Inchcape plc, the leading global automotive distributor, announces its preliminary results for the year to 31 December 2022

Strong financial performance in a transformational year; exciting growth opportunities ahead

Duncan Tait, Group CEO, commented:

"Inchcape delivered another great set of results in 2022, with strong performance across all regions. Excellent operational execution from our teams, coupled with robust consumer demand following a prolonged period of supply shortages, drove growth in revenue, profit[4] and cash.

Since launching our *Accelerate* strategy in Q4 2021 we have made substantial progress with our two strategic growth priorities: Distribution Excellence and Vehicle Lifecycle Services. In 2022 we have further extended our global leadership in automotive distribution through our investments in digital and data analytics, and the transformational acquisition of Derco – which significantly increased our presence in the highly attractive and fast-growing Americas region, and continued our portfolio shift towards Distribution. We are also making encouraging progress with our ambition to capture more of a vehicle's lifetime value with the international expansion of *bravoauto*.

Inchcape is a business with great momentum and an exciting future. With a clear and proven strategy, we are well-positioned to capitalise on further opportunities for organic growth and market consolidation, and I am confident we will continue to deliver sustainable growth and long-term value for all our stakeholders."

Financial highlights (stated on the basis of continuing operations)**:**

- Group revenue of £8.1bn: up 15% on an organic basis – supported by recovering vehicle volumes – and 18% reported
- Adjusted PBT[1] of £373m (2021: £249m), driven by topline growth, higher margins and operating leverage
- Statutory profit before tax of £333m (2021: £149m) reflects adjusting items of £40m[4]; statutory loss £(6)m[5]
- Highly cash generative and attractive returns: 2022 free cash flow of £380m (92% cash conversion) and 41% ROCE
- Proposed final dividend of 21.3p (2022 full year: 28.8p, 2021: 22.5p)

Strategic highlights:

- *Accelerate* strategy, executing on two exciting growth pillars: Distribution Excellence and Vehicle Lifecycle Services (VLS)
- Distribution consolidation: completed the transformational acquisition of Derco, and continued with our bolt-on strategy
- OEM relationships: secured first-time relationships with Porsche, Volvo, BYD and ORA; plus further geographic expansion
- Russia exit: disposed of our remaining Retail-only business in Russia during Q2
- Digital & data: roll-out of latest digital and data-analytics innovations; driving more customers and improved efficiencies
- VLS: international expansion of *bravoauto* – our digital-first multi-brand used car platform – now live in nine markets

Outlook:

While we are mindful of the changeable economic environment, the strength of our business model and diversification benefits of our global operations are expected to support the Group's performance in 2023, with trading to date in line with our expectations. We anticipate that new vehicle supply will continue to improve throughout 2023, and support a normalisation of order books. In 2023 we expect to make strategic, operational and financial progress, underpinned by the integration of Derco. We remain confident in the medium-term outlook set out at the Capital Markets Day in November 2021.

	2022	2021	% change reported	% change constant FX[2]	% change organic[3]
Key financials (continuing operations)					
Revenue	**£8,133m**	£6,901m	+18%	**+16%**	**+15%**
Adjusted Operating Profit[1]	**£411m**	£281m	+46%	**+41%**	
Adjusted Operating Margin[1]	**5.1%**	4.1%	+100bps	**+90bps**	
Adjusted Profit Before Tax[1]	**£373m**	£249m	+50%		
Adjusted Basic EPS[1]	**72.0p**	46.3p	+56%		
Dividend Per Share	**28.8p**	22.5p	+28%		
Free Cash Flow[1]	**£380m**	£274m	+39%		
Statutory financials					
Operating Profit (continuing operations)	**£400m**	£181m			
Profit Before Tax (continuing operations)	**£333m**	£149m			
Total (loss) / profit for the year	**£(6)m**	£122m			
Basic EPS (continuing operations)	**61.1p**	20.3p			

1. Restated to adjust for the disposal of the remaining business in Russia which has been reported as a discontinued operation, see note 10
2. These measures are Alternative Performance Measures, see 'Our financial metrics'
3. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates
4. On a continuing operations basis
5. Including discontinued operations

Market abuse regulation statement
This announcement contains inside information.

Results presentation today
A virtual presentation for analysts and investors will be held today, Thursday 23rd March, at 08:30 (UK time). To watch the event please follow this link

A replay of the presentation will be available via the Company's website, www.inchcape.com later today.

Financial calendar

Q1 trading update	27th April 2023
Ex-dividend date for 2022 final dividend	12th May 2023
Annual general meeting	18th May 2023
Half year results	27th July 2023
Q3 trading update	26th October 2023

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About Inchcape
Inchcape is the leading global automotive distributor, with operations across six continents. Through the unique expertise of our people, our suite of cutting-edge technology products, and our approach to advanced data analytics, we provide the platform for the world's leading mobility companies to accelerate their ambitions in markets where we and our partners want to succeed.

Our distribution platform connects the products of mobility companies with customers, and our responsibilities span from product planning and pricing, import and logistics, brand and marketing to operating digital sales, managing physical sales and aftermarket service channels.

Inchcape is driven by its purpose of 'bringing mobility to the world's communities, for today, for tomorrow and for the better'. We are committed to making a positive contribution to the communities in which we operate, for our people, for society and for the planet. The Group is headquartered in London and employs around 19,000 people globally.
www.inchcape.com

Our results are stated at actual exchange rates. However, to enhance comparability we also present year-on-year changes in sales and adjusted operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Unless otherwise stated, changes are expressed in constant currency and figures are stated before adjusting items.

Following the disposal of our remaining Retail-only business in Russia (Moscow), all figures quoted in the 'Operational' and 'Operating and financial' reviews are on a 'continuing operations' basis and therefore exclude any contribution from Russia in 2022. However, while the comparative period (2021) excludes the contribution from the Moscow operation, it does include c.£110m of revenue and c.£10m of profit from the St. Petersburg operation (disposed towards the end of 1H21).

