

Interim Results 2019

Inchcape plc, the global automotive distributor, announces its half year results for the six months ended 30 June 2019.

FIRST HALF HIGHLIGHTS:

- Anticipated Distribution supply constraints impacting Australia and Ethiopia partially offset by Distribution growth in Asia and Europe
- Stabilisation in UK and Australia Retail profit year-on-year, with good progress on initiatives to enhance performance
- Optimisation of Retail portfolio with disposal of 10 sites in the UK and Australia, which generated losses in FY18, for £34m cash
- Pre-exceptional PBT of £156m down 13% year-on-year in constant currency; reported H1 PBT of £154m down 3% year-on-year
- Disciplined capital allocation with £100m buyback in progress since May 2019
- Reiterate outlook expectation for a resilient 2019 performance, excluding a AUD/JPY headwind

KEY FINANCIALS (UNAUDITED)

Actual Currency Rates	H1 19 ¹	H1 18 (restated) ¹	Actual Currency YoY	Constant Currency YoY
Reported performance measures				
Revenue	£4,725m	£4,614m	+2.4%	+2.7%
Operating profit	£177.2m	£196.2m	(9.7%)	
Profit before tax	£153.7m	£158.9m	(3.3%)	
Basic EPS	27.8p	26.4p	+5.3%	
Dividend per share	8.9p	8.9p	0.0%	
Pre-exceptional performance measures ²				
Operating profit ^{3,4}	£179.8m	£200.6m	(10.4)%	(11.1)%
Profit before tax ⁵	£156.3m	£177.2m	(11.8)%	(12.8)%
Basic EPS	28.6p	30.8p	(7.1)%	
Distribution trading profit ⁴	£171.6m	£192.6m	(10.9)%	(11.8)%
Retail trading profit	£19.4m	£17.0m	+14.1%	+15.2%
Vehicle gross profit	£398.3m	£402.4m	(1.0)%	(1.3)%
Aftersales gross profit	£242.9m	£237.2m	+2.4%	+2.2%

1. IFRS 16 has been adopted on a fully retrospective basis, with all 2018 comparatives restated within this statement including segmental information.

2. These measures are Alternative Performance Measures, see note 15.

3. H1 2019 operating exceptional charge is £2.6m. H1 2018 operating exceptional charge is £4.4m, for costs incurred in relation to the acquisition and integration of the Grupo Rudelman business in Central America. See note 3.

4. Our Central American acquisition generated £3.5m pre-exceptional trading profit over January to March 2019, i.e. prior to the acquisition's first year consolidation annualisation as part of Inchcape Group.

5. H1 18 adjusted profit before tax excludes a £13.9m exceptional non-cash finance cost relating to fair value adjustments against repayment of US Private Placement loans in 2009.

STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED:

“Whilst trading in the first half of 2019 was challenging, as we had anticipated, we are today reiterating our resilient outlook for the full-year excluding a transactional yen headwind. Distribution, which continues to contribute c. 90% of our profits, saw strength in Asia and Europe offset by the impact of significant temporary Subaru supply constraints and a yen currency headwind in Australasia, as well as continued currency-related supply constraints in Ethiopia. A sharp contraction in the Chilean market was a further pressure. Encouragingly, Australasia supply normalised towards the end of the period and we have secured currency for two large orders in Ethiopia to be delivered in the second half of the year which supports our resilient Group full-year outlook.

Progress in Retail has been encouraging with continued growth in Russia, driven by Ignite, and a broadly stable performance in the UK and Australia. The UK Retail business benefited from improved stock management and Australia Retail from cost control measures taken, despite the continued pressures in both markets. We have now launched the next phase of our plans to improve the span of performance across our UK business, and as a part of this we announce the sale of seven retail sites, which in aggregate were loss-making in 2018, for £21m cash proceeds. In addition, in Australia we have now agreed the sale of a third retail site, in addition to the two site disposals announced in May. We have been able to realise cash proceeds of £13m in total in Australia through disposing of these unprofitable sites.

I am pleased with the strategic progress that we are making. The Retail market portfolio optimisation in the UK and Australia is a tangible demonstration of our focus on capital deployment and productivity. We integrated new BMW Distribution businesses in Lithuania and Kenya, consolidating our position with this OEM partner in the Baltics and pioneering our presence with them in Africa. Our Ignite strategy continues to yield results and in the first half of 2019 we saw further delivery of procurement savings, Aftersales gross profit outperformance and Finance & Insurance profit growth. We remain focused on capital discipline and shareholder returns with the £100m buyback announced in May well underway and to be completed by the end of December.”

OPERATIONAL REVIEW

Key Performance Indicators – results

	Six months to 30.06.19	Six months to 30.06.18 (Restated)	% change	% change in constant currency
	£m	£m		
Revenue	4,725.1	4,613.5	+2.4%	+2.7%
Operating profit before exceptional items ¹	179.8	200.6	(10.4%)	(11.1%)
Operating margin before exceptional items ¹	3.8%	4.3%	(50bp)	(60bp)
Profit before tax and exceptional items ¹	156.3	177.2	(11.8%)	(12.8%)
Profit before tax	153.7	158.9	(3.3%)	
Free Cash Flow ¹	25.0	67.5	(63.0%)	
Return on capital employed ²	19%			

1. See note 15 for definition of Key Performance Indicators and other Alternative Performance Measures.

2. IFRS 16 has been adopted from the 1st January 2018 and therefore a comparable H1 18 ROCE, which is a rolling 12-month measure, is unavailable. Our FY18 ROCE, on an IFRS 16 basis, was 22%.

PERFORMANCE REVIEW

Our performance in the first half of 2019 was in-line with our expected phasing for the year. Whilst there was a decline in profits this can be largely explained by factors in two specific markets, namely Australasia and Ethiopia, and strategic progress was encouraging over the period.

Group revenue of £4.7bn is up 2.4% year-on-year in actual currency and 2.7% in constant currency. Asia was supported by market share gains and a supportive Commercial Vehicle market in Singapore, as well as good growth in some of the smaller Asia markets. The European business benefited from growth in the Balkans and Baltics. Russia drove Emerging Markets growth and was further supported by a recovery in Peru but was partially offset by economic weakness in Chile. Together revenue growth in each of these regional segments was offset by a meaningful decline in Australasia, given anticipated Subaru supply constraints in the market over January to April.

The Group delivered an operating profit before exceptional items of £179.8m, down 10.4% year-on-year in actual currency and down 11.1% in constant currency. An 11.8% constant currency contraction in Distribution trading profit was the key contributor to the decrease. This reflected Australasia's supply constraints and a profit decline in Ethiopia which was driven by continued currency-related supply constraints. Asia saw the largest profit increase over the period, with growth in both Singapore and Hong Kong, whilst Europe also grew year-on-year. Contraction in the Chile market was a further drag to the Emerging Markets region and to the Group. Looking to the second half, Australasia supply had already normalised towards the end of the first half and we have the currency availability to fulfil two large orders in Ethiopia over the second half. The benefit of the 2018 acquisition of the new Central American business which was incorporated into Inchcape at the end of March 2018 contributed 2% to H1 Distribution trading profit prior to its annualisation in April. Our Retail trading profit grew 15.2% at constant currency off a low base, with continued growth in Russia and a more stable performance in the UK and Australia Retail markets, despite continued market pressures. Overall, our Group operating margin for the year to date was 3.8% compared with 4.3% in the prior period driven by Distribution.

Profit before tax and exceptional items of £156.3m is down 11.8% year-on-year in actual currency and 12.8% in constant currency. The decline reflects the first half impact of Australasia's supply constraints, the currency-related supply constraints in Ethiopia and the £6m impact of the AUD/JPY exchange rate in Australasia. Excluding the effect of these factors, Group profit was broadly stable in comparison to the period last year. Reported profit before tax fell 3.3% year-on-year in actual currency. Over the first half of 2019, a £2.6m exceptional charge (H1 18 £4.4m) was incurred largely relating to costs associated with our site disposals and recent acquisitions, although partially offset by a gain on disposal of the Australia retail sites. H1 18 profit before tax also included a £13.9m exceptional non-cash finance cost relating to fair value adjustments against repayment of US Private Placement loans in 2009.

The Group delivered Free Cash Flow of £25m, compared with £68m in the prior year. We continue to expect to generate our annual target Free Cash Flow conversion of 60-70% for the full year. The first half Free Cash Flow decline year-on-year reflected lower operating profit and an £11m exceptional pension cash inflow in the first half of 2018. A higher working capital outflow compared to the prior year, driven by timing effects, was partially offset through a lower capex spend. After adopting the new accounting standard IFRS 16 that capitalises our leases onto the balance sheet, we ended the period with net debt of £508m. Excluding these leases, net debt of £77m compares to £162m in the prior year. Our ROCE over the period was 19%, on an IFRS 16 basis. This compares to 22% for FY18 and is largely driven by the reduction in our profit year-on-year, as well as an increase in net assets given a higher working capital position.

STRATEGY UPDATE

We continued to make strategic progress over the first half of this year. Under our Ignite strategy we see meaningful opportunities to grow our Distribution business and become the OEM's partner of choice, and to improve the span of operational performance across the Group.

In-line with our focus on optimal deployment of our capital and maximising returns, we agreed the sale of three unprofitable Australia retail sites within our Retail business. These three retail sites represented a mix of brands (Mitsubishi, Honda, VW) but did not add significant scale to our Distribution partnerships. We will receive £13m cash for these businesses, inclusive of the first tranche (two sites) announced in May, with the valuation achieved in-line with our expectations and generating a small gain on disposal. Two of these site disposals completed during the period, in June, with £10m of the cash inflow already recognised within these results. Going forward we remain confident about the medium-term trading conditions and growth prospects for the Australian market and remain focused on driving our Distribution business in the region further.

Whilst we are pleased with the broadly stable performance in the UK, given the pressures which persist in the market, we have embarked on our next phase of productivity improvements. As part of this review, we have looked to optimise our portfolio of retail centres in regions where we have a less concentrated presence and are less able to leverage costs efficiently. As a result, we have sold seven VW and Audi sites for cash proceeds of £21m. These sites in total were loss-making in 2018 and the valuation reflects book value of the assets. The disposals will complete in the second half with the corresponding cash received at this time. While there may be further opportunities to realise the value of less profitable sites, greater focus will be placed on accelerating initiatives to improve revenue and cost optimisation.

During the period we were awarded the BMW Distribution contract in Lithuania, consolidating our position with BMW in the Baltics alongside our operations in Estonia and Latvia. We also continued to integrate our new Central America Suzuki-focused business as well as our new JLR and BMW Kenya businesses. We remain excited about the consolidation opportunities we continue to see in our highly fragmented market and how our strong focus on being the OEM partner of choice and our commitment to be a leader in innovation can help strengthen our position in this context.

