FINANCIAL STATEMENTS

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INCHCAPE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of Inchcape plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the accounting policies; and
- the related notes 1 to 35 to the consolidated financial statements and the related notes 1 to 14 to the parent company financial statements.

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

2. BASIS FOR OPINION

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Central America goodwill and indefinite-life intangible asset impairment • UK site impairment Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £14.6m which equates to 5% of statutory profit before tax and exceptional items including net acquisition costs. In making our judgement we considered the focus of the users of the financial statements as well as a range of benchmark metrics such as profit before tax, revenue and net assets, before selecting 5% of profit before tax and exceptional items including net acquisition costs as the benchmark for determining materiality (2020: 1% of net assets). In 2020, we used net assets as the benchmark for determining materiality. This was due the volatility in profit when compared to previous years, resulting from the impact of the Covid-19 pandemic on the Group's operations and consumer demand in the markets in which the Group operates. We have reverted back to the use of a profit-based benchmark in determining materiality in the current year, due to the stabilisation of the Group's profit metrics.
Scoping	We conducted our work in 12 countries (2020: 18 countries), engaging 12 (2020: 18) component audit teams. The reporting units where we conducted our audit work accounted for 76% (2020: 90%) of the Group's revenue, 78% (2020: 90%) of the Group's profit before taxation and exceptional items and 80% (2020: 90%) of the Group's net assets.
Significant changes in our approach	In the prior year we had identified a key audit matter relating to Goodwill impairment in the UK, which is no longer a key audit matter because it was fully impaired in 2020.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the Group's processes and related controls over the assumptions in the going concern assessment;
- Assessing the Group's available committed borrowing facilities;
- Evaluated the reasonableness of the projections and the appropriateness of the sensitivities performed by management;
- Assessing the impact of global supply chain constraints due to semi-conductor shortages, Covid-19 and political uncertainties on the forecast cashflows;
- Engaging our modelling specialists to perform consistency checks and integrity checks over the going concern model, including checking for mathematical and clerical accuracy;
- Evaluating the accuracy and completeness of the covenant calculation within the model;
- Testing the consistency of the forecast cash flows with the forecasts prepared for the impairment models;
- Performing additional sensitivity scenario analysis; and
- Assessing the disclosures relating to going concern in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

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

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

5.1. Central America goodwill and indefinite-life intangible asset impairment

Key audit matter description	**Account balances: Intangible assets. Refer to the Audit Committee report on page 77, the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section on page 134, note 2 Exceptional items on page 140 and note 11 Intangible assets on page 153.** In addition to goodwill of £116.3 million (2020: £119.0 million) the Group has distribution agreements of £239.0 million (2020: £246.6 million) which are classified as indefinite-life intangible assets. £24.8 million (2020: £37.6 million) of the goodwill is allocated to Central America and £65.8 million (2020: £52.2 million) of the value of the distribution agreements relates to the exclusive right to distribute Suzuki vehicles in Costa Rica and Panama. The goodwill and distribution agreement assets were recognised after the acquisition of the Grupo Rudelman business in 2018. Since acquisition, political instability, in Costa Rica in particular, has impacted demand for vehicles in that market. Management performed impairment reviews on the Suzuki CGU and then the Central America Group of CGUs, which resulted in an impairment of £12.9 million against the goodwill (2020: £6.2 million) and a £12.9 million reversal of impairment against the distribution agreement (2020: £31.2 million impairment). There continues to be uncertainty over market level performance in the short term given the ongoing supplier constraints, as a result of semi-conductor shortages and Covid-19 and there is continuing uncertainty over the strength and timing of the recovery of the market. As noted on page 56, management's financial planning process incorporates an Annual Operating Plan ("AOP") for the next financial year (2022), together with financial forecasts/models for the remaining years based on external market benchmarks. When determining recoverable amount cash flows are discounted using a discount rate and long-term growth rate determined by management's expert. Management's forecast is reliant upon continued supply of vehicles into the market. As noted within note 11, the cash flows used within the impairment models are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Although the penetration of electric vehicles in each market is currently low, in Costa Rica as part of its 'National Decarbonization Plan' there are commitments to move to full electrification of its transport network by 2050.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter identified included: • Obtaining an understanding of relevant controls, including Group oversight and management review controls, over the preparation and use of cash flow forecasts used in the impairment reviews; • Assessing the integrity of the models used by management including reviewing their mechanical accuracy; • Assessing management's historical forecasting accuracy by comparing budgets to actuals; • Benchmarking management's assumptions against views of internal industry experts, reputable third-party industry growth forecasts, publications, news articles, government legislation and economic data; • Challenging management's analysis through comparison to external market data and considering contradictory evidence of the risks and opportunities arising from the transition to electric vehicles and the impact this has on forecast future cash flows; • Evaluating the competence, capabilities and objectivity of management's expert who were engaged to determine the discount rate and long-term growth rate used; • Engaging with our internal fair value specialists to independently evaluate the appropriateness of inputs and methodology used in determining the discount rates used; • Assessing the impact of global supply chain constraints due to semi-conductor shortages and Covid-19 has on the forecast cashflows; • Performing sensitivities in order to challenge the reasonableness of management's assumptions; and • Assessing the appropriateness of management's disclosures.
Key observations	We concluded that the judgements management have made are reasonable. There are uncertainties which remain, particularly the strength of the recovery in demand for vehicles and aftersales services after the impact of the Covid-19 pandemic. Furthermore, the ongoing supply shortage of semi-conductors, in what has historically been a volatile market, and the risks and opportunities resulting from the transition to electric vehicles add to this uncertainty. We are satisfied that the Group's disclosures in the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section and note 11 Intangible assets appropriately highlight these uncertainties.

5.2. UK site impairment

Key audit matter description	**Account balances: Intangible assets, property, plant and equipment and right-of-use assets. Refer to the Audit Committee report on page 77, the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section on page 134, note 2 Exceptional items on page 140, note 11 Intangible assets on page 153, note 12 Property, plant and equipment on page 157 and note 13 Right-of-use assets and Lease liabilities on page 159.** The Group has goodwill of £116.3 million (2020: £119.0 million), property, plant and equipment of £548.0 million (2020: £569.8 million) and right-of-use assets of £261.4 million (2020: £257.3 million). £nil (2020: £nil) of the goodwill, £209.5 million (2020: £203.6 million) of property, plant and equipment and £59.9 million (£73.6 million) of right-of-use assets relate to the UK. The UK automotive retail market continues to be subject to volatility, principally caused by the semi-conductor shortage and continued COVID-19 disruption. In line with IAS 36 "Impairment of assets" management performed an impairment indicator assessment for the UK sites and where an indicator of impairment existed, an impairment review was performed. The estimation of the recoverable amount requires management to assess the 'value in use' of the individual sites. This is particularly judgemental due to the forecasting of future cash flow assumptions, and accordingly we determined these to be the key estimates in management's determination of the level of impairment charge to record. Given the impact of the continued automotive disruption, forecasting demand for vehicles and aftersales services in the short and medium term is particularly uncertain. Furthermore, with the announcement that the sale of new petrol and diesel vehicles will be banned from 2030, the electrification of the UK's car parc adds further complexity to forecasting cash flows. Management also engaged specialists to assess the fair values of some of its sites which showed indicators of impairment and may not be supported by value in use. In line with the accounting standard, the impaired assets were written down to the higher of its value in use or fair value less cost to sell.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter identified included: • Obtaining an understanding of relevant controls, including Group oversight and management review controls, over the preparation and use of cash flow forecasts used in the impairment reviews; • Assessing the completeness of management's impairment indicators assessment; • Assessing the integrity of the models used by management including reviewing their mechanical accuracy; • Assessing management's historical forecasting accuracy by comparing budgets to actuals; • Benchmarking management's assumptions against views of internal industry experts, reputable third-party industry growth forecasts, publications, news articles, government legislation and economic data; • Challenging management's analysis through comparison to external market data and considering contradictory evidence of the risks and opportunities arising from the transition to electric vehicles and the impact this has on forecast future cash flows; • Evaluating the competence, capabilities and objectivity of management's expert for both discount rate and property valuations; • Engaging our internal real estate valuation specialists to assist in assessing valuation reports prepared by management's expert; • Involving internal fair value specialists to independently evaluate the appropriateness of inputs and methodology used in determining the discount rates used; • Assessing the impact of global supply chain constraints due to semi-conductor shortages and Covid-19 has on the forecast cashflows; • Performing sensitivities in order to challenge the reasonableness of management's assumptions; and • Assessing the appropriateness of management's disclosures.
Key observations	We concluded that the judgements management has made are reasonable. There are sources of estimation uncertainty which remain, particularly the strength of the recovery in demand for vehicles and aftersales services after the impact of the Covid-19 pandemic, the risks and opportunities resulting from the transition to electric vehicles and in the short term, supply chain disruption. We are satisfied that the Group's disclosures in the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section, in note 11 Intangible Assets, note 12 Property, plant and equipment and note 13 Right-of-use-assets and lease liabilities appropriately highlight these uncertainties.

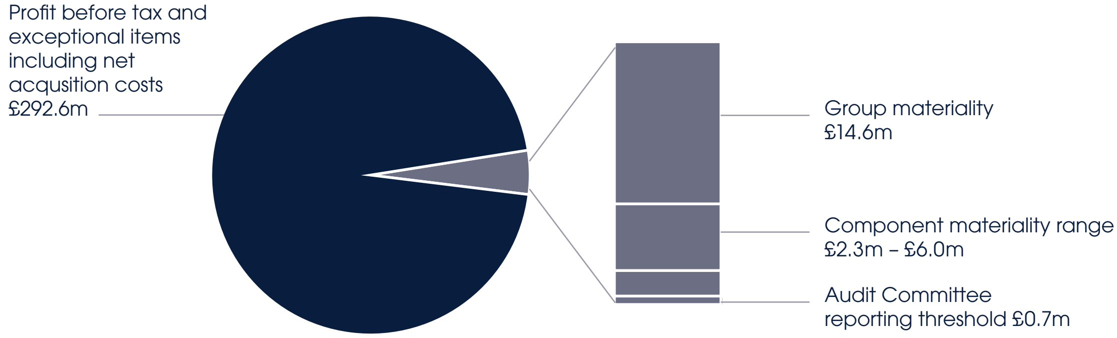
6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£14.6 million (2020: £10.7 million)	£6.0 million (2020: £9.0 million)
Basis for determining materiality	Our materiality was determined on the basis of 5% of profit before tax and exceptional items including net acquisition costs. In the prior year, materiality was determined on the basis of 1.0% of net assets and equated to 8.3% of profit before tax and exceptional items.	Parent company materiality equates to 1.0% of net assets. In the prior year parent company materiality equated to 1.1% of net assets.
Rationale for the benchmark applied	Profit before tax and exceptional items including net acquisition costs is £292.6 million which shows a marked improvement from the 2020 position as the impact of COVID-19 is reduced (2020: £123.4 million and 2019: £323.8 million). Therefore, we consider it appropriate to revert back to a profit-based benchmark for materiality, as this is a key metric for users of the financial statements.	As the Company is non-trading, operates primarily as a holding company for the Group's trading entities, and is not profit orientated, we consider the net asset position to be the most appropriate benchmark to use.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We set our performance materiality after considering: • our cumulative experience from prior year audits, including the low value of misstatements identified in prior periods and management's willingness to correct any misstatements identified; • our risk assessment, including our understanding of the entity and its environment and the impact of Covid-19 on the financial statements; and • our assessment of the Group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.7 million (2020: £0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

In selecting the components which are in scope for audit procedures to be performed as part of the Group audit, we consider:

- the inherent risk in each of the markets that the Group operates;
- the Group's control environment;
- the significance of identified risks in each of the components;
- the financial significance of the component to the Group's revenue, profit/loss and net assets; and
- the nature of any acquisitions and disposals within the year.

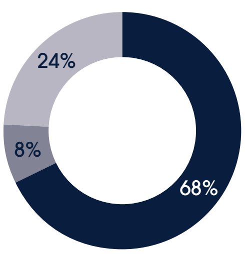
We conducted our work in 12 (2020: 18) countries, engaging 12 (2020: 18) component audit teams. Changes in the number of components identified were driven by the disposal of certain of the Group's operations, as well as acquisitions and changes in the relative prominence and risk of other components within the Group.

Our significant components which were subject to full audit procedures, consistent with the prior year, were in Australia, Chile, Colombia, Ethiopia, Hong Kong, Russia, Singapore and the UK. Our components performed audits of specific account balances in Costa Rica, Poland, Romania and Peru.

As noted on page 72, during the year, the Board approved the establishment of a Global Business Services organisation ("GBS"). We considered the impact of this on our audit, noting that the transition was completed in some markets towards the end of the year, with management retaining a number of their finance team members in the affected components. We therefore retained our audit approach to use component teams in the relevant markets. Our component teams assessed the impact on the control environment and processes before and after the transition and performed additional audit procedures where these had changed significantly.

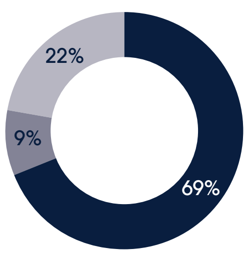
The range of component materialities applied, excluding the parent company, is £2.3 million to £6.0 million (2020: £1.9 million to £9 million). The reporting units where we conducted our audit work accounted for 76% (2020: 90%) of the Group's revenue, 78% (2020: 90%) of the Group's profit before taxation and 80% (2020: 90%) of the Group's net assets.

REVENUE



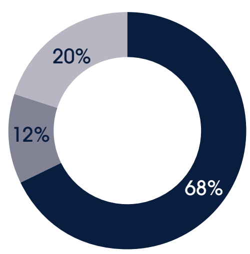
- Full audit scope
- Specified audit procedures
- Review at group level

PROFIT BEFORE TAX



- Full audit scope
- Specified audit procedures
- Review at group level

NET ASSETS



- Full audit scope
- Specified audit procedures
- Review at group level

7.2. Working with other auditors

We engaged component auditors from Deloitte member firms to perform procedures at these components under our direction and supervision. This approach also allows us to engage local auditors who have appropriate knowledge of local regulations to perform the audit work. We issued detailed instructions to the component auditors and held planning meetings, interim update meetings and year end close meetings with each component team. In the continued response to the Covid-19 pandemic which limits our ability to make component visits, frequent calls were held between the Group and component teams throughout the year and remote access to relevant documents was provided. A dedicated senior member of the Group audit team was assigned to facilitate an effective and consistent approach to component oversight, which focused on their audit work over key judgements.

In addition to the work performed at a component level the Group audit team also performed audit procedures on the parent company and consolidated financial statements, corporate activities such as treasury and pensions, goodwill and indefinite-life intangible asset impairments, litigation provisions, the consolidation, going concern assessment and financial statement disclosures. The Group audit team also performed analytical reviews on out-of-scope components.

7.3. Our consideration of the control environment

A part of our overall audit procedures, we have considered the control environment of the Group including the understanding of the key Information Technology (IT) controls in place designed to address the IT risks faced by the Group and how these relate to the entity's financial reporting processes.

Due to the nature of the IT structures of the Group we have not adopted a single centralised approach to auditing IT controls across the Group and across global locations. As such, whilst our IT audit work continues to be co-ordinated by our

UK Group team, we have utilised component teams to test locally operated IT controls in audit relevant business units round the world, with the scope of IT work driven by local audit requirements and the maturity of the local control environment.

During the year, the transition to GBS across certain regions of the business commenced. We along with our component teams considered the impact on the control environment and processes before and after the transition and performed additional audit procedures where these had changed significantly.

Some components adopted a control reliance approach for certain business processes.

7.4. Our consideration of climate-related risks

As part of our audit procedures, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change which is currently premised upon three scenarios; a low carbon scenario, a current policies scenario and a high carbon scenario, as explained in the Strategic Report on pages 40 to 44.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with the management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has considered that climate change is not expected to have a significant impact on short-term forecasts, have applied these adjustments to the outer years in the impairment models. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which Inchcape operate in, the forecasts reflect managements assessment of their best estimate made in the financial statements as explained in note 11 on page 154.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures were performed with the involvement of our climate change and sustainability specialists and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

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

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, in-house legal counsel and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, fair value, real estate, pensions, financial instruments and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- understood the process by which management understood and identified fraud risk factors across the business, paying particular attention to any specific fraud risk factors identified and tailoring our audit response accordingly.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the judgements related to Central America goodwill and indefinite-life intangible asset impairment as well as UK site impairment. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified UK site impairment and Central America goodwill and indefinite-life intangible asset impairments as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

13. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 108;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 56;
- the directors' statement on fair, balanced and understandable set out on page 79;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 79; and
- the section describing the work of the audit committee set out on page 77.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members on 25 May 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2018 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

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

16. USE OF OUR REPORT

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ((`ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

ANNA MARKS FCA
SENIOR STATUTORY AUDITOR

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

25 February 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Before exceptional items 2021 £m**	**Exceptional items (note 2) 2021 £m**	**Total 2021 £m**	Before exceptional items 2020 (restated)[1] £m	Exceptional items (note 2) 2020 (restated)[1] £m	Total 2020 (restated)[1] £m
Revenue	1, 3	**7,640.1**	**–**	**7,640.1**	6,837.8	–	6,837.8
Cost of sales		**(6,499.2)**	**–**	**(6,499.2)**	(5,948.4)	(11.6)	(5,960.0)
Gross profit		**1,140.9**	**–**	**1,140.9**	889.4	(11.6)	877.8
Net operating expenses	3	**(812.8)**	**(101.2)**	**(914.0)**	(725.3)	(245.5)	(970.8)
Operating profit / (loss)		**328.1**	**(101.2)**	**226.9**	164.1	(257.1)	(93.0)
Share of profit after tax of joint ventures and associates	14	**–**	**–**	**–**	–	–	–
Profit / (loss) before finance and tax		**328.1**	**(101.2)**	**226.9**	164.1	(257.1)	(93.0)
Finance income	6	**12.5**	**–**	**12.5**	14.4	–	14.4
Finance costs	7	**(44.6)**	**–**	**(44.6)**	(51.0)	–	(51.0)
Profit / (loss) before tax		**296.0**	**(101.2)**	**194.8**	127.5	(257.1)	(129.6)
Tax	8	**(71.6)**	**(1.3)**	**(72.9)**	(33.7)	24.2	(9.5)
Profit / (loss) for the year		**224.4**	**(102.5)**	**121.9**	93.8	(232.9)	(139.1)
Profit / (loss) attributable to:							
– Owners of the parent				**117.0**			(142.0)
– Non-controlling interests				**4.9**			2.9
				121.9			(139.1)
Basic earnings / (loss) per share (pence)	9			**30.0p**			(36.0)p
Diluted earnings / (loss) per share (pence)	9			**29.6p**			(36.0)p

1. See note 35.

The notes on pages 138 to 185 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021 £m**	2020 (restated)[1] £m
Profit / (loss) for the year		**121.9**	(139.1)
Other comprehensive income / (loss):			
Items that will not be reclassified to the consolidated income statement			
Changes in the fair value of equity investments at fair value through other comprehensive income	15	**1.6**	(2.7)
Defined benefit pension scheme remeasurements	5	**58.2**	14.8
Deferred tax recognised in consolidated statement of comprehensive income	17	**(0.4)**	(2.5)
		59.4	9.6
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges			
– Fair value movements	26	**18.5**	(4.7)
Exchange differences on translation of foreign operations	26	**(104.3)**	(42.8)
Recycling of foreign currency reserve	26	**108.2**	(8.4)
Current tax recognised in consolidated statement of comprehensive income		**(2.3)**	0.3
Deferred tax recognised in consolidated statement of comprehensive income	17	**(0.5)**	(0.9)
		19.6	(56.5)
Other comprehensive income / (loss) for the year, net of tax		**79.0**	(46.9)
Total comprehensive income / (loss) for the year		**200.9**	(186.0)
Total comprehensive income / (loss) attributable to:			
– Owners of the parent		**196.8**	(189.3)
– Non-controlling interests		**4.1**	3.3
		200.9	(186.0)

1. See note 35.

The notes on pages 138 to 185 are an integral part of these consolidated financial statements.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 £m	2020 (restated)[1] £m	1 January 2020 (restated)[1] £m
Non-current assets				
Intangible assets	11	**394.1**	425.8	554.4
Property, plant and equipment	12	**548.0**	569.8	695.1
Right-of-use assets	13	**261.4**	257.3	313.3
Investments in joint ventures and associates	14	**4.9**	2.4	4.3
Financial assets at fair value through other comprehensive income	15	**4.8**	3.6	6.9
Derivative financial instruments	24	**3.0**	–	–
Trade and other receivables	16	**45.4**	49.2	38.7
Deferred tax assets	17	**67.4**	70.5	60.9
Retirement benefit asset	5	**135.3**	101.0	78.7
		1,464.3	1,479.6	1,752.3
Current assets				
Inventories	18	**1,134.7**	1,216.2	1,566.9
Trade and other receivables	16	**324.1**	369.6	512.3
Financial assets at fair value through other comprehensive income	15	**0.2**	0.2	0.2
Derivative financial instruments	24	**24.6**	13.3	16.2
Current tax assets		**9.0**	20.6	21.6
Cash and cash equivalents	19	**596.4**	481.2	423.0
		2,089.0	2,101.1	2,540.2
Assets held for sale and disposal group	20	**4.8**	31.2	149.4
		2,093.8	2,132.3	2,689.6
Total assets		**3,558.1**	3,611.9	4,441.9
Current liabilities				
Trade and other payables	21	**(1,548.3)**	(1,610.3)	(1,996.4)
Derivative financial instruments	24	**(31.9)**	(42.4)	(27.4)
Current tax liabilities		**(63.0)**	(65.0)	(82.4)
Provisions	22	**(34.9)**	(26.8)	(23.0)
Lease liabilities	13	**(56.5)**	(58.5)	(56.8)
Borrowings	23	**(7.6)**	(6.1)	(50.1)
		(1,742.2)	(1,809.1)	(2,236.1)
Liabilities directly associated with the disposal group	20	**-**	(7.7)	(106.1)
		(1,742.2)	(1,816.8)	(2,342.2)
Non-current liabilities				
Trade and other payables	21	**(63.2)**	(69.3)	(77.2)
Provisions	22	**(23.4)**	(19.8)	(12.9)
Deferred tax liabilities	17	**(68.1)**	(79.1)	(96.7)
Lease liabilities	13	**(267.6)**	(274.3)	(296.0)
Borrowings	23	**(210.0)**	(210.0)	(270.0)
Retirement benefit liability	5	**(53.1)**	(81.4)	(69.2)
		(685.4)	(733.9)	(822.0)
Total liabilities		**(2,427.6)**	(2,550.7)	(3,164.2)
Net assets		**1,130.5**	1,061.2	1,277.7
Equity				
Share capital	25	**38.5**	39.4	40.0
Share premium		**146.7**	146.7	146.7
Capital redemption reserve		**142.1**	141.2	140.6
Other reserves	26	**(227.1)**	(248.2)	(190.4)
Retained earnings	27	**1,008.7**	962.8	1,120.5
Equity attributable to owners of the parent		**1,108.9**	1,041.9	1,257.4
Non-controlling interests		**21.6**	19.3	20.3
Total equity		**1,130.5**	1,061.2	1,277.7

1. See note 35.

The notes on pages 138 to 185 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 120 to 185 were approved by the Board of Directors on 25 February 2022 and were signed on its behalf by:

Duncan Tait, GROUP CHIEF EXECUTIVE **Gijsbert de Zoeten,** CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 26) £m	Retained earnings (note 27) £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2020		40.0	146.7	140.6	(190.4)	1,141.4	1,278.3	20.3	1,298.6
Adjustment for IFRIC ("SaaS")	35	–	–	–	–	(20.9)	(20.9)	–	(20.9)
At 1 January 2020 (restated)[1]		40.0	146.7	140.6	(190.4)	1,120.5	1,257.4	20.3	1,277.7
(Loss) / profit for the year (restated)[1]		–	–	–	–	(142.0)	(142.0)	2.9	(139.1)
Other comprehensive loss for the year (restated)[1]		–	–	–	(59.3)	12.0	(47.3)	0.4	(46.9)
Total comprehensive loss for the year (restated)[1]		–	–	–	(59.3)	(130.0)	(189.3)	3.3	(186.0)
Hedging gains and losses transferred to inventory		–	–	–	1.5	–	1.5	–	1.5
Share-based payments, net of tax	4,17	–	–	–	–	3.7	3.7	–	3.7
Share buyback programme	25	(0.6)	–	0.6	–	(31.4)	(31.4)	–	(31.4)
Dividends:		–	–	–	–	–	–	–	–
– Owners of the parent	10	–	–	–	–	–	–	–	–
– Non-controlling interests		–	–	–	–	–	–	(4.3)	(4.3)
At 1 January 2021 (restated)[1]		**39.4**	**146.7**	**141.2**	**(248.2)**	**962.8**	**1,041.9**	**19.3**	**1,061.2**
Profit for the year		**-**	**-**	**-**	**-**	**117.0**	**117.0**	**4.9**	**121.9**
Other comprehensive income for the year		**-**	**-**	**-**	**22.0**	**57.8**	**79.8**	**(0.8)**	**79.0**
Total comprehensive income for the year		**-**	**-**	**-**	**22.0**	**174.8**	**196.8**	**4.1**	**200.9**
Hedging gains and losses transferred to inventory		**-**	**-**	**-**	**(0.9)**	**-**	**(0.9)**	**-**	**(0.9)**
Share-based payments, net of tax	4,17	**-**	**-**	**-**	**-**	**10.0**	**10.0**	**-**	**10.0**
Share buyback programme	25	**(0.9)**	**-**	**0.9**	**-**	**(80.5)**	**(80.5)**	**-**	**(80.5)**
Purchase of own shares by the Inchcape Employee Trust		**-**	**-**	**-**	**-**	**(6.2)**	**(6.2)**	**-**	**(6.2)**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Dividends:									
– Owners of the parent	10	**-**	**-**	**-**	**-**	**(52.2)**	**(52.2)**	**-**	**(52.2)**
– Non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(3.0)**	**(3.0)**
At 31 December 2021		**38.5**	**146.7**	**142.1**	**(227.1)**	**1,008.7**	**1,108.9**	**21.6**	**1,130.5**

1. See note 35.

The notes on pages 138 to 185 are an integral part of these consolidated financial statements.