Operational review

Key performance indicators

	2022	2021[1]	% change	**% change**	**% change**
Revenue	**£8.1bn**	£6.9bn	+18%	**+16%**	**+15%**
Adjusted Operating Profit[2]	**£411m**	£281m	+46%	**+41%**	
Adjusted Operating Margin[2]	**5.1%**	4.1%	+100bps	**+90bps**	
Adjusted Profit Before Tax[2]	**£373m**	£249m	+50%		
Free Cash Flow[2]	**£380m**	£274m	+39%		
Return on Capital Employed[2]	**41%**	28%			

1. Restated to adjust for the disposal of the remaining business in Russia which has been reported as a discontinued operation

2. See note 13 for definition of Key Performance Indicators and other Alternative Performance Measures.

Performance review: full year 2022

The Group delivered another great set of results in 2022, driven by growth across both Distribution and Retail segments. Our performance was driven by growth of new vehicles, underpinned by robust consumer demand and price-mix tailwinds against a backdrop of supply shortages, and a solid contribution from used vehicles, which benefited from unprecedented pricing-levels and our roll-out of *bravoauto*. While revenue growth was skewed towards the second-half, as we lapped the trough for supply, profit was split more evenly due to a combination of margin normalisation, with improving vehicle supply, set-up costs related to new OEM relationships and an increase in investment in VLS in the second-half.

Over the course of the year, the Group generated revenue of £8.1bn, adjusted operating profit of £411m and free cash flow of £380m.

Group revenue of £8.1bn rose 18% year-on-year reported and 16% in constant currency. The growth rate is supported by the addition of new distribution businesses in the Americas and in APAC. There was no contribution from Derco to our FY22 financial performance. It is worth noting that the comparative period includes the results of our St. Petersburg operation which was disposed towards the end of 1H21.

On an **organic basis**, excluding currency effects and net M&A, revenue increased by 15%, driven by a combination of continued volume recovery and price-mix tailwinds.

The Group delivered an **adjusted operating profit** of £411m, up 46% year-on-year reported and 41% in constant currency. The profit growth reflects the topline increase and the year-on-year operating margin improvement.

Adjusted profit before tax (PBT) of £373m (2021: £249m) reflects the improvement in revenue and operating profit. The net interest expense of £37m (2021: £33m) rose versus the prior year due to higher cost of financing.

During the reporting period **adjusting items** amounted to an expense of £40m (2021: £100m). This was primarily driven by one-off costs related to acquisitions and the disposal of Russia (£28m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting (Ethiopia; £30m), partially offset by other operating items (£18m).

The highly cash-generative nature of our business model was evident with record **free cash flow** generation of £380m (2021: £274m) – this represents a conversion of adjusted operating profit of 92% (2021: 97%), exceeding the long-term average of 60-70%. In 2022 we saw a net working capital inflow of £75m primarily as a result of a rebound in the level of inventory financing, which more than offset the rise in inventory levels (following last year's trough reached in Q4) and an expected increase in receivables. As we look ahead the Group's free cash flow conversion is expected to normalise towards its historic range of 60-70%.

Other notable elements of the cash flow bridge include: net acquisitions and disposals, which amounted to an outflow of £412m (primarily relating to the acquisition of **Derco**, as well as other acquisitions in the Americas: **Ditec** and **Simpson Motors**, and includes the first tranche of cash received in relation to our **Russia disposal**), dividend payments of £89m and an outflow of £70m related to our share buyback programmes.

The Group closed the reporting period in an adjusted **net debt** position of £378m (excluding lease liabilities), which compares to adjusted net cash of £379m at the end of December 2021, and £439m as at 30 June 2022. The movement primarily relates to the acquisition of Derco (cash-out and net debt acquired). On an IFRS 16 basis (including lease liabilities), we ended the period with net debt of £877m (December 2021: net funds of £55m).

Adjusted **Return on capital employed** over the period was 41%, compared to 28% for the equivalent period last year. The increase was driven by the growth in Group profits on stable capital employed. Following the dilutionary effect of acquisitions we expect this will normalise to c.25%.

Fourth quarter 2022

Group revenue for the fourth quarter was £2.1bn, up 32% reported. On an **organic basis** revenue increased 22%, compared to +16% in Q3 – the step-up in growth was primarily owing to lapping the trough for supply which impacted the fourth quarter of 2021.

In **Distribution**, the fourth quarter was the strongest quarter of the year, underpinned by organic growth and some contribution from M&A (Americas and Asia). On an organic basis revenue increased 25%, following an 18% increase in Q3. The sequential step-up in organic growth was driven by the improvement in vehicle supply.

In **Retail**, revenue increased 14% organically, following an 11% increase in Q3. The improvement in revenue growth was owing to a higher volume of new (due to better vehicle supply) and used vehicles (*bravoauto*), while Aftersales performance continued to be solid.

Strategic priorities

In Q4 2021 we launched our new strategy, *Accelerate*, focusing on two growth opportunities: Distribution Excellence and Vehicle Lifecycle Services, and we also defined our **Responsible Business plan**: *'Driving What Matters'.*

Developing our approach to **Responsible Business** is central to our future plans. It will provide the following benefits to Inchcape: bring us closer to our customers, ensure we remain a trusted partner to OEMs and help us recruit, engage and retain the best talent. All of these elements are fundamental to the successful delivery of our *Accelerate* strategy and to ensuring Inchcape's sustainability for the long-term. *Driving What Matters* has four key focus areas: Planet, People, Places and Practices, and we made excellent progress over the past 12 months, including: a 24% reduction in our Scope 1 and 2 CO_2 emissions compared to 2019 (versus our 2030 target of a 46% reduction), a continuation of our Women into Senior Leadership programme, working with local communities to provide disabled people with prosthetic limbs (from spare car parts) and recognition from ISO (International Organization for Standarisation) for our global health and safety programme.