We also continue to focus on developing our capabilities to maximise the opportunities afforded by evolving trends in our industry. Digital capability is key and over the period we launched a data-driven valuation trade-in tool across our Subaru sites in Melbourne, and with the greater pricing transparency and quicker sales process developed, we have seen very positive customer feedback. Over the period, our Aftersales trial with Grab, the shared mobility market leader in South East Asia, was extended and we have also partnered with the National University of Singapore and a new manufacturer in a trial of autonomous transport. Whilst this is not an immediate driver of profits, we are convinced that being at the forefront of these developments is essential.

We saw Ignite-led success for Costa Rica and Panama, which were awarded first and second place respectively for Aftersales Management at the annual Suzuki distributors conference, held in Panama in May. This is significant, first as the honours were given based on a period during which we were integrating the former Grupo Rudelman operations which we acquired in March 2018, and second as the awards covered Suzuki's Distribution footprint worldwide including operations managed directly by the OEM.

We continued to optimise the span of performance across the business. Incremental profit from Finance & Insurance products (F&I) is on target to achieve our £30m target by the end of 2019, less than two years after the medium-term target was launched. New vehicle care insurance products have been a key contributor to this growth. We also expect annualised cumulative procurement savings to reach £45m by the end of the year, with our new global procurement system having been rolled out across four countries to date. Savings achieved so far through our global procurement system suggest cash payback on investments within one year.

CAPITAL ALLOCATION

We have a disciplined capital framework which strives for optimal allocation of funds to organic investments, value-creating acquisitions and cash returns to shareholders. In-line with this policy, given the strength of our cash generation and strong balance sheet, we announced a £100m buyback in May to be completed by the end of December. By July 23 we had completed £37m of this buyback with £19m cash outflow already reported within the first half financial results. Consistent with our dividend policy the Board has declared an interim dividend of 8.9p (2018 H1: 8.9p). The Board sets its interim dividend at a third of the prior year's total dividend (2018 FY: 26.8p).

OUTLOOK

Performance year to date is in-line with our expectations. Whilst some of our markets have weakened we expect to achieve a resilient full year constant currency profit performance, excluding a c.£35m transactional AUD/JPY headwind. Our expectation of an improved H2 performance is underpinned by the normalisation in Australasia supply seen towards the end of the first half and our securing of currency for two large orders in Ethiopia to be delivered in the second half. We are confident of a continued broadly flat year-on-year performance in our UK Retail business and improved Australia Retail profitability compared to 2018, as delivered in the first half.

PEOPLE

With deep automotive experience across the Group, a strong ethos of operational discipline and an unrelenting focus on delivering outstanding customer service, Inchcape's people are central to our success. Management would like to express their sincere thanks to colleagues around the world for their commitment and dedication through the first half of the year.

OPERATING AND FINANCIAL REVIEW

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 translational exchange rate effects. Unless otherwise stated, changes in sales and trading profit in the operating review are at constant currency. The 2019 outlook commentary is also referenced at constant currency. Note that all our financials are now on an IFRS16 basis.

Segmental detail can also be found in Note 2 of the accounts, and our appendix contains the list of markets that fall within each region.

DISTRIBUTION

The Distribution segment delivered year-on-year revenue growth of 2.1%. Trading profit declined 11.8%. The Central America acquisition, until its one-year annualisation as part of Inchcape, contributed 2% growth to both revenue and trading profit. Group Distribution trading margin declined 100bps to 6.9%, driven by margin decline in Australasia and our Emerging Markets business, both of which have been impacted by supply constraints.

	Six months to 30.06.19	Six months to 30.06.18 (restated)	% change	% change in constant currency
	£m	£m		
Revenue				
Asia	865.8	789.1	+9.7%	+5.4%
Australasia	500.5	621.4	(19.5%)	(17.3%)
UK & Europe	660.5	576.2	+14.6%	+15.6%
Emerging Markets	459.3	439.6	+4.5%	+5.3%
Total Distribution	2,486.1	2,426.3	+2.5%	+2.1%
Trading profit				
Asia	93.2	86.8	+7.4%	+3.1%
Australasia	32.2	48.0	(32.9%)	(31.2%)
UK & Europe	21.0	19.5	+7.7%	+9.1%
Emerging Markets	25.2	38.3	(34.2%)	(33.9%)
Total Distribution	171.6	192.6	(10.9%)	(11.8%)
Trading profit margin				
Asia	10.8%	11.0%	(0.2ppt)	(0.2ppt)
Australasia	6.4%	7.7%	(1.3ppt)	(1.3ppt)
UK & Europe	3.2%	3.4%	(0.2ppt)	(0.2ppt)
Emerging Markets	5.5%	8.7%	(3.2ppt)	(3.3ppt)
Total Distribution	6.9%	7.9%	(1.0ppt)	(1.1ppt)

- **Asia** revenue grew 5% and trading profit grew 3%, driven across markets within the segment. The Singapore market benefited from a Commercial Vehicle scrappage scheme that boosted sales ahead of an expected end to the programme in July and prior to an announcement of its extension for a further year in June. In addition, Passenger Vehicles were supported by product launches including the new Toyota Rav4. We continue to expect the Singapore market to decline 7% year-on-year over 2019, with the stronger start to the year anticipated. The Hong Kong market was a little weaker, down mid-single digit over the period, but the launch of the Rav4 and new taxis supported performance. Costs were well managed with both the Singapore and Hong Kong businesses seeing profit progression, whilst Guam, Thailand and Brunei also contributed to growth. Trading profit margins declined by a modest 20bps to 10.8%, representing a continued strong performance.
- **Australasia** revenue declined by 17% and trading profit was down 31%. Whilst the weakness in the Australian market persisted over the period, the contraction in profit was driven by a temporary slowdown in Subaru supply over the January to April period, with Subaru's volume down 34% in those four months. Production issues were addressed, and supply resumed to a normal level from May, with profit meaningfully improved over the remaining two months of the period. This normalisation will support a comparative improvement in underlying trading over the second half. Australasia trading profit was further impacted by a c.£6m transactional currency headwind, as expected, given the AUD/JPY exchange rate and the lag generated by our hedging policy. We continue to expect a total c.£35m headwind over 2019. We have raised prices where possible to partially offset the headwind. Whilst Vehicles sales impacted growth, Aftersales was positive driven by parts. Trading profit margins declined 130bps, largely driven by the AUD/JPY exchange rate.
- **UK & Europe** revenue grew 16% and trading profit was up 9%. Growth in the Balkans benefited from strong market growth and market share gains in Romania, whilst the Baltics was similarly supported by market share gains and the inclusion of the new Lithuanian business. The Greek market continues to grow and support the region.
- **Emerging Markets** revenue increased 5% and declined 4% excluding the new Central America business prior to annualisation in March. Trading profit declined by 34%, and 43% excluding the Central America business for the first three months. Our South American business saw good performance in Peru following a more challenging 2018 but was impacted by an 8% volume contraction in the Chilean market, driven by economic weakness, after double digit growth in 2018. The Colombian market continues to see strong Commercial Vehicles growth. Ignite initiatives remain a focus for Latin America and in Peru we have seen strong growth in Aftersales, whilst Colombia has seen good Used growth. The organic performance of the Emerging Markets division was further impacted by continued profit decline in Ethiopia where limited currency availability has caused supply constraints to this high margin Aftersales-driven business since 2018, despite demand remaining high. However, looking to the second half of the year we have secured the currency for two large orders which is expected to drive profit growth in Ethiopia over the next trading period.

- The **Central America** acquisition made in March 2018 has contributed £41m of revenue and £3.5m of trading profit in the January to March 2019 period, prior to its annualisation as part of the Group. The business has continued to integrate well although the Costa Rica and Panama markets declined further over the first half. We are pleased with the progress we are making with the business and the strategic advantage it provides us longer term through greater scale with Suzuki and a market presence in Central America.

RETAIL

The Retail segment delivered a solid revenue performance, growing by 3.4%. Trading profit increased 15.2% year-on-year, from a low base, with margins up 10bps

year-on-year. The UK and Australia Retail businesses reported a broadly stable year-on-year profit performance after suffering meaningful declines in 2018.

	Six months to 30.06.19 £m	Six months to 30.06.18 (restated) £m	% change	% change in constant currency
Revenue				
Australasia	185.1	198.3	(6.7%)	(4.0%)
UK & Europe	1,610.7	1,632.1	(1.3%)	(1.2%)
Emerging Markets	443.2	356.8	+24.2%	+29.9%
Total Retail	2,239.0	2,187.2	+2.4%	+3.4%
Trading profit				
Australasia	0.3	(2.8)	NM	NM
UK & Europe	11.7	14.4	(18.8%)	(19.1%)
Emerging Markets	7.4	5.4	+37.0%	+43.6%
Total Retail	19.4	17.0	+14.1%	+15.2%
Trading profit margin				
Australasia	0.2%	(1.4%)	+1.6ppt	+1.6ppt
UK & Europe	0.7%	0.9%	(0.2ppt)	(0.2ppt)
Emerging Markets	1.7%	1.5%	+0.2ppt	+0.2ppt
Total Retail	0.9%	0.8%	+0.1ppt	+0.1ppt

- Australasia** revenue declined 4% year-on-year but made a small profit over the period, compared to a small reported loss last year. The first half of 2019 has continued to see the impact from a cooling property market which has contributed to the passenger car market being down 8%, and we are therefore encouraged to see stabilisation in business performance as we focussed on controlling costs. Over the period we made three strategic business disposals and given the timing there is a negligible benefit to H1 trading.
- UK and Europe** revenue declined 1% year-on-year and trading profit declined 19% off a small base. A £3m year-on-year profit decrease is a reasonable performance against the declines experienced over 2018 and amidst continuing UK market pressures. The UK market was down 3% in the first six months with diesel decreasing by a further 19% leading to a continued oversupply of New Car product in the market. Whilst the market remains unfavourable, we are encouraged to see that our improved opening inventory position and focus on driving all value drivers has helped to stabilise performance. We expect the next phase of our UK productivity plans, which include a further focus on costs and the disposal of seven less profitable sites in H2, to continue to stabilise the performance of the UK business. Poland Retail performed well over the period.
- Emerging Markets**, which for Retail includes only Russia, saw 30% revenue growth in the reporting period and trading profit increase 44%. Given the Russian New Car market has been down slightly over the period, our strong performance continues to be driven by the Ignite strategy and our focus on Used cars, Aftersales and F&I.

VALUE DRIVERS

We provide disclosure on the value drivers behind our revenue and profit. We have restated these as per note 2. This includes:

- Gross profit attributable to Vehicles - New Vehicles, Used Vehicles and the associated F&I income; and
- Gross profit attributable to Aftersales - Service and Parts.