Share-based payments include a net tax credit of £1.6m (current tax charge of £nil and a deferred tax credit of £1.6m) (2020 – net tax credit of £0.4m (current tax charge of £nil and a deferred tax credit of £0.4m)).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2020 (restated)[1] £m
Cash generated from operating activities			
Cash generated from operations	28a	**469.2**	333.2
Tax paid		**(63.8)**	(51.8)
Interest received		**12.2**	13.9
Interest paid		**(40.6)**	(46.1)
Net cash generated from operating activities		**377.0**	249.2
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	29	**(20.2)**	(31.5)
Net cash inflow from sale of businesses	29	**76.2**	71.8
Net cash inflow from disposal of investments in joint ventures and associates		**–**	2.0
Purchase of investment in joint ventures and associates		**(2.6)**	–
Purchase of property, plant and equipment		**(48.5)**	(27.4)
Purchase of intangible assets		**(16.1)**	(14.5)
Proceeds from disposal of property, plant and equipment		**24.6**	6.7
Proceeds from disposal of intangible assets		**–**	0.2
Payments made before the commencement date of a lease		**(2.5)**	–
Receipt from finance sub-lease receivables		**2.3**	0.7
Net cash generated from investing activities		**13.2**	8.0
Cash flows from financing activities			
Share buyback programme		**(80.5)**	(32.1)
Purchase of own shares by the Inchcape Employee Trust		**(6.2)**	–
Cash inflow from Covid Corporate Financing Facility	23	**–**	99.6
Repayment of Covid Corporate Financing Facility	23	**–**	(99.6)
Cash outflow from other borrowings		**(12.7)**	(66.1)
Payment of capital element of lease liabilities		**(59.3)**	(57.4)
Transactions with non-controlling interests		**1.2**	–
Equity dividends paid	10	**(52.2)**	–
Dividends paid to non-controlling interests		**(3.0)**	(4.3)
Net cash used in financing activities		**(212.7)**	(159.9)
Net increase in cash and cash equivalents	28b	**177.5**	97.3
Cash and cash equivalents at beginning of the period		**476.3**	379.2
Effect of foreign exchange rate changes		**(65.0)**	(0.2)
Cash and cash equivalents at the end of the year		**588.8**	476.3
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents	19	**501.8**	378.5
– Short-term deposits	19	**94.6**	102.7
– Bank overdrafts	23	**(7.6)**	(6.1)
– Cash at bank and cash equivalents included in disposal groups held for sale	20	**–**	1.2
		588.8	476.3

1. See note 35.

The notes on pages 138 to 185 are an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

GENERAL INFORMATION

Inchcape plc is a public company limited by shares, domiciled and incorporated in the UK, and registered in England and Wales. The address of the registered office is 22a St James's Square, London, SW1Y 5LP. The nature of the Group's operations and principal activities are set out in note 1 and on pages 1 to 58.

The Group consolidated financial statements have been properly prepared in accordance with United Kingdom adopted accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies reporting under UK adopted IFRS.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, and those financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss, which are measured at fair value.

Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will operate within the level of its committed facilities for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing its financial statements. In assessing whether the Group is a going concern, the ongoing implications of Covid-19 have been considered together with measures taken to mitigate its impact on the Group. In making this assessment, the Group has considered available liquidity in relation to net debt and committed facilities, the Group's latest forecasts for 2022 and 2023 cash flows, together with adjusted scenarios. The forecasts used reflect the latest view on the economic impact of Covid-19 on the markets in which the Group operates, with a key emphasis on the latest Group forecasts for 2022 and 2023.

Committed bank facilities and Private Placement borrowings totaling £910m, of which £210m was drawn at 31 December 2021, are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings measured on a trailing 12-month basis at June and December.

The latest Group forecasts for 2022 and 2023 indicate that the Group is expected to be compliant with this covenant throughout the forecast period and have sufficient liquidity to continue operating throughout that period.

A range of sensitivities has been applied to the forecasts to assess the Group's compliance with its covenant requirements over the forecast period. These sensitivities included:

- further periods of Covid-19 restrictions similar in nature and impact to those seen both in the second half of 2020 and the first half of 2021, impacting half of the Group's markets simultaneously for a period of time in 2022;
- a reduction in New and Used vehicle sales due to a short-term shortage of semi-conductor chips, reducing gross profit in the second half of 2022 and the first half of 2023;
- an appreciation in sterling against the Group's main trading companies; combined with
- working capital sensitivities.

In a scenario where all of the above sensitivities occur at the same time, the Group has modelled the possibility of the interest cover covenant being breached in 2022 and 2023. With the interest cover covenant measured on a trailing 12-month basis, the sensitised forecasts indicate that the Group is not expected to breach any covenants and would be compliant with the interest cover requirements at June 2022 and throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements. In a scenario where such restrictions impacted half of the group markets simultaneously for a period of 24 months, the Group is forecasted to be compliant with the interest cover covenant.

Additionally, reverse stress test scenario analysis has been conducted to assess the scenarios in which the Group would breach its covenant or have insufficient funds to meet cash flow requirements. One such scenario was to model more severe trading restrictions in all markets simultaneously with the impact comparable to those experienced in the Group's markets in the first half of 2020, which amounts to a material cessation in operations and revenue. Under this scenario, the Group could sustain such restrictions for a period of approximately four months before breaching the interest cover covenant, but even in this circumstance, would still have sufficient liquidity. We deem this circumstance to be highly unlikely due to the geographic diversity of the Group's operations and our increased ability to trade digitally.

Therefore, the board concluded that the Group will be able to operate within the level of its committed facilities for the foreseeable future. The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements for the year ending 31 December 2021.

NEWLY ADOPTED ACCOUNTING POLICIES

From 1 January 2021, the following standards became effective in the Group's consolidated financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2; and
- Amendments to IFRS 16 – Covid-19 Related Rent Concessions beyond 30 June 2021.

The impact of adopting the amendments to IFRS 9, IAS39, IFRS7, IFRS4 and IFRS16 as a result of interest rate benchmark reform is described below. The adoption of the amendments due to IFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

Additionally, due to an IFRS Interpretations Committee's agenda decision on 'Software as a Service' ('SaaS') arrangements, the Group's accounting policy has changed relating to the capitalisation of software costs. The impact on the Group's accounting policy is further discussed below.

All other accounting policies have been applied consistently throughout the reporting period. The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

INTEREST RATE BENCHMARK REFORM

The Group has adopted the 'interest rate benchmark reform' amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in the current financial year.

The Group had a number of contracts in the UK with OEM's that make reference to LIBOR. At the end of the reporting period all contracts in scope for amendment had been renegotiated to use the Sterling Overnight Index Average (SONIA) based rate. We will continue to monitor the renegotiation of vehicle funding arrangements throughout the Group that make reference to other Interbank Offered Rates (IBOR) based rates which did not expire during the reporting period.

Our syndicated rolling credit facility incurred interest charged upon a LIBOR based rate. This was renegotiated during 2021 to SONIA. The Group have a total of £nil drawdown on the facility as at 31 December 2021.

SOFTWARE AS A SERVICE – ACCOUNTING FOR CONFIGURATION AND CUSTOMISATION COSTS

The Group has changed its accounting policy related to the capitalisation of certain software costs. This change follows the IFRS Interpretations Committee's agenda decisions published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of such arrangements as intangible assets on the balance sheet. Following the adoption of the IFRIC agenda guidance, current SaaS arrangements were identified and assessed to determine if the Group had control of the software. For those arrangements where it was determined that the Group did not have control of the developed software, to the extent that the services were considered distinct from the access to the software, the Group derecognised the intangible asset previously capitalised. Amounts paid to the supplier for implementation and customisation services that cannot be performed by third parties, are amortised over the underlying contract period.

The change in accounting policy has resulted in a reduction in the value of the intangible assets recognised as at 1 January 2020 and 31 December 2020 by £23.5m and £24.4m respectively. The comprehensive income reported for the year ended 31 December 2020 has reduced by £1.9m on account of a corresponding increase in operating expenses within administrative expenses. A third balance sheet as at 1 January 2020 has been presented in accordance with IAS 1 to disclose the impact of the change. See note 35 for further details.

STANDARDS NOT EFFECTIVE AT THE BALANCE SHEET DATE

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 2022:

- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1 – Classification of Liabilities;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies; and
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

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.

BASIS OF CONSOLIDATION

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

In the individual entities, transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement, except those exchange differences arising on long-term foreign currency borrowings that form part of a net investment in a foreign investment, which on consolidation are taken directly to other comprehensive income.

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

REVENUE AND OTHER INCOME

Revenue is measured at the fair value of consideration receivable, net of any discounts, rebates, trade allowances, incentives, or amounts collected on behalf of third parties. It is recognised to the extent that the transfer of promised goods or services to a customer has been satisfied and the revenue can be reliably measured. Revenue excludes sales-related taxes and intra-group transactions. In practice this means that:

Revenue from the sale of goods is recognised when the obligation to transfer the goods to the customer has been satisfied and the revenue can reliably be measured. The obligation to transfer goods to the customer is considered to have been satisfied when the vehicles or parts are invoiced and physically dispatched or collected.

Revenue from the rendering of services to the customer is considered to have been satisfied when the service has been undertaken.

Where the Group acts as an agent on behalf of a principal in relation to finance, insurance and similar products, the associated commission income is recognised within revenue in the period in which the related finance or insurance product is sold and receipt of payment can be assured.

Where a vehicle is sold to a leasing company and the Group undertakes to repurchase the vehicle for a specified value at a predetermined date, the sale is not recognised on the basis that the possibility of the buyback being exercised is highly likely. Consequently, such vehicles are retained within 'property, plant and equipment' in the consolidated statement of financial position at cost and are depreciated to their residual value over the life of the lease. The difference between the initial amounts received from the leasing company and the repurchase commitment is recognised as deferred income in the consolidated statement of financial position and is released to the consolidated income statement on a straight-line basis over the life of the lease. The repurchase commitment, which reflects the price at which the vehicle will be bought back, is held within 'trade and other payables', according to the date of the commitment.

Where a vehicle is sold subject to a buyback commitment and the possibility of the buyback being exercised by the customer is not highly likely as the buyback price set is below the expected market value, revenue is recognised in full when the vehicle is sold. However, an estimate of the value of the buyback payments is deducted from revenue and deferred to the balance sheet. Similarly, an estimate of the value of the vehicles to be returned is deducted from cost of sales and also deferred to the balance sheet. These balances are considered to be contract liabilities.

Where additional services are included in the sale of a vehicle to a customer as part of the total vehicle package (e.g. extended warranty, free servicing, roadside assistance, fuel coupons etc) and the Group is acting as a principal in the fulfilment of the service, the value of the additional services is separately identified, deducted from consideration receivable, recognised as deferred revenue on the balance sheet and subsequently recognised as revenue when the service is provided, or recognised on an input basis with reference to the amount of time elapsed under the contract to which the service relates. These balances are considered to be contract liabilities. The consideration allocated to additional services is based on the relative stand-alone selling price of the additional services within the contract. The value assigned to the additional service is set equal to the value of the additional service being provided, being the expected cost to the entity plus an appropriate profit margin.

Amounts relating to accrued income are balances primarily due from manufacturers in relation to volume / target related bonuses or commissions or warranty related where the work has been completed prior to being invoiced. Any amount previously recognised as accrued income is reclassified to trade receivables at the point at which it is invoiced to the customer.

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

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

COST OF SALES

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

The Group receives income in the form of various incentives which are determined by our brand partners. The amount we receive is generally based on achieving specific objectives, such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but are not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as a reduction in cost of sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered or when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as a reduction in cost of sales when it is reasonably certain that the incentive will be received for the relevant period.

GOVERNMENT GRANTS AND ASSISTANCE

Grants received from governments are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Once a government grant is recognised, any related deferred income is treated in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

SHARE-BASED PAYMENTS

The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the consolidated income statement (together with a corresponding credit in shareholders' equity) on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest. The impact of any revision is recognised in the consolidated income statement with a corresponding adjustment to equity.

For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Group Save As You Earn scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee or the Company cancels an award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

FINANCE COSTS

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

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

INCOME TAX

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

The accounting standard covering uncertain tax positions, IFRIC 23 'Uncertainty over Income Tax Treatments', was adopted by the Group from 1 January 2019. The Group recognises provisions for uncertain tax positions when it is not probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, in its income tax filings. Uncertain tax positions are assessed and measured using management's estimate of the most likely outcome including an assessment of whether uncertain tax positions should be considered separately or as a group. The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense.

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

EXCEPTIONAL ITEMS

The Group makes certain adjustments to the statutory profit measures in order to derive certain alternative performance measures. Certain items which are material are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide additional useful information regarding the Group's business performance and is used by management to facilitate internal performance analysis.

Management applies an exceptional items policy that is regularly discussed and approved by the Audit Committee. The policy applied in identifying exceptional items is balanced when assessing gains and losses, clearly disclosed and applied consistently from one year to the next.

Exceptional items are deemed to be those items that, in the judgement of the Group, need to be disclosed separately by virtue of their nature, size or incidence. In determining the facts and circumstances, management considers key factors such as:

- where the same category of items recurs each year and in similar amounts (for example, restructuring costs), consideration is given as to whether such amounts should be included as part of underlying profit:
- where significant items are likely to be finalised over more than one year, the effect of such items is applied uniformly; and
- ensuring the treatment of favourable and unfavourable transactions are treated consistently.

Items that may be considered exceptional in nature include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Any reversal of an amount previously recognised as an exceptional item would also be recognised as an exceptional item in a subsequent period.

BUSINESS COMBINATIONS AND GOODWILL

The acquisition of subsidiaries is accounted for using the acquisition method (at the point the Group gains control over a business as defined by IFRS 3). The cost of the acquisition is measured as the cash paid and the aggregate of the fair values, at the date of exchange, of other assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

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

OTHER INTANGIBLE ASSETS

Intangible assets, when acquired separately from a business (including computer software), are carried at cost less accumulated amortisation and impairment losses. Cost comprises the purchase price from third parties as well as internally generated development costs where relevant. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is three to eight years. Amortisation is recognised in the consolidated income statement within 'net operating expenses'. Software customisation and configuration costs relating to software not controlled by the Group are expensed over the period such services are received.

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the benefit of the intangible asset is obtained through contractual or other legal rights and the fair value can be measured reliably on initial recognition. The principal intangible assets are agreements with manufacturers for the distribution of new vehicles and parts, which represent the estimated value of distribution rights acquired in business combinations. Such agreements have varying terms and periods of renewal and have historically been renewed without substantial cost. The Group therefore expects these agreements to be renewed on a regular basis and accordingly no amortisation is charged on these assets. The Group assesses these distribution rights for impairment on an annual basis.

Other intangible assets acquired in a business combination may include order books and customer contracts. These intangible assets are amortised on a straight-line basis over their estimated useful life, which is generally less than a year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is included within 'net operating expenses' in the consolidated income statement, with the exception of depreciation on 'interest in leased vehicles' which is charged to 'cost of sales'. It is provided on a straight-line basis over the estimated useful life of the asset, except for freehold land which is not depreciated. For the following categories, the annual rates used are:

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

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

LEASES

The Group assesses whether a contract is, or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

THE GROUP AS A LESSEE

Lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate by market and currency;
- applies a credit risk, based on yields of comparable entities, to the determined risk-free interest rate by market; and
- where applicable, makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease liabilities are re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether a purchase, lease-term extension or termination option will be exercised. When lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets comprising mainly land and buildings are measured at cost less accumulated depreciation and impairment losses. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability. Depreciation is expensed to the income statement on a straight-line basis over the lease term. The lease term includes the noncancellable period of lease together with any extension or termination options that are reasonably certain to be exercised.

Payments associated with short-term leases and all leases of low-value assets (under £5,000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise largely small items of office equipment.

THE GROUP AS A LESSOR

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right-of-use asset. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the lease term.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment losses are included within 'net operating expenses' in the consolidated income statement.

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

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

INVENTORIES

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

Vehicles held on consignment are included within inventories as the Group is considered to have the risks and rewards of ownership. The corresponding liability is included within 'trade and other payables'.

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

An inventory provision is recognised in situations where net realisable value is likely to be less than cost (such as obsolescence, deterioration, fall in selling price). When calculating the provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability, determined on conditions that exist at the end of the reporting period. With the exception of parts, generally net realisable value adjustments are applied on an item-by-item basis.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are recognised as current assets if collection is due in one year or less. If collection is due in over a year, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established based on an expected credit loss model under IFRS 9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts to be received.

The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and company. The amount of the loss is recognised in the consolidated income statement within 'net operating expenses'. When a trade receivable is not collectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'net operating expenses' in the consolidated income statement.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due in one year or less. If payment is due at a later date, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables include the liability for vehicles held on consignment, with the corresponding asset included within inventories.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of retirement benefit schemes.

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

The current service cost and gains and losses on settlements and curtailments are included in 'cost of sales' or 'net operating expenses' in the consolidated income statement. Past service costs are similarly recognised in the consolidated income statement. Administrative scheme expenses associated with the plans are recorded within 'net operating expenses' when incurred, in line with IAS 19 (revised). Net interest income or interest cost relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Changes in the retirement benefit obligation or asset due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

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

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

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

PROVISIONS

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

PRODUCT WARRANTY PROVISION

A product warranty provision corresponds to warranties provided as part of the sale of a vehicle and provide assurance to the customer that the product will work as sold. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends.

LEASEHOLD PROPERTY PROVISION

A leasehold property provision is recognised when the Group is committed to certain leasehold premises for which it no longer has a commercial use. It is made to the extent of the estimated future net cost, excluding the lease liability already recognised under IFRS 16. A leasehold property provision is also recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts.

LITIGATION PROVISION

A litigation provision is recognised when a litigation case is outstanding at the end of the reporting period and there is a likelihood that the legal claim will be settled.

RESTRUCTURING PROVISION

A restructuring provision is recognised when a detailed formal plan for the restructuring has been developed and a valid expectation has been raised in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the Group.

DISPOSAL GROUP AND ASSETS HELD FOR SALE

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

SEGMENTAL REPORTING

Segment information is reported in accordance with IFRS 8 'Operating segments', which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group's operating segments are countries or groups of countries and the market channels, Distribution and Retail. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. The accounting policies of the reportable segments are the same as the Group's accounting policies described in this note.

FINANCIAL INSTRUMENTS

The Group classifies its financial assets in the following categories: measured at amortised cost; measured at fair value through profit and loss; and measured at fair value through other comprehensive income. Classification and subsequent remeasurement depends on the Group's business model for managing the financial asset and its cash flow characteristics. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

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

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

Measured at fair value through other comprehensive income includes certain financial assets at fair value such as bonds and equity investments. These financial assets are included in current assets and liabilities, except where the maturity date is more than 12 months after the end of the reporting period. Financial assets at fair value through other comprehensive income are classified as non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period and are held at fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand, short-term bank deposits and cash and cash equivalents included in disposal groups held for sale.

Short-term bank deposits have a maturity of less than three months from the date at which the investment is acquired.

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

OFFSETTING

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

DERIVATIVE FINANCIAL INSTRUMENTS

An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in note 24 to the consolidated financial statements.

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

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Financial assets at fair value through other comprehensive income are primarily equity instruments that the Group has elected to recognise the changes in fair value of in other comprehensive income. They are recognised initially at fair value and are re-measured subsequently at fair value with gains and losses arising from changes in fair value recognised directly in equity and presented in the Group statement of comprehensive income. Cumulative gains and losses on equity instruments at fair value through other comprehensive income are not recycled to the Group income statement.

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

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

CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The Directors have made a number of estimates and assumptions regarding the future, and made some significant judgements in applying the Group's accounting policies. These are discussed below:

SOURCES OF ESTIMATION UNCERTAINTY
The key assumptions about the future, and other key sources of estimation uncertainties at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within in the next period are discussed below:

IMPAIRMENT OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS
In the year, an impairment charge of £12.9m against goodwill has been recognised in the income statement, offset by a reversal of £12.9m against indefinite life intangible assets. The most significant judgement that could materially impact the charge is in relation to the sensitivity of the assumptions applied to the value in use calculations performed over the Americas – Suzuki CGU groups.

Goodwill and other indefinite life intangible assets are tested at least annually for impairment. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require the use of estimates, including projected future cash flows (see note 11).

The value in use calculations mainly use cash flow projections based on five-year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to volumes, revenue, gross margins, the level of working capital required to support trading, discount rates, long-term growth rate and capital expenditure. For CGU groups in the Americas & Africa reporting segment, cash flows after the five-year period are extrapolated for a further five years using declining growth rates which reduces the year five growth rate down to the long-term growth rate appropriate for each CGU or CGU group, to better reflect the medium-term growth expectations for those markets. A terminal value calculation is used to estimate the cash flows after year 10 using these long-term growth rates. For all other markets, a terminal value calculation is used to estimate the cash flows after year five.

The assumptions used in the value in use calculations are based on past experience, recent trading and forecasts of operational performance in the relevant markets including the impact of Covid-19 and the UK trading arrangements with the European Union. They also reflect expectations about continuing relationships with key brand partners and the impact climate change may have on its operations. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which we operate, the forecasts reflect our best estimate.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS – ASSUMPTIONS

Pension and other post-retirement benefit liabilities are determined based on the actuarial assumptions detailed in note 5. A number of these assumptions require estimates to be made, including the rate of inflation and expected mortality rates. These assumptions are subject to a review on an annual basis and are determined in conjunction with an external actuary. The use of different assumptions could have a material effect on the value of the relevant liabilities and could result in a material change to amounts recognised in the income statement over time. Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 5.

PENSIONS – DISCOUNT RATE

The Group's defined benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 5.

CRITICAL ACCOUNTING JUDGEMENTS

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 Group has several retail, distribution and office property lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. All relevant factors are considered that create an economic incentive for it to exercise either the renewal or termination, including: whether there are significant penalties to terminate (or not extend); whether any leasehold improvements are expected to have a significant remaining value; historical lease durations; the importance of the underlying asset to the Group's operations; and the costs and business disruption required to replace the leased asset.

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. Refer to note 13 for additional disclosures relating to leases.

EXCEPTIONAL ITEMS

The Directors believe that adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The operating profit before exceptional items and profit before tax and exceptional items measures are not recognised profit measures under IFRS and may not be directly comparable with such profit measures used by other companies. The classification of exceptional items requires significant management judgement after considering the nature and intentions of a transaction.

In the current year, management has exercised judgement in respect of the treatment of accelerated amortisation that arose on existing software assets following a strategic decision to migrate existing ERP applications to a cloud-based solution. The decision resulted in a change in the estimated useful life of the existing ERP assets that materially increased the amortisation charge for the year. The incremental amortisation charge has been treated as an exceptional item in accordance with the Group's policy. The Group's definitions of exceptional items are outlined within the Group accounting policies and note 2 provides further details on current year exceptional items and their adherence to Group policy.

CLASSIFICATION OF VEHICLE FUNDING ARRANGEMENTS

The Group finances the purchase of vehicles using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. In assessing whether the liabilities arising under these arrangements should be classified within trade and other payables rather than as an additional component of the Group's net debt within borrowings, the Group considers a number of factors including whether the arrangement is a requirement of the relationship with the OEM, in relation to specific, separately identifiable vehicles held as inventory and whether payment terms are the shorter of the agreed terms of the arrangement or until the specific vehicle being funded is sold to the end customer. Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables requires significant management judgement. See also note 21.

ASSIGNMENT OF AN INDEFINITE USEFUL LIFE TO DISTRIBUTION AGREEMENTS

The Group's principal intangible assets relate to agreements with manufacturers for the distribution of new vehicles and parts. These distribution agreements are assigned an indefinite useful life as though these agreements have limited terms, they have historically been renewed by the Group without substantial cost and the Group's history shows that OEMs have not terminated our distribution agreements. Additionally, there are no known changes or events that would impact the vehicle distribution environments in which the Group has such assets recognised. The Group therefore expects these agreements to be renewed indefinitely and accordingly no amortisation is charged on these assets.

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENTAL ANALYSIS

The Group has five 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 2020, following the disposal of the Group's business in China and the Retail disposals in Australia in 2019, the management and reporting of the previous Asia and Australasia regions changed to encompass the combination of these to form an Asia Pacific (APAC) region. The Retail businesses in the APAC region which were disposed of in 2019 and 2020 were maintained as a separate reportable segment. In 2020, this segment solely represents the disposed of businesses in Australia.

The Group reports the performance of its reporting segments after the allocation of central costs. These represent costs of Group functions.

