executive Directors' emoluments and interests is given in the Directors' report on remuneration which can be found on pages 41 to 48.

3 Investment in subsidiaries

	2010 £m	2009 £m
Cost		
At 1 January	**1,632.2**	1,912.3
Additions	**–**	248.6
Disposals	**–**	(528.7)
At 31 December	**1,632.2**	1,632.2
Provisions		
At 1 January	**(28.9)**	(41.4)
Provisions for impairment	**–**	(4.8)
Reversal of provision for impairment	**4.7**	17.3
At 31 December	**(24.2)**	(28.9)
Net book value	**1,608.0**	1,603.3

4 Debtors

	2010 £m	2009 £m
Amounts due within one year		
Amounts owed by Group undertakings	**301.7**	299.8
	301.7	299.8
Amounts due after more than one year		
Deferred tax asset (note 8)	**1.8**	2.5
Amounts owed by Group undertakings	**838.3**	739.6
	840.1	742.1

Amounts owed by Group undertakings bear interest at rates linked to LIBOR.

5 Cash at bank and in hand

	2010 £m	2009 £m
Cash at bank and in hand	**16.1**	0.9

Notes to the accounts continued

6 Creditors – amounts falling due within one year

	2010 £m	2009 £m
Amounts owed to Group undertakings	**28.0**	0.2
Other taxation and social security payable	**–**	0.3
Other creditors	**3.3**	2.8
	31.3	3.3

7 Creditors – amounts falling due after more than one year

	2010 £m	2009 £m
Amounts owed to Group undertakings	**1,676.3**	1,652.2
Private Placement	**278.9**	270.2
Other loans	**0.6**	0.8
	1,955.8	1,923.2

The Company has US$435.8m outstanding under the Private Placement borrowing: US$235.8m is repayable in 2017 and bears interest at a fixed rate of 5.94% per annum; and US$200m is repayable in 2019 and bears interest at a fixed rate of 6.04% per annum.

Other loans are loan notes issued in connection with the acquisition of European Motor Holdings plc and bear interest at rates linked to LIBOR.

Amounts owed to Group undertakings bear interest at rates linked to LIBOR.

8 Deferred tax

	Share-based payments £m	Other timing differences £m	Total £m
At 1 January 2010	**(0.1)**	**2.6**	**2.5**
Credited / (charged) to the profit and loss account	**0.6**	**(1.3)**	**(0.7)**
At 31 December 2010	**0.5**	**1.3**	**1.8**

9 Provisions for liabilities and charges

	2010 £m	2009 £m
At 1 January	**8.1**	9.5
Released to the profit and loss account	**(3.5)**	(1.4)
At 31 December	**4.6**	8.1

Provision has been made for warranties, indemnities and other litigation issues in relation to motors and non-motors business exits, based on expected outcomes. These provisions are expected to be settled within the next three to five years.

10 Guarantees and contingencies

	2010 £m	2009 £m
Guarantees of various subsidiaries' borrowings (against which nil has been drawn at 31 December 2010, 2009 – £35m)	**500.0**	535.0

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2010 was £158.8m (2009 – £199.8m).

11 Share capital
a. Allotted, called up and fully paid up

	2010 Number	2009 Number	2010 £m	2009 £m
Ordinary shares				
At 1 January	**4,630,714,974**	487,244,106	**46.4**	121.9
Share capital re-organisation	**–**	–	**–**	(116.9)
Allotted under share option schemes prior to Share Consolidation	**179,960**	–	**–**	–
Rights Issue	**–**	4,143,316,500	**–**	41.4
Share Consolidation	**(4,167,805,441)**	–	**–**	–
Allotted under share option schemes post Share Consolidation / Rights Issue	**102,804**	154,368	**–**	–
At 31 December	**463,192,297**	4,630,714,974	**46.4**	46.4
Deferred shares				
At 1 January	**487,244,106**	–	**116.9**	–
Share capital re-organisation	**(487,244,106)**	487,244,106	**(116.9)**	116.9
At 31 December	**–**	487,244,106	**–**	116.9
			46.4	163.3

b. Share Consolidation
On 13 May 2010, shareholders approved a consolidation of the Company's shares in issue or held in treasury, whereby shareholders received one new ordinary share of 10p each for every 10 existing ordinary shares of 1p each held at the close of business on 14 May 2010. Trading in the new ordinary shares of 10p commenced on 17 May 2010.

c. Deferred shares
On 30 June 2010, the Company completed the transfer and subsequent cancellation of 487,244,106 deferred shares. These shares, which were created in connection with the Rights Issue in 2009, had very limited rights, were not listed and were not freely transferrable and were effectively worthless. An amount of £116.9m, equivalent to the nominal value of the cancelled deferred shares, has been transferred to the capital redemption reserve. Costs of £0.1m associated with the transfer to the Company of the deferred shares and their subsequent cancellation have been charged to the profit and loss reserve.

d. Share buy back programme
At 31 December 2010, the Company held 2,687,560 treasury shares (2009 – 2,687,561) with a total book value of £99.4m (2009 – £99.4m). These shares may either be cancelled or used to satisfy share options at a later date. The Group did not repurchase any of its own shares during the period ended 31 December 2010 (2009 – nil). The market value of treasury shares at 31 December 2010 was £9.7m (2009 – £8.0m).

e. Substantial shareholdings
Details of substantial interests in the Company's issued ordinary share capital received by the Company at 7 March 2011 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section, in the Investor Relations section on page 37.