		Six months to 30.06.19 Gross profit £m	Six months to 30.06.18 Gross profit £m	% change	% change in constant currency
Group	Vehicles	398.3	402.4	(1.0%)	(1.3%)
	Aftersales	242.9	237.2	+2.4%	+2.2%
	Total	641.2	639.6	+0.3%	+0.0%
Distribution	Vehicles	257.0	267.7	(4.0%)	(4.8%)
	Aftersales	157.2	157.6	(0.3%)	(1.1%)
	Total	414.2	425.3	(2.6%)	(3.5%)
Retail	Vehicles	141.3	134.7	+4.9%	+6.0%
	Aftersales	85.7	79.6	+7.7%	+8.8%
	Total	227.0	214.3	+5.9%	+7.0%

Over the reporting period we saw a 1% decrease in Vehicle gross profit and a 2% increase in Aftersales gross profit. Excluding Central America prior to annualisation Vehicle gross profit declined 3% and Aftersales grew 1%. We operate across the automotive value chain and over the first half of 2019 generated 38% of gross profit through Aftersales.

Distribution Vehicles gross profit declined 5%, or 7% excluding the new Central American operations until annualisation in March. This largely reflects supply constraints and transactional AUD/JPY headwind in Australasia, as well as the weakness in Chile. Growth in Asia and Europe was good.

Distribution Aftersales gross profit was down 1%, or down 3% excluding the new Central American operations until annualisation. This value driver was impacted by supply constraints in Ethiopia which is a meaningful Aftersales business within the division.

The Retail business saw a 6% increase in Vehicles gross profit, driven by Russia. Retail Aftersales gross profit increased by 9% year-on-year. This reflects growth in Russia but also improvement in the UK.

2019 OUTLOOK

Overall for the Group, whilst some of our markets have weakened, we expect a resilient constant currency profit performance in 2019, excluding a large transactional AUD/JPY currency headwind of c.£35m. We remain focused on improving the efficiency of the business through our Ignite initiatives and controlling costs to manage the headwinds expected over the year. Cash generation remains a focus of the business and we anticipate conversion in-line with target levels over the period, supported by a reduced capex level compared with the prior year.

Distribution: We expect 2019 to be a resilient year, excluding transactional AUD/JPY headwinds in Australasia. Given performance year-to-date, and despite the expected TIV decline in Singapore, we now expect a solid performance in Asia, with continued profit progression for the rest of the year. With Australasia's supply's constraints well anticipated we continue to expect that region to see a resilient performance, excluding the yen headwind. Europe continues to look strong, driven by market share growth in the Baltics and Balkans, as well as continued momentum in Greece. Whilst we expect Ethiopia to see a meaningful pick up in performance in the second half, the weakness in the Chilean market drives a challenging outlook for the Emerging Markets region.

Retail: Growth in Russia is expected to remain strong despite a weaker market, driven by Ignite initiatives, while remaining broadly stable in the UK. Given performance year-to-date, we expect Australia Retail performance to improve compared to 2018. Any impact on trading from Brexit would, however, imply risk to this Retail performance.

OTHER FINANCIAL ITEMS

CENTRAL COSTS

Unallocated central costs for the half year were £11.2m before exceptional items (H1 18: £9.0m). The increase in costs reflects one-off benefits seen in the prior year relating to central insurance operations.

OPERATING EXCEPTIONAL ITEMS

In the first half of 2019, we have incurred £2.6m of exceptional operating costs which, while they include some acquisition and integration costs, are largely reflective of the disposals in the UK. The costs were offset by a small gain on the disposal of the Mitsubishi and Honda operations in Australia. In the first half of 2018, the Group recorded exceptional operating costs of £4.4m. These costs were incurred in relation to the acquisition and integration of the Grupo Rudelman business in Central America.

NET FINANCING COSTS

Net financing costs, before exceptional finance costs, were flat at £23.5m (H1 18: £23.4m). The interest charge is stated on an IFRS 16 basis and excluding interest relating to leases our net finance charge was £13.9m vs. £13.4m in the prior year.

In the first half of 2018 we incurred an exceptional finance cost of £13.9m. This represented a one-off correction to the fair value basis of assessment of the Group's US\$ Private Placement Loan Notes. This amount was reported as an exceptional item in order to provide additional useful information regarding the Group's underlying business performance.

TAX

The effective tax rate for the period before exceptional items is 22.5% (H1 18: 25.7% restated), driven in part by deferred tax assets being recognised in respect of tax losses in some business units as a result of improved trading performance.

We now expect the effective rate to be 22-23% in 2019 compared to prior guidance of 23-24%.

NON-CONTROLLING INTERESTS

Profits attributable to our non-controlling interests were £3.0m in the first half of 2019 (H1 18: £3.9m). The Group's non-controlling interests principally comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

FOREIGN CURRENCY

During the half, the Group benefitted from a gain of £3.2m (H1 18: a loss of £12.5m) from the translation of its overseas profits before tax into sterling at the average exchange rate over the first 6 month when compared with the average exchange rates used over the comparable period for translation in 2018.

DIVIDEND

The interim dividend will be paid on 4 September 2019 to shareholders on the register at close of business on 2 August 2019. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 13 August 2019.

PENSIONS

At 30 June 2019, the IAS 19 net post-retirement surplus was £63.5m (31 December 2018: £81.9m). In the first half of the year and in-line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £1.6m (H1 18: £1.5m).

ACQUISITIONS AND DISPOSALS

During the first six months of 2019 Inchcape acquired the BMW business in Lithuania from Modus Group for a total cash consideration of £17.1m including cash acquired of £1.1m. The business was acquired to strengthen the Group's partnership with BMW in Northern Europe.

The disposal of the Honda and Mitsubishi Retail operations in Australia in the first half of the year generated disposal proceeds of £10m and small profit on disposal. The further announced VW site disposal will complete in H2 and will generate a further £3m cash inflow.

In the UK, the disposal of seven retail sites representing Audi and VW completed in July and so are disclosed as assets and liabilities held for sale. The corresponding cash inflow of £21m will be received in H2. Profit on disposal will be broadly neutral.

In March 2018, the Group acquired Grupo Rudelman, a Suzuki focused Distribution business with integrated Retail assets operating in Costa Rica and Panama. The total cost of this acquisition was £156m including cash acquired of £9m. During 2018 the Group also entered into a Distribution contract with Jaguar Land Rover to distribute the Jaguar and Land Rover brands in Kenya and acquired one Lexus site in the UK.

FINANCING

Driven by upcoming maturities, in February 2019 we refinanced our core Revolving Credit Facility. This has increased our committed facilities from £620m to £700m at improved rates which drives a broadly neutral impact to our interest charge. The facility extends over the period to 2024, with options to extend to 2026 at the discretion of lenders. In 2017 Inchcape issued US Private Placement loan notes totalling £210m with maturities phased over 2024, 2027 and 2029.

CAPITAL EXPENDITURE

Net capital expenditure in the first half of 2019 was £30.8m (H1 18: £55.3m). The outlook for the full year is reduced compared to the level of expenditure in 2018. We expect net capital expenditure to be 'up to £65m' in 2019 compared to prior guidance of 'up to £75m'.

CASH FLOW AND NET DEBT

The Group delivered Free Cash Flow of £25.0m (H1 18: £67.5m). After the acquisition of businesses in the year as well as disposal proceeds relating to the Australia Retail disposals, the payment of the final dividend for 2018 and £18.8m of the announced £100m buyback, the Group had net debt of £507.7m (H1 18: net debt of £612.2m). Net debt excluding lease liabilities is £77.0m (H1 18: net debt of £161.9m).

RECONCILIATION OF FREE CASH FLOW

	Six months to 30.06.19	Six months to 30.06.19	Six months to 30.06.18 (restated)	Six months to 30.06.18 (restated)
	£m	£m	£m	£m
Net cash generated from operating activities		89.4		153.1
Add back: Payments in respect of exceptional items		2.5		6.3
Net cash generated from operating activities, before exceptional items		91.9		159.4
Purchase of property, plant and equipment	(29.1)		(49.6)	
Purchase of intangible assets	(8.8)		(13.2)	
Proceeds from disposal of property, plant and equipment	7.1		7.5	
Net capital expenditure		(30.8)		(55.3)
Net payment in relation to leases		(30.9)		(30.9)
Dividends paid to non-controlling interests		(5.2)		(5.7)
Free Cash Flow		25.0		67.5

Included within Free Cash Flow are movements in restricted cash balances described in note 9.

Lease accounting (IFRS 16)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 superseded the current guidance on leases including IAS 17 when it became effective for the Group's financial year commencing 1 January 2019. Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases will be on balance sheet except for short-term leases and leases of low value assets.

The Group has applied a fully retrospective approach to leases where the Group is the lessee. Therefore, the cumulative effect of adoption of IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with restatement of comparative information. The impact on adoption adds £460m of lease liabilities to the balance sheet as at 31 December 2018 compared to the prior accounting standard. It therefore increased the ratio of net debt / EBITDA by 0.9x to 0.8x. The impact to FY18 PBT was £6m on a pre-exceptional basis. However, it is a non-cash accounting adjustment and does not change the financial liquidity of the Group.

IFRS 16 RESTATEMENTS

Table below demonstrates the movements between IAS 17 and IFRS 16 for the FY18 period on a pre-exceptional basis. Restatements by segment on a pre-exceptional and reported basis are provided in note 2.

Pre-exceptional performance measures	Year to 31.12.18 £m IAS 17	Adjustment	Year to 31.12.18 £m IFRS 16
Revenue	9,277.0	-	9,277.0
Gross profit	1,301.3	-	1,301.3
Operating leases	(86.0)	81.8	(4.2)
Depreciation	(43.9)	(68.0)	(111.9)
Other	(786.3)	(0.3)	(786.6)
Net operating expenses	(916.2)	13.5	(902.7)
Operating profit	385.1	13.5	398.6
% margin	4.2%		4.3%
Net finance costs	(28.3)	(19.7)	(48.0)
Profit before tax	356.8	(6.2)	350.6
Tax	(80.2)	1.1	(79.1)
Profit for the period	276.6	(5.1)	271.5
EPS (basic)	65.0p		63.8p

CLARIFYING OUR FINANCIAL METRICS

The following table shows the key profit measures that we use throughout this report to most accurately describe underlying operating performance and how they relate to statutory measures.