The following summary describes the operations of each of the Group's reportable segments:

Distribution	APAC, UK & Europe, Americas & Africa	Exclusive distribution, sales and marketing activities of New Vehicles and Parts. Sale of New and Used Vehicles together with logistics services where the Group may also be the exclusive distributor, alongside associated Aftersales activities of service, bodyshop repairs and parts sales
Retail	APAC, UK & Europe	Sale of New and Used Vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales

	Distribution				Retail			
2021	**APAC £m**	**UK & Europe £m**	**Americas & Africa £m**	**Total Distribution £m**	**APAC £m**	**UK & Europe £m**	**Total Retail £m**	**Total £m**
Revenue								
Total revenue	**2,146.9**	**1,476.4**	**1,048.4**	**4,671.7**	**–**	**2,968.4**	**2,968.4**	**7,640.1**
Results								
Operating profit before exceptional items	**127.8**	**41.4**	**76.8**	**246.0**	**–**	**82.1**	**82.1**	**328.1**
Operating exceptional items								**(101.2)**
Operating profit after exceptional items								**226.9**
Share of profit after tax of joint ventures and associates								**–**
Profit before finance and tax								**226.9**
Finance income								**12.5**
Finance costs								**(44.6)**
Profit before tax								**194.8**
Tax								**(72.9)**
Profit for the year								**121.9**

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

2021	**£m**
UK	**1,894.3**
Australia	**1,003.6**
Russia	**852.8**
Rest of the world	**3,889.4**
Group	**7,640.1**

1 **SEGMENTAL ANALYSIS** CONTINUED

2021	Distribution APAC £m	Distribution UK & Europe £m	Distribution Americas & Africa £m	Total Distribution £m	Retail APAC £m	Retail UK & Europe £m	Total Retail £m	Total £m
Segment assets and liabilities								
Segment assets	**428.9**	**256.4**	**336.1**	**1,021.4**	**-**	**489.9**	**489.9**	**1,511.3**
Other current assets								**629.8**
Other non-current assets								**1,417.0**
Segment liabilities	**(633.9)**	**(261.1)**	**(318.6)**	**(1,213.6)**	**-**	**(407.6)**	**(407.6)**	**(1,621.2)**
Other liabilities								**(806.4)**
Net assets								**1,130.5**

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

2021	Distribution APAC £m	Distribution UK & Europe £m	Distribution Americas & Africa £m	Total Distribution £m	Retail APAC £m	Retail UK & Europe £m	Total Retail £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	**10.7**	**5.1**	**12.4**	**28.2**	**-**	**21.2**	**21.2**	**49.4**
– Interest in leased vehicles	**1.8**	**2.0**	**0.1**	**3.9**	**-**	**-**	**-**	**3.9**
– Right-of-use assets	**29.1**	**1.6**	**7.8**	**38.5**	**-**	**6.2**	**6.2**	**44.7**
– Intangible assets	**4.1**	**4.6**	**2.8**	**11.5**	**-**	**4.3**	**4.3**	**15.8**
Depreciation:								
– Property, plant and equipment	**7.7**	**3.7**	**7.2**	**18.6**	**-**	**11.4**	**11.4**	**30.0**
– Interest in leased vehicles	**2.0**	**0.2**	**0.3**	**2.5**	**-**	**-**	**-**	**2.5**
– Right-of-use assets	**25.3**	**4.7**	**9.3**	**39.3**	**-**	**10.6**	**10.6**	**49.9**
Amortisation of intangible assets	**11.5**	**13.2**	**3.4**	**28.1**	**-**	**4.9**	**4.9**	**33.0**
Impairment of goodwill	**-**	**-**	**12.9**	**12.9**	**-**	**-**	**-**	**12.9**
Reversal of impairment of distribution agreements	**-**	**-**	**(12.9)**	**(12.9)**	**-**	**-**	**-**	**(12.9)**
Impairment of other intangible assets	**0.1**	**-**	**0.1**	**0.2**	**-**	**-**	**-**	**0.2**
Impairment / (reversal of impairment) of property, plant and equipment	**-**	**0.4**	**0.3**	**0.7**	**-**	**(2.6)**	**(2.6)**	**(1.9)**
Impairment of right-of-use assets	**0.3**	**-**	**0.6**	**0.9**	**-**	**0.2**	**0.2**	**1.1**
Impairment of assets held for sale	**-**	**-**	**1.5**	**1.5**	**-**	**-**	**-**	**1.5**
Net provisions charged to the consolidated income statement	**10.7**	**3.0**	**8.0**	**21.7**	**-**	**5.7**	**5.7**	**27.4**

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

1 **SEGMENTAL ANALYSIS** CONTINUED

	Distribution				Retail			
2020 (restated)[1]	APAC £m	UK & Europe £m	Americas & Africa £m	Total Distribution £m	APAC £m	UK & Europe £m	Total Retail £m	Total £m
Revenue								
Total revenue	1,902.6	1,120.2	797.1	3,819.9	9.4	3,008.5	3,017.9	6,837.8
Results								
Operating profit before exceptional items	80.3	25.0	34.2	139.5	0.4	24.2	24.6	164.1
Operating exceptional items								(257.1)
Operating loss after exceptional items								(93.0)
Share of profit after tax of joint ventures and associates								–
Loss before finance and tax								(93.0)
Finance income								14.4
Finance costs								(51.0)
Loss before tax								(129.6)
Tax								(9.5)
Loss for the year								(139.1)

1. See note 35.

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

2020	£m
UK	1,978.9
Australia	838.7
Russia	835.6
Rest of the world	3,184.6
Group	6,837.8

	Distribution				Retail			
2020 (restated)[1]	APAC £m	UK & Europe £m	Americas & Africa £m	Total Distribution £m	APAC £m	UK & Europe £m	Total Retail £m	Total £m
Segment assets and liabilities								
Segment assets	402.7	281.6	361.7	1,046.0	–	618.4	618.4	1,664.4
Other current assets								515.3
Other non-current assets								1,432.2
Segment liabilities	(602.1)	(295.8)	(299.3)	(1,197.2)	–	(566.4)	(566.4)	(1,763.6)
Other liabilities								(787.1)
Net assets								1,061.2

1. See note 35.

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

1 **SEGMENTAL ANALYSIS** CONTINUED

2020 (restated)[1]	Distribution APAC £m	Distribution UK & Europe £m	Distribution Americas & Africa £m	Total Distribution £m	Retail APAC £m	Retail UK & Europe £m	Total Retail £m	Total £m
Other segment items								
Capital expenditure:								
– Property, plant and equipment	6.0	2.4	9.2	17.6	–	9.9	9.9	27.5
– Interest in leased vehicles	2.3	0.7	0.1	3.1	–	–	–	3.1
– Right-of-use assets	10.4	3.4	3.5	17.3	–	5.3	5.3	22.6
– Intangible assets	6.1	2.6	2.0	10.7	–	4.2	4.2	14.9
Depreciation:				–				
– Property, plant and equipment	9.5	4.0	9.3	22.8	–	13.1	13.1	35.9
– Interest in leased vehicles	3.1	0.1	0.8	4.0	–	0.1	0.1	4.1
– Right-of-use assets	28.5	4.7	10.6	43.8	–	10.4	10.4	54.2
Amortisation of intangible assets	6.3	3.2	2.1	11.6	–	3.0	3.0	14.6
Impairment of goodwill	11.1	–	6.2	17.3	–	80.2	80.2	97.5
Impairment of distribution agreements	–	–	31.2	31.2	–	–	–	31.2
Impairment of other intangible assets	5.7	1.2	1.5	8.4	–	9.4	9.4	17.8
Impairment of property, plant and equipment	9.7	1.2	1.4	12.3	–	30.4	30.4	42.7
Impairment of right-of-use assets	24.7	–	0.2	24.9	–	8.4	8.4	33.3
Net provisions charged / (credited) to the consolidated income statement	15.9	4.7	11.8	32.4	–	(3.4)	(3.4)	29.0

1. See note 35.

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

2 EXCEPTIONAL ITEMS

	2021 £m	2020 £m
Goodwill and distribution agreement impairments (see note 11)	**–**	(128.7)
Other asset write-offs and impairments (see notes 11, 12 and 13)	**2.9**	(94.3)
Inventory and other provisions	**–**	(11.9)
Disposal of businesses (see note 29)	**(67.3)**	1.9
Restructuring costs	**(13.3)**	(28.4)
Acquisition of businesses	**(3.4)**	(4.1)
Accelerated amortisation	**(20.1)**	–
Other operating exceptional items	**–**	8.4
Total exceptional operating items before tax	**(101.2)**	(257.1)
Exceptional tax (see note 8)	**(1.3)**	24.2
Total exceptional items	**(102.5)**	(232.9)

Total exceptional items are analysed as follows:		
Exceptional cost of sales	**–**	(11.6)
Exceptional net operating expenses	**(101.2)**	(245.5)
Exceptional tax (see note 8)	**(1.3)**	24.2
Total exceptional items	**(102.5)**	(232.9)

During the year, the Group disposed of businesses in the UK, Belgium & Luxembourg and Russia. The loss on disposal in Russia relates to the sale of Toyota and Audi retail operations in St. Petersburg. The reported loss includes a loss of £108.0m relating to the recycling of cumulative exchange differences previously recognised in other comprehensive income, as required under IFRS. The disposal of retail sites in the UK and Belgium & Luxembourg have also been reported as exceptional items as they form part of the Group-wide disposal of retail operations referred to above.

In 2020, due to the impact of Covid-19 on the Group's operations a review of the Group's cost base was initiated to identify savings and plan longer-term changes to the way in which the Group operates. A proposal was approved by the Board for a planned restructuring activity under which the Group incurred restructuring costs of £28.4m during 2020. These costs were principally in relation to redundancy, consultancy and occupancy costs. In 2021, a further £13.3m of restructuring costs have been recognised, mainly in relation to Group-wide transformation projects impacting both Finance and IT, encompassing the potential for sharing back-office services and review of organisational structures and costs. These costs have been reported as exceptional costs in line with the Group's policy to report significant Group-wide restructuring impacting multiple geographies and functions as an exceptional item.

In 2021, the Group started to migrate the Group's existing ERP applications to a cloud-based solution. This was a strategic decision to consolidate and upgrade the systems, improve speed and performance and facilitate centralised support following the transformation of the Information Technology organisational structure. The new solution has been determined to be Software as a Service (see Accounting Policies) and therefore the existing software assets no longer fall to be treated as an asset under IAS 38 once the migration to the new solution has occurred. Consequently, the useful life of the existing assets has been reassessed and the impact has been accounted for prospectively as a change in an estimate. This change resulted in a significant increase in the amortisation recognised for software costs. Accordingly, the incremental amortisation of £20.1m has been disclosed as an exceptional item in accordance with the Group's policy.

During the year exceptional operating costs of £3.4m have been incurred in connection with the acquisition and integration of businesses.

In 2020, due to Covid-19 and the temporary closure of operations across the Group's many markets, impairment assessments were carried out using cash flow forecasts updated for latest available market data and estimates of fair value less costs of disposal. As a result of these reviews, the Group recognised goodwill impairment charges of £80.2m and £11.1m in the UK and Australia respectively. Additionally, further impairment charges were recognised against the Americas – Suzuki CGU of £6.2m and £31.2m against goodwill and distribution agreement assets respectively. Exceptional items also include asset impairments and write-offs of £94.3m following an impairment review of certain site-based assets across the Group, primarily in the UK, Australia and Russia.

In 2020, the Group also

- recognised additional inventory and other provisions of £11.9m, which were determined to be directly attributable to the Covid-19 pandemic and therefore disclosed as an exceptional charge;
- continued to optimise its retail market portfolio and recognised an exceptional operating profit of £1.9m related to the disposal of retail sites in the UK and Australia;
- incurred exceptional operating costs of £4.1m in connection with the acquisition and integration of businesses. These primarily related to the Daimler businesses acquired in South America; and
- recognised exceptional other operating items of £8.4m including the recycling of a cumulative gain previously recorded in OCI which arose due to the reorganisation of the ownership structure of the Group's operations in the APAC region.

3 REVENUE AND EXPENSES

a. Revenue

An analysis of the Group's revenue for the year is as follows:

	2021 £m	2020 £m
Sale of goods	**7,134.3**	6,312.1
Provision of services	**505.8**	525.7
	7,640.1	6,837.8

Sale of goods includes the sale of new and used vehicles and the sale of parts where they are sold directly to the customer. Provision of services includes financial services, as well as labour and parts provided in servicing vehicles.

b. Analysis of net operating expenses

	Net operating expenses before exceptional items 2021 £m	**Exceptional items 2021 £m**	**Net operating expenses 2021 £m**	Net operating expenses before exceptional items 2020 (restated)[1] £m	Exceptional items 2020 £m	Net operating expenses 2020 (restated)[1] £m
Distribution costs	**336.9**	**–**	**336.9**	375.0	–	375.0
Administrative expenses	**473.8**	**33.9**	**507.7**	348.6	255.8	604.4
Other operating expenses / (income)	**2.1**	**67.3**	**69.4**	1.7	(10.3)	(8.6)
	812.8	**101.2**	**914.0**	725.3	245.5	970.8

1. See note 35.

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

	2021 £m	2020 (restated)[1] £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	**30.0**	35.9
– Interest in leased vehicles	**2.5**	4.1
– Right-of-use assets	**49.9**	54.2
Amortisation of intangible assets	**33.0**	14.6
Impairment of goodwill	**12.9**	97.5
(Reversal of impairment) / Impairment of distribution agreements	**(12.9)**	31.2
Impairment of other intangible assets	**0.2**	17.8
(Reversal of impairment) / Impairment of property, plant and equipment	**(1.9)**	42.7
Impairment of right-of-use assets	**1.1**	33.3
Impairment of assets held for sale	**1.5**	–
Impairment of trade receivables	**2.6**	2.8
(Profit) / loss on sale of property, plant and equipment	**(4.8)**	0.9

1. See note 35.

Profit on the sale of property, plant and equipment in 2021 mainly relates to the sale of surplus assets in the UK and APAC (2020 – loss on sale of property, plant and equipment of surplus assets in South America and the UK).

The Group has benefited from reduced tax regimes in 2021 in Singapore, the amounts received in the year were £0.7m. In 2020, broader government Covid-19 support measures were available to the Group. The amounts received were £30.8m, predominantly from the UK, Australia and Singapore governments. The Group did not benefit from the business rates holiday for the retail sector in the UK (2020: £2.6m).

The Group has not made use of government-backed tax deferral schemes, resulting in a benefit to net cash generated from operating activities of £nil (2020: £7.4m).

3 REVENUE AND EXPENSES CONTINUED

d. Auditor's remuneration

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

	2021 £m	2020 £m
Audit services:		
Fees payable to the Company's auditor and its associates for the audit of the parent company and the consolidated financial statements	**0.7**	0.6
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	**2.9**	3.1
– Audit related assurance services	**0.1**	0.3
– All other services	**0.1**	0.1
Total fees payable to the Company's auditor	**3.8**	4.1
Audit fees – firms other than the Company's auditor	**0.1**	0.1

e. Staff costs

	2021 £m	2020 £m
Wages and salaries	**468.2**	443.7
Social security costs	**42.1**	41.6
Other pension costs	**16.6**	24.3
Share-based payment charge	**8.4**	3.3
	535.3	512.9

Other pension costs correspond to the current service charge and past service cost in relation to defined benefit schemes and contributions to the defined contribution schemes (see note 5).

Information on Directors' emoluments and interests which forms part of these audited consolidated financial statements is given in the Directors' Report on Remuneration which can be found on pages 84 to 103 of this document. Information on compensation of key management personnel is set out in note 32b.

f. Average monthly number of employees

	Distribution		Retail		Total	
	2021 Number	2020 Number	**2021 Number**	2020 Number	**2021 Number**	2020 Number
APAC	**3,343**	3,417	**–**	47	**3,343**	3,464
UK & Europe	**1,480**	1,636	**5,623**	7,161	**7,103**	8,797
Americas & Africa	**3,691**	3,493	**–**	–	**3,691**	3,493
Total operational	**8,514**	8,546	**5,623**	7,208	**14,137**	15,754
Central & Digital					**290**	161
					14,427	15,915

4 SHARE-BASED PAYMENTS

The terms and conditions of the Group's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from awards granted under share-based payment plans was £8.4m (2020 – £3.3m), all of which was equity-settled.

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

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

2021	**Weighted average exercise price***	**Performance Share Plan**	**Executive Share Option Plan**	**Save As You Earn Plan**	**Other Share Plans**
Outstanding at 1 January	**£4.31**	**5,384,155**	**–**	**2,784,768**	**977,123**
Granted	**£7.31**	**1,656,719**	**–**	**346,367**	**459,655**
Exercised	**£5.38**	**(522,594)**	**–**	**(349,320)**	**(145,891)**
Lapsed	**£4.58**	**(1,551,230)**	**–**	**(712,923)**	**(160,004)**
Outstanding at 31 December	**£4.53**	**4,967,050**	**–**	**2,068,892**	**1,130,883**
Exercisable at 31 December	**£5.52**	**76,405**	**–**	**38,901**	**4,221**

2020	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£5.11	4,886,187	3,226	2,368,907	960,156
Granted	£3.77	2,342,210	–	1,757,394	575,199
Exercised	£5.39	(357,861)	(3,224)	(50,589)	(167,162)
Lapsed	£5.02	(1,486,381)	(2)	(1,290,944)	(391,070)
Outstanding at 31 December	£4.31	5,384,155	–	2,784,768	977,123
Exercisable at 31 December	£6.66	256,048	–	124,733	34,292

* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

The weighted average remaining contractual life for the awards outstanding at 31 December 2021 is 2.3 years (2020 – 2.5 years).

The range of exercise prices for options outstanding at the end of the year was £3.77 to £7.31 (2020 – £3.77 to £6.66). See note 25 for further details.

The fair value of options granted under the Save As You Earn Plan and Other Share Plans is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of nil cost awards granted under the Performance Share Plan and Other Share Plans is the market value of the related shares at the time of grant. The following table lists the main inputs to the model for awards granted during the years ended 31 December 2021 and 31 December 2020:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2021	2020	**2021**	2020	**2021**	2020
Weighted average share price at grant date	**£7.93**	£5.14	**£8.35**	£4.46	**£8.24**	£5.71
Weighted average share price at date of exercise	**£7.78**	£4.84	**£8.18**	£6.66	**£8.53**	£4.88
Weighted average exercise price*	**n/a**	n/a	**£7.31**	£3.77	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**2.5 years**	2.8 years
Expected volatility	**n/a**	n/a	**31.4%**	31.4%	**n/a**	n/a
Expected life of award	**3.0 years**	3.0 years	**3.2 years**	3.2 years	**2.5 years**	2.8 years
Weighted average risk-free rate	**n/a**	n/a	**1.0%**	1.0%	**n/a**	n/a
Expected dividend yield	**n/a**	n/a	**3.8%**	3.8%	**n/a**	n/a
Weighted average fair value per option	**£7.93**	£5.14	**£2.15**	£0.91	**£8.24**	£5.71

* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

No options were granted under the Executive Share Option Plan in 2021 or 2020.

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its businesses, primarily in the UK.

a. UK schemes: benefits, governance, cash flow obligations and investments

The Inchcape Motors Pension Scheme ('IMPS') in the UK is the Group's main defined benefit pension scheme. It is comprised of the Group, Motors, Normand and Cash+ sections. The Group, Motors and Normand sections provide benefits linked to the final salary of members, are closed to new members and largely closed to future benefit accrual.

The Cash+ section is a defined benefit cash balance scheme. Following a consultation process with relevant employees this section closed to future benefit accrual on 31 December 2020. From 1 January 2021 UK employees were offered membership of the Inchcape Retirement Savings Plan, a defined contribution workplace personal pension scheme, which is designed to comply with auto enrolment legislation.

The Group also operates the Inchcape Overseas Pension Scheme which is non-UK registered.

Benefit structure

Final salary schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on final salary at retirement (or leaving date, if earlier) and length of service. The Group bears risks in relation to its final salary schemes, notably relating to investment performance, interest rates, inflation and members' life expectancies. There is potential for these risks to harm the funding position of the schemes. If the schemes were to be in deficit then additional contributions may be required from the Group. A number of exercises have been undertaken to mitigate these key funding risks.

Cash balance schemes like Cash+ allow members to accrue a percentage of their earnings each year, which then grows to provide a lump sum payment on retirement. Members have accrued benefits under this scheme with effect from 1 January 2013 up to 31 December 2020. The Group underwrites the investment and interest rate risk to normal retirement age (65). Inflation and mortality risks associated with benefits are borne solely by the members.

Defined contribution schemes like the Inchcape Retirement Savings Plan, which commenced on 1 January 2021, see members' individual accounts credited with employee and employer contributions which are then invested to provide a pension pot on retirement. The Group does not underwrite investment, or other risks for this plan.

Governance

Our UK schemes are registered with HM Revenue and Customs ("HMRC") and comply fully with the regulatory framework published by the UK Pensions Regulator.

IMPS is established under trust law and has a trustee board that runs the scheme in accordance with the Trust Deed and Rules and relevant legislation. The trustee board comprises an independent sole trustee company appointed by the Group. As part of good governance, the Group reviewed the provision of trustee services to IMPS and after a formal tender process it was decided to move to a Sole Trustee model from June 2021. The Trustee is required to act in the best interest of the members and have responsibility for the scheme's governance. The Trustee consults with the Group over decisions relating to matters such as funding and investments.

The Inchcape Retirement Savings Plan (a workplace personal pension scheme) has an external pension provider with its own governance committee.

The Group also has some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

Scheme specific cash obligation/investment detail

Inchcape Motors Pension Scheme

Group, Motors and Normand sections (closed sections)

The Group considers two measures of the pension deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to IMPS. The Trustee has finalised the latest actuarial valuations as at 5 April 2019 for the four sections of IMPS. As part of the valuation process the Trustee and Group have agreed future levels of contributions required to be made by the Group to IMPS.

The last completed actuarial valuations for the Group, Motors and Normand sections were carried out at 5 April 2019 on a market-related basis and determined in accordance with the advice of the Scheme Actuary based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 17 years and that an aggregate deficit of £18.3m existed . The Group currently contributes £0.6m p.a. towards the administrative costs of running these sections. For the Normand section, the Group also currently pays deficit reduction contributions of £1.2m p.a., rising by 3.0% p.a. up until 5 April 2025 (at which point the funding shortfall is expected to be eliminated).

During 2021, the Trustee, after taking expert advice and consulting with the Group, partially de-risked the investment strategy on the Group and Motors section by selling certain growth assets with the proceeds being used to increase the matching assets. Each section's investment strategy sees it holding a proportion of its assets in matching assets (broadly 84% for the Group section, 60% for the Motors section and 46% for the Normand section) with the remainder in growth assets. The matching assets are invested in a liability-driven investment solution complemented with absolute return bonds. They are expected to hedge inflation and interest rate risk in a capitally efficient manner. The growth assets are invested in assets that are expected to grow at rates significantly faster than each section's liabilities and include equities, diversified growth funds and property.

Cash+ section (closed section)

This scheme is a defined benefit scheme under which members accrued benefits up until 31 December 2020. The latest actuarial valuation was carried out at 5 April 2019 on a market-related basis and determined in accordance with the advice of the Scheme Actuary based on the projected unit method. The valuation showed a funding deficit of £17.6m, with the Trustee expecting the shortfall to be removed by deficit recovery contributions and returns on the assets held. Under the agreed Schedule of Contributions the Group will contribute approximately £2.8m p.a. in deficit recovery contributions up until 5 April 2028 (at which point the funding shortfall is expected to be eliminated) and £0.2m p.a. towards the administrative costs of running the scheme.

The investment strategy is to be 60% invested in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. The remaining 40% is split equally between multi-factor equities and emerging market multi-asset funds.

Inchcape Overseas Pension Scheme (closed section)

This scheme is managed from Guernsey and is subject to regulations similar to the UK. It is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out at 31 March 2018 and determined in accordance with the advice of the Scheme Actuary based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 12 years and that the scheme was approximately 77% funded on a prudent funding basis. To make good the funding deficit of £16.2m, it has been agreed that deficit contributions of £1.5m p.a. will be paid by means of an annual lump sum for 10 years, ending with the payment due in July 2029. The first payment at this new level was paid on 1 July 2020. Additional contributions in respect of expenses of £0.2m per annum will also be made. The 31 March 2021 triennial actuarial valuation is currently ongoing.

b. Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general, these schemes offer a lump sum on retirement with no further obligation to the employee and assets are held in trust in separately administered funds. These schemes are typically subject to triennial valuations. The overseas defined contribution schemes are principally linked to local statutory arrangements.