(1) Distribution Excellence: *extending our leadership in automotive distribution (new vehicles and original parts)*

In the Group's core operations, we create the vital link between the OEM and the end-customer, with our full-spectrum distribution capability. This includes deciding which vehicle models and parts to order, the pricing structure in a market, arranging the importation of new vehicles and parts, the building of the brand including marketing and the provision of finance and insurance products (FIP), the creation and management of the digital and physical network, in-market distribution of new vehicles/ parts for the aftermarket, and finally, when we choose to operate dealerships ourselves (majority outsourced), we perform retail and aftersales services.

Over the past 12 months we have made excellent progress:

- *Digital, Data & Analytics*: we have continued to invest in our capabilities and extended our leadership versus our distribution peers. The combination of the speed of our development and our ability to roll-out new functionality across new markets and OEMs, continues to impress both existing OEM partners and OEMs we do not, as yet, have a relationship with. For more information on the progress the Group has made on its Digital & Data journey and how it is integral to the Group's growth ambitions, please visit our website where you can watch a replay of our webinar: *'In the driving seat: Spotlight on Digital & Data'*.
- *Consolidating a fragmented global market:* inline with our focus on markets with high growth potential, we further expanded our distribution footprint by acquiring several independent, family-owned, distribution businesses:
  - **Derco:** at the end of Q4 we completed the acquisition of Latin America's largest independent distributor. The acquisition significantly expands our brand representation in Chile, Peru and Colombia, and adds a new market in Bolivia.
  - **Ditec:** in Q2 we added three new luxury brands (Porsche, Volvo and JLR) to our well-established operations in Chile.
  - **ITC/ Simpson Motors:** in Q2 we further built-out our Americas footprint with entry into the Caribbean with several brands.
  - **CATS:** in Q1 2023 we announced a deal expanding our APAC footprint with entry into the Philippines with seven brands.
- *New contract wins:* another growth lever for us is being awarded a contract by an OEM, giving us exclusive responsibility for its brand (driving new vehicle market share and parts revenue) in a market. We won several such contracts over the past 12 months:
  - **BYD** in Belgium and Luxembourg: first-time relationship with BYD, supporting their entry into two new markets in Europe.
  - Great Wall's **ORA** in Hong Kong and Macau: first-time relationship with ORA, launching the brand in two new markets.
  - **Geely** in Ecuador: following the success of our first year in Chile, Geely awarded us with the distribution rights for Ecuador.
- *Expanding OEM relationships:* one of the key barriers to entry in automotive distribution is relationships with OEMs. Inchcape takes pride in its long track-record of distribution contract retention and new wins. Since 2016 we have added 17 new OEM brands to our list of partnerships, and in the past 12 months we added: Porsche, Volvo, BYD, ORA, Renault, Haval, DS and Joylong.

(2) Vehicle Lifecycle Services: *capturing more lifetime value – of customers and vehicles*

Inchcape has historically focused on the first user phase of a vehicle's life. We see significant opportunity for the Group to unlock value in the subsequent phases of the vehicle's lifecycle, through new and complementary products and services.

Over the past 12 months we have made encouraging progress:

- *bravoauto:* we created *bravoauto* – our digital-first, multi-brand, B2C used car platform – in 2021 (Q4), launching initially in the UK. During 2022 we have continued to roll-out the platform, which is now live in 9 markets across Europe, APAC and the Americas. While the business is still scaling, the initial results are encouraging. While still early days, we are on track with the ambition set-out at our Capital Markets Day in November 2021 to double used volumes by 2026.
- *Digital Parts Platform:* we identified an opportunity to leverage our core distribution competencies and technological expertise to modernise the aftermarket-parts industry. During 2022 we further developed the platform and ran a successful pilot in Australia, and we will begin to launch the platform in 2023.

Derco

In July 2022 the Group announced a £1.3bn deal to acquire Derco, Latin America's largest independent automotive distributor. The acquisition completed on 31 December 2022 following receipt of all required shareholder and merger control clearances.

Derco was founded by the Del Río family in 1959 as a multi-brand automotive distributor, and has a strong track record of profitable growth. It has an extensive presence across four attractive markets of Chile, Peru, Colombia and Bolivia, and has long-standing partnerships with global automotive brands such as Suzuki, Mazda, Chevrolet, Changan, JAC, Renault, Great Wall and Haval.

Strategic rationale

- Brings together two leading automotive distributors in Latin America: Inchcape, with broad geographic reach and extensive brand representation, and Derco, the largest independent distributor by volume
- Significantly expands Inchcape's position in highly attractive and fast growth markets within Latin America
- Combines two best-in-class operators with complementary market footprints and OEM brand portfolios, providing significant opportunities for customers, OEMs and employees of the enlarged business
- Expected to deliver significant value creation through enhanced growth prospects and delivery of meaningful recurring synergies
- Derco is a well-managed company, strongly aligned culturally and strategically with Inchcape
- Following completion, the Del Río family have become a shareholder in Inchcape (9.3% stake) and nominated Juan Pablo Del Río to the Inchcape Board

Transaction terms

- Acquisition at an enterprise value of c.£1.3bn
- The transaction was financed as follows:
  - Existing cash: £400m
  - New debt facilities: £600m
  - Inchcape shares to Del Río family: £280m (9.3% of Inchcape share capital)
- In light of the deal-timing, it was agreed the pre-completion dividend owed to the Del Río family and the acquisition of minority shareholdings (£270m in total) would occur during 2023. This did not impact the economics of the transaction.
- Post completion adjustments related to Derco's closing working capital position increased Derco's net debt by c.£200m

Derco 2022 financial performance

- Revenue: £2.2bn (2021: £1.9bn)
- Adjusted operating profit: £192m (2021: £237m)