Metric	£m	Use of Metric
Gross Profit	641.2	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
<i>Less: Segment operating expenses</i>	<i>(450.2)</i>	
Trading Profit	191.0	Underlying profit generated by our Segments
<i>Less: Central Costs</i>	<i>(11.2)</i>	
Operating Profit (pre-exceptional Items)	179.8	Underlying profit generated by the Group
<i>Less: Exceptional Items</i>	<i>(2.6)</i>	
Operating Profit	177.2	Statutory measure of Operating Profit
<i>Less: Net Finance Costs and JV profit (inc exceptional items)</i>	<i>(23.5)</i>	
Profit before Tax	153.7	Statutory measure of profit after the costs of financing the Group
<i>Add back: Exceptional Items</i>	<i>2.6</i>	
Profit Before Tax & Exceptional Items	156.3	One of the Group's KPIs

RISKS

Principal business risks

The Board set out in the Annual Report and Accounts 2018 a number of principal business risks which could impact the performance of the Group and these remain unchanged for this Interim Report and the remaining six months of 2019. The key risks comprised:

- Loss of Distribution contract with major brand partner
- Significant retrenchment of credit available to customers, dealer network or Inchcape plc negatively impacts Vehicle Sales and/or operational capability
- Material damage to OEM brand or product reputation, or major interruption to OEM operations or product supply negatively impacts Vehicle Sales
- Major loss or misappropriation of confidential or sensitive data results in financial penalty and/or reputational damage
- Failure to achieve sufficient return on investment through our acquisition strategy leads higher leverage, reduced EPS and / or deterioration of our relationships with our brand partners
- Impact of disruptive technologies and/or new entrants to the industry threatens our position in the value chain
- Failure to keep pace with changes in the digital economy impacts revenue and/or OEM Relations Fluctuations in exchange rates with negative impact on financial performance

The Group Inchcape Peace of Mind (iPOM) Committee has delegated authority from the Executive Committee to manage Inchcape's Risk Management process. The iPOM committee's aim is to ensure that Risk Management is core to all decision-making and has a broad remit and responsibility to:

- Ensure systematic risks are effectively managed through the development of coherent policies, process, control framework and effective assurance monitoring processes;
- Ensure dynamic and emerging risks are identified at a market level and for the Group as a whole, mitigation actions are identified and implemented, and cross-market best practice is shared.

Market iPOM committees are embedded in each market. They operate according to Standard Terms of Reference and report to the Group iPOM committee. Consistent risk management tools are developed centrally and utilised Group-wide.

Brexit

The UK is currently scheduled to leave the European Union on 31 October 2019. There is uncertainty, however, as to whether this will indeed be the departure date and as to the terms of the UK/EU relationship after that date.

In "agreed deal" scenarios, there will be a sufficient planning period of at least 21 months available to plan and prepare for the implications of Brexit. In the event of a no-deal Brexit, however, there will be no such transition period.

Our immediate focus, therefore, has been on preparing for a no-deal scenario. We have taken steps to understand the potential impacts of such a scenario upon our business and have identified, and taken, those mitigating actions that are available to us.

The nature, and location, of our business means that there are three principal potential impacts. These are:

- Macro-economic impacts in the UK economy lead to reduced consumer confidence and a reduction in the overall size of the addressable market;
- The introduction of tariffs on UK automotive exports to European markets, and certain third countries, results in increased costs that are not able to be recovered from customers;
- A fall in the value of sterling increases the sterling value of the Group's foreign currency earnings.

The Board has considered these potential impacts carefully together with the mitigation plans in place. We are working closely with our OEM partners to ensure that any impacts are minimised.

The Board and Group Executive Committee are actively monitoring the position and will continue to take the actions that are available to them to respond to events as they unfold

RISKS (continued)

Currency, funding and liquidity, interest rate and counterparty risks

All material transactional foreign exchange exposures are hedged using forward contracts. Counterparties and limits are approved for cash deposits and these are monitored closely.

Funding and liquidity risk are actively managed through strict controls on inventory and the use of supplier credit to fund the largest cash outflows of the Group. The Group also maintains significant committed funding facilities.

Further details of the Group's principal risks and risk management process can be found on pages 35 – 46 of the Annual Report and Accounts 2018.

Going concern

Having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial information.

CONTACT DETAILS

Inchcape plc:

Group Communications, +44 (0) 20 7546 0022

Investor Relations, +44 (0) 20 7546 8225

Instinctif Partners:

Mark Garraway +44 (0)7771 860 938

Inchcape@instinctif.com

AMERICAN DEPOSITORY RECEIPTS

Inchcape American Depositary Receipts are traded in the US on the OTC Pink market: (OTC Pink: INCPY)

<http://www.otcmarkets.com/stock/INCPY/quote>

APPENDIX - BUSINESS MODELS

ASIA

At the heart of the Asia region, we are the Distributor and exclusive Retailer for Toyota, Lexus, Hino and Suzuki and operate Distribution and exclusive Retail for Jaguar, Land Rover and Ford in Hong Kong with additional Distribution and Retail franchises across the region.

Country	Route to market	Brands
Hong Kong	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Daihatsu, Jaguar, Land Rover, Ford, Maxus
Macau		
Singapore	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Suzuki
Brunei	Distribution & Exclusive Retail	Toyota, Lexus
Guam	Distribution & Exclusive Retail	Toyota, Lexus, BMW, Chevrolet
Saipan	Distribution & Exclusive Retail	Toyota
Thailand	Distribution & Exclusive Retail	Jaguar, Land Rover
China	Retail	Porsche, Lexus, Mercedes

AUSTRALASIA

We are the Distributor for Subaru in both Australia and New Zealand, in addition to Peugeot and Citroen in Australia. We also operate multi-franchise Retail operations in Sydney, Melbourne and Brisbane.

Country	Route to market	Brands
Australia	Distribution & Retail	Subaru, Peugeot, Citroen
	Retail	BMW, Jaguar, Land Rover, VW, MINI, Isuzu, Kia, Aston Martin, Bentley, McLaren, Rolls-Royce, Mitsubishi
New Zealand	Distribution	Subaru

UK AND EUROPE

We have scale Retail operations across the core regions of the UK focused on premium and luxury brands. Our European operations are centred on Toyota and Lexus Distribution in Belgium, Greece and the Balkans, BMW Retail in Poland and a number of fast-growing businesses in the Baltic region focused on Jaguar Land Rover, Mazda and other brands.

Country	Business Model	Brands
UK	Retail	Toyota, Lexus, Audi, BMW, MINI, Jaguar, Land Rover, Mercedes, VW, Porsche, Smart
Belgium	Distribution & Retail	Toyota, Lexus
Luxembourg		
Greece		
Romania		
Bulgaria		
Macedonia		
Albania		
Finland	Distribution	Jaguar, Land Rover, Mazda
Estonia	Distribution & Retail	Jaguar, Land Rover, Mazda, BMW, MINI, Kia
Latvia	Retail	BMW, MINI, Ford, Jaguar, Land Rover, Mazda,
Lithuania	Distribution & Retail	Mitsubishi, Jaguar, Land Rover, Mazda, Ford, Hyundai, BMW, MINI, Rolls Royce
Poland	Retail	BMW, MINI

EMERGING MARKETS

In South America, we have BMW Distribution businesses in Chile and Peru as well as Subaru and Hino operations across these markets, Colombia and Argentina. Our business in Ethiopia is centred on Distribution and exclusive Retail for Toyota. In Russia we operate 22 retail centres in Moscow and St Petersburg representing a number of our global OEM brand partners.

Country	Business Model	Brands
Ethiopia & Djibouti	Distribution & Exclusive Retail	Toyota, Daihatsu, Komatsu, New Holland, Hino
Kenya	Distribution & Retail	Jaguar, Land Rover, BMW
Russia	Retail	Toyota, Audi, BMW, Jaguar, Land Rover, Lexus, MINI, Rolls Royce, Volvo
Chile	Distribution & Retail	BMW, Subaru, Rolls Royce, Hino, DFSK, Kia
Peru	Distribution & Retail	BMW, Subaru, DFSK, BYD
Colombia	Distribution & Retail	Subaru, Hino, DFSK, Mack, Jaguar, Land Rover, Daihatsu, BAIC
Argentina	Distribution & Retail	Subaru, Suzuki
Costa Rica	Distribution & Retail	Suzuki, BAIC, JAC, Changan, Kubota
Panama	Distribution & Retail	Suzuki, JAC, Changan, Great Wall

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2019

	Notes	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Revenue	2	4,725.1	4,613.5	9,277.0
Cost of sales		(4,083.9)	(3,973.9)	(7,975.7)
Gross profit	2	641.2	639.6	1,301.3
Net operating expenses		(464.0)	(443.4)	(1,126.4)
Operating profit	2	177.2	196.2	174.9
Operating profit before exceptional items		179.8	200.6	398.6
Exceptional operating items	3	(2.6)	(4.4)	(223.7)
Share of profit after tax of joint ventures and associates		–	–	0.1
Profit before finance and tax		177.2	196.2	175.0
Finance income	4	11.0	8.4	20.1
Finance costs	5	(34.5)	(45.7)	(82.1)
Finance costs before exceptional items	5	(34.5)	(31.8)	(68.2)
Exceptional finance costs	3, 5	–	(13.9)	(13.9)
Profit before tax		153.7	158.9	113.0
Tax	6	(35.6)	(45.4)	(73.6)
Tax before exceptional tax	6	(35.1)	(45.5)	(79.1)
Exceptional tax	3, 6	(0.5)	0.1	5.5
Profit for the period		118.1	113.5	39.4
Profit attributable to:				
– Owners of the parent		115.1	109.6	32.4
– Non-controlling interests		3.0	3.9	7.0
		118.1	113.5	39.4
Basic earnings per share (pence)	7	27.8	26.4	7.8
Diluted earnings per share (pence)	7	27.7	26.3	7.8

1. See note 14.

The notes on pages 17 to 29 are an integral part of these condensed consolidated interim financial statements.

Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2019

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Profit for the period	118.1	113.5	39.4
Other comprehensive income / (loss):			
<i>Items that will not be reclassified to the consolidated income statement</i>			
Defined benefit pension scheme remeasurements	(19.7)	39.4	36.4
Current tax recognised in consolidated statement of comprehensive income	–	(5.9)	(6.1)
Deferred tax recognised in consolidated statement of comprehensive income	3.1	(0.6)	(0.1)
	(16.6)	32.9	30.2
<i>Items that may be reclassified subsequently to the consolidated income statement</i>			
Cash flow hedges	(12.9)	23.4	25.4
Exchange differences on translation of foreign operations	32.0	(8.0)	(9.6)
Current tax recognised in consolidated statement of comprehensive income	–	–	(0.6)
Deferred tax recognised in consolidated statement of comprehensive income	2.5	(6.3)	(5.8)
	21.6	9.1	9.4
Other comprehensive income for the period, net of tax	5.0	42.0	39.6
Total comprehensive income for the period	123.1	155.5	79.0
Total comprehensive income attributable to:			
– Owners of the parent	120.9	150.3	70.3
– Non-controlling interests	2.2	5.2	8.7
	123.1	155.5	79.0

1. See note 14.

The notes on pages 17 to 29 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position (unaudited)