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £14.5m (2020 – £5.9m). There are no outstanding contributions at 31 December 2021 (2020 – nil).

d. Defined benefit plans

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2021 %	2020 %	**2021 %**	2020 %
Rate of increase in salaries	**n/a**	3.0	**3.5**	3.5
Rate of increase in pensions	**3.2**	2.9	**1.8**	1.6
Discount rate	**1.8**	1.3	**1.3**	0.6
Rate of inflation:				
– Retail price index	**3.4**	3.0	**1.6**	1.5
– Consumer price index	**2.5**	1.8	**n/a**	n/a
– Medical inflation	**6.0**	6.0	**n/a**	n/a

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 22.6 years (2020 – 22.5 years) for current pensioners and 23.9 years (2020 – 23.9 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

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

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Present value of funded obligations	**(898.0)**	(949.7)	**(37.1)**	(41.3)	**(935.1)**	(991.0)
Fair value of plan assets	**980.5**	971.8	**38.1**	41.2	**1,018.6**	1,013.0
Net surplus/(deficit) in funded obligations	**82.5**	22.1	**1.0**	(0.1)	**83.5**	22.0
Present value of unfunded obligations	**(0.5)**	(0.5)	**(0.8)**	(1.9)	**(1.3)**	(2.4)
	82.0	21.6	**0.2**	(2.0)	**82.2**	19.6
The net pension asset is analysed as follows:						
Schemes in surplus	**133.1**	99.9	**2.2**	1.1	**135.3**	101.0
Schemes in deficit	**(51.1)**	(78.3)	**(2.0)**	(3.1)	**(53.1)**	(81.4)
	82.0	21.6	**0.2**	(2.0)	**82.2**	19.6

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

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Current service cost	**–**	(17.1)	**(2.1)**	(0.9)	**(2.1)**	(18.0)
Past service cost	**–**	(0.4)	**–**	–	**–**	(0.4)
Scheme expenses	**(1.5)**	(1.4)	**–**	–	**(1.5)**	(1.4)
Interest expense on plan liabilities	**(12.2)**	(16.6)	**(0.2)**	(0.6)	**(12.4)**	(17.2)
Interest income on plan assets	**12.5**	17.1	**0.2**	0.5	**12.7**	17.6
	(1.2)	(18.4)	**(2.1)**	(1.0)	**(3.3)**	(19.4)

5 **PENSIONS AND OTHER POST-RETIREMENT BENEFITS** CONTINUED

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

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Actuarial gains/(losses) on liabilities:						
– Experience (losses)/gains	**(3.7)**	(4.1)	**0.7**	0.5	**(3.0)**	(3.6)
– Changes in demographic assumptions	**(6.5)**	27.2	**–**	–	**(6.5)**	27.2
– Changes in financial assumptions	**38.6**	(100.1)	**1.7**	(2.0)	**40.3**	(102.1)
Actuarial gains on assets:						
– Experience gains	**26.7**	88.8	**0.7**	4.5	**27.4**	93.3
	55.1	11.8	**3.1**	3.0	**58.2**	14.8

Analysis of the movement in the net asset/(liability):

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At 1 January	**21.6**	14.3	**(2.0)**	(4.8)	**19.6**	9.5
Amount recognised in the consolidated income statement	**(1.2)**	(18.4)	**(2.1)**	(1.0)	**(3.3)**	(19.4)
Contributions by employer	**6.5**	13.9	**1.1**	1.0	**7.6**	14.9
Actuarial gains recognised in the year	**55.1**	11.8	**3.1**	3.0	**58.2**	14.8
Effect of foreign exchange rates	**–**	–	**0.1**	(0.2)	**0.1**	(0.2)
At 31 December	**82.0**	21.6	**0.2**	(2.0)	**82.2**	19.6

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At 1 January	**(950.2)**	(873.3)	**(43.2)**	(47.8)	**(993.4)**	(921.1)
Current service cost	**–**	(17.1)	**(2.1)**	(0.9)	**(2.1)**	(18.0)
Past service cost	**–**	(0.4)	**–**	–	**–**	(0.4)
Interest expense on plan liabilities	**(12.2)**	(16.6)	**(0.2)**	(0.6)	**(12.4)**	(17.2)
Actuarial gains/(losses):						
– Experience (losses)/gains	**(3.7)**	(4.1)	**0.7**	0.5	**(3.0)**	(3.6)
– Changes in demographic assumptions	**(6.5)**	27.2	**–**	–	**(6.5)**	27.2
– Changes in financial assumptions	**38.6**	(100.1)	**1.7**	(2.0)	**40.3**	(102.1)
Contributions by employees	**–**	(0.3)	**–**	–	**–**	(0.3)
Benefits paid	**35.5**	34.5	**4.8**	5.8	**40.3**	40.3
Plan settlements	**–**	–	**0.3**	1.1	**0.3**	1.1
Effect of foreign exchange rate changes	**–**	–	**0.1**	0.7	**0.1**	0.7
At 31 December	**(898.5)**	(950.2)	**(37.9)**	(43.2)	**(936.4)**	(993.4)

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At 1 January	**971.8**	887.6	**41.2**	43.0	**1,013.0**	930.6
Interest income on plan assets	**12.5**	17.1	**0.2**	0.5	**12.7**	17.6
Scheme expenses	**(1.5)**	(1.4)	**–**	–	**(1.5)**	(1.4)
Actuarial gains:						
– Experience gains	**26.7**	88.8	**0.7**	4.5	**27.4**	93.3
Contributions by employer	**6.5**	13.9	**1.1**	1.0	**7.6**	14.9
Contributions by employees	**–**	0.3	**–**	–	**–**	0.3
Benefits paid	**(35.5)**	(34.5)	**(4.8)**	(5.8)	**(40.3)**	(40.3)
Plan settlements	**–**	–	**(0.3)**	(1.1)	**(0.3)**	(1.1)
Effect of foreign exchange rate changes	**–**	–	**–**	(0.9)	**–**	(0.9)
At 31 December	**980.5**	971.8	**38.1**	41.2	**1,018.6**	1,013.0

At the end of the reporting period, the percentages of the plan assets by category were as follows:

	United Kingdom		Overseas		Total	
	2021	2020	**2021**	2020	**2021**	2020
Equities (quoted)	**1.9%**	6.1%	**52.5%**	49.8%	**3.8%**	7.9%
Equities (unquoted)	**–**	–	**–**	–	**–**	–
Corporate bonds (quoted)	**–**	–	**39.6%**	40.8%	**1.5%**	1.7%
Investment funds (quoted)	**–**	–	**–**	–	**–**	–
Government bonds	**–**	–	**0.3%**	1.0%	**–**	–
Investment funds (unquoted)	**63.1%**	58.1%	**–**	–	**60.8%**	55.7%
Other (quoted)	**–**	–	**6.0%**	2.2%	**0.2%**	0.1%
Other (unquoted)	**35.0%**	35.8%	**1.6%**	6.2%	**33.7%**	34.6%
	100%	100%	**100%**	100%	**100%**	100%

The investments shown as quoted equities and bonds are held through funds where the underlying investments of the fund are quoted. Investment funds and other assets include equities, bonds, property, derivatives and liability driven investments. Virtually all the equities and bonds held within the investment funds have prices in active markets. Derivatives, property and liability driven investments can be classified as level 2 instruments.

The schemes had no directly held employer related investment during the reporting period. The schemes' investment managers may potentially hold a small investment in Inchcape plc either through index weightings or stock selection (less than 0.5% of their respective fund values).

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

The following disclosures relate to the Group's defined benefit plans only.

e. Risk management

Asset volatility

Scheme liabilities are calculated on a discounted basis using a discount rate which is set with reference to corporate bond yields. If scheme assets underperform this yield, then this will create a deficit. The combined schemes hold assets as defensive assets (liability driven investment solutions, absolute return bonds and annuity policies) which mitigate significant changes in yields, and active monitoring plans are in place to identify opportunities to increase the proportion of such assets further when economically possible.

As the schemes mature, the Trustee reduces investment risk by increasing the allocation to defensive assets, which are designed to better match scheme liabilities. However, the Trustee believes that due to the long-term nature of the scheme liabilities, a level of continuing growth asset investment is an appropriate element of the long-term investment strategy.

Inflation risk

The majority of the Group's defined benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in the majority of cases there are caps on the level of inflationary increases to be applied to pension obligations. The Group's investment strategy across the schemes is to mitigate inflation risk through holding inflation-linked assets.

Life expectancy

Where relevant, the plans' obligations are to provide a pension for the life of the member, so realised increases in life expectancy will result in an increase in the plans' benefit payments. Future mortality rates cannot be predicted with certainty. All of the schemes conduct scheme-specific mortality investigations annually, to ensure the Group has a clear understanding of any potential increase in liability due to pensioners living for longer than assumed.

f. Sensitivity analysis

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in the assumptions used for the UK schemes. Changes in assumptions have an immaterial effect on the overseas schemes.

Impact on the defined benefit obligation

	United Kingdom	
	2021 £m	2020 £m
Discount rate -0.25% (2020 – -0.5%)	**+38.5**	+87.5
Discount rate +0.25% (2020 – +0.5%)	**-35.9**	-77.1
RPI Inflation -0.25%	**-12.0**	-12.1
RPI Inflation +0.25%	**+9.8**	+12.6
CPI Inflation -0.25%	**-10.5**	-10.4
CPI Inflation +0.25%	**+10.3**	+11.0
Life expectancy + 1 year	**+46.9**	+43.0

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above variances have been used as they are believed to be reasonably possible fluctuations.

g. Expected future cash flows

The Group paid approximately £6.5m to its UK defined benefit plans in 2021 under the prevailing Schedules of Contributions (following the 5 April 2019 actuarial valuations for the Motors, Group, Cash+ and Normand sections of the Inchcape Motors Pension Scheme and 31 March 2018 valuation for the Inchcape Overseas Pension Scheme). From 1 January 2021 (following the closure of the Cash+ section to future benefit accrual on 31 December 2020) the Group pays ongoing employer pension contributions into the Inchcape Retirement Savings Plan (a defined contribution plan).

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 17 years for the UK schemes.

6 FINANCE INCOME

	2021 £m	2020 £m
Bank and other interest receivable	**11.5**	11.6
Net interest income on post-retirement plan assets and liabilities	**0.3**	0.4
Sub-lease finance income	**0.6**	0.5
Other finance income	**0.1**	1.9
Total finance income	**12.5**	14.4

7 FINANCE COSTS

	2021 £m	2020 £m
Interest payable on bank borrowings	**7.8**	6.5
Interest payable on Private Placement	**6.3**	6.6
Finance costs on lease liabilities	**10.6**	13.9
Stock holding interest (see note 21)	**14.1**	18.5
Other finance costs	**5.8**	5.5
Total finance costs	**44.6**	51.0

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2020 – 2.0%).

8 TAX

	2021 £m	2020 (restated)[1] £m
Current tax:		
– UK corporation tax	**0.1**	(0.7)
– Overseas tax	**83.0**	47.9
	83.1	47.2
Adjustments to prior year liabilities:		
– UK	**–**	(4.8)
– Overseas	**(4.8)**	(2.7)
Current tax	**78.3**	39.7
Deferred tax (see note 17)	**(5.4)**	(30.2)
Total tax charge	**72.9**	9.5
The total tax charge is analysed as follows:		
– Tax charge on profit before exceptional items	**71.6**	33.7
– Tax charge/(credit) on exceptional items	**1.3**	(24.2)
Total tax charge	**72.9**	9.5

1. See note 35.

Details of the exceptional items for the year can be found in note 2. Not all of the exceptional items will be taxable/allowable for tax purposes. Therefore, the tax charge on exceptional items represents the total of the current and deferred tax on only those elements that are assessed as taxable/allowable.

Factors affecting the tax expense for the year

The effective tax rate for the year after exceptional items is 37.4% (2020 – -7.3% restated). The effective tax rate before the impact of exceptional items is 24.2% (2020 – 26.4% restated). The weighted average tax rate is 25.4% (2020 – 25.8% restated). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

During the period, there was a net loss generated by the legal entities within the UK tax group. Given current forecasts, no net deferred tax asset is recognised for the losses within the UK and this results in a higher overall tax expense than expected.

In addition, tax audits in several overseas markets were successfully closed and so provisions in respect of these audits have been released to offset the final assessed tax. The net result is a credit to the current tax charge, thus reducing the tax expense for the period.

8 **TAX** CONTINUED

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

	2021 £m	2020 (restated)[1] £m
Profit/(loss) before tax	**194.8**	(129.6)
Profit/(loss) before tax multiplied by the weighted average tax rate of 25.4% (2020 – 25.8%)	**49.5**	(33.4)
– Permanent differences	**9.0**	8.1
– Non-taxable income	**(3.0)**	(2.4)
– Prior year items	**(0.8)**	(5.1)
– Derecognition/(recognition) of deferred tax assets	**7.9**	27.6
– Tax audits and settlements	**(3.3)**	(4.8)
– Taxes on undistributed earnings	**1.6**	1.6
– Other items (including tax rate differentials and changes)	**(0.6)**	(0.6)
– Goodwill impairment (see note 11)	**3.8**	20.5
– Acquisition and disposals of businesses	**8.9**	(1.8)
– Other asset write-offs and impairment (see notes 11, 12 and 13)	**(0.1)**	(0.2)
Total tax charge	**72.9**	9.5

1. See note 35.

Factors affecting the tax expense of future years

The Group's future tax expense, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, changes in tax laws or tax rates, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact the Group's future tax expense.

The utilisation of brought forward tax losses or the recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, the Group's future tax expense and effective tax rate could be affected. Information about the Group's tax losses and deferred tax assets can be found in note 17.

The Group has published its approach to tax on www.inchcape.com covering its tax strategy and governance framework.

9 EARNINGS PER SHARE

	2021 £m	2020 (restated)[1] £m
Profit/(loss) for the year	**121.9**	(139.1)
Non-controlling interests	**(4.9)**	(2.9)
Basic earnings/(loss)	**117.0**	(142.0)
Exceptional items	**102.5**	232.9
Adjusted earnings	**219.5**	90.9
Basic earnings/(loss) per share	**30.0p**	(36.0)p
Diluted earnings/(loss) per share	**29.6p**	(36.0)p
Basic Adjusted earnings per share	**56.2p**	23.1p
Diluted Adjusted earnings per share	**55.6p**	22.9p

	2021 number	2020 number
Weighted average number of fully paid ordinary shares in issue during the year	**391,136,363**	394,448,982
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(553,006)**	(535,394)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**390,583,357**	393,913,588
Dilutive effect of potential ordinary shares	**4,506,362**	2,616,104
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**395,089,719**	396,529,692

1. See note 35.

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

Diluted earnings/(loss) per share is calculated on the same basis as Basic earnings/(loss) 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 providing an additional performance measure of the Group. Basic Adjusted earnings per share is calculated by dividing the Adjusted earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the Inchcape Employee Trust 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.

Information presented for diluted and diluted adjusted earnings per ordinary share uses the weighted average number of shares as adjusted for potentially dilutive ordinary shares as the denominator, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

10 DIVIDENDS

The following dividends were paid by the Group:

	2021 £m	2020 £m
Interim dividend for the six months ended 30 June 2021 of 6.4p per share (30 June 2020 of nil per share)	**25.1**	–
Final dividend for the year ended 31 December 2020 of 6.9p per share (31 December 2019 of nil per share)	**27.1**	–
	52.2	–

A final proposed dividend for the year ended 31 December 2021 of 16.1p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2021.

The Group has sufficient distributable reserves to pay dividends to its ultimate shareholders. Distributable reserves are calculated on an individual legal entity basis and the ultimate parent company, Inchcape plc, currently has adequate levels of realised profits within its retained earnings to support dividend payments. At 31 December 2021, Inchcape plc's company-only distributable reserves were £308.4m. On an annual basis, the distributable reserve levels of the Group's subsidiary undertakings are reviewed and dividends paid up to Inchcape plc where it is appropriate to do so.

11 INTANGIBLE ASSETS

	Goodwill £m	Distribution agreements £m	Computer software £m	Total £m
Cost				
At 1 January 2020	594.1	261.1	232.0	1,087.2
Adjustment for IFRIC ("SaaS")	–	–	(28.5)	(28.5)
At 1 January 2020 (restated)[1]	594.1	261.1	203.5	1,058.7
Businesses acquired	1.2	14.2	(0.1)	15.3
Additions	–	–	14.9	14.9
Disposals	–	–	(2.0)	(2.0)
Reclassifications	–	–	1.9	1.9
Reclassified to assets held for sale	–	–	(0.4)	(0.4)
Effect of foreign exchange rate changes	(17.8)	2.1	(0.9)	(16.6)
At 1 January 2021	**577.5**	**277.4**	**216.9**	**1,071.8**
Businesses acquired (see note 29)	**17.7**	**3.8**	**-**	**21.5**
Business sold	**(30.6)**	**-**	**(4.1)**	**(34.7)**
Additions	**-**	**-**	**15.8**	**15.8**
Disposals	**-**	**-**	**(2.5)**	**(2.5)**
Reclassifications	**-**	**-**	**(2.9)**	**(2.9)**
Retirements	**-**	**-**	**(2.2)**	**(2.2)**
Effect of foreign exchange rate changes	**(12.5)**	**(24.2)**	**(4.4)**	**(41.1)**
At 31 December 2021	**552.1**	**257.0**	**216.6**	**1,025.7**
Accumulated amortisation and impairment				
At 1 January 2020	(378.4)	–	(130.9)	(509.3)
Adjustment for IFRIC ("SaaS")	–	–	5.0	5.0
At 1 January 2020 (restated)[1]	(378.4)	–	(125.9)	(504.3)
Amortisation charge for the year	–	–	(14.6)	(14.6)
Impairment charge for the year	(97.5)	(31.2)	(17.8)	(146.5)
Disposals	–	–	1.4	1.4
Reclassifications	–	–	(1.8)	(1.8)
Reclassified to assets held for sale	–	–	0.3	0.3
Effect of foreign exchange rate changes	17.4	0.4	1.7	19.5
At 1 January 2021	**(458.5)**	**(30.8)**	**(156.7)**	**(646.0)**
Amortisation charge for the year (note 2)	**-**	**-**	**(33.0)**	**(33.0)**
Impairment (charge)/reversal for the year	**(12.9)**	**12.9**	**(0.2)**	**(0.2)**
Business sold	**30.6**	**-**	**4.1**	**34.7**
Disposals	**-**	**-**	**2.4**	**2.4**
Reclassifications	**-**	**-**	**0.4**	**0.4**
Retirements	**-**	**-**	**2.2**	**2.2**
Effect of foreign exchange rate changes	**5.0**	**(0.1)**	**3.0**	**7.9**
At 31 December 2021	**(435.8)**	**(18.0)**	**(177.8)**	**(631.6)**
Net book value at 31 December 2021	**116.3**	**239.0**	**38.8**	**394.1**
Net book value at 31 December 2020	119.0	246.6	60.2	425.8

1. See note 35.

Asset impairments total £0.2m (2020 – £146.5m which arose due to the impact of Covid-19 and subsequent temporary closure of operations across the Group's many markets are included within exceptional items in note 2). Further details on the impairment of computer software are disclosed in note 12.

At 31 December 2021, assets under construction total £17.5m (2020 – £26.9m).

11 INTANGIBLE ASSETS CONTINUED

Goodwill and distribution agreements

Goodwill acquired in a business combination has been allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination.

Indefinite-life intangible assets, principally distribution agreements acquired in a business combination, are also allocated to the CGUs or CGU groups that are expected to benefit from the cash flows associated with the relevant agreements.

These CGUs or CGU groups represent the lowest level within the Group at which the associated goodwill or indefinite-life intangible asset is monitored for management purposes. The carrying amount of goodwill and indefinite-life intangible assets has been allocated to CGU groups within the following reporting segments:

Reporting segment	CGU group	**Goodwill 2021 £m**	**Distribution agreements 2021 £m**	**Total 2021 £m**	Goodwill 2020 £m	Distribution agreements 2020 £m	Total 2020 £m
UK & Europe Distribution	Baltics – BMW	**5.8**	**27.2**	**33.0**	6.2	28.9	35.1
Americas & Africa Distribution	Americas – Daimler	**5.8**	**29.7**	**35.5**	4.4	27.7	32.1
	Americas – Hino/Subaru	**39.8**	**116.3**	**156.1**	47.2	137.8	185.0
	Americas – Suzuki	**24.8**	**65.8**	**90.6**	37.6	52.2	89.8
	Kenya	**1.1**	**–**	**1.1**	1.1	–	1.1
APAC Distribution	Singapore	**22.3**	**–**	**22.3**	22.5	–	22.5
	Guam	**16.7**	**–**	**16.7**	–	–	–
		116.3	**239.0**	**355.3**	119.0	246.6	365.6

In accordance with the Group's accounting policy, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests were performed for all CGU groups during the year ended 31 December 2021.

The recoverable amounts of all CGU groups were determined based on the higher of the fair value less costs to sell and value in use calculations. The recoverable amount is determined firstly through value in use calculations. Where this is insufficient to cover the carrying value of the relevant asset being tested, fair value less costs to sell is also determined.

If the carrying amount of a CGU or CGU group exceeds its recoverable amount, an impairment loss is recognised and allocated between the assets of the unit to reduce the carrying amount. This allocation is initially applied to any site-based assets within a CGU based on the results of impairment testing performed over individual site CGUs and then to any indefinite-life intangible assets. If a further impairment charge still remains, then to the carrying amount of any goodwill allocated to the CGU or CGU group.

The value in use calculations mainly use cash flow projections based on five-year financial projections prepared by management. The key assumptions for these projections are those relating to volumes, revenue, gross margins, overheads, the level of working capital required to support trading and capital expenditure.

Forecast revenue is based on past experience and expectations for near-term growth in the relevant markets. Key assumptions used to determine revenue are expectations of market size, represented by Total Industry Volume ("TIV"), Units in Operation ("UIO") and market share. Operating profits are forecast based on historical experience of gross and operating margins, adjusted for the impact of changes to product mix and cost-saving initiatives that had been implemented at the reporting date. Cash flows are forecast based on operating profit adjusted for the level of working capital required to support trading and capital expenditure.

The assumptions used in the value in use calculations are based on past experience, recent trading and forecasts of operational performance in the relevant markets including the impact of Covid-19 and the UK trading arrangements with the European Union and expectations about continuing relationships with key brand partners. The calculations also incorporate the expected impact of climate change. As set out on in the Task Force on Climate-Related Financial Disclosures section ("TCFD"), commencing on page 40, several climate-related risks have been identified and assessed as to their relevance and potential impact on the Group. Transition risks, as outlined by the TCFD, are considered to be of greater risk in the medium to long-term, particularly in those markets where the Group acts as a distributor and the potential future actions of an OEM partner are not aligned with that of the market.

An estimate of the impact of the transition to electric vehicles across our CGUs has been factored into the testing performed. Using key data inputs available such as electric vehicle penetration forecasts and market maturity for such vehicles in the markets in which we operate. These possible impacts are reflected in the impairment models through adjustments to both market share and aftersales margin. Considering climate change is not expected to have a significant impact on short-term forecasts, these adjustments have been applied to the outer years in the impairment models. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which we operate, the forecasts reflect our best estimate.

11 INTANGIBLE ASSETS CONTINUED

For CGU groups in the Americas & Africa reporting segment, cash flows after the five-year period are extrapolated for a further five years using declining growth rates which reduces the year five growth rate down to the long-term growth rate appropriate for each CGU or CGU group, to better reflect the medium-term growth expectations for those markets. A terminal value calculation is used to estimate the cash flows after year 10 using these long-term growth rates. For all other markets, a terminal value calculation is used to estimate the cash flows after year five.

Cash flows are discounted back to present value using a discount rate specific to each CGU. The discount rates used are calculated using the capital asset pricing model to derive a cost of equity which is then weighted with an estimated cost of debt and lease liabilities based on an optimal market gearing structure. The Group uses several inputs to calculate a range for each discount rate from which an absolute measure is determined for use in the value in use calculations. Key inputs include benchmark risk free rates, inflation differentials, equity risk premium, country risk premium and a risk adjustment (beta) calculated by reference to comparable companies with similar retail and distribution operations. Each CGU's weighted average cost of capital is then adjusted to reflect the impact of tax in order to calculate an equivalent pre-tax discount rate.

Key assumptions used

Pre-tax discount rates and long-term discount rates used in the value in use calculations for each of the Group's CGUs are shown below:

Goodwill:

2021	**UK Retail**	**Baltics**	**Americas – Daimler**	**Americas – Hino/Subaru**	**Americas – Suzuki**	**Kenya**	**Singapore**	**Australia Retail**	**Peugeot Citroën Australia**
Pre-tax discount rate (%)	**–**	**6.9**	**12.9**	**10.6**	**11.7**	**14.7**	**6.8**	**–**	**–**
Long-term growth rate (%)	**–**	**2.1**	**2.3**	**2.9**	**2.5**	**5.1**	**1.5**	**–**	**–**

2020	UK Retail	Baltics	Americas – Daimler	Americas – Subaru/Hino	Americas – Suzuki	Kenya	Singapore	Australia Retail	Peugeot Citroën Australia
Pre-tax discount rate (%)	7.8	6.4	12.8	9.8	12.2	13.5	7.2	10.3	10.3
Long-term growth rate (%)	2.0	2.1	2.7	2.7	2.6	5.0	1.5	2.0	2.0

Indefinite-life intangible assets:

2021	**Baltics – BMW**	**Americas – Daimler**	**Americas – Hino**	**Americas – Subaru**	**Americas – Suzuki**
Pre-tax discount rate (%)	**6.9**	**12.9**	**11.9**	**11.0**	**11.7**
Long-term growth rate (%)	**2.1**	**2.3**	**3.1**	**3.1**	**2.5**

2020	Baltics – BMW	Americas – Daimler	Americas – Hino	Americas – Subaru	Americas – Suzuki
Pre-tax discount rate (%)	6.3	12.8	12.1	9.7	12.2
Long-term growth rate (%)	2.1	2.7	2.9	2.7	2.6

Impairment

Americas – Suzuki

In 2020, the region was heavily affected by the impact of Covid-19, the resulting financial forecasts triggering an impairment charge of £6.2m against goodwill and £31.2m against the Suzuki distribution agreement.

In 2021, trading momentum has been above management expectations with revenue tracking above 2020 levels and profitability exceeding original projections as the region recovered from the pandemic. Based on the impairment assessment carried out, forecast assumptions continue to expect the business to grow and improve its profitability over the next five years. The forecasts applied in the model considered the historical performance achieved by the business, the expected short-term impact of the semi-conductor chip shortage affecting the global automotive industry and the potential impact of climate change on the market.