Forward considerations

- We expect Derco will generate an operating margin towards the top-end of the range of a typical automotive distribution business (5-7%), before recurring synergies
- The transaction is expected to deliver annualised recurring synergies of at least £40m, with the significant majority delivered by the end of 2024
- There are opportunities to drive significant revenue synergies, which are as yet unquantified
- The realisation of recurring and revenue synergies will require one-off cash costs of up to £60m over two years

Impact of Derco acquisition on Inchcape Group

The transaction is expected to:

- accelerate growth and be margin accretive for the Group, even before the benefit of synergies
- be 15+% accretive to Inchcape's earnings per share (excluding implementation costs) in 2023, and 20+% accretive in 2024
- increase Group leverage to 0.6x Net Debt/EBITDA[1] (pre-IFRS16); deleveraging supported by a highly cash generative business-model

1: pro-forma (i.e. Inchcape + Derco)

Capital allocation

Our **capital allocation policy remains unchanged:** 1) to invest in the business to strongly position it for the future; 2) to make dividend payments; 3) to conduct value-accretive M&A; and, in the absence of inorganic opportunities, 4) consider share buybacks.

Our dividend policy targets a **40% annual payout** ratio of basic adjusted EPS, and as such our **full-year dividend amounts to 28.8p**, compared to 22.5p in 2021. During 2022 we secured a number of new distribution agreements, and we continue to have a **healthy M&A pipeline** with several opportunities being actively pursued. We launched another £100m share buyback programme in February 2022, of which we had completed £50m by July. In light of the Derco acquisition the Board decided to cancel the remainder (£50m).

Investment proposition

Inchcape is the leading global automotive distributor. Combining our exposure to higher growth markets and diversified revenue streams, with our history of market outperformance, we expect to deliver **strong organic growth**. By leveraging our scale, operational improvements and focus on higher margin activities, we can drive **margin expansion**. The highly fragmented nature of distribution, and our strong financial position, also provides significant **consolidation opportunities**.

In addition to the **attractive growth** prospects, the business is **asset-light** with excellent financial characteristics: **high returns and cash conversion**. Combined with a **disciplined** approach to **capital allocation** we believe these should enable the Group to maintain its long track record of delivering **significant value through organic growth, consolidation and attractive shareholder returns**.

Looking ahead

While we are mindful of the changeable economic environment, the strength of our business model and diversification benefits of our global operations are expected to support the Group's performance in 2023, with trading to date in-line with our expectations. We anticipate that new vehicle supply will continue to improve throughout 2023, and support a normalisation of order books. In 2023 we expect to make strategic, operational and financial progress, underpinned by the integration of Derco.

We remain confident in the medium-term outlook set out at the Capital Markets Day in November 2021:

- Distribution Excellence: mid-to-high single digit profit CAGR *plus* M&A
- Vehicle Lifecycle Services: >£50m of incremental profit

Operating and financial review

Distribution

The Distribution segment reported revenue of £5.9bn increasing 26% year-on-year, with all regions growing versus the prior year. The combination of an excellent topline performance and higher margins drove the adjusted operating profit[1] of £363m (2021: £246m). The adjusted operating margin[1] rose 90bps to 6.2%.

Our regional disclosure has been aligned with the Group's Management responsibilities and reporting structure. In the second half of 2022, in preparation for our acquisition of Derco, the Americas moved to be managed as a single region (under Romeo Lacerda), and Africa was combined with the Europe region (under Glafkos Persianis). APAC, which includes both Asia and Australasia, continues to be managed by Ruslan Kinebas.

	2022 £m	2021 £m	% change reported	% change constant FX	% change organic
Revenue					
APAC	**2,341.5**	2,146.9	+9%	+3%	+2%
Europe & Africa	**2,047.5**	1,598.6	+28%	+30%	+30%
Americas	**1,479.8**	926.2	+60%	+56%	+32%
Total Distribution	**5,868.8**	**4,671.7**	**+26%**	**+22%**	**+17%**
Adjusted operating profit[1]					
APAC	**163.1**	127.8	+28%	+18%	
Europe & Africa	**90.0**	62.6	+44%	+47%	
Americas	**110.2**	55.6	+98%	+94%	
Total Distribution	**363.3**	**246.0**	**+48%**	**+42%**	
Adjusted operating margin[1]					
APAC	**7.0%**	6.0%	+100bps	+90bps	
Europe & Africa	**4.4%**	3.9%	+50bps	+50bps	
Americas	**7.4%**	6.0%	+140bps	+150bps	
Total Distribution	**6.2%**	**5.3%**	**+90bps**	**+90bps**	