As at 30 June 2019

	Notes	As at 30 Jun 2019 £m	As at 30 Jun 2018 (restated) ¹ £m	As at 31 Dec 2018 (restated) ¹ £m
Non-current assets				
Intangible assets		628.6	772.3	606.0
Property, plant and equipment		811.6	832.6	821.7
Right-of-use assets		389.0	421.7	415.2
Investments in joint ventures and associates		4.1	4.2	4.3
Financial assets at fair value through other comprehensive income	11d	6.7	7.0	6.6
Trade and other receivables		56.1	37.7	52.4
Deferred tax assets		37.8	29.0	33.3
Retirement benefit asset		106.8	120.3	116.5
		2,040.7	2,224.8	2,056.0
Current assets				
Inventories		1,785.0	1,747.4	1,851.9
Trade and other receivables		605.3	521.4	512.6
Financial assets at fair value through other comprehensive income	11d	0.8	0.2	0.8
Derivative financial instruments	11d	13.5	75.7	92.1
Current tax assets		29.6	10.3	22.6
Cash and cash equivalents	9b	459.2	930.8	589.3
		2,893.4	3,285.8	3,069.3
Assets held for sale	12	105.4	13.7	8.9
		2,998.8	3,299.5	3,078.2
Total assets		5,039.5	5,524.3	5,134.2
Current liabilities				
Trade and other payables		(2,284.1)	(2,170.1)	(2,356.6)
Derivative financial instruments	11d	(4.2)	(1.0)	(13.3)
Current tax liabilities		(84.9)	(68.8)	(86.4)
Provisions		(23.2)	(20.0)	(20.3)
Lease liabilities	9b	(40.2)	(63.6)	(66.3)
Borrowings	9b	(152.0)	(869.5)	(417.0)
		(2,588.6)	(3,193.0)	(2,959.9)
Liabilities directly associated with assets held for sale	12	(76.0)	–	–
		(2,664.6)	(3,193.0)	(2,959.9)
Non-current liabilities				
Trade and other payables		(88.2)	(59.7)	(67.3)
Provisions		(13.4)	(13.5)	(14.3)
Deferred tax liabilities		(90.8)	(95.1)	(92.3)
Lease liabilities	9b	(390.5)	(386.7)	(394.1)
Borrowings	9b	(384.2)	(273.1)	(210.0)
Retirement benefit liability		(43.3)	(27.3)	(34.6)
		(1,010.4)	(855.4)	(812.6)
Total liabilities		(3,675.0)	(4,048.4)	(3,772.5)
Net assets		1,364.5	1,475.9	1,361.7
Equity				
Share capital	8	41.3	41.6	41.6
Share premium		146.7	146.7	146.7
Capital redemption reserve	8	139.3	139.0	139.0
Other reserves		(53.5)	(75.8)	(75.9)
Retained earnings		1,070.4	1,204.5	1,087.0
Equity attributable to owners of the parent		1,344.2	1,456.0	1,338.4
Non-controlling interests		20.3	19.9	23.3
Total equity		1,364.5	1,475.9	1,361.7

1. See note 14.

The notes on pages 17 to 29 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2019

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2018		41.6	146.7	139.0	(83.5)	1,183.5	1,427.3	20.6	1,447.9
Adjustment for IFRS 16	14	–	–	–	(0.1)	(38.5)	(38.6)	(0.2)	(38.8)
At 1 January 2018 (restated) ¹		41.6	146.7	139.0	(83.6)	1,145.0	1,388.7	20.4	1,409.1
Profit for the period ended 30 June 2018 (restated) ¹		–	–	–	–	109.6	109.6	3.9	113.5
Other comprehensive income for the period ended 30 June 2018 (restated) ¹		–	–	–	7.8	32.9	40.7	1.3	42.0
Total comprehensive income for the period ended 30 June 2018 (restated) ¹		–	–	–	7.8	142.5	150.3	5.2	155.5
Share-based payments, net of tax		–	–	–	–	4.0	4.0	–	4.0
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(8.7)	(8.7)	–	(8.7)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(78.3)	(78.3)	–	(78.3)
– Non-controlling interests		–	–	–	–	–	–	(5.7)	(5.7)
At 30 June 2018 (restated) ¹		41.6	146.7	139.0	(75.8)	1,204.5	1,456.0	19.9	1,475.9
At 1 January 2018		41.6	146.7	139.0	(83.5)	1,183.5	1,427.3	20.6	1,447.9
Adjustment for IFRS 16	14	–	–	–	(0.1)	(38.5)	(38.6)	(0.2)	(38.8)
At 1 January 2018 (restated) ¹		41.6	146.7	139.0	(83.6)	1,145.0	1,388.7	20.4	1,409.1
Profit for the year (restated) ¹		–	–	–	–	32.4	32.4	7.0	39.4
Other comprehensive income for the year (restated) ¹		–	–	–	7.7	30.2	37.9	1.7	39.6
Total comprehensive income for the year (restated) ¹		–	–	–	7.7	62.6	70.3	8.7	79.0
Share-based payments, net of tax		–	–	–	–	7.2	7.2	–	7.2
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(12.6)	(12.6)	–	(12.6)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(115.2)	(115.2)	–	(115.2)
– Non-controlling interests		–	–	–	–	–	–	(5.8)	(5.8)
At 1 January 2019 (restated)¹		41.6	146.7	139.0	(75.9)	1,087.0	1,338.4	23.3	1,361.7
Profit for the period ended 30 June 2019		–	–	–	–	115.1	115.1	3.0	118.1
Other comprehensive income / (loss) for the period ended 30 June 2019		–	–	–	22.4	(16.6)	5.8	(0.8)	5.0
Total comprehensive income for the period ended 30 June 2019		–	–	–	22.4	98.5	120.9	2.2	123.1
Share-based payments, net of tax		–	–	–	–	3.4	3.4	–	3.4
Share buyback programme	8a	(0.3)	–	0.3	–	(39.2)	(39.2)	–	(39.2)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(5.1)	(5.1)	–	(5.1)
Dividends:									
– Owners of the parent	8b	–	–	–	–	(74.2)	(74.2)	–	(74.2)
– Non-controlling interests		–	–	–	–	–	–	(5.2)	(5.2)
At 30 June 2019		41.3	146.7	139.3	(53.5)	1,070.4	1,344.2	20.3	1,364.5

1. See note 14.

The notes on pages 17 to 29 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 30 June 2019

	Notes	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Cash generated from operating activities				
Cash generated from operations	9a	159.4	233.4	581.8
Tax paid		(47.0)	(56.7)	(98.7)
Interest received		10.3	7.3	17.9
Interest paid		(33.3)	(30.9)	(64.1)
Net cash generated from operating activities		89.4	153.1	436.9
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired	10	(16.0)	(148.9)	(152.7)
Net cash inflow from sale of businesses	10	10.4	11.3	13.4
Purchase of property, plant and equipment		(29.1)	(49.6)	(90.8)
Purchase of intangible assets		(8.8)	(13.2)	(34.4)
Proceeds from disposal of property, plant and equipment		7.1	7.5	25.9
Purchase of financial assets at fair value through other comprehensive income		–	–	(0.6)
Proceeds from sale of financial assets at fair value through other comprehensive income		–	0.5	0.5
Receipt from sub-lease receivables		0.2	0.5	1.0
Net cash used in investing activities		(36.2)	(191.9)	(237.7)
Cash flows from financing activities				
Share buyback programme	8a	(18.8)	–	–
Net purchase of own shares by the Inchcape Employee Trust		(5.1)	(8.7)	(12.6)
Repayment of Private Placement loan notes	9b	(75.4)	–	–
Net cash inflow from other borrowings	9b	51.9	106.1	35.6
Payment of capital element of lease liabilities	9b	(31.1)	(31.4)	(64.0)
Equity dividends paid	8b	(74.2)	(78.3)	(115.2)
Dividends paid to non-controlling interests		(5.2)	(5.7)	(5.8)
Net cash used in financing activities		(157.9)	(18.0)	(162.0)
Net (decrease) / increase in cash and cash equivalents	9b	(104.7)	(56.8)	37.2
Cash and cash equivalents at beginning of the period		463.4	416.6	416.6
Effect of foreign exchange rate changes		(2.8)	(4.5)	9.6
Cash and cash equivalents at end of the period		355.9	355.3	463.4
Cash and cash equivalents consist of:				
– Cash at bank and cash equivalents		354.2	856.1	370.3
– Short-term deposits		105.0	74.7	219.0
– Bank overdrafts		(103.3)	(575.5)	(125.9)
		355.9	355.3	463.4

1. See note 14.

The notes on pages 17 to 29 are an integral part of these condensed consolidated interim financial statements.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2019 have been prepared on a going concern basis in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts 2018, which have been prepared in accordance with IFRSs 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.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the external auditors. The condensed consolidated interim financial statements in the Interim Report do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 27 February 2018 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial statements on pages 12 to 29 were approved by the Board of Directors on 24 July 2019.

Newly adopted accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's Annual Report and Accounts 2018 other than taxes on income which are accrued using the tax rate that is expected to be applicable for the full financial year, and the following standard which have been newly adopted from 1 January 2019:

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 superseded the previous guidance on leases including IAS 17 *Leases* and the related interpretations when it became effective for the Group's financial year commencing 1 January 2019.

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases are on balance sheet except for short-term leases and leases of low value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss as the Group has elected to apply the transition exemptions available. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation. Lease liabilities are initially measured at the present value of the lease payments. Subsequently, lease liabilities are adjusted for interest and lease payments. As a consequence, earnings before interest, tax, depreciation and amortisation (EBITDA) has increased because operating lease expenses previously included in EBITDA are now recognised instead as depreciation of the right-of-use asset and interest expense on the lease liability. However, there is an overall reduction in profit before tax in the early years of a lease because the depreciation and interest charges will exceed the previous straight-line expense incurred under IAS 17. In addition, the classification of cash flows has also been affected because operating lease payments under IAS 17 were presented within operating cash flows, whereas under IFRS 16 the payments are split into a principal and interest portion which are presented as financing and operating cash flows respectively.

For leases in which the Group is a lessor, the Group has reassessed the classification of sub-leases. When the Group is an intermediary lessor it will account for its interests in the head lease and sub-lease separately. It will assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. Cash flows received from the principal and interest on finance lease receivables will be classified as cash flows from investing activities. As required by IFRS 9 an allowance for expected credit losses will be recognised on finance lease receivables where appropriate.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of £430.2m. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at the date of initial application. Additionally, finance lease liabilities of £1.8m recognised have been reclassified and included in total lease liabilities recognised of £462.2m at 31 December 2018. Differences between the discounted operating lease commitment figure and total lease liabilities recognised relate to transition exemptions available for short-term and low-value leases recognised on a straight-line basis as an expense as well as adjustments as a result of a different treatment of extension and termination options.

The Group has elected to apply the new standard on a fully retrospective basis to each prior reporting period and has accordingly restated the comparative information for the immediately preceding periods in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Further details of the restatement can be seen in Note 14 to these condensed consolidated interim financial statements.

Standards not yet effective

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2020:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- IFRS 17, Insurance contracts

Management are currently reviewing the new standards to assess the impact that they may have on the Group's reported position and performance. Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group.

Significant accounting judgements and estimates

Goodwill

The Group's policy is that goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. 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.