The impairment models for the Americas – Suzuki CGU have two contrasting outcomes. The assessment performed over the Suzuki distribution agreement indicates an amount of headroom of £12.9m and therefore a partial reversal of the charge taken in 2020 is required. Conversely, the goodwill model indicates a further impairment of goodwill is required of £12.9m. This re-classification of impairment charges/reversals on the balance sheet is due to the forecast performance of the Suzuki brand in the market relative to the other brands represented which form only a small component of the CGU.

The recoverable value of the CGU was determined based on value-in-use calculations, consistent with the approach used as at 31 December 2020. Cash flows were discounted back to present value using a pre-tax discount rate of 11.7% (2020 – 12.2%) and resulted in the impairment of the goodwill balance of £12.9m and a partial reversal of the impairment of the distribution agreement recognised in 2020 of £12.9m.

11 INTANGIBLE ASSETS CONTINUED

As at 31 December 2021, the recoverable amount of the CGU was £117.6m. The cash flows used within the impairment models are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management have performed sensitivity analysis on the key assumptions in the indefinite-life intangible asset impairment model using reasonably possible changes in these key assumptions.

	Increase/ (decrease) in assumption	Impairment charge £m	Impairment credit £m
Revenue CAGR (%)	**(1.0%)/1.0%**	**(17.5)**	**20.3**
Pre-tax discount rate (%)	**1.0%/(1.0%)**	**(14.3)**	**18.6**
Average gross margin (%)	**(0.5%)/0.5%**	**(9.1)**	**9.1**
Long-term growth rate (%)	**(0.5%)/0.5%**	**(5.3)**	**7.1**

Other CGUs

The Group's value in use calculations are sensitive to a change in the key assumptions used. However, a reasonably possible change in a key assumption will not cause a material impairment of goodwill or indefinite-life intangible assets in any of the CGU groups.

Prior year impairments

UK Retail

In 2020, the UK Retail business was materially impacted by the Covid-19 pandemic with sites closed at the end of March and only reopening again in June. The Group continued to reshape its Retail footprint through further disposals against a backdrop of an uncertain outlook and forecasts for the business were updated for the goodwill impairment assessment carried out in the period to 30 June 2020. The cash flows used for impairment testing were based on the latest short-term forecasts for the business, covering a two-year period, and took into account historical performance and knowledge of the current market, including the expected volume and gross margin impact from Covid-19. Cash flows beyond the forecast initial period were extrapolated using externally sourced volume projections. Margin assumptions were largely aligned to the prior year impairment exercise and our expectation of future performance, again supported by historical performance and current market data available.

Cash flows were discounted back to present value using a pre-tax risk discount rate of 7.8%. The results of the impairment review carried out indicated that the estimated recoverable value was now less than the carrying value of the assets attributable to the UK Retail CGU group and an impairment charge of £80.2m was recognised, fully impairing the remaining goodwill attributable to the UK Retail CGU group.

Australia Retail and Peugeot Citroën Australia

In 2020, the impact of Covid-19 on the Australian economy was severe and the country entered its first recession in 29 years in the period. The Retail business, having undertaken significant restructuring through the disposal of selective Retail operations that completed in February 2020, had expected to see an improvement in performance in 2020. The Peugeot Citroën Distribution business was initially expected to deliver an improvement in performance in 2020 in light of recent changes to operations within the country. However, the impact of Covid-19 materially affected both businesses, with a decline in performance expected over the forecast period, due to a reduction in new car sales leading to a decline in the car parc which, in turn, impacts higher margin aftersales.

The recoverable value of the two CGUs was determined based on value-in-use calculations. Cash flows were discounted back to present value using a pre-tax discount rate of 10.3% and resulted in the full impairment of the goodwill balance of £11.1m attributable to these two CGUs.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2020	763.2	265.1	1,028.3	39.4	1,067.7
Businesses acquired	0.3	(0.2)	0.1	(0.1)	–
Businesses sold	(29.8)	(5.3)	(35.1)	–	(35.1)
Additions	13.9	13.6	27.5	3.1	30.6
Disposals	(5.5)	(18.8)	(24.3)	–	(24.3)
Reclassifications	(0.4)	(1.4)	(1.8)	(0.1)	(1.9)
Transferred to/from inventory	–	4.4	4.4	(22.7)	(18.3)
Retirement of fully depreciated assets	–	(1.0)	(1.0)	–	(1.0)
Reclassified to assets held for sale	(0.6)	(4.2)	(4.8)	–	(4.8)
Effect of foreign exchange rate changes	(19.7)	(4.7)	(24.4)	(0.2)	(24.6)
At 1 January 2021	**721.4**	**247.5**	**968.9**	**19.4**	**988.3**
Businesses acquired (see note 29)	**-**	**0.5**	**0.5**	**5.4**	**5.9**
Businesses sold (see note 29)	**(15.8)**	**(3.2)**	**(19.0)**	**-**	**(19.0)**
Additions	**24.9**	**24.5**	**49.4**	**3.9**	**53.3**
Disposals	**(30.3)**	**(8.6)**	**(38.9)**	**-**	**(38.9)**
Reclassifications	**-**	**2.9**	**2.9**	**-**	**2.9**
Transferred to/from inventory	**-**	**(0.4)**	**(0.4)**	**(6.6)**	**(7.0)**
Retirement of fully depreciated assets	**(6.0)**	**(1.2)**	**(7.2)**	**-**	**(7.2)**
Reclassified to/from assets held for sale	**(1.4)**	**(0.4)**	**(1.8)**	**-**	**(1.8)**
Effect of foreign exchange rate changes	**(17.7)**	**(7.5)**	**(25.2)**	**0.2**	**(25.0)**
At 31 December 2021	**675.1**	**254.1**	**929.2**	**22.3**	**951.5**
Accumulated depreciation and impairment					
At 1 January 2020	(174.4)	(187.1)	(361.5)	(11.1)	(372.6)
Businesses sold	0.6	1.8	2.4	–	2.4
Depreciation charge for the year	(20.1)	(15.8)	(35.9)	(4.1)	(40.0)
Impairment charge for the year	(33.1)	(9.6)	(42.7)	–	(42.7)
Disposals	2.4	14.3	16.7	–	16.7
Reclassifications	–	1.7	1.7	0.1	1.8
Transferred to/from inventory	–	(2.4)	(2.4)	7.9	5.5
Retirement of fully depreciated assets	–	1.0	1.0	–	1.0
Reclassified to assets held for sale	–	3.5	3.5	–	3.5
Effect of foreign exchange rate changes	3.1	2.8	5.9	–	5.9
At 1 January 2021	**(221.5)**	**(189.8)**	**(411.3)**	**(7.2)**	**(418.5)**
Businesses sold (see note 29)	**4.7**	**1.7**	**6.4**	**-**	**6.4**
Depreciation charge for the year	**(12.4)**	**(17.6)**	**(30.0)**	**(2.5)**	**(32.5)**
Impairment reversal for the year	**1.9**	**-**	**1.9**	**-**	**1.9**
Disposals	**11.5**	**8.1**	**19.6**	**-**	**19.6**
Reclassifications	**-**	**(0.4)**	**(0.4)**	**-**	**(0.4)**
Transferred to/from inventory	**-**	**0.2**	**0.2**	**2.5**	**2.7**
Retirement of fully depreciated assets	**6.0**	**1.2**	**7.2**	**-**	**7.2**
Reclassified to/from assets held for sale	**(0.1)**	**-**	**(0.1)**	**-**	**(0.1)**
Effect of foreign exchange rate changes	**5.6**	**4.8**	**10.4**	**(0.2)**	**10.2**
At 31 December 2021	**(204.3)**	**(191.8)**	**(396.1)**	**(7.4)**	**(403.5)**
Net book value at 31 December 2021	**470.8**	**62.3**	**533.1**	**14.9**	**548.0**
Net book value at 31 December 2020	499.9	57.7	557.6	12.2	569.8

Included within the asset net impairment reversal of £1.9m is an impairment reversal of £2.9m and an impairment charge of £1.0m. The impairment reversal primarily arose in the UK where, based on the recovery of site-based assets after the impact of Covid-19, the calculated recoverable amount exceeded the impaired carrying value for several sites. (2020, £42.7m charge which arose due to the impact of Covid-19 and subsequent temporary closure of operations across the Group's many markets), The impairment reversal has been reported as an exceptional item (see note 2).

12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

The book value of land and buildings is analysed between:

	2021 £m	2020 £m
Freehold	**325.7**	376.0
Leasehold with over 50 years unexpired	**41.6**	18.9
Short leasehold	**103.5**	105.0
	470.8	499.9

Land and buildings include properties with a net book value of £4.3m (2020 – £6.1m) that are let to third parties on a short-term basis.

Borrowing costs of £nil were capitalised during the year (2020 – nil).

Impairment of computer software, property, plant and equipment and right-of-use assets

Computer software, property, plant and equipment and right-of-use assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on the higher of value in use calculations, which require estimates to be made of future cash flows, or fair value less costs of disposal.

In light of the ongoing uncertainty due to the Covid-19 pandemic, the risk of impairment remains elevated for the Group. As a result, based on the Impairment reviews carried out across the Group, impairment triggers were identified in a limited number of markets and tests for impairment were carried out, where appropriate. As part of the assessment, the Group also assessed whether there was any indication that previously recognised impairment losses for an asset no longer exists or may have decreased which would result in an impairment reversal being recognised.

The approach to test computer software, property, plant and equipment and right-of-use assets for impairment was consistent with the approach used to test goodwill and other indefinite-life intangible assets. The value in use calculations use cash flow projections based on five-year financial forecasts prepared by management. The key assumptions for these forecasts are those relating to volumes, revenue, gross margins, overheads, the level of working capital required to support trading and capital expenditure. Where the value in use calculations did not support the carrying value of an asset, an estimate for fair value less costs of disposal was determined by obtaining property valuations for the relevant locations.

The results of the testing indicated that net impairment reversals totalling £0.6m were required against site and other assets, principally in relation to Retail businesses in the UK (2020 – UK, Australia and Russia).

	2021 £m	2020 £m
Computer software	**0.2**	17.8
Property, plant and equipment	**(1.9)**	42.7
Right-of-use assets	**1.1**	33.0
At 31 December	**(0.6)**	93.5

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases various retail dealerships, distribution and office properties, primarily in the UK, Australia, Hong Kong, South America and Russia. Rental contracts are typically made for fixed periods of 2 to 25 years but may have extension options as described in the accounting policies note. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

a. Amounts recognised on the balance sheet

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2020	566.0	5.5	571.5
Businesses acquired	1.1	–	1.1
Additions	21.8	0.8	22.6
Lease payments at or before commencement date	0.3	–	0.3
Derecognition	(20.1)	(2.0)	(22.1)
Transferred to assets held for sale	(4.1)	–	(4.1)
Remeasurement	15.2	–	15.2
Effect of foreign exchange rate changes	2.1	–	2.1
At 1 January 2021	**582.3**	**4.3**	**586.6**
Businesses acquired (see note 29)	**1.9**	**-**	**1.9**
Business sold	**(9.7)**	**-**	**(9.7)**
Additions	**41.4**	**0.9**	**42.3**
Lease payments at or before commencement date	**2.4**	**-**	**2.4**
Derecognition	**(31.9)**	**(2.5)**	**(34.4)**
Remeasurement	**27.7**	**-**	**27.7**
Effect of foreign exchange rate changes	**(17.9)**	**(0.3)**	**(18.2)**
At 31 December 2021	**596.2**	**2.4**	**598.6**
Accumulated depreciation and impairment			
At 1 January 2020	(254.6)	(3.6)	(258.2)
Depreciation charge for the year	(53.1)	(1.1)	(54.2)
Derecognition	15.3	2.0	17.3
Impairment charge for the year	(33.3)	–	(33.3)
Transferred to assets held for sale	2.1	–	2.1
Effect of foreign exchange rate changes	(2.9)	(0.1)	(3.0)
At 1 January 2021	**(326.5)**	**(2.8)**	**(329.3)**
Business sold	**0.1**	**-**	**0.1**
Depreciation charge for the year	**(48.5)**	**(1.4)**	**(49.9)**
Derecognition	**30.3**	**2.5**	**32.8**
Impairment charge for the year	**(1.1)**	**-**	**(1.1)**
Effect of foreign exchange rate changes	**10.0**	**0.2**	**10.2**
At 31 December 2021	**(335.7)**	**(1.5)**	**(337.2)**
Net book value at 31 December 2021	**260.5**	**0.9**	**261.4**
Net book value at 31 December 2020	255.8	1.5	257.3

Asset impairments total £1.1m (2020 – £33.3m, of which £33.0m arose due to the impact of Covid-19 and subsequent temporary closure of operations across the Group's many markets and are included within exceptional items in note 2). Further details on the impairment of right-of-use assets are disclosed in note 12.

Remeasurements of £27.7m were made to leases during the year, primarily in Northern Europe and APAC, due to either a change in the lease term or a change in an index or rate applicable to the underlying lease (2020 – £15.2m, primarily in the UK).

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

	2021 £m	2020 £m
Lease liabilities		
Current	**56.5**	58.5
Non-current	**267.6**	274.3
At 31 December	**324.1**	332.8

b. Amounts recognised in the consolidated income statement

	2021 £m	2020 £m
Depreciation of right-of-use assets	**49.9**	54.2
Impairment of right-of-use assets	**1.1**	33.3
Finance costs on lease liabilities (included in finance costs)	**10.6**	13.9
Operating lease rentals – short-term leases	**3.7**	3.3
Operating lease rentals – variable lease payments	**0.8**	2.2
Rent concessions recognised	**(0.3)**	(1.1)
Sub-lease finance income (included in finance income)	**(0.6)**	(0.5)
Sub-lease income from right-of-use assets	**(1.0)**	(0.7)

c. Amounts recognised in the consolidated statement of cash flows

	2021 £m	2020 £m
Lease interest paid	**10.5**	14.2
Payment of capital element of lease liabilities	**59.3**	57.4

14 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Details of the interests held by the Group in joint ventures and associates can be found in note 14 to the Inchcape plc Company financial statements on pages 198 to 205.

Amounts recognised in the statement of financial position in respect of joint ventures and associates are as follows:

	2021 £m	2020 £m
At 1 January	**2.4**	4.3
Additions	**2.6**	–
Disposals	**-**	(2.0)
Effect of foreign exchange rate changes	**(0.1)**	0.1
At 31 December	**4.9**	2.4

Net assets of joint ventures and associates

	2021 £m	2020 £m
Current assets	**23.0**	5.3
Total assets	**23.0**	5.3
Current liabilities	**(13.2)**	(0.4)
Total liabilities	**(13.2)**	(0.4)
Net assets	**9.8**	4.9

Results of joint ventures and associates

	2021 £m	2020 £m
Revenue	**0.1**	–
Expenses	**(0.3)**	–
Loss before tax	**(0.2)**	–
Tax	**0.1**	(0.1)
Loss after tax of joint ventures and associates	**(0.1)**	(0.1)

Summarised financial information of joint ventures and associates

	2021 £m	2020 £m
Opening net assets at 1 January	**4.9**	8.7
Loss for the year	**(0.1)**	(0.1)
Additions	**5.3**	–
Disposals	**-**	(4.0)
Other comprehensive (loss)/income for the year	**(0.3)**	0.3
Closing net assets at 31 December	**9.8**	4.9
Carrying value of interest in joint ventures and associates	**4.9**	2.4

During the year, the Group invested £2.6m in Inchcape Financial Services Australia Pty Ltd, a captive finance company.

As at 31 December 2021, no guarantees were provided in respect of joint ventures and associates' borrowings (2020 – £nil).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 £m	2020 £m
At 1 January	**3.8**	7.1
Gains/(losses) recognised in other comprehensive income	**1.6**	(2.7)
Effect of foreign exchange rate changes	**(0.4)**	(0.6)
At 31 December	**5.0**	3.8

Analysed as:

	2021 £m	2020 £m
Current	**0.2**	0.2
Non-current	**4.8**	3.6
	5.0	3.8

Assets held are analysed as follows:

	2021 £m	2020 £m
Equity securities	**4.8**	3.6
Other	**0.2**	0.2
	5.0	3.8

'Equity securities' includes a 15% equity interest in Hino Motors Manufacturing Company SAS.

'Other' includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

16 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade receivables	**194.7**	208.0	**11.5**	10.8
Less: allowance for expected credit losses	**(11.6)**	(10.4)	**–**	–
Net trade receivables	**183.1**	197.6	**11.5**	10.8
Prepayments	**55.6**	54.4	**8.0**	8.0
Accrued income	**29.6**	41.1	**0.9**	1.2
Other taxation and social security	**8.4**	10.2	**–**	–
Other receivables	**47.4**	66.3	**25.0**	29.2
	324.1	369.6	**45.4**	49.2

Other receivables includes buyback and indemnity assets, interest, sublease and other receivables.

Trade receivables representing amounts due from customers, including finance houses, OEMs, third-party dealers and insurance companies are split by geographical location as follows:

	2021 £m	2020 £m
UK & Europe	**89.8**	105.8
APAC	**62.3**	48.9
Americas & Africa	**54.1**	64.1
	206.2	218.8
Less: allowance for expected credit losses	**(11.6)**	(10.4)
	194.6	208.4

16 TRADE AND OTHER RECEIVABLES CONTINUED

At 31 December, the analysis of trade receivables is as follows:

2021	Total £m	Current £m	0 - 30 days £m	30 - 90 days £m	> 90 days £m
Gross trade receivables	**206.2**	**102.0**	**48.0**	**19.8**	**36.4**
Expected credit loss allowance	**(11.6)**	**(0.2)**	**(0.3)**	**(0.5)**	**(10.6)**
Net carrying amount	**194.6**	**101.8**	**47.7**	**19.3**	**25.8**

2020	Total £m	Current £m	0 – 30 days £m	30 – 90 days £m	> 90 days £m
Gross trade receivables	218.8	118.4	43.6	20.8	36.0
Expected credit loss allowance	(10.4)	(0.1)	(0.4)	(0.8)	(9.1)
Net carrying amount	208.4	118.3	43.2	20.0	26.9

Movements in the allowance for expected credit losses were as follows:

	2021 £m	2020 £m
At 1 January	**(10.4)**	(8.7)
Charge for the year	**(2.6)**	(2.8)
Amounts written off	**0.4**	0.6
Business sold	**0.1**	–
Unused amounts reversed	**0.2**	0.4
Effect of foreign exchange rate changes	**0.7**	0.1
At 31 December	**(11.6)**	(10.4)

The expected credit loss for accrued income is immaterial (2020: immaterial).

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days. Trade receivables are only written off where there is no reasonable expectation of recovery.

The concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions and the default loss percentage incurred by the Group has customarily been low even if there have been significant changes in economic conditions experienced in markets in which the Group operates. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly.

As a consequence, the risk associated with trade receivable balances past due but not impaired is not expected to be significant and as such does not contribute to a significant allowance for expected credit losses of receivables being recognised.

The allowance for expected credit losses for trade receivables and accrued income is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime. For the Group, the simplified approach under IFRS 9 is applied to all trade receivables and accrued income. Under this approach, the provision required against receivables is calculated by considering the cash shortfall that would be incurred in various default scenarios for prescribed future periods. Default rates are calculated initially by Inchcape's markets considering historical loss experience and applied to trade receivables within a provision matrix. The matrix approach allows application of different default rates to different groups of customers with similar characteristics. These groups will be determined by a number of factors including: the nature of the customer, the payment method selected and where relevant, the sector in which they operate. The characteristics used to determine the groupings of receivables are the factors that have the greatest impact on the likelihood of default. The rate of default increases once the balance is 30 days past due and subsequently in 30-day increments.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables have been discounted where the time value of money is considered to be material.

17 DEFERRED TAX

Net deferred tax (liability)/asset	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Distribution agreements £m	IFRS 16 £m	Total £m
At 1 January 2020	(4.2)	3.5	2.3	18.3	(5.0)	8.9	(73.0)	10.8	(38.4)
Adjustment for IFRIC ("SaaS")	–	–	–	–	–	2.6	–	–	2.6
At 1 January 2020 (restated)[1]	(4.2)	3.5	2.3	18.3	(5.0)	11.5	(73.0)	10.8	(35.8)
Credited/(charged) to the consolidated income statement	0.1	–	(1.5)	(2.8)	11.7	5.8	11.0	5.9	30.2
(Charged)/credited to equity and other comprehensive income	(2.8)	(1.7)	0.4	0.8	–	0.3	–	–	(3.0)
Businesses acquired/disposed	–	–	–	–	(0.3)	(0.2)	–	–	(0.5)
Effect of foreign exchange rate changes	–	0.1	–	(0.7)	0.9	0.6	(1.0)	0.6	0.5
At 31 December 2020	**(6.9)**	**1.9**	**1.2**	**15.6**	**7.3**	**18.0**	**(63.0)**	**17.3**	**(8.6)**
Credited/(charged) to the consolidated income statement	**(3.5)**	**-**	**2.0**	**(9.0)**	**11.9**	**9.8**	**(5.0)**	**(0.8)**	**5.4**
(Charged)/credited to equity and other comprehensive income	**(13.1)**	**(0.5)**	**1.6**	**12.7**	**-**	**-**	**-**	**-**	**0.7**
Businesses acquired/disposed	**-**	**-**	**-**	**(0.4)**	**0.1**	**(0.2)**	**-**	**-**	**(0.5)**
Effect of foreign exchange rate changes	**(0.1)**	**(0.2)**	**-**	**(0.6)**	**(0.5)**	**(2.1)**	**6.5**	**(0.7)**	**2.3**
At 31 December 2021	**(23.6)**	**1.2**	**4.8**	**18.3**	**18.8**	**25.5**	**(61.5)**	**15.8**	**(0.7)**

1. See note 35.

17 DEFERRED TAX CONTINUED

Analysed as:

	2021 £m	2020 (restated)[1] £m
Deferred tax assets	**67.4**	70.5
Deferred tax liabilities	**(68.1)**	(79.1)
	(0.7)	(8.6)

1. See note 35.

Measured at relevant local statutory rates, the Group has an unrecognised deferred tax asset of £39m (2020 – £35m) relating to tax relief on trading losses. The unrecognised asset represents £160m (2020 – £167m) of losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future.

The Group has unrecognised deferred tax assets of £44m (2020 – £30m) relating to capital losses. The asset represents £177m (2020 – £154m) of losses at the standard rate of 25.0% (2020 – 19.0%). The key territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries on the basis that the Group can control the timing of dividends. In addition, the majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment. This principally relates to Ethiopia where dividend tax of £1.6m (2020 – £1.6m) is accrued based on current year after tax earnings.

The net deferred tax asset on provisions and other timing differences is principally made up of a deferred tax liability on non-qualifying property £12.5m (2020 – £9.9m) offset by deferred tax assets on trade related accounting provisions in the Group's operating companies and computer software £38.0m (2020 restated – £27.9m).

The deferred tax liability on distribution agreements of £61.5m (2020 – £63.0m) has been recorded as a result of the business acquisitions since 2016.

The deferred tax asset on tax trading losses of £18.3m (2020 – £15.6m) relates to territories and entities where future taxable profits are considered probable.

18 INVENTORIES

	2021 £m	2020 £m
Raw materials and work in progress	**46.9**	45.7
Finished goods and merchandise	**1,087.8**	1,170.5
	1,134.7	1,216.2

Vehicles held on consignment which are in substance assets of the Group amount to £55.5m (2020 – £159.2m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of a period of up to six months from delivery or the date of sale.

An amount of £48.4m (2020 – £54.4m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £6,278.1m (2020 – £5,656.1m). The write-down of inventory to net realisable value recognised as an expense during the year was £0.9m (2020 – expense of £21.2m). All of these items have been included within 'cost of sales' in the consolidated income statement.

19 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank	**501.8**	378.5
Short-term deposits	**94.6**	102.7
	596.4	481.2

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily SONIA or the local equivalent). At 31 December 2021, the weighted average floating rate was 0.36% (2020 – 0.28%).

£71.8m (2020 – £81.2m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

At 31 December 2021, short-term deposits have a weighted average period to maturity of 10 days (2020 – 15 days).

20 ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSAL GROUP

	2021 £m	2020 £m
Assets held for sale	**4.8**	7.5
Assets directly associated with the disposal group	**–**	23.7
Assets classified as held for sale and disposal group	**4.8**	31.2
Liabilities directly associated with the disposal group	**–**	(7.7)

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

	2021 £m	2020 £m
Goodwill	**–**	–
Property, plant and equipment	**–**	5.4
Right-of-use assets	**–**	2.2
Cash and cash equivalents	**–**	1.2
Trade and other receivables	**–**	0.9
Inventories	**–**	13.7
Other assets	**–**	0.3
Assets directly associated with the disposal group	**–**	23.7
Trade and other payables	**–**	(5.1)
Lease liabilities	**–**	(1.3)
Other liabilities	**–**	(1.3)
Liabilities directly associated with the disposal group	**–**	(7.7)

Assets held for sale relate to surplus properties which are actively marketed with a view to sale.

Assets held for sale are stated net of an impairment charge of £1.5m which has been reported as a non-exceptional charge in the income statement following the subsequent write-down of the asset to fair value less costs to sell.

21 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trade payables	**166.6**	147.8	**–**	–
Payments received on account	**93.6**	82.5	**1.8**	2.4
Vehicle funding agreements	**851.0**	1,013.8	**–**	1.9
Other taxation and social security payable	**40.3**	32.0	**–**	–
Accruals	**280.3**	211.0	**2.3**	1.9
Deferred income	**78.5**	78.3	**51.6**	54.8
Other payables	**38.0**	44.9	**7.5**	8.3
	1,548.3	1,610.3	**63.2**	69.3

Other payables includes buyback liabilities, deferred consideration, interest and other payables.

