REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of Inchcape plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- accounting policies; and
- the related notes 1 to 34 of the consolidated financial statements and notes 1 to 15 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Goodwill impairment assessment • Acquisition accounting • Inventory valuation Acquisition accounting is a new key audit matter this year following the acquisition of Grupo Rudelman in March 2018. The previous auditor's report included a key audit matter related to manufacturers' bonuses and rebates. We concluded this was not a key audit matter given low levels of management judgement and estimation, and the formulaic nature of the majority of the rebate and bonus calculations.
Materiality	The materiality that we used for the Group financial statements was £18.0 million which was determined on the basis of 5% of profit before taxation and exceptional impairment, pension and finance costs.
Scoping	We conducted our work in 17 countries, with 26 reporting units subject to full-scope audit procedures. The reporting units where we conducted our audit work accounted for 89% of the Group's revenue, 93% of the Group's profit before taxation and exceptional costs and 88% of the Group's net assets.

First year audit transition

We developed a detailed audit transition plan, designed to deliver an effective transition from the Group's predecessor auditor, PWC. Our transition activities were performed across the Group and focused on obtaining an understanding of the Group's system of internal control, evaluating the Group's accounting policies and areas of accounting judgement and meeting with Group and business unit management.

The key transition activities included (but were not limited to) the following:

1. In November 2017 we developed an initial audit transition plan as part of the tender process. The transition plan was finalised in January 2018 in conjunction with Group management, including setting key milestone dates to monitor transition progress;
2. We ensured we were independent during the tender process and reconfirmed independence to the Audit Committee on 12 May 2018;
3. Senior members of the audit team visited key markets as part of onboarding and transition;
4. We reviewed PWC's 2017 audit work papers and met with relevant partners and senior staff from PWC to further our understanding of the predecessor auditor's approach and assess audit procedures performed on opening balances; and
5. We shadowed PWC throughout the 2017 year-end audit and attended key audit meetings. This included, but was not limited to, attendance at significant market year-end audit close meetings in January 2018 and the Audit Committee meeting in February 2018 where the final report on the audit was presented.

This transition process helped us build an understanding of the Group, which, in turn, informed our risk assessment process and identification of the risks of material misstatement to the Group's financial statements.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed the Directors' statement in the accounting policies on page 107 of the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the parent company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 39-46 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 56 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 46 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment assessment

Key audit matter description	The Group has goodwill across seven cash generating units ("CGUs") at 31 December 2018: £259.8 million (2017: £391.8 million). The largest balance relates to the UK Retail CGU: £90.3 million after an impairment charge of £175 million was recognised (2017: £265.7 million). Management identified an impairment indicator related to the carrying value of goodwill in the UK Retail business due to recent performance combined with a challenging trading environment. The Group's assessment of impairment in accordance with IAS 36 Impairment of Assets is a judgemental process which requires estimating future cash flows based on management's view of future business prospects. Our key audit matter focuses on the robustness of the revenue and profit forecasts of the UK Retail business. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. Refer to page 62 (Audit Committee report) and note 11 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter identified: • Completed a walkthrough of the impairment process and assessed the design and implementation of the key controls addressing the risk; • Met with UK Retail and Group management to understand and critically challenge the key underlying assumptions used in the forecasts that form the basis of the Group's impairment review; • Performed an assessment of the accuracy of previously prepared forecasts; this included reviewing trading performance in 2018 to determine management's ability to forecast accurately and understand the reasons for any material variances; • Performed additional sensitivities, including running weighted-probability analyses, to assess the robustness of the model; this involved running combined sensitivities, using industry growth trends, and modelling the potential impacts of Brexit; • Performed a model integrity check, including reviewing the model for mathematical and clerical accuracy; • Performed an assessment of contradictory information, including a review of external industry growth forecasts; and • Reviewed the disclosures in the financial statements, including the disclosure of the events and circumstances that led to the recognition of the impairment charge and sensitivities.
Key observations	Based on the audit procedures performed we are satisfied that the impairment charge recognised and the valuation of goodwill at year end is appropriate.

Acquisition accounting

Key audit matter description	The Group acquired 100% of the share capital of Grupo Rudelman on 26 March 2018 for £155.5 million resulting in goodwill of £42.1 million. This transaction falls under the scope of IFRS 3 Business Combinations which requires significant management judgement in determining the fair value of assets acquired, including intangible assets which are inherently judgemental. Our key audit matter focuses on the valuation of assets acquired (including intangibles) and the completeness of liabilities associated with the Grupo Rudelman acquisition, including the valuation of the distribution agreement. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. The Group elected to continue recording the acquisition related entries as provisional as at 31 December 2018 as permitted under IFRS 3. The final entries will be presented in the 30 June 2019 half yearly report. Refer to page 64 (Audit Committee report) and note 28 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter identified: • Completed a walkthrough of the acquisition process and assessed the design and implementation of the key controls addressing the risk; • Evaluated management's assessment of the due diligence findings and the actions taken; • Risk assessed, appropriately scoped and tested the opening balance sheet for the acquired business; • Engaged our valuation specialists to review the intangible valuation report, including attending a series of calls with the Group's advisors to critically challenge the valuation methodology, key underlying assumptions and understand subsequent adjustments made to the model; • Tested and challenged the inputs used in the valuation model; and • Reviewed the disclosures in the financial statements.