Notes to the accounts continued

11 Share capital continued
f. Share options
At 31 December 2010, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape 1999 Share Option Plan – approved (Part II – UK)		
5,188	17 March 2012	1.92
4,668	19 March 2013	2.14
17,348	31 August 2013	3.46
43,056	20 May 2014	4.42
16,017	29 September 2014	4.37
56,193	6 March 2015	5.78
21,521	11 September 2015	6.03
157,160	3 April 2018	7.21
6,978	31 July 2018	4.30
829,298	19 May 2019	2.00
9,375	22 November 2019	3.20
187,352	7 April 2020	3.10
– unapproved (Part I – UK)		
8,670	31 August 2013	3.46
83,915	20 May 2014	4.42
2,288	29 September 2014	4.37
160,872	6 March 2015	5.78
218,727	11 September 2015	6.03
808,190	3 April 2018	7.21
14,904	24 April 2018	6.71
86,075	31 July 2018	4.30
3,095,503	19 May 2019	2.00
37,500	22 November 2019	3.20
1,108,463	7 April 2020	3.10
– unapproved overseas (Part I – Overseas)		
27,804	21 March 2011	1.08
20,765	17 March 2012	1.93
75,859	19 March 2013	2.14
189,494	20 May 2014	4.42
252,437	6 March 2015	5.78
481,265	3 April 2018	7.21
31,712	24 April 2018	6.70
77,280	5 October 2018	3.24
2,604,447	19 May 2019	2.00
950,857	7 April 2020	3.10
20,532	14 June 2020	2.63

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
674	1 December 2010	7.43
63,271	1 May 2011	6.46
50,309	1 December 2011	5.31
104,265	1 May 2012	3.42
2,232,746	1 May 2013	2.30
1,270,718	1 May 2014	2.05

Included within the Retained earnings reserve are 1,448,052 (2009 – 1,379,736 post Share Consolidation) own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2010 was £2.5m (2009 – £2.1m). The market value of these shares at 31 December 2010 and at 7 March 2011 was £5.2m and £5.7m respectively (31 December 2009 – £4.1m, 9 March 2010 – £4.1m).

12 Dividends

A final proposed dividend for the year ended 31 December 2010 of 6.6p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2010. No dividend payment was made for the 2009 reporting period.

13 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2009	121.9	126.1	16.4	259.2	523.6
Loss for the financial year	–	–	–	(49.5)	(49.5)
Issue of ordinary share capital	41.4	–	–	192.8	234.2
Net purchase of own shares by ESOP Trust	–	–	–	(0.7)	(0.7)
Share-based payments charge (net of tax)	–	–	–	3.9	3.9
At 1 January 2010	**163.3**	**126.1**	**16.4**	**405.7**	**711.5**
Profit for the financial year	**–**	**–**	**–**	**56.7**	**56.7**
Issue of ordinary share capital	**–**	**0.2**	**–**	**–**	**0.2**
Share Consolidation and cancellation	**(116.9)**	**–**	**116.9**	**(0.1)**	**(0.1)**
Net purchase of own shares by ESOP Trust	**–**	**–**	**–**	**(0.6)**	**(0.6)**
Share-based payments charge (net of tax)	**–**	**–**	**–**	**6.5**	**6.5**
At 31 December 2010	**46.4**	**126.3**	**133.3**	**468.2**	**774.2**

14 Principal subsidiaries at 31 December 2010

The Company is a limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal subsidiaries in which the Company holds an investment are as follows:

	Country of incorporation	Shareholding	Description
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company
Inchcape Overseas Limited	United Kingdom	100.0%	Intermediate holding company

Report of the independent auditors to the members of Inchcape plc

We have audited the parent Company Financial statements of Inchcape plc for the year ended 31 December 2010 which comprise the Company balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the parent Company Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements.

Opinion on Financial statements

In our opinion the parent Company Financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent Company Financial statements are prepared is consistent with the parent Company Financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company Financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group Financial statements of Inchcape plc for the year ended 31 December 2010.

Mark Gill,

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2011

Shareholder information

Registered office

Inchcape plc

22a St James's Square
London SW1Y 5LP

Tel: +44 (0) 20 7546 0022

Fax: +44 (0) 20 7546 0010

Registered number 609782

Advisors

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

Share registrars

Computershare Investor Services PLC

Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Tel: +44 (0) 870 707 1076

Solicitors

Slaughter and May

Corporate brokers

Investec

JP Morgan Cazenove

Inchcape PEPs

Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained. Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB

Tel: +44 (0) 1296 414144

Inchcape ISA

Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Tel: 0870 300 0430

International callers:
+44 121 441 7560

More information is available at
www.shareview.com

Financial calendar

Annual General Meeting

12 May 2011

Announcement of 2011 interim results

July 2011

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Inchcape plc
22a St James's Square
London SW1Y 5LP
T +44 (0) 20 7546 0022
F +44 (0) 20 7546 0010
www.inchcape.com
Registered number 609782