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 are uncommitted facilities, have a maturity of 180 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. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to SONIA-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest (see note 7). At 31 December 2021, amounts outstanding under vehicle funding facilities and on which interest was payable were subject to a weighted average interest rate of 1.3% (2020 – 1.3%).

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

21 TRADE AND OTHER PAYABLES CONTINUED

Included within deferred income are the following balances:

	2021 £m	2020 £m
Extended warranties	**44.0**	44.8
Service packages	**49.8**	55.5
Other services	**36.3**	32.8
	130.1	133.1

Revenue recognised in 2021 that was included in deferred revenue at the beginning of the year was £47.8m (2020 – £61.4m).

Extended warranties
Certain Group companies provide extended warranties to customers over and above those provided by the manufacturer and act as the principal in the supply of the warranty service. The periods covered are up to six years and/or specific mileage limits. A proportion of revenue is allocated to the extended warranty obligation and deferred to the balance sheet. The revenue is subsequently recognised over time along with the costs incurred in fulfilling any warranty obligations.

Service packages
Certain Group companies provide service packages to customers as part of the total vehicle package. Where the Group acts as principal, the value of the additional services is separately identified, deducted from revenue and recognised as deferred income on the balance sheet. It is subsequently recognised as revenue when the service is provided or the package expires.

Other services
Certain Group companies provide other services as part of the total vehicle package (e.g. roadside assistance, fuel coupons etc). Where the Group acts as principal, the value of the additional services is separately identified, deducted from revenue and recognised as deferred income on the balance sheet. It is subsequently recognised as revenue over the period to which the service relates.

22 PROVISIONS

	Product warranty £m	Leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2021	**18.4**	**9.7**	**2.4**	**16.1**	**46.6**
Businesses acquired	**0.1**	**-**	**-**	**0.2**	**0.3**
Business sold	**(0.1)**	**-**	**(0.3)**	**-**	**(0.4)**
Charged to the consolidated income statement	**12.5**	**-**	**1.8**	**12.9**	**27.2**
Released to the consolidated income statement	**(0.8)**	**(1.0)**	**(0.3)**	**(1.6)**	**(3.7)**
Effect of unwinding of discount factor	**-**	**-**	**-**	**0.1**	**0.1**
Utilised during the year	**(1.3)**	**(0.3)**	**(0.1)**	**(7.5)**	**(9.2)**
Effect of foreign exchange rate changes	**(1.2)**	**-**	**(0.1)**	**(1.3)**	**(2.6)**
At 31 December 2021	**27.6**	**8.4**	**3.4**	**18.9**	**58.3**

Analysed as:

	2021 £m	2020 £m
Current	**34.9**	26.8
Non-current	**23.4**	19.8
	58.3	46.6

22 PROVISIONS CONTINUED

Product warranty

Certain Group companies provide assurance warranties as part of the sale of a vehicle. These are not separable products. The warranty periods covered are up to five years and/or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

Leasehold

The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK, Australia and Hong Kong. Provision has been made to the extent of the estimated future net cost, excluding the lease liability recognised under IFRS 16. This includes taking into account existing subtenant arrangements. The category also includes the future obligation relating to dilapidations of certain premises. The expected utilisation period of these provisions is generally over the next 10 years.

Litigation

This includes a number of litigation provisions in respect of claims that have been brought against various Group companies. The claims are generally expected to be concluded within the next three years.

Other

This category principally includes provisions relating to uncertain non-income taxes (VAT primarily) recognised on acquisition of a business, residual values on leased vehicles and provisions relating to restructuring activities of £4.7m (2020 – £3.2m). Acquisition related provisions total £3.5m (2020 – £4.2m), of which there is an offsetting indemnity asset recognised in trade and other receivables. Restructuring provisions relate to the estimated costs associated with transformation projects, including the establishment of back-office services. These provisions are expected to be utilised within three years.

23 BORROWINGS

	Floating rate		Fixed rate				
2021	**£m**	**Weighted average effective interest rate %**	**£m**	**Weighted average effective interest rate %**	**Total interest bearing £m**	**On which no interest is paid £m**	**2021 Total £m**
Current							
Bank overdrafts	**7.6**	**–**	**–**	**–**	**7.6**	**–**	**7.6**
Non-current							
Private Placement	**–**	**–**	**210.0**	**3.0**	**210.0**	**–**	**210.0**
Total borrowings	**7.6**	**–**	**210.0**	**3.0**	**217.6**	**–**	**217.6**

Bank overdrafts include £7.6m (2020 – £6.1m) held in cash pooling arrangements which have not been offset in the consolidated statement of financial position (see note 24b).

	Floating rate		Fixed rate				
2020	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2020 Total £m
Current							
Bank overdrafts	6.1	–	–	–	6.1	–	6.1
Non-current							
Private Placement	–	–	210.0	3.0	210.0	–	210.0
Total borrowings	6.1	–	210.0	3.0	216.1	–	216.1

Interest payments on floating rate financial liabilities are determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily SONIA or the local equivalent).

At 31 December 2021, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2020 – £700m) and sterling Private Placement loan notes totalling £210m (2020 – £210m). At 31 December 2021, £nil of the £700m was drawn down (2020 – £nil of £700m).

In February 2019, the Group entered into a syndicated revolving credit facility of £700m with an initial expiry date of February 2024 and options, at lender discretion, to extend until 2026. Lenders approved the 1st extension option in February 2020 resulting in the £700m commitment extending to 2025. Lenders with total commitments of £620m approved the 2nd extension option in February 2021, resulting in £620m of commitments being further extended to 2026.

The £210m sterling Private Placement loan notes are held at amortised cost. They have a fair value of £222.0m (2020 – £234.7m) calculated from discounted cash flow techniques obtained using discount rates from observable market data, which is a level 2 valuation technique. The fair values of the Group's other borrowings are not considered to be materially different from their book value.

23 BORROWINGS CONTINUED

£nil of the Group's bank loans are secured by term deposits placed under a standby letter of credit and related facility arrangements (2020 – £nil). The Group's bank overdrafts are secured by related offsetting cash balances held under pooling arrangements. The Group's remaining borrowings are unsecured.

In December 2016, the Group concluded a Private Placement transaction raising £210m to refinance existing US dollar Private Placement borrowings which matured in May 2017. The amounts drawn under these facilities are as follows:

Maturity date	May 2024	May 2027	May 2027	May 2029
Amount drawn	£70m	£30m	£70m	£40m
Fixed rate coupon	2.85%	3.02%	3.12%	3.10%

The table below sets out the maturity profile of the Group's existing borrowings that are exposed to interest rate risk.

2021	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 3 years £m**	**Between 3 and 4 years £m**	**Between 4 and 5 years £m**	**Greater than 5 years £m**	**Total interest bearing £m**
Fixed rate							
Private Placement	**–**	**–**	**70.0**	**–**	**–**	**140.0**	**210.0**
Floating rate							
Bank overdrafts	**7.6**	**–**	**–**	**–**	**–**	**–**	**7.6**

2020	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Private Placement	–	–	–	70.0	–	140.0	210.0
Floating rate							
Bank overdrafts	6.1	–	–	–	–	–	6.1

24 FINANCIAL INSTRUMENTS

The Group's financial liabilities, other than derivatives, comprise overdrafts, loan notes, trade and other payables and lease liabilities. The main purpose of these instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade and other receivables, cash and short-term deposits which arise from its trading operations.

The Group's primary derivative transactions include forward and swap currency contracts. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance. Group policy is that there is no trading or speculation in derivatives.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

a. Classification of financial instruments

2021	**Measured at amortised cost £m**	**Measured at fair value through other comprehensive income £m**	**Measured at fair value through profit or loss £m**	**Total £m**
Financial assets				
Financial assets at fair value through other comprehensive income	**–**	**5.0**	**–**	**5.0**
Trade and other receivables	**273.7**	**–**	**–**	**273.7**
Derivative financial instruments	**–**	**7.4**	**20.2**	**27.6**
Cash and cash equivalents	**596.4**	**–**	**–**	**596.4**
Total financial assets	**870.1**	**12.4**	**20.2**	**902.7**
Financial liabilities				
Trade and other payables	**(1,346.8)**	**–**	**–**	**(1,346.8)**
Derivative financial instruments	**–**	**(10.5)**	**(21.4)**	**(31.9)**
Lease liabilities	**(324.1)**	**–**	**–**	**(324.1)**
Borrowings	**(217.6)**	**–**	**–**	**(217.6)**
Total financial liabilities	**(1,888.5)**	**(10.5)**	**(21.4)**	**(1,920.4)**
	(1,018.4)	**1.9**	**(1.2)**	**(1,017.7)**

2020	Measured at amortised cost £m	Measured at fair value through other comprehensive income £m	Measured at fair value through profit or loss £m	Total £m
Financial assets				
Financial assets at fair value through other comprehensive income	–	3.8	–	3.8
Trade and other receivables	336.4	–	–	336.4
Derivative financial instruments	–	0.2	13.1	13.3
Cash and cash equivalents	481.2	–	–	481.2
Total financial assets	817.6	4.0	13.1	834.7
Financial liabilities				
Trade and other payables	(1,395.5)	–	–	(1,395.5)
Derivative financial instruments	–	(7.5)	(34.9)	(42.4)
Lease liabilities	(332.8)	–	–	(332.8)
Borrowings	(216.1)	–	–	(216.1)
Total financial liabilities	(1,944.4)	(7.5)	(34.9)	(1,986.8)
	(1,126.8)	(3.5)	(21.8)	(1,152.1)

24 FINANCIAL INSTRUMENTS CONTINUED

b. Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable netting arrangements and similar agreements:

	Gross amounts of financial assets £m	Gross amounts of financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral received £m	Net amount £m
As at 31 December 2021						
Derivative financial assets	**27.6**	**-**	**27.6**	**(16.5)**	**-**	**11.1**
Cash and cash equivalents	**596.4**	**-**	**596.4**	**(7.6)**	**-**	**588.8**
Total	**624.0**	**-**	**624.0**	**(24.1)**	**-**	**599.9**
As at 31 December 2020						
Derivative financial assets	13.3	–	13.3	(13.1)	–	0.2
Cash and cash equivalents	481.2	–	481.2	(6.1)	–	475.1
Total	494.5	–	494.5	(19.2)	–	475.3

	Gross amounts of financial liabilities £m	Gross amounts of financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral paid £m	Net amount £m
As at 31 December 2021						
Derivative financial liabilities	**(31.9)**	**-**	**(31.9)**	**16.5**	**-**	**(15.4)**
Bank overdrafts	**(7.6)**	**-**	**(7.6)**	**7.6**	**-**	**-**
Total	**(39.5)**	**-**	**(39.5)**	**24.1**	**-**	**(15.4)**
As at 31 December 2020						
Derivative financial liabilities	(42.4)	–	(42.4)	13.1	–	(29.3)
Bank overdrafts	(6.1)	–	(6.1)	6.1	–	–
Total	(48.5)	–	(48.5)	19.2	–	(29.3)

For the financial assets and liabilities subject to enforceable netting arrangements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities. If the parties subject to the agreement do not elect to settle on a net basis, financial assets and liabilities will be settled on a gross basis. However, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of a default of the other party.

24 FINANCIAL INSTRUMENTS CONTINUED

c. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Japanese yen exchange rate with both the Australian dollar and Chilean peso.

The following assumptions were made in calculating the sensitivity analysis:

- changes in the carrying value of derivative financial instruments designated as cash flow hedges from movements in interest rates are assumed to be recorded fully in equity;
- changes in the carrying value of derivative financial instruments designated as fair value hedges from movements in interest rates have an immaterial effect on the consolidated income statement and equity due to compensating adjustments in the carrying value of debt;
- changes in the carrying value of financial instruments not in hedging relationships only affect the consolidated income statement; and
- all other changes in the carrying value of derivative financial instruments designated as hedges are fully effective with no impact on the consolidated income statement.

d. Interest rate risk and sensitivity analysis

The Group's interest rate policy has the objective of minimising net interest expense and protecting the Group from material adverse movements in interest rates.

Instruments approved for the purpose of hedging interest rate risk include interest rate swaps, forward rate agreements and options. The Group's exposure to the risk of changes in market interest rates arises primarily from bank borrowings, supplier-related finance and the returns available on surplus cash.

Interest rate risk table

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on bank borrowings, supplier related finance and cash balances as at 31 December 2021 with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
2021		
Sterling	**75**	**(5.7)**
Euro	**50**	**0.6**
Russian rouble	**500**	**(1.1)**
Australian dollar	**100**	**2.8**
US dollar	**75**	**0.8**
2020		
Sterling	75	(7.4)
Euro	50	0.1
Russian rouble	500	0.8
Australian dollar	100	3.0
US dollar	75	0.3

24 FINANCIAL INSTRUMENTS CONTINUED

e. Foreign currency risk

The Group publishes its consolidated financial statements in sterling and faces currency risk on the translation of its earnings and net assets, a significant proportion of which are in currencies other than sterling.

Transaction exposure hedging

The Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than in that unit's reporting currency. For a significant proportion of the Group these exposures are removed as trading is denominated in the relevant local currency. In particular, local billing arrangements are in place for many of our businesses with our brand partners. The principal exception is for our business in Australia which purchases vehicles in Japanese yen and our South and Central American businesses which purchase vehicles in Japanese yen and US dollars.

In this instance, the Group seeks to hedge forecast transactional foreign exchange rate risk using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is initially recognised in the consolidated statement of comprehensive income to the extent it is effective. When the hedged forecast transaction results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the consolidated income statement in the same period in which the hedged forecast transaction affects the consolidated income statement. Under IFRS 9 hedges are documented and tested for the hedge effectiveness on an ongoing basis.

Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in foreign exchange rates on its Japanese yen financial instruments. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/ (decrease) in exchange rate	Effect on equity £m
2021		
Yen	**+10%**	**(0.0)**
Yen	**-10%**	**0.0**
2020		
Yen	+10%	(0.1)
Yen	-10%	0.1

f. Credit risk

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit limits are reviewed regularly.

24 FINANCIAL INSTRUMENTS CONTINUED

The table below analyses the Group's derivative assets, cash at bank and short-term deposits by credit exposure:

	2021			2020		
Credit rating of counterparty	**Derivative assets £m**	**Cash at bank £m**	**Short-term deposits £m**	Derivative assets £m	Cash at bank £m	Short-term deposits £m
AA	**-**	**-**	**-**	–	0.6	–
AA-	**1.1**	**327.6**	**-**	1.6	261.7	–
A+	**1.4**	**66.6**	**0.4**	0.4	18.9	–
A	**9.3**	**14.9**	**30.0**	8.0	9.2	20.0
A-	**7.9**	**28.3**	**-**	2.0	20.7	–
BBB+	**5.5**	**7.5**	**-**	–	4.1	–
BBB	**0.3**	**3.8**	**4.2**	–	23.9	6.9
BBB-	**-**	**4.1**	**0.1**	0.7	1.4	–
BB+	**0.7**	**-**	**-**	–	–	–
B	**-**	**9.5**	**-**	–	6.6	–
B-	**-**	**5.8**	**0.4**	–	5.5	–
CCC+	**-**	**1.2**	**-**	–	1.2	–
No rating*	**1.4**	**32.5**	**59.5**	0.6	24.7	75.8
	27.6	**501.8**	**94.6**	13.3	378.5	102.7

* Counterparties in certain markets in which the Group operates do not have a credit rating.

For those counterparties which do not have a credit rating, where possible the Group works with partner banks with a local presence to provide additional assurance. Additionally, the Group proactively repatriates cash through cash-pooling arrangements, loans between Group companies and dividends as well as regularly monitoring the spread of counterparties in country, notably in Ethiopia.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for cash at bank, receivables and other financial assets is represented by their carrying amount.

Total cash at bank of £501.8m (2020 – £378.5m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance arranged through the Group. An independent credit rating agency is used to assess the credit standing of each finance house. Limits for the maximum outstanding with each finance house are set accordingly.

24 FINANCIAL INSTRUMENTS CONTINUED

g. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2021 based on contractual expected undiscounted cash flows:

2021	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**593.1**	**3.3**	**–**	**–**	**596.4**
Trade and other receivables	**200.2**	**45.5**	**26.3**	**6.0**	**278.0**
Financial assets at fair value through other comprehensive income	**–**	**0.2**	**–**	**4.8**	**5.0**
Derivative financial instruments	**1,097.4**	**1,135.0**	**126.5**	**–**	**2,358.9**
	1,890.7	**1,184.0**	**152.8**	**10.8**	**3,238.3**
Financial liabilities					
Interest bearing loans and borrowings	**(7.6)**	**(6.3)**	**(90.1)**	**(144.1)**	**(248.1)**
Lease liabilities	**(17.0)**	**(48.0)**	**(170.2)**	**(149.8)**	**(385.0)**
Trade and other payables	**(1,085.0)**	**(249.8)**	**(11.7)**	**(0.3)**	**(1,346.8)**
Derivative financial instruments	**(1,099.7)**	**(1,145.4)**	**(124.4)**	**–**	**(2,369.5)**
	(2,209.3)	**(1,449.5)**	**(396.4)**	**(294.2)**	**(4,349.4)**
Net outflows	**(318.6)**	**(265.5)**	**(243.6)**	**(283.4)**	**(1,111.1)**

2020	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	473.7	7.5	–	–	481.2
Trade and other receivables	227.8	70.1	31.9	6.6	336.4
Financial assets at fair value through other comprehensive income	0.2	–	–	3.6	3.8
Derivative financial instruments[1]	1,052.3	716.6	2.1	–	1,771.0
	1,754.0	794.2	34.0	10.2	2,592.4
Financial liabilities					
Interest bearing loans and borrowings	(6.1)	(6.3)	(92.1)	(148.5)	(253.0)
Lease liabilities	(17.7)	(49.8)	(174.4)	(171.5)	(413.4)
Trade and other payables	(1,140.9)	(241.3)	(12.9)	(0.4)	(1,395.5)
Derivative financial instruments[1]	(1,063.8)	(734.5)	(2.1)	–	(1,800.4)
	(2,228.5)	(1,031.9)	(281.5)	(320.4)	(3,862.3)
Net outflows	(474.5)	(237.7)	(247.5)	(310.2)	(1,269.9)

1. Derivative financial instruments line items have been restated to disclose the gross undiscounted cash flows.

24 FINANCIAL INSTRUMENTS CONTINUED

h. Fair value measurement

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:

	2021				2020			
	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	**-**	**27.6**	**-**	**27.6**	–	13.3	–	13.3
Financial assets at fair value through other comprehensive income	**0.5**	**-**	**4.5**	**5.0**	0.5	–	3.3	3.8
	0.5	**27.6**	**4.5**	**32.6**	0.5	13.3	3.3	17.1
Liabilities								
Derivatives used for hedging	**-**	**(31.9)**	**-**	**(31.9)**	–	(42.4)	–	(42.4)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted markets price 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 primarily represents the Group's equity interest in Hino Motors Manufacturing Company SAS (see note 15). Fair value is based on discounted free cash flows, using the projection of annual income and expenses mainly based on historical financial figures.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2021.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Forward foreign exchange contracts	**27.6**	13.3	**(31.9)**	(42.4)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to £nil (2020 – £nil). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to £nil (2020 – £nil).

Derivative financial instruments

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months (2020 – 12 months) of the end of the reporting period.

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 26) on forward foreign exchange contracts as at 31 December 2021 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2020 – 12 months).

24 FINANCIAL INSTRUMENTS CONTINUED

The below table illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement through detailing separately by risk category and each type of hedge the details of the associated hedging instrument and hedged item.

2021	**Current**	**Current**	**Non-current**
Hedging risk strategy	**Cash flow hedges**	**Fair value hedges**	**Cash flow hedges**
Notional/currency legs	**1,427.7**	**804.8**	**126.5**
Carrying amount net assets/(liabilities)	**2.3**	**(9.6)**	**3.0**
Maturity date	**to Dec 2022**	**to Jun 2022**	**to Jan 2026**
Hedge ratio	**1:1**	**1:1**	**1:1**
Description of hedged item	**Highly probable FX exposures**	**FX exposures on balance sheet positions**	**Highly probable FX exposures**
Change in fair value of outstanding hedging instruments since 1 January	**30.1**	**(8.2)**	**3.0**
Change in fair value of hedging item used to determine hedge effectiveness	**(30.1)**	**8.2**	**(3.0)**
Weighted average hedge rate of outstanding deals	**(AUD/JPY) 81.99**[1]	**n/a**	**(GBP/USD) 1.39**
Amounts recognised within net finance costs on profit and loss	**-**	**(8.2)**	**-**
Balance on cash flow hedge reserve (net of tax) at 31 December	**(3.2)**	**-**	**(3.0)**

2020	Current	Current	Non-current
Hedging risk strategy	Cash flow hedges	Fair Value Hedges	–
Notional/currency legs	1,056.0	714.9	–
Carrying amount net liabilities	(27.7)	(1.4)	–
Maturity date	to Dec 2021	to Dec 2021	–
Hedge ratio	1:1	1:1	–
Description of hedged item	Highly probable FX exposures	FX exposures on balance sheet positions	–
Change in fair value of outstanding hedging instruments since 1 January	(18.8)	0.8	–
Change in fair value of hedging item used to determine hedge effectiveness	18.8	(0.8)	–
Weighted average hedge rate of outstanding deals	(AUD/JPY) 76.69[1]	n/a	–
Amounts recognised within net finance costs on profit and loss	–	0.8	–
Balance on cash flow hedge reserve (net of tax) at 31 December	(20.1)	–	–

1. Outstanding deals predominantly relate to our business in Australia which purchases vehicles in Japanese yen.

i. Capital management

The Group's capital structure consists of equity and debt. Equity represents funds raised from shareholders and debt represents funds raised from banks and other financial institutions. The primary objective of the Group's management of debt and equity is to ensure that it maintains a strong credit rating and healthy capital ratios in order to finance the Group's activities, both now and in the future, and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. Due to the impact of Covid-19, some limited exceptions to policy are in place, to reflect the significant amount of cash the Group currently holds, to increase the counterparty risk limits set for certain counterparties.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Directors consider the Group's capital structure and dividend policy at least twice a year prior to the announcement of results, taking into account the Group's ability to continue as a going concern and the requirements of its business plan.

24 FINANCIAL INSTRUMENTS CONTINUED

The Group uses return on capital employed ("ROCE") as a measure of its ability to drive better returns on the capital invested in the Group's operations. See alternative performance measures on page 186.

	2021	2020
Return on capital employed	**29.8%**	12.4%

The committed bank facilities and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant throughout the year.

The Group monitors Group leverage by reference to three tests: Adjusted EBITA interest cover, the ratio of net debt to EBITDA and the ratio of net debt to market capitalisation. The leverage tests are measured excluding the impact of IFRS 16.

	2021	2020
Adjusted EBITA interest cover (times)*	**114.4**	97.2
Net debt to EBITDA (times)**	**n/a**	n/a
Net debt/market capitalisation (percentage)***	**n/a**	n/a

* Calculated as Adjusted EBITA/interest on consolidated borrowings.

** Calculated as net debt/earnings before exceptional items, interest, tax, depreciation and amortisation.

*** Calculated as net debt/market capitalisation as at 31 December.

25 SHARE CAPITAL

a. Allotted, called up and fully paid up

	2021 Number	2020 Number	2021 £m	2020 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**393,274,393**	399,132,736	**39.4**	40.0
Cancelled under share buyback	**(9,422,455)**	(5,858,343)	**(0.9)**	(0.6)
At 31 December	**383,851,938**	393,274,393	**38.5**	39.4

b. Share buyback programme

During 2021, the Company repurchased 9,422,455 (2020 – 5,858,343) of its own shares through purchases on the London Stock Exchange, at a cost of £80.5m (2020 – £29.8m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.9m (2020 – £0.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £nil (2020 – £1.6m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 24 February 2022 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options

At 31 December 2021, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
38,901	1 May 2022	5.54
395,057	1 May 2023	4.59
1,299,662	1 May 2024	3.77
335,272	1 May 2025	7.31

Included within the retained earnings reserve are 349,149 (2020 – 167,312) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2021 was £2.6m (2020 – £1.0m). The market value of these shares at both 31 December 2021 and 24 February 2022 was £3.2m and £2.5m respectively (31 December 2020 – £1.1m, 24 February 2021 – £1.2m).

26 OTHER RESERVES

	Fair value through OCI reserve £m	Translation reserve (restated)[1] £m	Hedging reserve £m	Total other reserves (restated)[1] £m
At 1 January 2020	–	(174.2)	(16.2)	(190.4)
Cash flow hedges:				
– Fair value movements	–	–	(4.8)	(4.8)
– Reclassified and reported in inventories	–	–	1.5	1.5
Other fair value movements	(2.7)	–	–	(2.7)
Tax on above items	0.3	–	(0.6)	(0.3)
Other currency translation differences	–	(51.5)	–	(51.5)
At 1 January 2021	**(2.4)**	**(225.7)**	**(20.1)**	**(248.2)**
Cash flow hedges:				
– Fair value movements	**–**	**–**	**18.0**	**18.0**
– Reclassified and reported in inventories	**–**	**–**	**(0.9)**	**(0.9)**
Other fair value movements	**1.6**	**–**	**–**	**1.6**
Tax on above items	**–**	**–**	**(2.8)**	**(2.8)**
Transfers	**0.7**	**(0.3)**	**(0.4)**	**–**
Other currency translation differences	**–**	**5.2**	**–**	**5.2**
At 31 December 2021	**(0.1)**	**(220.8)**	**(6.2)**	**(227.1)**

1. See note 35.

The effect of foreign exchange rate changes includes a loss of £108.2m (2020 – gain of £8.4m) on the sale and liquidation of overseas subsidiaries that has been reclassified to the consolidated income statement in accordance with IAS 21 "The effects of changes in foreign exchange rates".