- **APAC** revenue was up 9% year-on-year with adjusted operating profit[1] rising 28%. In Asia, the improvement versus the prior year was due to the positive contribution from our smaller, newer and more developing markets (e.g. Guam, Saipan, Brunei, Indonesia). In the case of **Hong Kong**, pandemic related restrictions weighed on our first-half results, but performance in the second-half improved markedly and at the beginning of 2023 the border with China was reopened, which may signal the trough of the market. In **Singapore** our performance continues to be impacted by lower availability of vehicle licences (with volumes 70% below the peak in 2017). Our current expectation is that licence availability will begin to improve in late-2023. The trends across the **rest of Asia** continued be solid, with revenue and profit above both the prior year and the first-half of 2022. In terms of our newest distribution businesses (JLR in Indonesia, and commercial vehicles and machinery in Micronesia), the performance of both has exceeded our expectations. In **Australasia**, our performance was helped by a gradually improving supply situation (vehicle supply was at its highest in Q4) and favourable price-mix. Volumes, revenue and profit reached a three year high in the fourth quarter, supported by broad-based performance (across New, Used and Aftermarket) and the benefits of our cost-restructuring.
- **Europe & Africa** revenue was up 28% year-on-year with adjusted operating profit[1] rising 44%. In **Europe**, growth was driven by the improvement in vehicle supply (>20% increase in new vehicle volume) coupled with robust demand. This resulted in us gaining share in each of our largest markets (i.e. Belgium, Greece, Romania). While vehicle supply continued to improve towards the end of the year, order banks remain at record levels and will provide an underpin in 2023 as we navigate a changeable economic backdrop. Performance across the halves was broadly consistent in terms of revenue, although some strategic investments (e.g. *bravoauto*) in the second-half resulted in slightly lower margins. In **Africa**, revenue and profit improved in the second-half, supported by higher vehicle volumes and Aftermarket resilience.
- **Americas** revenue grew 60% year-on-year (with new businesses contributing more than 20% to growth), driving adjusted operating profit[1] up 98%. The Americas delivered excellent performance across all major markets, notably in Chile, Columbia and Peru. This was driven by a combination of robust consumer demand and a shortage of vehicle supply which supported pricing and margins, particularly in the first-half. In the second-half, we saw a step-up in revenue owing to higher new and used vehicle volumes. While margins returned to a more normal level (6-6.5%), in line with the improvement in vehicle volumes, overall profitability was broadly evenly split. During the first-half we acquired two distribution businesses (Simpson Motors and Ditec), which we indicated would add an aggregate c.£250m of annualised revenue, and both businesses have contributed meaningfully in 2022. At the end of the fourth quarter we purchased Derco, the largest distributor in Latam, which will provide a step-change to our presence in the region. For more information on the region please visit our website where you can watch a replay of our webinar: *'In the driving seat: Spotlight on Americas'*, outlining our growth to date, strategic priorities and our confidence in the region's growth prospects over the medium and long term.

Retail

Following a proactive disposal programme, the Retail segment only includes the results of the UK and Poland franchise dealerships and our *bravoauto* business in these markets.

	2022 £m	2021 £m	% change reported	% change constant FX	% change organic
Revenue					
Total Retail	**2,263.9**	**2,229.2**	**+2%**	**+2%**	**+10%**
Adjusted operating profit[1]					
Total Retail	**47.5**	**35.4**	**+34%**	**+36%**	
Adjusted operating margin[1]					
Total Retail	**2.1%**	**1.6%**	**+50bps**	**+50bps**	

- **Retail** delivered organic revenue growth of 10% and adjusted operating profit[1] rose 34%, resulting in an operating margin of 2.1%. While vehicle supply improved gradually throughout the year (we saw sequentially higher new vehicle volumes every quarter) this lagged demand, which remained solid. We continued to invest and expand our *bravoauto* business, which is performing as per our plan. As anticipated, our Used car business has started to see profitability normalise, consistent with the reduction in used car prices. We reported an operating margin of 1.5% in the second-half, with the reduction owing to normalising vehicle profitability and our investment in *bravoauto*.

From the start of 2023, in the UK certain manufacturers will change the way they sell new vehicles (choosing to sell directly to consumers via dealer groups), and as such Inchcape will only recognise a handling-fee (not the selling price of the vehicle). The estimated impact of this change on Inchcape's reported Retail revenue is a c.£200m reduction. The impact on operating profit is expected to be negligible.

1: Operating profit and operating margin stated before adjusting items

Value drivers

We provide disclosure on the value drivers behind our gross profit). This includes:

- Gross profit attributable to Vehicles: New Vehicles, Used Vehicles and the associated income from finance and insurance products; and
- Gross profit attributable to Aftersales: Service and Parts

	2022 £m	2021 £m	% change reported	% change constant FX
Gross Profit				
Vehicles	**883.5**	682.8	29%	26%
Aftersales	**441.8**	375.2	18%	14%
Total	**1,325.3**	**1,058.0**	**25%**	**22%**

We operate across the automotive value chain, and during the year we generated 33% of gross profit through Aftersales (2021: 35%). In 2019 Aftersales accounted for 39% of Group gross profit. The reduction since 2019 reflects the greater gross profit contribution from vehicles as volumes improved and the benefit from higher vehicle gross margins.

Other financial items

Adjusting items: In 2022, we have reported a pre-tax charge of £40m (2021: charge of £100m) in respect of adjusting items. This includes benefits of £20m, following the change from RPI to CPI for pension increases, and £13m in respect of disposal proceeds from Russia. This was offset by £42m relating to acquisition related costs, primarily in relation to the acquisition of the Derco group and a net monetary loss of £30m upon application of hyperinflationary accounting in Ethiopia. Further details can be found in note 3 of the condensed financial statements.

Net financing costs: Reported net finance costs were £67m (2021: £33m). This includes the net monetary loss on adoption of hyperinflationary accounting in Ethiopia of £30m, noted above as an adjusting item. Adjusted net finance costs were £37m (2021: £33m) with the increase versus the prior year due to higher cost of financing. The interest charge is stated on an IFRS 16 basis and excluding interest relating to leases our Reported net finance costs were £57m (2021: £23m). In 2023 the Group anticipates net finance costs of c.£110m, based on prevailing interest rates, with the step-up versus 2022 reflecting higher rates and financing of Derco.

Tax: The effective tax rate for the year is 29.5% (2021: 43.4%), and the underlying effective tax rate on adjusted profit before tax is 26.1% (2021: 25.4%). The increase in the underlying effective tax rate includes the impact of a change in the Group's profit mix resulting in more profit arising in markets with higher corporate tax rates. Following the acquisition of Derco, and reflecting the greater profit contribution from markets with higher corporate tax rates, the Group's underlying effective tax rate is expected to be between 27% and 28%.

Non-controlling interests: Profits attributable to our non-controlling interests were £5m (2021: £5m). The Group's non-controlling interests comprise a 40% holding in PT JLM Auto Indonesia, a 33% share in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 30% share in Inchcape JLR Europe, a 30% share in Ditec in Chile, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend: The Board has declared a final ordinary dividend of 21.3p per ordinary share which is subject to the approval of shareholders at the 2023 Annual General Meeting, and if approved will be paid in June 2023. This follows an interim dividend of 7.5p, and takes the total dividend in respect of FY22 to 28.8p. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 26 May 2023.