During 2018, the UK New car market declined by 6.8% (source: SMMT), continuing the weak trend from 2017. In light of this and the performance of the retail business in the UK, the Board reassessed its short and medium-term forecasts and updated the impairment test for the UK Retail CGU group based on a value in use calculation. The key assumptions for these forecasts were those relating to volumes, gross margins, the level of working capital required to support trading and capital expenditure. The forecasts were based on past experience, recent trading and expectations of future changes in the operation of our business and changes in the market, consistent with external sources of information. The results of the impairment review indicated that the value in use calculation was less than the carrying value of the assets attributable to the UK Retail CGU group and an impairment charge of £175m was recognised in 2018.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

In the first half of 2019, the UK New Car market declined by 3.4% (source: SMMT). Notwithstanding the market decline, the performance of the UK Retail CGU has been consistent with the short-term forecasts that were reflected in the value in use calculations referred to above and consequently the Group has not updated the impairment test for the UK Retail CGU in the first half of the year.

The short and medium-term forecasts used in the value in use calculations are sensitive to changes in the key assumptions used. In addition, the forecasts assumed a non-disorderly exit from the European Union and are therefore also sensitive to the more disruptive consequences on the industry that may arise from a disorderly exit from the European Union. In light of the sensitivity of the value in use calculations to changes in the key assumptions, the Directors will continue to review the carrying value of UK Retail goodwill on a regular basis.

Right-of-use assets and lease liabilities - Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Other key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the consolidated financial statements are further disclosed in the accounting policies within the Annual Report and Accounts for the year ended 31 December 2018.

Comparative information

In 2018, the adoption of IFRS 15 Revenue from Contracts with Customers resulted in certain deferred income balances, relating to warranties and service contracts, being recognised for the first time. In the interim financial statements for the period to 30 June 2018, the balances were not allocated appropriately between current and non-current amounts. Comparative figures as at 30 June 2018 have therefore been amended accordingly and £42m of deferred income has been reclassified from current to non-current Trade and other payables.

Foreign currency translation

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

	Average rates			Period end rates		
	30 Jun 2019	30 Jun 2018	31 Dec 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Australian dollar	1.83	1.78	1.79	1.81	1.78	1.81
Chilean peso	878.25	842.07	853.58	860.19	863.66	885.33
Euro	1.15	1.14	1.13	1.12	1.13	1.11
Hong Kong dollar	10.17	10.76	10.45	9.92	10.36	9.99
Russian rouble	85.00	81.27	83.14	80.24	82.93	88.48
Singapore dollar	1.76	1.82	1.80	1.72	1.80	1.74
US dollar	1.30	1.37	1.33	1.27	1.32	1.28

2 SEGMENTAL ANALYSIS

The Group has eight reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision-maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. In the second half of 2018, the Group reviewed the operating segments and determined that in those regions where we are the Distributor and manage a network that includes dealerships that we own and operate, the results of those retail operations are better reflected as part of the results from Distribution. This has resulted in the results from our Subaru, Peugeot and Citroen retail operations in Australia and Toyota retail operations in Europe being reported as part of Australasia and UK and Europe Distribution. The following summary describes the operations of each of the Group's reportable segments:

Distribution	Australasia	Distribution of new vehicles and parts in Australia and New Zealand together with associated marketing and logistics operations. Sale of New and Used vehicles in Australia where the Group is also the Distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Distribution of New vehicles and parts, together with associated marketing activities, in mature European markets. Sale of New and Used vehicles in Europe where the Group is also the Distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	Asia	Exclusive distribution and sale of New vehicles and parts in Asian markets, together with associated Aftersales activities of service and bodyshop repairs.
	Emerging Markets	Distribution of New vehicles and parts in growing markets, together with associated Aftersales activities of service and bodyshop repairs.
Retail	Australasia	Sale of New and Used vehicles in Australia together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Sale of primarily New and Used premium vehicles in mature markets, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	Emerging Markets	Sale of New and Used vehicles in growing markets together with associated Aftersales activities of service, bodyshop repairs and parts sales.
Central	Comprises the Group's head office function and includes all central activities including the Board, finance, human resources, marketing, governance and global information services.	

	Distribution				Total Distribution £m
	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	
Six months to 30 June 2019					
Revenue from third parties	500.5	660.5	865.8	459.3	2,486.1
Results					
Trading profit / (loss)	32.2	21.0	93.2	25.2	171.6
Operating exceptional items	–	–	–	(0.4)	(0.4)
Operating profit / (loss) after exceptional items	32.2	21.0	93.2	24.8	171.2

	Distribution				Total Distribution £m
	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	
Six months to 30 June 2018 (restated)					
Revenue from third parties	621.4	576.2	789.1	439.6	2,426.3
Results					
Trading profit / (loss)	48.0	19.5	86.8	38.3	192.6
Operating exceptional items	–	–	–	–	–
Operating profit / (loss) after exceptional items	48.0	19.5	86.8	38.3	192.6

	Distribution				Total Distribution £m
	Australasia £m	UK and Europe £m	Asia £m	Emerging Markets £m	
Year to 31 December 2018 (restated)					
Revenue from third parties	1,198.4	1,145.5	1,687.7	956.5	4,988.1
Results					
Trading profit / (loss)	91.0	34.7	172.2	86.5	384.4
Operating exceptional items	–	(4.5)	–	(1.8)	(6.3)
Operating profit / (loss) after exceptional items	91.0	30.2	172.2	84.7	378.1

2 SEGMENTAL ANALYSIS (CONTINUED)

Six months to 30 June 2019	Retail				Total pre Central £m	Central £m	Total £m
	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m			
Revenue from third parties	185.1	1,610.7	443.2	2,239.0	4,725.1	–	4,725.1
Results							
Trading profit / (loss)	0.3	11.7	7.4	19.4	191.0	(11.2)	179.8
Operating exceptional items	0.1	(1.9)	–	(1.8)	(2.2)	(0.4)	(2.6)
Operating profit / (loss) after exceptional items	0.4	9.8	7.4	17.6	188.8	(11.6)	177.2

Net finance costs of £23.5m are not allocated to individual segments.

Six months to 30 June 2018 (restated)	Retail				Total pre Central £m	Central £m	Total £m
	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m			
Revenue from third parties	198.3	1,632.1	356.8	2,187.2	4,613.5	–	4,613.5
Results							
Trading profit / (loss)	(2.8)	14.4	5.4	17.0	209.6	(9.0)	200.6
Operating exceptional items	–	–	–	–	–	(4.4)	(4.4)
Operating profit / (loss) after exceptional items	(2.8)	14.4	5.4	17.0	209.6	(13.4)	196.2

Net finance costs of £37.3m are not allocated to individual segments.

Year to 31 December 2018 (restated)	Retail				Total pre Central £m	Central £m	Total £m
	Australasia £m	UK and Europe £m	Emerging Markets £m	Total Retail £m			
Revenue from third parties	382.2	3,057.6	849.1	4,288.9	9,277.0	–	9,277.0
Results							
Trading profit / (loss)	(7.4)	17.7	20.2	30.5	414.9	(16.3)	398.6
Operating exceptional items	–	(206.6)	–	(206.6)	(212.9)	(10.8)	(223.7)
Operating profit / (loss) after exceptional items	(7.4)	(188.9)	20.2	(176.1)	202.0	(27.1)	174.9

Net finance costs of £62.0m are not allocated to individual segments.

Gross profit for Distribution and Retail activities is analysed as follows. Certain prior period comparatives have been reclassified for consistency of presentation:

Six months to 30 June 2019	Vehicles £m	Aftersales £m	Total £m
Distribution	257.0	157.2	414.2
Retail	141.3	85.7	227.0
Group	398.3	242.9	641.2

Six months to 30 June 2018 (restated)	Vehicles £m	Aftersales £m	Total £m
Distribution	267.7	157.6	425.3
Retail	134.7	79.6	214.3
Group	402.4	237.2	639.6

Year to 31 December 2018	Vehicles £m	Aftersales £m	Total £m
Distribution	544.1	325.6	869.7
Retail	265.6	166.0	431.6
Group	809.7	491.6	1,301.3

3 EXCEPTIONAL ITEMS

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 £m	Year to 31 Dec 2018 (restated) ¹ £m
Goodwill impairment	–	–	(175.0)
Other asset impairment	–	–	(36.1)
Restructuring costs	(2.3)	–	–
Disposal of businesses	0.6	–	–
Acquisition of businesses	(0.9)	(4.4)	(7.2)
Other operating exceptional items	–	–	(5.4)
Total exceptional operating items	(2.6)	(4.4)	(223.7)
Exceptional finance costs (see note 5)	–	(13.9)	(13.9)
Total exceptional items before tax	(2.6)	(18.3)	(237.6)
Exceptional tax	(0.5)	0.1	5.5
Total exceptional items	(3.1)	(18.2)	(232.1)

1. Restated, following adoption of IFRS16, to include a £12.9m impairment of right-of-use assets (see note 14).

As a direct result of the Group's optimisation of its retail market portfolio, £2.3m of restructuring costs have been incurred, principally related to the closure and disposal of several retail sites in the UK and Australia. The costs incurred comprised headcount reduction and costs associated with exiting the affected properties. An exceptional operating profit of £0.6m has also been recognised, largely related to the disposal of Honda and Mitsubishi retail sites in Australia.

During the period exceptional operating costs of £0.9m have been incurred in connection with the acquisition and integration of business, primarily the Krasta Auto business in Lithuania.

In 2018, exceptional operating costs of £7.2m were incurred in connection with the acquisition and integration of businesses, primarily the Grupo Rudelman business in Central America. Other operating exceptional items of £5.4m represents the cost of equalising Guaranteed Minimum Pensions in the Group's UK pension schemes following a ruling in the High Court in October 2018. Exceptional items also include asset impairments of £36.1m following an impairment review of certain site-based assets, including right-of-use assets, in the UK and Europe.

4 FINANCE INCOME

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Bank and other interest receivable	7.4	4.5	12.7
Net interest income on post-retirement plan assets and liabilities	1.3	1.0	1.7
Lease finance income	0.3	0.4	0.8
Other finance income	2.0	2.5	4.9
Total finance income	11.0	8.4	20.1

1. See note 14.

5 FINANCE COSTS

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Interest payable on bank borrowings	5.6	4.4	11.5
Interest payable on Private Placement	3.7	3.5	7.1
Interest payable on other borrowings	–	0.1	0.2
Fair value adjustment on Private Placement	(0.5)	14.5	17.1
Fair value loss / (gain) on cross-currency interest rate swaps	0.6	(0.4)	(2.6)
Lease finance costs	9.9	10.4	20.8
Stock holding interest	13.5	12.1	25.2
Other finance costs	1.7	1.1	3.3
Capitalised borrowing costs	–	–	(0.5)
Total finance costs	34.5	45.7	82.1

Total finance costs are analysed as follows:

Finance costs before exceptional items	34.5	31.8	68.2
Exceptional finance costs ²	–	13.9	13.9
Total finance costs	34.5	45.7	82.1

1. See note 14.

Included within finance costs, in 2018, is a fair value adjustment in relation to the Group's Private Placement Loan Notes of £14.5m. Included within this is £13.9m which represents a non-recurring correction to the fair value basis of assessment relating to prior periods. This amount has been reported as an exceptional item in order to provide additional useful information regarding the Group's underlying business performance.