Fair value through OCI reserve

For investments in equity instruments that are measured at fair value through other comprehensive income, changes in fair value are recognised through OCI. Fair value movements are never recycled to the income statement, even if the underlying asset is sold, impaired or otherwise derecognised.

Translation reserve

The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

27 RETAINED EARNINGS

	2021 £m	2020 £m
At 1 January	**962.8**	1,141.4
Adjustment for IFRIC ("SaaS")	**–**	(20.9)
At 1 January (restated)[1]	**962.8**	1,120.5
Total comprehensive income/(loss) attributable to owners of the parent for the year:		
– Profit/(loss) for the year	**117.0**	(142.0)
– Actuarial gains on defined pension benefits (see note 5)	**58.2**	14.8
– Tax charged to reserves	**(0.4)**	(2.8)
Total comprehensive income/(loss) for the year	**174.8**	(130.0)
Share-based payments, net of tax	**10.0**	3.7
Share buyback programme	**(80.5)**	(31.4)
Purchase of own shares by Inchcape Employee Trust	**(6.2)**	–
Dividends paid (see note 10)	**(52.2)**	–
At 31 December	**1,008.7**	962.8

1. See note 35.

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

	2021 £m	2020 £m
Cash flows from operating activities		
Operating profit/(loss)	**226.9**	(93.0)
Exceptional items (see note 2)	**101.2**	257.1
Amortisation of intangible assets (including non-exceptional impairment charges)	**13.1**	14.2
Depreciation of property, plant and equipment (including non-exceptional impairment charges)	**30.9**	35.3
Depreciation of right-of-use assets (including non-exceptional impairment charges)	**51.0**	54.0
Profit on disposal of property, plant and equipment	**(4.8)**	–
Impairment of held for sale assets	**1.5**	–
Gain on disposal of right-of-use assets	**(0.9)**	(1.6)
Share-based payments charge	**8.4**	3.3
Decrease in inventories	**36.3**	351.0
Decrease in trade and other receivables	**29.7**	124.4
Decrease in trade and other payables	**(22.3)**	(413.0)
Increase in provisions	**10.5**	5.1
Pension contributions (more)/less than the pension charge for the year[1]	**(5.5)**	3.3
Decrease in interest in leased vehicles	**3.9**	15.9
Payments in respect of operating exceptional items	**(12.0)**	(24.3)
Other non-cash items	**1.3**	1.5
Cash generated from operations	**469.2**	333.2

1. Includes additional payments of £3.7m (2020 – £3.7m).

b. Net debt reconciliation

	Liabilities from financing activities			Assets	
	Borrowings £m	Leases £m	Sub-total £m	Cash/bank overdrafts £m	Total net debt £m
Net debt at 1 January 2020	(276.3)	(352.8)	(629.1)	379.2	(249.9)
Cash flows	66.1	57.4	123.5	55.3	178.8
Acquisitions	–	(1.1)	(1.1)	(31.5)	(32.6)
Disposals	–	–	–	73.5	73.5
New lease liabilities	–	(35.7)	(35.7)	–	(35.7)
Transferred to liabilities held for sale	–	1.0	1.0	–	1.0
Foreign exchange adjustments	0.2	(1.6)	(1.4)	(0.2)	(1.6)
Net debt at 1 January 2021	**(210.0)**	**(332.8)**	**(542.8)**	**476.3**	**(66.5)**
Cash flows	**12.7**	**59.3**	**72.0**	**121.5**	**193.5**
Acquisitions	**(12.7)**	**(1.9)**	**(14.6)**	**(20.2)**	**(34.8)**
Disposals	**–**	**10.1**	**10.1**	**76.2**	**86.3**
New lease liabilities	**–**	**(68.3)**	**(68.3)**	**–**	**(68.3)**
Transferred to liabilities held for sale	**–**	**(1.3)**	**(1.3)**	**–**	**(1.3)**
Foreign exchange adjustments	**–**	**10.8**	**10.8**	**(65.0)**	**(54.2)**
Net funds at 31 December 2021	**(210.0)**	**(324.1)**	**(534.1)**	**588.8**	**54.7**

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

Net funds/(debt) is analysed as follows:

	2021 £m	2020 £m
Cash and cash equivalents as per the statement of financial position	**596.4**	481.2
Cash and cash equivalents included in disposal groups held for sale	**–**	1.2
Borrowings – disclosed as current liabilities	**(7.6)**	(6.1)
Cash and cash equivalents as per the statement of cash flows	**588.8**	476.3
Debt financing		
Borrowings – disclosed as non-current liabilities	**(210.0)**	(210.0)
Lease liabilities	**(324.1)**	(332.8)
Debt financing	**(534.1)**	(542.8)
Net funds/(debt)	**54.7**	(66.5)
Add back: lease liabilities	**324.1**	332.8
Net cash	**378.8**	266.3

29 ACQUISITIONS AND DISPOSALS

a. Acquisitions

On 1 March 2021, the Group acquired the Mercedes-Benz passenger and commercial vehicles distribution operations in Guatemala, and the distribution and retail of Freightliner Trucks in Guatemala and El Salvador, from Grupo Q, for a total cash consideration of £5.5m. A distribution agreement with a fair value of £2.8m has been recognised at the date of acquisition. The business was acquired to strengthen and further expand the Group's partnership with Daimler-Mercedes-Benz in Central and South America. Goodwill of £1.0m arose on the acquisition. None of the goodwill is expected to be deductible for tax purposes.

On 1 December 2021, the Group acquired the full share capital of Morrico Equipment Holdings Inc, a distributor of new and used heavy equipment vehicles, including Freightliner, Mercedes-Benz and Hyundai, in Guam and Micronesia for a total cash consideration of £26.8m, including the settlement of £12.7m of debt acquired. The business was acquired to expand the Group's footprint into commercial vehicles in the region. Provisional goodwill of £16.5m arose on the acquisition. The goodwill is expected to be deductible for tax purposes.

Revenue and profit contribution

Income statement items	Total £m
Revenue recognised since the acquisition date in the consolidated income statement	**13.5**
Profit after tax since the acquisition date in the consolidated income statement	**0.3**

Other acquisitions

During the period, the Group acquired inventory assets from Star Motors SA de CV, a company registered in El Salvador, as well as the Daimler Trucks North America distribution rights in Ecuador and the distribution rights to Daimler vans in Colombia. The total cost of these acquisitions was £2.3m.

	2021 £m	2020 £m
Cash outflow to acquire businesses, net of cash and overdrafts acquired		
Cash consideration	**21.9**	31.5
Less: Cash acquired	**(1.7)**	–
Net cash outflow	**20.2**	31.5

In December 2021, the Group announced an agreement to acquire Interamericana Trading Corporation and Simpson Motors, a business based in the Caribbean. The deal will expand Inchcape's global footprint with entry into the Caribbean, and will also strengthen the Group's geographic reach with Suzuki, Mercedes-Benz and Subaru. The transaction remains subject to customary conditions, including receipt of local regulatory approvals, with completion anticipated in H1 2022.

Measurement period adjustments

During the year, no adjustments have been made to the fair value of assets and liabilities acquired in business combinations in 2020 (2020 – £0.7m).

29 ACQUISITIONS AND DISPOSALS CONTINUED

b. Disposals

During the year the Group continued to reduce its retail operations and disposed of its Toyota and Audi retail business in St Petersburg, Russia, generating disposal proceeds of £109.6m. In Belgium, the Group disposed of three retail sites, generating disposal proceeds of £1.9m and two sites in the UK, generating disposal proceeds of £10.1m. The Group also disposed of its Retail business in Luxembourg in January 2021 for £4.5m.

	Russia Retail £m	UK Retail £m	Belgium & Luxembourg £m	Total £m
Disposal proceeds, net of disposal costs	**107.5**	**9.4**	**6.4**	**123.3**
Net assets disposed of	**(71.3)**	**(8.1)**	**(3.3)**	**(82.7)**
Gain on disposal before reclassification of foreign currency translation reserve	**36.2**	**1.3**	**3.1**	**40.6**
Recycling of foreign currency translation reserve	**(108.0)**	**–**	**0.1**	**(107.9)**
(Loss)/gain on disposal	**(71.8)**	**1.3**	**3.2**	**(67.3)**

	Russia Retail £m	UK Retail £m	Belgium & Luxembourg £m	Total £m
Consideration received, net of disposal costs paid	**107.5**	**9.4**	**6.4**	**123.3**
Cash & cash equivalents disposed of	**(46.0)**	**–**	**(1.1)**	**(47.1)**
Net cash inflow on disposal of business	**61.5**	**9.4**	**5.3**	**76.2**

None of these disposals are material enough to be shown as discontinued operations on the face of the consolidated income statement as they do not represent a major line of business or geographical area of operations.

c. 2020 acquisitions and disposals

On 24 March 2020, the Group acquired the Mercedes-Benz passenger car and private vans Distribution operations in Colombia from Daimler Colombia S.A., for a total cash consideration of £27.1m. A distribution agreement with a fair value of £14.2m has been recognised at the date of acquisition. The business was acquired to strengthen the Group's partnership with Daimler-Mercedes-Benz in South America and follows on from the acquisition on 2 December 2019 of Autolider, the distributor of certain Daimler brands such as Mercedes-Benz passenger and commercial vehicles, Freightliner and Fuso in Uruguay and Mercedes-Benz passenger and commercial vehicles in Ecuador.

On 31 July 2020, the Group was awarded the Daimler Distribution contract in El Salvador and entered into an asset purchase agreement to acquire assets from the exiting distributor, with a cash purchase price at completion of £0.8m. During the year, the Group also entered into distribution contracts with BMW to distribute the MINI and Motorrad brands in Peru and the MINI brand in Chile. The total cost of these acquisitions was £3.6m. Total goodwill arising on the transactions was £0.5m.

During 2020, the Group continued to optimise its UK Retail portfolio and disposed of 13 sites, generating disposal proceeds of £59.5m. In Australia, two further sites in our Retail business were disposed of in February 2020, generating disposal proceeds of £6.1m. The Group also received deferred consideration of £7.9m and incurred £0.4m of costs relating to the disposal of Retail operations in China in 2019.

30 GUARANTEES AND CONTINGENCIES

	2021 £m	2020 £m (Restated)[1]
Guarantees	**25.8**	29.3
Letters of credit	**20.0**	19.0
Contingent liabilities	**6.4**	9.2
	52.2	57.5

1. The comparative has been restated to remove guarantees incorrectly disclosed of £13.6m.

Letters of credit act as a guarantee, from one of the Group's banking relationships to another bank, for payments made by the Group to a specified third party.

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 24).

30 GUARANTEES AND CONTINGENCIES CONTINUED

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HMRC in the Franked Investment Income Group Litigation Order ("FII GLO"). As at 31 December 2021 there were 18 corporate groups in the FII GLO. The action concerns the treatment for UK corporation tax purposes of profits earned overseas and distributed to the UK.

HMRC was previously granted leave to appeal a number of items at the Supreme Court. These appeals were dealt with in two hearings and the judgments were handed down on 20 November 2020 and 23 July 2021. As previously reported, the Supreme Court has returned the test case to the High Court to establish when the claimant could have reasonably discovered the mistake about the UK tax treatment of such profits. No date has yet been set for the High Court hearing.

Therefore, resolution of the test case in the FII GLO remains incomplete. As at 31 December 2021, 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 that the test case has not yet completed nor has Inchcape's specific claim been heard by the Courts.

Other matter

We note that a class action has been brought against our subsidiary, Subaru (Aust) Pty Limited, in connection with the global Takata airbag inflator recall. Subaru (Aust) Pty Limited has, with a number of other named defendants, agreed to settle the matter, but this is still subject to court endorsement expected in early 2022. While the proposed settlement sum is confidential, the Group's liability under the proposed settlement is not material.

31 COMMITMENTS

a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2021 £m	2020 £m
Property, plant and equipment	**10.0**	12.7

b. Lease commitments

Operating lease commitments – Group as lessee

Future minimum lease payments for short-term leases under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Within one year	**3.2**	2.8

Operating leases – Group as lessor

The Group has entered into non-cancellable operating leases on a number of its vehicles and certain properties. These leases have varying terms, escalation clauses and renewal rights and are not individually significant to the Group.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Within one year	**1.5**	1.9
Between one and five years	**2.1**	2.3
After five years	**0.7**	–
	4.3	4.2

Sub-lease receivables – Group as lessor

The Group has entered into sub-leases for a number of properties and other assets. As the lease term represents a major proportion of the underlying asset's useful life, the associated right-of-use asset has been derecognised and replaced with a sub-lease receivable. Future minimum lease payments receivable under sub-leases, together with the present value of the net minimum lease payments receivable (included within trade and other receivables), are as follows:

	2021 £m	2020 £m
Minimum lease payments receivable:		
– Within one year	**2.3**	1.9
– Between one and five years	**7.6**	7.1
– After five years	**10.2**	11.5
Total minimum lease payments receivable	**20.1**	20.5
Less: Unearned finance income	**(4.3)**	(4.8)
Present value of sub-lease receivables	**15.8**	15.7

31 COMMITMENTS CONTINUED

c. Residual value commitments

The Group has entered into agreements with leasing companies and other third parties to repurchase vehicles for a specified value at a predetermined date as follows:

	2021 £m	2020 £m (Restated)[1]
Vehicles subject to residual value commitments	**79.7**	77.8

1. The comparative has been restated to include additional commitments previously undisclosed of £48.8m.

Residual value commitments comprise the total repurchase liability on all vehicles where the Group has a residual value commitment. These commitments are largely expected to be settled over the next three years.

Where the repurchase commitment is in respect of a vehicle sold by the Group, the repurchase commitment is included within trade and other payables. Included within the above are £1.6m (2020 – £0.4m) of residual value commitments that are included within 'trade and other payables'.

32 RELATED PARTY DISCLOSURES

a. Trading transactions

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

	Transactions		Amounts outstanding	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Other income paid to related parties	**1.2**	1.2	**–**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2020 – £nil).

b. Compensation of key management personnel

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2021 £m	2020 £m
Wages and salaries	**9.3**	4.9
Post-retirement benefits	**0.4**	0.3
Compensation for loss of office	**0.4**	0.9
Share-based payments	**2.9**	0.5
	13.0	6.6

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Directors' Report on Remuneration.

33 FOREIGN CURRENCY TRANSLATION

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

	Average rates		Year-end rates	
	2021	2020	**2021**	2020
Australian dollar	**1.84**	1.87	**1.86**	1.78
Chilean peso	**1,043.46**	1,024.2	**1,152.93**	973.00
Ethiopian birr	**60.21**	45.18	**66.81**	52.91
Euro	**1.16**	1.13	**1.19**	1.12
Hong Kong dollar	**10.69**	10.01	**10.55**	10.59
Russian rouble	**101.55**	94.11	**101.43**	101.21
Singapore dollar	**1.85**	1.78	**1.82**	1.81
US dollar	**1.38**	1.29	**1.35**	1.37

34 EVENTS AFTER THE REPORTING PERIOD

On 15 February 2022, the Group's contract with a broker to purchase its own shares completed. A further 2,189,677 shares were repurchased, at a cost of £19.5m, and subsequently cancelled during this period. An amount of £0.2m, equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve.

35 RESTATEMENT FOLLOWING CHANGE IN ACCOUNTING POLICY RELATING TO THE RECOGNITION OF CONFIGURATION AND CUSTOMISATION COSTS IN RESPECT OF SOFTWARE AS A SERVICE

The principal restatements as a result of the change in accounting policy are set out in the following tables. The tables show the adjustments recognised for each individual line item as at 31 December 2020. 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:

	Year to 31 Dec 2020 £m	IFRIC £m	**Year to 31 Dec 2020 (restated) £m**
Net operating expenses	(969.4)	(1.4)	**(970.8)**
Operating loss	(91.6)	(1.4)	**(93.0)**
Loss before tax	(128.2)	(1.4)	**(129.6)**
Tax	(9.0)	(0.5)	**(9.5)**
Loss for the year	(137.2)	(1.9)	**(139.1)**

The impacts on the consolidated statement of financial position are:

	As at 1 Jan 2020 £m	IFRIC £m	**As at 1 Jan 2020 (restated) £m**	As at 31 Dec 2020 £m	IFRIC £m	**As at 31 Dec 2020 (restated) £m**
Non-current assets						
Intangible assets	577.9	(23.5)	**554.4**	450.2	(24.4)	**425.8**
Deferred tax	58.3	2.6	**60.9**	68.6	1.9	**70.5**
Net assets	1,298.6	(20.9)	**1,277.7**	1,083.7	(22.5)	**1,061.2**
Equity						
Other reserves	(190.4)	–	**(190.4)**	(248.5)	0.3	**(248.2)**
Retained earnings	1,141.4	(20.9)	**1,120.5**	985.6	(22.8)	**962.8**
Total equity	1,298.6	(20.9)	**1,277.7**	1,083.7	(22.5)	**1,061.2**

The impacts on the consolidated statement of cash flows are:

	Year to 31 Dec 2020 £m	IFRIC £m	**Year to 31 Dec 2020 (restated) £m**
Cash generated from operating activities			
Cash generated from operations	338.8	(5.6)	**333.2**
Net cash generated from operating activities	254.8	(5.6)	**249.2**
Cash generated from investing activities			
Purchase of intangible assets	(20.1)	5.6	**(14.5)**
Net cash generated from investing activities	2.4	5.6	**8.0**
Cash and cash equivalents at the end of the year	476.3	–	**476.3**

See note 1 for details of the change in accounting policies arising from the adoption of the IFRS Interpretations Committee's agenda decision on cloud computing arrangements.

ALTERNATIVE PERFORMANCE MEASURES

ALTERNATIVE PERFORMANCE MEASURES (APMS)

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 trends, performance and position of the Group.

The Group's income statement and segmental analysis identify separately adjusted measures and exceptional items. These adjusted measures reflect adjustments to IFRS measures. The Directors consider these adjusted measures to be an informative additional measure of the ongoing trading performance of the Group. Adjusted results are stated before exceptional items.

Exceptional items can include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Exceptional items excluded from adjusted results can evolve from one financial period to the next depending on the nature of exceptional items or one off type activities.

Constant currency

Some comparative performance measures are translated at constant exchange rates, called 'constant currency' measures. This restates the prior period results at a common exchange rate to the current period and therefore excludes the impact of changes in exchange rates used for translation.

Performance measure	Definition	Why we measure it
Gross profit before exceptional items	Gross profit before exceptional items. Refer to the consolidated income statement.	A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales).
Operating profit before exceptional items	Operating profit before exceptional items. Refer to the consolidated income statement.	A key metric of the Group's 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 into profit.
Profit before tax and exceptional items	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged. Refer to consolidated income statement.	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. Refer to note 2.	The separate reporting of exceptional items helps provide additional useful information regarding the Group's business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Net capital expenditure	Cash outflows from the purchase of property, plant and equipment and intangible assets less the proceeds from the disposal of property, plant and equipment and intangible assets.	A measure of the net amount invested in operational facilities in the period.
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 add net debt/less net funds.	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. Refer to note 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Net cash	Cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings and before the incremental impact of IFRS 16 lease liabilities. Refer to note 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Constant currency % change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

APMS: Reconciliation of income statement measures

	2021 £m	2020 (restated)[1] £m
Gross Profit	**1,140.9**	877.8
Add back: Exceptional items charged to gross profit	**–**	11.6
Gross Profit before exceptional items	**1,140.9**	889.4
Less: Segment operating expenses	**(812.8)**	(725.3)
Operating Profit (before exceptional Items)	**328.1**	164.1
Less: Exceptional items	**(101.2)**	(257.1)
Operating Profit/(Loss)	**226.9**	(93.0)
Less: Net Finance Costs	**(32.1)**	(36.6)
Profit Before Tax	**194.8**	(129.6)
Add back: Exceptional Items	**101.2**	257.1
Profit Before Tax & Exceptional Items	**296.0**	127.5

APMS: Reconciliation of cash flow measures

	2021 £m	2021 £m	2020 (restated)[1] £m	2020 (restated)[1] £m
Net cash generated from operating activities		**377.0**		249.2
Add back: Payments in respect of exceptional items		**12.0**		24.3
Net cash generated from operating activities, before exceptional items		**389.0**		273.5
Purchase of property, plant and equipment	**(48.5)**		(27.4)	
Purchase of intangible assets	**(16.1)**		(14.5)	
Proceeds from disposal of property, plant and equipment	**24.6**		6.7	
Net capital expenditure		**(40.0)**		(35.2)
Net payment in relation to leases		**(57.0)**		(56.7)
Dividends paid to non-controlling interests		**(3.0)**		(4.3)
Free cash flow		**289.0**		177.3

APMS: Reconciliation of balance sheet measures

	2021 £m	2020 (restated)[1] £m
Operating profit/(loss)	**226.9**	(93.0)
Exceptional items	**101.2**	257.1
Operating profit (before exceptional items)	**328.1**	164.1
Net assets	**1,130.5**	1,061.2
Less (net funds)/add net debt	**(54.7)**	66.5
Capital employed	**1,075.8**	1,127.7
Effect of averaging	**26.0**	200.0
Average capital employed	**1,101.8**	1,327.7
Return on capital employed	**29.8%**	12.4%

	2021 £m	2020 £m
Net funds/(net debt)	**54.7**	(66.5)
Add back: lease liabilities	**324.1**	332.8
Net cash	**378.8**	266.3

1. See note 35.

FIVE YEAR RECORD

The information presented in the table below is prepared in accordance with IFRS, as in issue and effective at that year end date.

Consolidated income statement	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue	**7,640.1**	6,837.8	9,379.7	9,277.0	8,953.3
Operating profit before exceptional items	**328.1**	164.1	373.1	398.6	406.6
Operating exceptional items	**(101.2)**	(257.1)	75.5	(223.7)	(12.6)
Operating profit/(loss)	**226.9**	(93.0)	448.6	174.9	394.0
Share of profit after tax of joint ventures and associates	**-**	–	0.3	0.1	–
Profit/(loss) before finance and tax	**226.9**	(93.0)	448.9	175.0	394.0
Net finance costs before exceptional items	**(32.1)**	(36.6)	(47.1)	(48.1)	(25.0)
Exceptional finance costs	**-**	–	–	(13.9)	–
Profit/(loss) before tax	**194.8**	(129.6)	401.8	113.0	369.0
Tax before exceptional tax	**(71.6)**	(33.7)	(75.6)	(79.1)	(96.1)
Exceptional tax	**(1.3)**	24.2	2.5	5.5	2.7
Profit/(loss) after tax	**121.9**	(139.1)	328.7	39.4	275.6
Non-controlling interests	**(4.9)**	(2.9)	(5.8)	(7.0)	(7.9)
Profit/(loss) for the year	**117.0**	(142.0)	322.9	32.4	267.7
Basic:					
– Profit/(loss) before tax	**194.8**	(129.6)	401.8	113.0	369.0
– Earnings/(loss) per share (pence)	**30.0p**	(36.0)p	79.0p	7.8p	64.6p
Adjusted (before exceptional items):					
– Profit before tax	**296.0**	127.5	326.3	350.6	381.6
– Earnings per share (pence)	**56.2p**	23.1p	59.9p	63.8p	66.7p
Dividends per share – interim paid and final proposed (pence)	**22.5p**	6.9p	26.8p	26.8p	26.8p
Consolidated statement of financial position					
Non-current assets	**1,464.3**	1,479.6	1,773.2	2,056.0	1,641.0
Other assets less (liabilities) excluding net (debt) / funds	**(388.5)**	(351.9)	(224.7)	(248.4)	(273.3)
Capital employed	**1,075.8**	1,127.7	1,548.5	1,807.6	1,367.7
Net funds/(debt)	**54.7**	(66.5)	(249.9)	(445.9)	80.2
Net assets	**1,130.5**	1,061.2	1,298.6	1,361.7	1,447.9
Equity attributable to owners of the parent	**1,108.9**	1,041.9	1,278.3	1,338.4	1,427.3
Non-controlling interests	**21.6**	19.3	20.3	23.3	20.6
Total equity	**1,130.5**	1,061.2	1,298.6	1,361.7	1,447.9

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Intangible assets	3	**2.6**	8.1
Property, plant and equipment	4	**0.6**	1.5
Investment in subsidiaries	5	**1,565.3**	1,565.7
Deferred tax assets	10	**8.5**	–
Trade and other receivables – amounts falling due after more than one year	6	**210.4**	210.5
		1,787.4	1,785.8
Current assets			
Current tax assets		**5.3**	2.6
Trade and other receivables – amounts due within one year	6	**6.1**	6.5
Cash and cash equivalents	7	**0.9**	1.1
		12.3	10.2
Total assets		**1,799.7**	1,796.0
Current liabilities			
Trade and other payables – amounts falling due within one year	8	**(53.7)**	(22.1)
		(53.7)	(22.1)
Non-current liabilities			
Trade and other payables – amounts falling due after more than one year	9	**(1,110.3)**	(974.0)
		(1,110.3)	(974.0)
Total liabilities		**(1,164.0)**	(996.1)
Net assets		**635.7**	799.9
Equity			
Share capital	12	**38.5**	39.4
Share premium		**146.7**	146.7
Capital redemption reserve		**142.1**	141.2
Retained earnings		**308.4**	472.6
Total shareholders' funds		**635.7**	799.9

The Company reported a loss for the financial year ended 31 December 2021 of £33.7m (2020 – a profit of £105.0m).
The financial statements on pages 189 to 205 were approved by the Board of Directors on 25 February 2022 and were signed on its behalf by:

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

GIJSBERT DE ZOETEN
CHIEF FINANCIAL OFFICER

Registered Number: 609782

Inchcape plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Total £m**
At 1 January 2020		40.0	146.7	140.6	395.7	723.0
Profit for the year		–	–	–	105.0	105.0
Total comprehensive income for the year		–	–	–	105.0	105.0
Dividends	13	–	–	–	–	–
Share buyback programme	12	(0.6)	–	0.6	(31.4)	(31.4)
Share-based payments, net of tax		–	–	–	3.3	3.3
At 1 January 2021		**39.4**	**146.7**	**141.2**	**472.6**	**799.9**
Loss for the year		**-**	**-**	**-**	**(33.7)**	**(33.7)**
Total comprehensive loss for the year		**-**	**-**	**-**	**(33.7)**	**(33.7)**
Dividends	13	**-**	**-**	**-**	**(52.2)**	**(52.2)**
Share buyback programme	12	**(0.9)**	**-**	**0.9**	**(80.5)**	**(80.5)**
Net purchase of own shares by the Inchcape Employee Trust		**-**	**-**	**-**	**(6.2)**	**(6.2)**
Share-based payments, net of tax		**-**	**-**	**-**	**8.4**	**8.4**
At 31 December 2021		**38.5**	**146.7**	**142.1**	**308.4**	**635.7**

Share-based payments include a net tax charge of £nil (2020 – £nil).