Capital expenditure: During 2022, the Group incurred net capital expenditure of £59m (2021: £40m), consisting of £69m of capital expenditure (2021: £65m) and £10m of proceeds from the sale of property (2021: £25m). 2022 net capital expenditure includes £2m related to Russia, incurred prior to its disposal. In 2023, we continue to expect net capital expenditure of less than 1% of Group sales.

Financing: As at 31 December 2022, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2021: £700m), sterling Private Placement loan notes totalling £210m (2021: £210m), a bridge facility of £350m (2021: £nil) and a term facility of £250m (2021: £nil). As at 31 December 2022, the bridge and term facilities were fully drawn and the syndicated revolving credit facility was undrawn (2021: undrawn).

Pensions: As at 31 December 2022, the IAS 19 net post-retirement surplus was £93m (2021: £82m), with the increase driven largely by movements in corporate bond yields over the period affecting the discount rate assumption used to determine the value of scheme liabilities and the pension indexation gain treated as an adjusting item, partially offset by lower than expected returns on scheme assets. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £2m (2021: £6m).

Acquisitions: In 2022 the Group continued to further expand its distribution footprint, completing six deals during the year. This includes the acquisitions of Ditec and Simpson Motors in the Americas region during the second quarter, and several new contract wins over the course of the year (Geely in Ecuador, ORA in Hong Kong and Macau, BYD in BeLux). The Group completed its acquisition of Derco on 31 December 2022, resulting in a cash-outflow of £407m and the assumption of Derco's closing net debt (£522m) – which reflects the closing position of the balance sheet upon completion. The purchase price included the issuance of 39 million new Inchcape shares (valued at c.£280m in July 2022 when the transaction terms were agreed). In light of the deal-timing, it was agreed that the pre-completion dividend owed to the Del Río family and the acquisition of minority shareholdings (£270m in total) would occur during 2023.

Discontinued operations: During the year, the Group agreed the sale of its remaining retail-only operations in Russia. In 2022, the operations generated revenue of £237m and operating profit of £21m. This has been classified within discontinued operations. The total loss reported was £241m, where we realised £99m of accumulated foreign exchange losses upon disposal.

OUR FINANCIAL METRICS

APM – Adjusted profit before tax (from continuing operations)	2022 £m	2021 £m
Gross Profit	**1,325.3**	1,058.0
Less: Segment operating expenses	**(914.5)**	(776.6)
Adjusted Operating Profit	**410.8**	281.4
Less: Adjusting items in net operating expenses	**(10.5)**	(100.1)
Operating Profit	**400.3**	181.3
Less: Net Finance Costs and JV losses	**(67.2)**	(32.5)
Profit Before Tax	**333.1**	148.8
Add back: Adjusting Items in net operating expenses	**10.5**	100.1
Add back: Adjusting items in net finance costs	**29.6**	–
Adjusted profit before tax	**373.2**	248.9

APM – Free cash flow (from continuing operations)	2022 £m	2022 £m	Restated 2021 £m	Restated 2021 £m
Net cash generated from operating activities		**493.5**		377.0
Add back: Payments in respect of adjusting items		**28.6**		12.0
Net cash generated from operating activities, before adjusting items		**522.1**		389.0
Purchase of property, plant and equipment	**(64.2)**		(48.5)	
Purchase of intangible assets	**(4.3)**		(16.1)	
Proceeds from disposal of property, plant and equipment	**10.0**		24.6	
Net capital expenditure		**(58.5)**		(40.0)
Net payment in relation to leases		**(62.5)**		(59.5)
Dividends paid to non-controlling interests		**(3.8)**		(3.0)
Free cash flow		**397.3**		286.5
Less: Free cash flow from discontinued operations		**(17.4)**		(12.8)
Free cash flow from continuing operations		**379.9**		273.7

APM – Return on capital employed (from continuing operations)	2022 £m	2021 £m
Operating profit	**400.3**	181.3
Adjusting items in net operating expenses	**10.5**	100.1
Adjusted operating profit	**410.8**	281.4
Net assets	**1,567.0**	1,130.5
Less: Net assets from discontinued operations	**–**	(108.8)
Net assets from continuing operations	**1,567.0**	1,021.7
Add net debt/ less (net funds)	**877.1**	(54.7)
Add: net funds/(net debt) from discontinued operations	**–**	(4.3)
Capital employed – continuing operations	**2,444.1**	962.7
Effect of averaging	**(740.7)**	45.4
Average capital employed	**1,703.4**	1,008.1
Return on capital employed	**24.1%**	27.9%
APM – Adjusted return on capital employed (from continuing operations)		
Capital employed – continuing operations	**2,444.1**	962.7
Less: Derco capital employed	**(1,383.1)**	–
Adjusted capital employed – continuing operations	**1,061.0**	962.7
Effect of averaging	**(49.2)**	45.4
Average adjusted capital employed	**1,011.8**	**1,008.1**
Adjusted return on capital employed	**40.6%**	**27.9%**

APM – Adjusted (net debt)/net cash	2022 £m	2021 £m
(Net debt)/net funds	**(877.1)**	54.7
Add back: lease liabilities	**499.4**	324.1
Adjusted (net debt)/net cash	**(377.7)**	378.8

APM – Adjusted earnings per share (from continuing operations)	2022 £m	2021 £m
Operating profit	**400.3**	181.3
Add: adjusting items in net operating expenses	**10.5**	100.1
Adjusted operating profit	**410.8**	281.4
Share of loss after tax of joint ventures and associates	**(0.6)**	–
Adjusted profit before finance and tax	**410.2**	281.4
Net finance costs	**(66.6)**	(32.5)
Add: adjusting items in net finance costs	**29.6**	–
Adjusted profit before tax	**373.2**	248.9
Tax on adjusted profit	**(97.3)**	(63.1)
Adjusted profit after tax	**275.9**	185.8
Less: minority interest	**(5.0)**	(4.9)
Adjusted earnings	**270.9**	180.9
Weighted average number of shares (m)	**376.4**	390.6
Dilutive effect	**44.7**	4.5
Basic adjusted earnings per share	**72.0p**	46.3p
Diluted adjusted earnings per share	**64.3p**	45.8p

RISKS

PRINCIPAL BUSINESS RISKS

The Board has reassessed the principal business risks which could impact the performance of the Group. These include:

Strategic risks, including:

- People: engagement, retention;
- Margin pressure (changing route to market, incentives);
- OEM: loss of distribution contract;
- Change delivery (benefits on time, to budget);
- People: future skills;
- New entrants: new business models or tech;
- EV transition risks; and
- Acquisition ROI.