6 TAX

		Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Current tax	– UK corporation tax	–	0.9	0.1
	– Overseas tax	43.3	42.4	80.5
Adjustments to prior year liabilities	– UK	–	0.9	0.2
	– Overseas	(3.7)	(0.1)	(1.4)
Current tax		39.6	44.1	79.4
Deferred tax		(4.0)	1.3	(5.8)
Total tax charge		35.6	45.4	73.6
	– Tax charge on profit before exceptional items	35.1	45.5	79.1
	– Tax charge/(credit) on exceptional items	0.5	(0.1)	(5.5)
Total tax charge		35.6	45.4	73.6

1. See note 14.

The effective tax rate for the half year, before exceptional items, is 22.5% compared to 25.7% (restated) for the same period last year. The effective rate for the half year, after exceptional items, is 23.2% (28.6% (restated) for the same period last year).

In October 2017 the EU Commission opened a formal State Aid investigation into an exemption within the UK's current Controlled Foreign Company (CFC) regime (introduced in 2013) for certain finance income. In April 2019, the Commission issued its final decision, concluding that the exemption partly constitutes unlawful State Aid which means that the UK Government is now required to recover the unlawful State Aid from all recipients.

In the meantime, the UK Government has already announced that it has made an annulment application against this decision and the Group is analysing the full decision before taking further action. In common with many other multinational groups, Inchcape has claimed the benefit of this exemption and may, therefore, be adversely affected by the Commission's decision if it is not successfully challenged in the EU Courts or if no other exemptions are available. The Group estimates the maximum potential tax liability to be £5m plus interest. Due to the current level of uncertainty no provision has been recorded in respect of this issue.

7 EARNINGS PER SHARE

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Profit for the period	118.1	113.5	39.4
Non-controlling interests	(3.0)	(3.9)	(7.0)
Basic earnings	115.1	109.6	32.4
Exceptional items	3.1	18.2	232.1
Adjusted earnings	118.2	127.8	264.5
Basic earnings per share	27.8p	26.4p	7.8p
Diluted earnings per share	27.7p	26.3p	7.8p
Basic Adjusted earnings per share	28.6p	30.8p	63.8p
Diluted Adjusted earnings per share	28.4p	30.7p	63.4p

1. See note 14.

	Six months to 30 Jun 2019 number	Six months to 30 Jun 2018 number	Year to 31 Dec 2018 number
Weighted average number of fully paid ordinary shares in issue during the period	414,872,477	415,052,664	415,090,366
Weighted average number of fully paid ordinary shares in issue during the period:			
– Held by the Inchcape Employee Trust	(873,178)	(632,844)	(611,860)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	413,999,299	414,419,820	414,478,506
Dilutive effect of potential ordinary shares	2,227,029	2,270,094	2,883,558
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	416,226,328	416,689,914	417,362,064

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

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

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

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

8 SHAREHOLDERS' EQUITY

A. Issue of ordinary shares

During the period, the Group issued £nil (June 2018 – £nil, Dec 2018 – £nil) of ordinary shares exercised under the Group's share option schemes.

Share buyback programme

During the six months ended 30 June 2019, the Company repurchased 3,090,497 of its own shares (June 2018 – none, Dec 2018 – none) through purchases on the London Stock Exchange, at a cost of £18.8m (June 2018 – £nil, Dec 2018 – £nil). The shares repurchased during the period were cancelled, with none held as treasury shares at the end of the reporting period. An amount of £0.3m (June 2018 – £nil, Dec 2018 – £nil), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve.

The Group has a contract in place with a broker to purchase its own shares for cash in connection with the £100m buyback announced on 23 May 2019. The non-cancellable component of the contract gives rise to an additional financial liability as at 30 June 2019 which has been measured based on the average of actual share purchase costs made since the inception of the contract. A liability of £20.4m has been recognised (June 2018 – £nil, Dec 2018 – £nil) which has been charged to retained earnings.

B. Dividends

The following dividends were paid by the Group:

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 £m	Year to 31 Dec 2018 £m
Final dividend for the year ended 31 December 2018 of 17.9p per share (2017 – 18.9p per share)	74.2	78.3	78.3
Interim dividend for the six months ended 30 June 2018 of 8.9p per share (2017 – 7.9p per share)	–	–	36.9
	74.2	78.3	115.2

An interim dividend of 8.9p per share for the period ending 30 June 2019 was approved by the Board on 25 July 2019 and will be paid on Wednesday 4 September 2019 to shareholders who are on the register at close of business on Friday 2 August 2019. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 13 August 2019.

9 NOTES TO THE STATEMENT OF CASH FLOWS

A. Reconciliation of cash generated from operations

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Cash flows from operating activities			
Operating profit	177.2	196.2	174.9
Exceptional items	2.6	4.4	223.7
Amortisation including non-exceptional impairment of intangible assets	8.1	5.5	14.2
Depreciation of property, plant and equipment	22.6	22.0	43.8
Depreciation of right-of-use assets	32.7	31.7	68.1
Profit on disposal of property, plant and equipment	(1.5)	(1.1)	(2.1)
(Gain) on disposal of right-of-use assets	(0.5)	–	–
Share-based payments charge	3.6	3.7	7.5
Decrease / (increase) in inventories	29.4	65.9	(41.5)
Increase in trade and other receivables	(88.4)	(30.2)	(15.4)
(Decrease) / increase in trade and other payables	(24.5)	(80.4)	94.6
Increase / (decrease) in provisions	0.4	1.1	1.0
Pension contributions less the pension charge for the period ²	(0.7)	18.7	21.3
Decrease / (increase) in interest in leased vehicles	2.0	4.2	2.9
Payments in respect of operating exceptional items	(2.5)	(6.3)	(10.1)
Other non-cash items	(1.1)	(2.0)	(1.1)
Cash generated from operations	159.4	233.4	581.8

1. See note 14.

2. Includes additional payments of £1.6m (June 2018 – £1.5m, Dec 2018 – £2.7m).

9 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

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

	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 (restated) ¹ £m	Year to 31 Dec 2018 (restated) ¹ £m
Net (decrease) / increase in cash and cash equivalents	(104.7)	(56.8)	37.2
Net cash outflow / (inflow) from borrowings and lease liabilities	54.6	(74.7)	28.4
Change in net cash and debt resulting from cash flows	(50.1)	(131.5)	65.6
Effect of foreign exchange rate changes on net cash and debt	(7.2)	(3.2)	8.8
Net movement in fair value	(0.1)	(14.1)	(14.5)
New lease liabilities	(8.4)	(59.6)	(93.5)
Reclassified to liabilities held for sale	22.1	–	–
Net loans and lease liabilities relating to acquisitions and disposals	(18.1)	(64.8)	(73.3)
Movement in net debt	(61.8)	(273.2)	(106.9)
Opening net debt	(445.9)	(339.0)	(339.0)
Closing net debt	(507.7)	(612.2)	(445.9)

Net debt is analysed as follows:

	As at 30 Jun 2019 £m	As at 30 Jun 2018 (restated) ¹ £m	As at 31 Dec 2018 (restated) ¹ £m
Cash and cash equivalents as per the balance sheet	459.2	930.8	589.3
Borrowings – disclosed as current liabilities	(152.0)	(869.5)	(417.0)
Add back: amounts treated as debt financing (see below)	48.7	294.0	291.1
Cash and cash equivalents as per the statement of cash flows	355.9	355.3	463.4
Debt financing			
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	(48.7)	(294.0)	(291.1)
Borrowings – disclosed as non-current liabilities	(384.2)	(273.1)	(210.0)
Lease liabilities	(430.7)	(450.3)	(460.4)
Fair value of related cross-currency interest rate swaps	–	49.9	52.2
Debt financing	(863.6)	(967.5)	(909.3)
Net debt	(507.7)	(612.2)	(445.9)

Borrowings disclosed as current liabilities include bank overdrafts held in cash pooling arrangements which have not been offset in the consolidated statement of financial position. These are included within cash and cash equivalents in the consolidated statement of cash flows.

In February 2019, the £400m syndicated revolving credit facility and bilateral revolving credit facilities totalling £221m were replaced with a syndicated revolving credit facility of £700m (see note 11b).

	As at 30 Jun 2019 £m	As at 30 Jun 2018 £m	As at 31 Dec 2018 £m
Cash at bank and cash equivalents	354.2	856.1	370.3
Short-term deposits	105.0	74.7	219.0
	459.2	930.8	589.3

£88.4m (30 June 2018 – £80.2m; 31 December 2018 – £100.1m) of cash and cash equivalents is held in countries where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

10 ACQUISITIONS AND DISPOSALS

On 31 January 2019, the Group acquired the full share capital of Krasta Auto in Lithuania, an authorised dealer of BMW Group, from Modus Group for a total cash consideration of £16.0m (net of cash acquired). The business was acquired to strengthen the Group's partnership with BMW in Northern Europe. A distribution agreement with a provisional fair value of £18.9m has been recognised at the date of acquisition. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the premium paid to complete the Group's consolidation of BMW's representation across the Baltic region. None of the goodwill is expected to be deductible for tax purposes.

The acquired business contributed £21.4m revenue and £0.7m operating profit before exceptional items to the Group's reported figures between the date of acquisition and 30 June 2019.

If the acquisition had occurred on 1 January 2019, the Group's approximate revenue and operating profit before exceptional items for the period ended 30 June 2019 would have been £4,728.4m and £179.7m respectively.

10 ACQUISITIONS AND DISPOSALS CONTINUED

During the period, the Group has made progress optimising its retail portfolio and has disposed of its Honda and Mitsubishi retail operations in Australia generating disposal proceeds of £10.4m.

In 2018 the Group acquired the full share capital of Grupo Rudelman, an Automotive Distribution business in Central America focused on Suzuki, for a total cash consideration of £155.5m. The business was acquired to establish the Group's presence in markets with structural growth potential and to expand the partnership with Suzuki in a strategically important region, adjacent to existing South American operations. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the premium paid to establish the Group's presence in Panama and Costa Rica in order to provide a platform to deliver growth and returns far quicker than would otherwise have been achievable. None of the goodwill is expected to be deductible for tax purposes. The Group also acquired one Lexus site in the UK for consideration of £1.8m and disposed of its Jaguar Land Rover operations in Shaoxing, China, generating disposal proceeds of £12.0m.

11 FINANCIAL RISK MANAGEMENT

A. Financial risk factors

Exposure to financial risks comprising market risks (currency risk and interest rate risk), funding and liquidity risk and counterparty risk arises in the normal course of the Group's business.

During the six months to 30 June 2019, the Group has continued to apply the financial risk management process and policies as detailed in the Group's principal risks and risk management process included in the Annual Report and Accounts 2018.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in the Annual Report and Accounts 2018.

B. Liquidity risk

In February 2019, the group signed a syndicated revolving credit facility agreement for £700m maturing in February 2024 and with options to renew until 2026. This facility replaced the Group's existing syndicated revolving credit facility agreement for £400m and existing bi lateral facility agreements of £221m. The Group has also drawn £41.1m of new £65.0m committed facilities in the period.