ACCOUNTING POLICIES

GENERAL INFORMATION

These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2021. The Company is the ultimate parent entity of the Inchcape Group (the Group) and acts as the holding company of the Group.

BASIS OF PREPARATION

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements are prepared under the historical cost convention in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for the Company.

The Company does not have any critical accounting judgements. The valuation of the Company's investments is a key source of estimation uncertainty. The Company's net assets were lower than its market capitalisation on 31 December 2021 and the estimates of the recoverable amounts of the individual investments were in excess of their carrying values. As a result, no impairment has been reflected. Other sources of estimation uncertainty most applicable to the Company do not give rise to a significant risk of material adjustment to the carrying value of the Company's assets and liabilities.

The Directors of Inchcape plc manage the Group's risks at a group level rather than an individual business unit or company level. Further information on these risks and uncertainties, in the context of the Group as a whole, are included within the Group disclosures on pages 48 to 56.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise price of share options, and how the fair value of goods and services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, as described in the Directors' Report of the consolidated Group Financial Statements.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange and differences are taken to the income statement.

FINANCE COSTS

Finance costs consist of interest payable on the Private Placement borrowing. Costs are recognised as an expense, calculated using the effective interest rate method, in the period in which they are incurred.

INVESTMENTS

Investments in subsidiaries are stated at cost, less provisions for impairment.

IMPAIRMENT

The Company's accounting policies in respect of impairment of property, plant and equipment, intangible assets and financial assets are consistent with those of the Group. The carrying values of investments in subsidiary undertakings are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to amounts owed by Group undertakings. Any provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historical credit loss experience, adjusted for factors specific to the receivable and company.

OTHER INTANGIBLE ASSETS

Intangible assets, when acquired separately from a business (including computer software), are carried at cost less accumulated amortisation and impairment losses. Costs comprise purchase price from third parties as well as internally generated development costs where relevant. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is between five and eight years. Software customisation and configuration costs relating to software not controlled by the Group are expensed over the period such services are received.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer hardware is five years.

DEFERRED TAX

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

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

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

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

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

SHARE CAPITAL

Ordinary shares are classified as equity.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

DIVIDENDS

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

SHARE-BASED PAYMENTS

The Company operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the income statement (together with a corresponding credit in shareholders' equity) on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest. The impact of any revision is recognised in the income statement with a corresponding adjustment to equity.

For equity-settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. With the exception of the Save As You Earn scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions, therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels a Save As You Earn award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

The issue of shares by the Company to employees of its subsidiaries represents additional capital contributions. When these costs are recharged to the subsidiary undertaking, the investment balance is reduced accordingly.

FINANCIAL INSTRUMENTS

The Company's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are the same as those set out in the Group's accounting policies on pages 125 to 135.

NOTES TO THE FINANCIAL STATEMENTS

1 AUDITOR'S REMUNERATION

The Company incurred £0.1m (2020 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2021.

2 DIRECTORS' REMUNERATION

	2021 £m	2020 £m
Wages and salaries	**3.3**	1.4
Social security costs	**0.5**	0.2
Pension costs	**0.1**	0.2
	3.9	1.8

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 84 to 103.

3 INTANGIBLE ASSETS

	Computer software £m
Cost	
At 1 January 2021	**29.9**
Disposals	**(4.0)**
At 31 December 2021	**25.9**
Accumulated amortisation and impairment	
At 1 January 2021	**(21.8)**
Amortisation charge for the year	**(2.9)**
Disposals	**1.4**
At 31 December 2021	**(23.3)**
Net book value at 31 December 2021	**2.6**
Net book value at 31 December 2020	8.1

At 31 December 2021, assets under construction total £nil (2020 – £4.9m).

During the year, the Company sold £2.6m of intangible assets, at book value, to Inchcape Digital Limited, another Group company.

4 PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment £m
Cost	
At 1 January 2021 and at 31 December 2021	**1.8**
Accumulated depreciation and impairment	
At 1 January 2021	**(0.3)**
Depreciation charge for the year	**(0.9)**
At 31 December 2021	**(1.2)**
Net book value at 31 December 2021	**0.6**
Net book value at 31 December 2020	1.5

5 INVESTMENT IN SUBSIDIARIES

	2021 £m	2020 £m
Cost		
At 1 January	**1,696.0**	1,711.0
Additions	**–**	17.4
Disposals	**–**	(32.4)
At 31 December	**1,696.0**	1,696.0
Provisions		
At 1 January	**(130.3)**	(134.1)
Disposals	**–**	3.8
Impairment	**(0.4)**	–
At 31 December	**(130.7)**	(130.3)
Net book value	**1,565.3**	1,565.7

The Directors believe that the carrying value of the individual investments is supported by their underlying net assets.

An impairment charge of £0.4m was recognised in the year against the Company's investment in Inchcape Finance (Ireland) Limited, a subsidiary that was dissolved on 10 January 2022.

6 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts due within one year		
Amounts owed by Group undertakings	**5.8**	6.2
Other debtors	**0.3**	0.3
	6.1	6.5
Amounts due after more than one year		
Amounts owed by Group undertakings	**210.0**	210.0
Other debtors	**0.4**	0.5
	210.4	210.5

Amounts owed by Group undertakings that are due within one year consist of current account balances that are interest free and repayable on demand, as well as intercompany loans that bear interest at rates linked to source currency base rates.

Amounts owed by Group undertakings that are due after more than one year bear interest at rates linked to source currency base rates.

7 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash and cash equivalents	**0.9**	1.1

8 TRADE AND OTHER PAYABLES – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £m	2020 £m
Amounts owed to Group undertakings	**47.7**	17.5
Other creditors	**6.0**	4.6
	53.7	22.1

Amounts owed to Group undertakings are interest free and repayable on demand.

9 TRADE AND OTHER PAYABLES – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £m	2020 £m
Amounts owed to Group undertakings	**900.3**	764.0
Private Placement	**210.0**	210.0
	1,110.3	974.0

Amounts owed to Group undertakings are repayable between one and five years and bear interest at rates linked to source currency base rates.

In December 2016, the Group concluded a Private Placement transaction raising £210m to refinance existing US dollar Private Placement borrowings which matured in May 2017. The amounts drawn under these facilities are as follows:

Maturity date	May 2024	May 2027	May 2027	May 2029
Amount drawn	£70m	£30m	£70m	£40m
Fixed rate coupon	2.85%	3.02%	3.12%	3.10%

10 DEFERRED TAX

Net deferred tax asset/(liabilities)	**Tax losses £m**	**Accelerated tax depreciation £m**	**Other timing differences £m**	**Total £m**
At 1 January 2020	**3.8**	**(0.2)**	**2.0**	**5.6**
Credited/(Charged) to the income statement	**(3.8)**	**0.2**	**(2.0)**	**(5.6)**
At 31 December 2020	**–**	**–**	**–**	**–**
Credited to the income statement	**8.5**	**–**	**–**	**8.5**
At 31 December 2021	**8.5**	**–**	**–**	**8.5**

Deferred tax assets recognised are supported by those future taxable profits of the UK tax group, headed by the Company, which are associated with the reversal of taxable temporary differences.

11 GUARANTEES

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's exposure under these guarantees at 31 December 2021 was £0.9m (2020 – £1.1m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 7).

In addition, the Company has given performance guarantees in the normal course of business in respect of the obligations of Group undertakings amounting to £119.0m (2020 – £293.1m).

12 SHARE CAPITAL

a. Allotted, called up and fully paid up

	2021 Number	2020 Number	**2021 £m**	2020 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**393,274,393**	399,132,736	**39.4**	40.0
Cancelled under share buyback	**(9,422,455)**	(5,858,343)	**(0.9)**	(0.6)
At 31 December	**383,851,938**	393,274,393	**38.5**	39.4

b. Share buyback programme

During 2021, the Company repurchased 9,422,455 (2020 – 5,858,343) of its own shares through purchases on the London Stock Exchange, at a cost of £80.5m (2020 – £29.8m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.9m (2020 – £0.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £nil (2020 – £1.6m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

12 SHARE CAPITAL CONTINUED

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 24 February 2022 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options

At 31 December 2021, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
38,901	1 May 2022	5.54
395,057	1 May 2023	4.59
1,299,662	1 May 2024	3.77
335,272	1 May 2025	7.31

Included within the retained earnings reserve are 349,149 (2020 – 167,312) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2021 was £2.6m (2020 – £1.0m). The market value of these shares at both 31 December 2021 and 24 February 2022 was £3.2m and £2.5m respectively (31 December 2020 – £1.1m, 24 February 2021 – £1.2m).

e. Share-based remuneration

Inchcape plc has two employees, the Group Chief Executive and the Chief Financial Officer.

The terms and conditions of the Company's share-based payment plans are detailed in the Directors' Report on Remuneration.

The charge arising from share-based transactions during the year was £1.2m (2020 – credit of £0.3m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £0.10 (2020 – £0.10).

The weighted average remaining contractual life for the share options outstanding at 31 December 2021 is 2.3 years (2020 – 3.3 years) and the exercise price for options outstanding at the end of the year was £3.77 (2020 – £3.77).

13 DIVIDENDS

The following dividends were paid by the Company:

	2021 £m	2020 £m
Interim dividend for the six months ended 30 June 2021 of 6.4p per share (30 June 2020 of nil per share)	**25.1**	–
Final dividend for the year ended 31 December 2020 of 6.9p per share (31 December 2019 of nil per share)	**27.1**	–
	52.2	–

A final proposed dividend for the year ended 31 December 2021 of 16.1p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2021.

14 RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures as at 31 December 2021 is shown below:

Subsidiaries

Name and registered address		Percentage owned
Argentina		
Torre Catalinas Plaza, Av. Eduardo Madero 900 Piso 17, Buenos Aires		
Distribuidora Automotriz Argentina SA		100%
Inchcape Argentina SA		100%
Australia		
Level 2, 4 Burbank Place, Baulkham Hills, NSW 2153		
AutoNexus Pty Ltd		100%
Bespoke Automotive Australia Pty Ltd		100%
Inchcape Australia Ltd	(i)	100%
Trivett Automotive Retail Pty Ltd		100%
Inchcape European Automotive Pty Ltd	(ii)	100%
SMLB Pty Ltd		100%
Subaru (Aust) Pty Ltd		90%
TCH Unit Trust		100%
Trivett Automotive Group Pty Ltd		100%
Trivett Bespoke Automotive Pty Ltd		100%
Trivett Classic Garage Pty Ltd		100%
Trivett Classic Group Finance Pty Ltd		100%
Trivett Classic Holdings Pty Ltd	(iii)	100%
Trivett Classic Pty Ltd	(iv)	100%
Trivett Motorcycles Pty Ltd		100%
Trivett P/L		100%
Trivett Tyres Pty Ltd		100%
Inchcape Finance Australia Pty Limited		100%
Inchcape Corporate Services Australia Pty Limited		100%
Belgium		
Leuvensesteenweg 369, 1932 Sint-Stevens-Woluwe		
Autoproducts NV		100%
Car Security NV		100%
Toyota Belgium NV/SA		100%
Boulevard Industriel 198, 1070 Anderlecht		
Garage Francorchamps SA		100%
Inchcape Retail Belgium		100%
Brunei		
KM3.6, Jalan Gadong, Bandar Seri Begawan		
Champion Motors (Brunei) Sdn Bhd		70%
NBT (Brunei) Sdn Bhd		70%
NBT Services Sdn Bhd		70%
Bulgaria		
163 Tsarigradsko Shosse Str, Sofia		
Inchcape Brokerage Bulgaria EOOD		100%
TM Auto EOOD		100%
Toyota Balkans EOOD		100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Chile	
Av. La Dehesa 265, Ciudad Santiago comuna Lo Barnechea Región Metropolitana	
Mobility Services Chile SpA	100%
Universal Motors SpA	100%
Williamson Balfour Motors SpA	100%
Williamson Balfour SA	100%
Ruta 5 Norte #19100 Ciudad Santiago comuna Lampa Región Metropolitana	
Hino Chile SA	100%
Inchcape Camiones y Buses Chile SA	100%
Avda. las Condes 11774, Vitacura, Santiago	
Inchcape Latam Internacional SA	100%
Inchcape Automotriz Chile SA	100%
Indigo Chile Holdings SpA	100%
Av. vitacura #5410, Vitacura, Santiago	
Inchcape Commercial Chile SA	100%
Colombia	
Calle 99 N° 69c – 41 Bogotá	
Inchcape Inversiones Colombia S.A.S	100%
Inchcape Digital Delivery Centre Colombia S.A.S	100%
Matrase SAS	100%
Praco Didacol SAS	100%
Inmobiliaria Inchcape Colombia S.A.S	100%
Vuelta Grande a 150 metros de la Glorieta de Siberia via Cota-Chia CLIS BG34	
Distribuidora Hino de Colombia SAS	100%
Cook Islands	
First Floor, BCI House, Avarua, Rarotonga	
IB Enterprises Ltd	100%
Costa Rica	
La Uruca, de la Pozuelo 200 metros oeste, frente al Hospital Mexico	
Arienda Express SA	100%
Inchcape Protection Express	100%
Vehiculos de Trabajo SA	100%
Vistas de Guanacaste Orquideas SA	100%
Djibouti	
Route de Venise – Djibouti Free Zone – PO Box 2645	
Red Sea Automotive FZCO	100%
Inchcape Djibouti Automotive Sarl	100%
Ecuador	
Av. 10 de Agosto N36-226 y Naciones Unidas, Quito, 170507	
Autolider Ecuador S.A.S	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
El Salvador	
Boulevard Luis Poma y Calle Llama del Bosque Pte. #1, Urb. Madreselva, Antiguo Cuscatlán, La Libertad	
Inchcape El Salvador, S.A. de C.V.	100%
Estonia	
Läike tee 38, Peetri küla, Rae vald, Harjumaa 75312	
Inchcape Motors Estonia OÜ	100%
Ethiopia	
Bole Sub City, Kebele 03, H.Nr. 2441, Addis Ababa	
The Motor & Engineering Company Of Ethiopia (Moenco) S.C.	94%
Finland	
Ansatie 6 a C, 01740 Vantaa, Kotipaikka, Helsinki	
Inchcape Motors Finland Oy	100%
Inchcape JLR Finland Oy	70%
Greece	
48 Ethnikis Antistaseos Street, Halandri 15231	
British Providence SA	100%
Eurolease Fleet Services SA	100%
Toyota Hellas SA	100%
Polis Inchcape Athens SA	100%
Guam	
443 South Marine Corps Drive, Tamuning, Guam 96913	100%
Atkins Kroll Inc	
197 Ypao Road, Tamuning , Guam 96913	
Morrico Holdings, Inc	100%
Morrico Equipment LLC	100%
Guatemala	
20 Calle 10-91, Zona 10, Guatemala, Guatemala	
Inchcape Guatemala SA	100%
Honduras	
Penthouse Edificio Torre Mayab, Colonia Loas del Mayab, Avenida Republica de Costa Rica, Tegucigalpa	
Inchcape Honduras S.A.	100%
Hong Kong	
11/F, Tower B, Manulife Financial Centre, 223-231 Wai Yip Street, Kwun Tong, Kowloon, HK	100%
British Motors Ltd	100%
Crown Motors Ltd	100%
Future Motors Ltd	100%
Inchcape Finance (HK) Ltd	100%
Inchcape Hong Kong Ltd	100%
Inchcape Mobility Limited	100%
Inchcape Motor Services Ltd	100%
Mega EV Ltd	100%
Nova Motors Ltd	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address		Percentage owned
Indonesia		
Indomobil Tower, 19th Floor, Jl. Mt Haryono no 11, Bidara Cina, Jakarta, Timur		
PT JLM Auto Indonesia		60%
Ivory Coast		
01 BP 3893, Abidjan O1		
Distribution Services Cote d'Ivoire SA		100%
Toyota Services Afrique SA		100%
Kenya		
LR 1870/X/126, Ground Floor, Oracle Towers, Waiyaki Way, P.O. Box 2231-00606, Nairobi		
Inchcape Kenya Ltd		100%
Latvia		
4a Skanstes Street, Riga, LV-1013		
Baltic Motors Imports SIA		100%
Inchcape Motors Latvia SIA		100%
Inchcape JLR Baltics SIA		70%
Lithuania		
Laisves av. 137, Vilnius, LT-06118		
UAB Autovista		67%
UAB Inchcape Motors		67%
Ozo str. 10A, Vilnius, LT-08200		
UAB Krasta Auto		100%
Macau		
Avenida do Coronel Mesquita, No 48-48D, Edf. Industrial Man Kei R/C, Macau		
Nova Motors (Macao) Ltd		100%
Yat Fung Motors Ltd		100%
Netherlands		
Gustav Mahlerlaan 1212, 1081 LA Amsterdam, the Netherlands		
Inchcape International Group BV	(i)	100%
New Zealand		
Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland, 1010, New Zealand		
Inchcape Motors NZ Ltd		100%
North Macedonia		
21 8th September Boulevard, 1000 Skopje		
Toyota Auto Center DOOEL		100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Panama	
Vía General Nicanor A. de Obarrio (Street 50), Plaza Bancomer	
Ilaother SA	100%
Ilachile SA	100%
Ciudad de Panamá, Vía Cincuentenario Andrés Mojica, Ave. 6ta B., Lote X 5B, Corregimiento de San Francisco, Distrito de Panamá, Provincia de Panamá	
Arrendadora Automotriz SA	100%
Motors Japoneses SA	100%
Sun Motors SA	100%
Peru	
Av. El Polo Nro. 1117, Santiago de Surco, Lima	
Inchcape Motors Peru SA	100%
Av. Republica de Panama Nro. 3330, San Isidro, Lima	
IMP Distribuidora SA	100%
Av. Morro Solar 812, Santiago de Surco, Lima	
Autocar del Peru SA	100%
Distribuidora Automotriz del Peru SA	100%
Inchcape Latam Peru SA	100%
Rentas e Inmobiliaria Sur Andina SA	100%
Poland	
Al. Prymasa Tysiąclecia 64, 01-424 Warszawa	
Inchcape Motors Polska Sp z.o.o	100%
Al. Karkonoska 61, 53-015 Wroclaw	
Interim Cars Sp z.o.o	100%
Ul. Lopuzanska 38 B, 02-232 Warszawa	
Inchcape JLR Poland Sp. Z.o.o	70%
Philippines	
28F Robinsons Cyberscape Gamma, Topaz and Ruby Roads, Ortigas Center, San Antonio, Pasig Cit, Second District, NCR, 1605	
Inchcape Digital Delivery Center Philippines Inc.	100%
Romania	
Pipera Boulevard No 1, Voluntari, Ilfov, 077190	
Inchcape Motors Srl	100%
Toyota Romania Srl	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Russia	
Building 1, 18 2-ya Magistralnaya street, Moscow 123290	
LLC Inchcape Management Services Rus	100%
LLC Inchcape Holding	100%
108811, Moscow, settlement Moskovskiy, block No34, property 2, bld. 1	
LLC Inchcape T	100%
10 Seslavinskaya Street, Moscow 121309	
LLC Autoproject	100%
36 Yaroslavskoe Shosse, Moscow 129337	
LLC Borishof 1	100%
195273, Saint-Petersburg, Rustaveli str., 31, Lit.A, apt.3	
LLC Concord	100%
Building 22, 18 2-ya Magistralnaya Street, Moscow 123290	
LLC Musa Motors JLR	100%
Saipan	
San Jose Village, 1 Chalan Monsignor Guerrero, Saipan, 96950, Northern Mariana Islands	
Atkins Kroll (Saipan) Inc	100%
Singapore	
2 Pandan Crescent, Inchcape Centre, Singapore 128462	
Borneo Motors (Singapore) Pte Ltd	100%
Century Motors (Singapore) Pte Ltd	100%
Champion Motors (1975) Pte Ltd	100%
Inchcape Automotive Services Pte Ltd	100%
Inchcape Motors Private Ltd	100%
Spain	
C. De Don Ramon de la Cruz, 38, 28001 Madrid	
Inchcape Inversiones España SLu	100%
Thailand	
No. 4332 Rama IV Road, Prakhanong Sub-District, Klongtoey District, Bangkok	
Inchcape (Thailand) Company Ltd	100%
Inchcape Services (Thailand) Co Ltd	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address		Percentage owned
United Kingdom		
Inchcape Retail, First Floor, Unit 3140 Park Square, Solihull Parkway, Birmingham B37 7YN		
Armstrong Massey (York) Ltd		100%
Armstrong Massey Holdings Ltd		100%
Autobytel Ltd		100%
Chapelgate Motors Ltd		100%
Ferrari Concessionaires Ltd	(v)	100%
Gerard Mann Ltd		100%
Inchcape East (Acre) Ltd		100%
Inchcape Estates Ltd		100%
Inchcape Motors International Ltd		100%
Inchcape North West Ltd		100%
Inchcape Retail Ltd		100%
Inchcape Trade Parts Ltd		100%
Inchcape Transition Ltd		100%
Inchcape UK Corporate Management Ltd		100%
James Edwards (Chester) Ltd		100%
Inchcape KMG Ltd		100%
Mann Egerton & Co Ltd		100%
Mill Garages Ltd		100%
Nexus Corporation Ltd		100%
Normand Ltd		100%
Northfield Garage (Tetbury) Ltd		100%
Notneeded No. 144 Ltd		100%
Packaging Industries Ltd		100%
Smith Knight Faye Ltd		100%
The Cooper Group Ltd		100%
Tozer International Holdings Ltd		100%
Tozer Kemsley Millbourn Automotive Ltd		100%
22a St James's Square, London, SW1Y 5LP		
Inchcape Digital Ltd		100%
Inchcape (Belgium) Ltd	(vi)	100%
Inchcape Corporate Services Ltd		100%
Inchcape Finance plc		100%
Inchcape Hellas Funding (unlimited)		100%
Inchcape Investments (no 1) Ltd		100%
Inchcape International Holdings Ltd		100%
Inchcape JLR Europe Ltd		70%
Inchcape Management (Services) Ltd		100%
Inchcape Overseas Ltd		100%
Inchcape Russia (UK) Ltd	(vi)	100%
Inchcape (Singapore) Ltd		100%
St Mary Axe Securities Ltd		100%
PO Box 33 Dorey Court Admiral Park St Peter Port GUERNSEY GY1 4AT		
St James's Insurance Ltd		100%
4th Floor 115 George Street, Edinburgh EH2 4JN		
Inchcape Investments & Asset Management Ltd		100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Uruguay	
Rambla Baltasar Brum 3028, Montevideo	
Autolider Uruguay S.A.	100%
United States of America	
The Corporation Company, 30600 Telegraph Road Bingham Farms, MI 48025	
Baltic Motors Corporation	100%

Joint ventures

Name and registered address	Percentage owned
Australia	
Level 6, 15 Talavera Road, Macquarie Park, NSW, 2113	
Inchcape Financial Services Australia Pty Limited	50%
Greece	
48 Ethnikis Antistaseos Street, Halandri 15231	
Tefin SA	50%

Unless stated below, all holdings have one type of ordinary share capital:

(i) Ordinary A and Ordinary B shares
(ii) Ordinary shares, B Class shares, J Class shares and L Class shares
(iii) Ordinary shares and E Class shares
(iv) Ordinary shares, A Class shares, C Class shares, D Class shares and E Class shares
(v) Ordinary shares, Ordinary A shares and 8% non-cumulative redeemable preference shares
(vi) Ordinary shares and redeemable cumulative preference shares

SHAREHOLDER INFORMATION

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Tel: +44 (0) 20 7546 0022
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Registered number: 609782
Registered in England and Wales

ADVISORS

Independent Auditor
Deloitte LLP
Chartered Accountants and
Statutory Auditor

SHARE REGISTRARS

Computershare Investor Services PLC
Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: +44 (0) 370 707 1076

SOLICITORS

Herbert Smith Freehills

CORPORATE BROKERS

Jefferies Hoare Govett
JP Morgan Cazenove

INCHCAPE ISA

Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Tel: 0870 300 0430

International callers:
Tel: +44 121 441 7560
More information is available at www.shareview.com

FINANCIAL CALENDAR

Annual General Meeting
19 May 2022

Announcement of 2022 Interim Results
28 July 2022

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