Material operational risks, including:

- Cyber security incident;
- Supply chain disruption;
- Covid-19;
- Political risks / social unrest;
- HSE: Health, safety or environmental incident;
- Financial reporting, fraud;
- IT systems outage (non-cyber);
- Legal / regulatory compliance;
- Foreign exchange volatility; and
- Macro-economic conditions (cost inflation, economic slowdown).

The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded. The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, natural catastrophe and business interruption risks and certain financial risks.

The Group has defined and implemented systems of risk management and internal control designed to address these risks. These systems can offer reasonable, but not absolute assurance, regarding the management of these risks to an acceptable level. In particular, the effectiveness of these systems may change over time, for example with acquisitions or disposals or as the business implements major change programmes. The effectiveness of these systems is reviewed annually by the Audit Committee and improvements are made as required.

APPENDIX – REGIONAL BUSINESS MODELS

DISTRIBUTION

Americas

Country	Brands
Argentina	Subaru, Suzuki
Barbados[1]	Chrysler, Daimler Trucks, Dodge, Freightliner, FUSO, Isuzu, JCB, Jeep, John Deere, Mercedes-Benz, Mitsubishi, Subaru, Suzuki, Western Star
Bolivia	Changan, Chevrolet, JAC Motors, Joylong, Renault Mazda, Suzuki
Chile	BMW, BMW Motorrad, DFSK, Changan, Geely, Great Wall, Haval, Hino, JAC Motors, Jaguar, Land Rover, Mazda, MINI, Porsche, Renault, Rolls Royce, Subaru, Suzuki, Volvo
Colombia	Citroen, DFSK, Dieci, Doosan, DS Automobiles, Hino, Jaguar, Land Rover, Mack, Mercedes-Benz, Subaru, Suzuki
Costa Rica	Changan, JAC, Suzuki
Ecuador	Freightliner, Geely, Mercedes-Benz, Western Star
El Salvador	Freightliner, Mercedes-Benz, Western Star
Guatemala	Freightliner, Geely, Mercedes-Benz, Western Star
Panama	Suzuki
Peru	BMW, BMW Motorrad, BYD, Changan, Citroen, DFSK, Great Wall, Haval, Hino, Mazda, MINI, Renault, Subaru, Suzuki
Uruguay	Freightliner, Fuso, Mercedes-Benz

1. Distribution agreements for these brands across a range of Caribbean islands, centred on Barbados

APAC

Country	Brands
Brunei	Lexus, Toyota
Guam[2]	BMW, Chevrolet, Freightliner, Hyundai Construction, Kohler, Lexus, New Holland, Toyota, Western Star
Hong Kong	Daihatsu, Ford, Hino, Jaguar, Land Rover, Lexus, Maxus, ORA, Toyota
Indonesia	Jaguar, Land Rover
Macau	Daihatsu, Ford, Hino, Jaguar, Land Rover, Lexus, ORA, Toyota
Saipan	Toyota
Singapore	Hino, Lexus, Suzuki, Toyota
Thailand	Jaguar, Land Rover
Australia	Citroen, Peugeot, Subaru
New Zealand	Subaru

2. Distribution agreements for these brands across a range of Pacific islands, centred on Guam

Europe & Africa

Country	Brands
Belgium	BYD, Lexus, Toyota
Bulgaria	Lexus, Toyota
Estonia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Finland	Jaguar, Land Rover, Mazda
Greece	Lexus, Toyota
Latvia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Lithuania	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI, Rolls Royce
Luxembourg	BYD, Lexus, Toyota
North Macedonia	Lexus, Toyota
Poland	Jaguar, Land Rover
Romania	Lexus, Toyota
Djibouti	BMW, Komatsu, Toyota
Ethiopia	BMW, Hino, Komatsu, New Holland, Suzuki, Toyota
Kenya	BMW, BMW Motorrad, Jaguar, Land Rover

RETAIL

Country	Brands
Australia[3]	Isuzu Ute, Jeep, Kia, Mitsubishi, Volkswagen
Poland	BMW, BMW Motorrad, MINI
UK	Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI, Porsche, Smart, Toyota, Volkswagen

3. Following scale disposal of retail businesses in Australia, retail is no longer reported as a separate segment in APAC.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