All the remaining US\$161m Private Placement loan notes were repaid in May 2019.

Other than the refinancing mentioned above, there have been no material changes to the contractual undiscounted cash flows of the Group's liabilities during the six months to June 2019.

C. Vehicle funding arrangements

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Amounts due under these vehicle funding arrangements are included within trade and other payables in the consolidated statement of financial position. Related cash flows are reported within cash flows from operating activities in the consolidated statement of cash flows. As at 30 June 2019, the total amount outstanding under such arrangements was £1,522m (30 June 2018 – £1,468m; 31 December 2018 – £1,622m).

Vehicle funding facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs in the consolidated income statement and reported as stock holding interest (see note 5). Related cash flows are reported as interest paid in the consolidated statement of cash flows.

D. Fair value measurements

In accordance with IFRS 13, 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:

	Six months to 30 June 2019				Six months to 30 June 2018				Year to 31 December 2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets												
Derivatives used for hedging	–	13.5	–	13.5	–	75.7	–	75.7	–	92.1	–	92.1
Financial assets at fair value through other comprehensive income	0.7	–	6.8	7.5	0.7	–	6.5	7.2	0.5	–	6.9	7.4
	0.7	13.5	6.8	21.0	0.7	75.7	6.5	82.9	0.5	92.1	6.9	99.5
Liabilities												
Derivatives used for hedging	–	(4.2)	–	(4.2)	–	(1.0)	–	(1.0)	–	(13.3)	–	(13.3)

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.

Level 3 assets relate entirely to a 15% equity interest in Hino Motors Manufacturing Company SAS in Colombia.

11 FINANCIAL RISK MANAGEMENT CONTINUED

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 and prevailing forward interest rates at 30 June 2019.

The Group's derivative financial instruments comprise the following:

	Assets			Liabilities		
	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 £m	Year to 31 Dec 2018 £m	Six months to 30 Jun 2019 £m	Six months to 30 Jun 2018 £m	Year to 31 Dec 2018 £m
Cross currency interest rate swap	–	49.9	52.2	–	(0.1)	–
Forward foreign exchange contracts	13.5	25.8	39.9	(4.2)	(0.9)	(13.3)
	13.5	75.7	92.1	(4.2)	(1.0)	(13.3)

12 ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

	As at 30 Jun 2019 £m	As at 30 Jun 2018 £m	As at 31 Dec 2018 £m
Assets held for sale	105.4	13.7	8.9
Liabilities directly associated with assets held for sale	(76.0)	–	–

As at 30 December 2018 assets held for sale relate to surplus properties within the UK, Russia and Colombia which are actively marketed with a view to sale.

During 2019, the Group has recognised additional assets and liabilities as held for sale, related to VW and Audi retail sites in both the UK and Australia.

13 OTHER DISCLOSURES

A. Related parties

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2018, except for the addition of those subsidiaries acquired as part of the acquisition of the Krasta Auto business in the period.

All related party transactions arise during the ordinary course of business and are on an arm's length basis.

There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2019.

B. Contingencies

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HM Revenue and Customs (HMRC) in the Franked Investment Income Group Litigation Order (FII GLO). There are 25 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK.

HMRC has now been granted leave to appeal a number of items at the Supreme Court and so resolution of the test case in the FII GLO remains incomplete. As reported previously, Inchcape had in the meantime joined an action at the High Court to establish whether judgment should be entered for non-test claims which, if successful, would have resulted in receipt from HMRC of the minimum claim value. However, this action has now been adjourned pending resolution of the test case.

As at 30 June 2019, no further receipts have been recognised in relation to the balance of Inchcape's claim in the FII GLO due to the uncertainty of the eventual outcome given the test case has not yet completed nor has Inchcape's specific claim been heard by the Courts.

Other

While this does not represent a contingent liability, we note that a class action has been brought against our subsidiary, Subaru (Australia) Pty Limited, in connection with the global Takata airbag inflator recall. Subaru (Australia) Pty Limited is one of a number of named defendants and is, along with others, taking steps to defend the action.

14 RESTATEMENT ON INITIAL ADOPTION OF IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Provisions for onerous lease contracts have been derecognised and operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities. The principal restatements as a result of the initial adoption of IFRS 16 *Leases* are set out in the following tables. The tables show the adjustments recognised for each individual line item as at 30 June 2018 and 31 December 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

The impacts on the consolidated income statement are:

	Six months to 30 Jun 2018 £m	IFRS 16 £m	Six months to 30 Jun 2018 restated £m	Year to 31 Dec 2018 £m	IFRS 16 £m	Year to 31 Dec 2018 restated £m
Net operating expenses	(450.8)	7.4	(443.4)	(1,127.0)	0.6	(1,126.4)
Operating profit	188.8	7.4	196.2	174.3	0.6	174.9
Finance income	8.0	0.4	8.4	19.3	0.8	20.1
Finance costs	(35.6)	(10.1)	(45.7)	(61.6)	(20.5)	(82.1)
Profit before tax	161.2	(2.3)	158.9	132.1	(19.1)	113.0
Tax	(45.7)	0.3	(45.4)	(76.9)	3.3	(73.6)
Profit for the period	115.5	(2.0)	113.5	55.2	(15.8)	39.4

The impacts on the consolidated statement of financial position are:

	As at 30 Jun 2018 £m	IFRS 16 £m	As at 30 Jun 2018 restated £m	As at 31 Dec 2018 £m	IFRS 16 £m	As at 31 Dec 2018 restated £m
Non-current assets						
Property, plant and equipment	833.6	(1.0)	832.6	822.9	(1.2)	821.7
Right-of-use assets	–	421.7	421.7	–	415.2	415.2
Trade and other receivables	56.2	(18.5)	37.7	70.9	(18.5)	52.4
Deferred tax assets	25.8	3.2	29.0	30.8	2.5	33.3
Current assets						
Trade and other receivables	522.0	(0.6)	521.4	512.8	(0.2)	512.6
Total assets	5,119.5	404.8	5,524.3	4,736.4	397.8	5,134.2

14 RESTATEMENT ON INITIAL ADOPTION OF IFRS 16 (CONTINUED)

Current liabilities

Trade and other payables	(2,170.0)	(0.1)	(2,170.1)	(2,356.5)	(0.1)	(2,356.6)
Provisions	(18.5)	(1.5)	(20.0)	(18.5)	(1.8)	(20.3)
Lease liabilities	–	(63.6)	(63.6)	–	(66.3)	(66.3)
Borrowings	(869.6)	0.1	(869.5)	(417.1)	0.1	(417.0)

Non-current liabilities

Provisions	(13.7)	0.2	(13.5)	(14.5)	0.2	(14.3)
Lease liabilities	–	(386.7)	(386.7)	–	(394.1)	(394.1)
Deferred tax liabilities	(100.0)	4.9	(95.1)	(100.7)	8.4	(92.3)
Borrowings	(274.8)	1.7	(273.1)	(211.7)	1.7	(210.0)

Total liabilities	(3,603.4)	(445.0)	(4,048.4)	(3,320.6)	(451.9)	(3,772.5)
--------------------------	-----------	---------	------------------	-----------	---------	------------------

Net assets	1,516.1	(40.2)	1,475.9	1,415.8	(54.1)	1,361.7
-------------------	---------	--------	----------------	---------	--------	----------------

Equity

Other reserves	(76.4)	0.6	(75.8)	(76.3)	0.4	(75.9)
Retained earnings	1,245.1	(40.6)	1,204.5	1,141.3	(54.3)	1,087.0
Equity attributable to owners of the parent	1,496.0	(40.0)	1,456.0	1,392.3	(53.9)	1,338.4
Non-controlling interests	20.1	(0.2)	19.9	23.5	(0.2)	23.3
Total equity	1,516.1	(40.2)	1,475.9	1,415.8	(54.1)	1,361.7

14 RESTATEMENT ON INITIAL ADOPTION OF IFRS 16 CONTINUED

The impacts on the consolidated statement of cash flows are:

	Six months to 30 Jun 2018 £m	IFRS 16 £m	Six months to 30 Jun 2018 restated £m	Year to 31 Dec 2018 £m	IFRS 16 £m	Year to 31 Dec 2018 restated £m
Cash generated from operations	194.5	38.9	233.4	501.5	80.3	581.8
Interest received	6.9	0.4	7.3	17.1	0.8	17.9
Interest paid	(20.8)	(10.1)	(30.9)	(44.2)	(19.9)	(64.1)
Net cash generated from operating activities	123.9	29.2	153.1	375.7	61.2	436.9
Receipt of sub-lease receivables	–	0.5	0.5	–	1.0	1.0
Net cash used in investing activities	(192.4)	0.5	(191.9)	(238.7)	1.0	(237.7)
Payment of capital element of finance leases	(1.7)	(29.7)	(31.4)	(1.8)	(62.2)	(64.0)
Net cash generated from/(used in) financing activities	11.7	(29.7)	(18.0)	(99.8)	(62.2)	(162.0)
Net (decrease)/increase in cash and cash equivalents	(56.8)	–	(56.8)	37.2	–	37.2

Refer to Note 1 for details of the change in accounting policies arising from the adoption of IFRS 16.

15 ALTERNATIVE PERFORMANCE MEASURES

The Group assesses its performance using a variety of alternative performance measures which are not defined under International Financial Reporting Standards. These provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, and provide useful information on the underlying trends, performance and position of the Group.

Performance Measure	Definition	Why we measure it
Trading profit	Operating profit (before exceptional items) and unallocated central costs. Refer to note 2.	A measure of the contribution of the Group's segmental performance.
Operating profit before exceptional items	Operating profit before exceptional items. Refer to the consolidated income statement.	A key metric of the Group's underlying business performance.
Operating margin	Operating profit (before exceptional items) divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.
Profit before tax & exceptional items	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.
Exceptional items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature.	The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Free cash flow	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.
Return on capital employed (ROCE)	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets less net funds.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.
Net funds / (debt)	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Net capital expenditure	Cash outflows from the purchase of property, plant, equipment and intangible assets less the proceeds from the disposal of property, plant, equipment and intangible assets.	A measure of the net amount invested in operational facilities in the period.
Constant currency	Presentation of reported results translated using constant rates of exchange.	A measure of underlying business performance which excludes the impact of changes in exchange rates used for translation.

Independent Review Report to Inchcape plc

We have been engaged by Inchcape plc (“the company”) to review the condensed consolidated interim financial statements for the six months ended 30 June 2019 which comprise the consolidated income statement, the consolidated statement of financial position, consolidated statement of changes in equity, the consolidated statement of cash flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS’ RESPONSIBILITIES

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the interim financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London, England
24 July 2019

Statement of Directors’ Responsibilities

INTRODUCTION

The Directors confirm that the condensed consolidated interim financial statements in the Interim Report have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ as adopted by the European Union and that the Interim Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors and positions held during the period were as published in the Annual Report and Accounts 2018. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

On behalf of the Board

Stefan Bomhard

24 July 2019

Group Chief Executive