Key observations	Based on the audit procedures performed we are satisfied the carrying value of assets recorded is appropriate.

Inventory valuation

Key audit matter description	The Group recorded inventory of £1,851.9 million at 31 December 2018 (2017: £1,768.6 million), which is held across multiple locations. IAS 2 Inventories states inventories should be recognised at the lower of cost and net realisable value ("NRV"), being selling price less estimated selling costs. A provision of £49.9 million (2017: £56.5 million) is held at year end. The overall provision percentage as a proportion of the gross value of inventory fell from 3.1% at 31 December 2017 to 2.6% at 31 December 2018. Management has a formal provisioning policy based on historical performance, future trading forecasts and market data. As gross margins on sales of vehicle inventory can be low and inventory is sometimes sold at a loss, provisions are recorded against inventory to write it down to the Group's best estimate of its recoverable amount. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. Refer to note 17 to the consolidated financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter identified: • Completed a walkthrough of the inventory valuation process and assessed the design and implementation of the key controls addressing the risk; • Challenged the provisioning policy set by the Group with reference to past data and industry knowledge; • Benchmarked inventory valuations to third party external valuation data; • Tested the underlying data used to calculate the provision; • Recalculated the provision in local markets using location specific industry knowledge; and • Evaluated how the Group has adequately assessed whether the carrying value exceeds the NRV and, if not, whether appropriate provisions have been recorded.
Key observations	Based on the audit procedures performed we are satisfied that the valuation of inventory is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£18.0 million (2017: £19.1 million)	£17.7 million (2017: £20.6 million)
Basis for determining materiality	We determined materiality to be £18.0 million based on 5% of profit before taxation and exceptional impairment, pension and finance costs. See note 2. The predecessor auditor determined materiality using 5% of profit before taxation and exceptional items.	Parent company materiality equates to 1% of net assets.
Rationale for the benchmark applied	Profit before taxation is considered to be the most relevant benchmark. We have excluded exceptional impairment, pension and finance costs as this provides the most stable and comparable profit metric.	As the parent company of the Group it does not generate significant revenues but instead holds investments and incurs costs such that net assets are an appropriate base to use to determine materiality.

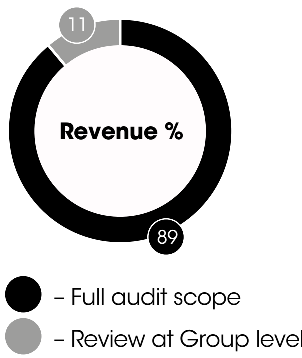
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.9 million (2017: £1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

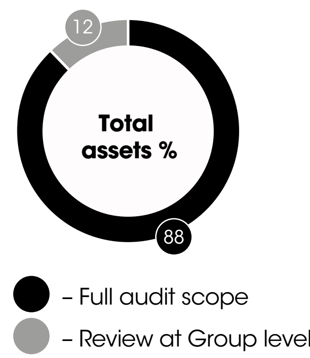
An overview of the scope of our audit

The parent company is audited directly by the Group audit team.

We conducted our work in 17 countries, engaging 18 component audit teams with 26 reporting units subject to full-scope audit procedures. The previous auditor conducted work in 20 countries covering 28 reporting units.

The reporting units where we conducted our audit work accounted for 89% of the Group's revenue, 93% of the Group's profit before taxation and exceptional costs and 88% of the Group's total assets.





We engaged component auditors from Deloitte member firms to perform procedures at these components under our direction and supervision. This approach also allows us to engage local auditors who have appropriate knowledge of local regulations to perform the audit work, under a common Deloitte audit approach. The range of component materialities applied, excluding the parent company, is £7.6 million to £12.6 million.

We issued detailed instructions to the component auditors, and directed and supervised their work. Senior members of the audit team visited 13 countries during the transition, planning and performance stages of our audit. In addition we attended the planning and close meeting calls for all full-scope components, engaged in frequent remote communication and reviewed significant component working papers.

In addition to the work performed at a component level, at Group level we have audited the consolidation process and carried out analytical procedures over the countries not subject to full-scope audits. At a Group level we also performed audit procedures on centrally held balances including goodwill, retirement benefit obligations, tax, treasury, head office costs and litigation.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, the Group General Counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in relation to the level of judgement involved in assessing goodwill impairment, acquisition accounting and inventory valuation; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified goodwill impairment, acquisition accounting and inventory valuation as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and the Group General Counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • 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 are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Report on Remuneration to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members on 25 May 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is therefore one year.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Marks FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London

27 February 2019