Continuing operations	Notes	2022 £m	2021[1] £m
Revenue	2	**8,132.7**	6,900.9
Cost of sales		**(6,807.4)**	(5,842.9)
Gross profit		**1,325.3**	1,058.0
Net operating expenses		**(925.0)**	(876.7)
Operating profit	2	**400.3**	181.3
Share of loss after tax of joint ventures and associates		**(0.6)**	–
Profit before finance and tax		**399.7**	181.3
Finance income	4	**21.6**	11.2
Finance costs	5	**(88.2)**	(43.7)
Profit before tax from continuing operations		**333.1**	148.8
Tax	6	**(98.2)**	(64.6)
Profit for the year from continuing operations		**234.9**	84.2
(Loss)/profit from discontinued operations	10(b)	**(241.1)**	37.7
Total (loss)/profit for the year		**(6.2)**	121.9
(Loss)/profit attributable to:			
Owners of the parent		**(11.2)**	117.0
Non-controlling interests		**5.0**	4.9
		(6.2)	121.9
Earnings per share from continuing operations attributable to the owners of the parent	7		
Basic earnings per share (pence)		**61.1p**	20.3p
Diluted earnings per share (pence)		**54.6p**	20.1p
(Loss)/earnings per share attributable to the owners of the parent	7		
Basic (loss)/earnings per share (pence)		**(3.0)p**	30.0p
Diluted (loss)/earnings per share (pence)		**(2.6)p**	29.6p
Alternative performance measures:			
Operating profit from continuing operations		**400.3**	181.3
Adjusting items within net operating expenses:	3	**10.5**	100.1
Restructuring costs		**–**	12.2
Acquisition and integration costs		**41.7**	3.4
Disposal of businesses		**(14.2)**	67.3
Accelerated amortisation and net impairment reversals		**2.7**	17.2
Gain on pension indexation		**(19.7)**	**-**
Adjusted operating profit from continuing operations		**410.8**	281.4
Share of loss after tax of joint ventures and associates		**(0.6)**	–
Adjusted profit before finance costs and tax from continuing operations		**410.2**	281.4
Net finance costs		**(66.6)**	(32.5)
Adjusting items within net finance costs:	3	**29.6**	–
Net monetary loss on hyperinflation		**29.6**	–
Adjusted profit before tax from continuing operations		**373.2**	248.9
Tax on adjusted profit		**(97.3)**	(63.1)
Adjusted profit after tax from continuing operations		**275.9**	185.8
Adjusted earnings per share from continuing operations	7		
Basic adjusted earnings per share		**72.0p**	46.3p
Diluted adjusted earnings per share		**64.3p**	45.8p

1. Comparative amounts have been adjusted to reflect the classification of the remaining business in Russia as a discontinued operation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021[1] £m
(Loss)/profit for the year		**(6.2)**	121.9
Other comprehensive income/(loss):			
Items that will not be reclassified to the consolidated income statement			
Retirement benefit schemes			
– net actuarial (losses)/gains		**(12.1)**	58.2
– deferred tax on actuarial losses/(gains)		**0.4**	(0.4)
		(11.7)	57.8
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges			
– net fair value gains		**8.7**	18.5
– tax on cash flow hedges[2]		**(6.6)**	(2.8)
Investments held at fair value			
– net fair value (losses)/gains		**(1.5)**	1.6
Deferred tax on taxation losses		**0.4**	–
Foreign currency translation			
Exchange differences on translation of foreign operations		**132.4**	(104.2)
Exchange differences on translation of discontinued operations		**18.7**	(0.1)
Recycling of foreign currency reserve		**99.0**	108.2
Adjustments for hyperinflation		**48.6**	–
		299.7	21.2
Other comprehensive income for the year		**288.0**	79.0
Total comprehensive income for the year		**281.8**	200.9
Total comprehensive income attributable to:			
– Owners of the parent		**270.7**	196.8
– Non-controlling interests		**11.1**	4.1
		281.8	200.9
Total comprehensive income/(loss) attributable to owners of Inchcape plc arising from			
– Continuing operations		**405.2**	163.3
– Discontinued operations		**(123.4)**	37.6

1. Comparative amounts have been adjusted to reflect the classification of the remaining business in Russia as a discontinued operation.

2. Taxation in other comprehensive income in respect of cashflow hedges is comprised of a deferred tax charge of £9.3m (2021: charge of £0.5m) offset by a current tax credit of £2.7m (2021: charge of £2.3m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Intangible assets		**1,174.0**	394.1
Property, plant and equipment		**736.8**	548.0
Right-of-use assets		**419.2**	261.4
Investments in joint ventures and associates		**22.2**	4.9
Financial assets at fair value through other comprehensive income		**3.3**	4.8
Derivative financial instruments		**17.3**	3.0
Trade and other receivables		**53.4**	45.4
Deferred tax assets		**80.0**	67.4
Retirement benefit asset		**103.8**	135.3
		2,610.0	1,464.3
Current assets			
Inventories		**2,375.8**	1,134.7
Trade and other receivables		**816.8**	324.1
Financial assets at fair value through other comprehensive income		**0.2**	0.2
Derivative financial instruments		**36.9**	24.6
Current tax assets		**40.8**	9.0
Cash and cash equivalents	9(b)	**1,064.2**	596.4
Assets held for sale and disposal group		**19.0**	4.8
		4,353.7	2,093.8
Total assets		**6,963.7**	3,558.1
Trade and other payables		**(2,898.0)**	(1,548.3)
Derivative financial instruments		**(38.1)**	(31.9)
Current tax liabilities		**(88.2)**	(63.0)
Provisions		**(56.6)**	(34.9)
Lease liabilities		**(83.4)**	(56.5)
Borrowings		**(546.3)**	(7.6)
		(3,710.6)	(1,742.2)
Non-current liabilities			
Trade and other payables		**(60.4)**	(63.2)
Provisions		**(46.7)**	(23.4)
Derivative financial instruments		**(1.4)**	–
Deferred tax liabilities		**(255.3)**	(68.1)
Lease liabilities		**(416.0)**	(267.6)
Borrowings		**(895.6)**	(210.0)
Retirement benefit liability		**(10.7)**	(53.1)
		(1,686.1)	(685.4)
Total liabilities		**(5,396.7)**	(2,427.6)
Net assets		**1,567.0**	1,130.5
Equity			
Share capital		**37.6**	38.5
Share premium		**146.7**	146.7
Capital redemption reserve		**143.0**	142.1
Merger reserve		**315.8**	–
Other reserves		**69.3**	(227.1)
Retained earnings		**820.4**	1,008.7
Equity attributable to owners of the parent		**1,532.8**	1,108.9
Non-controlling interests		**34.2**	21.6
Total equity		**1,567.0**	1,130.5

Duncan Tait, GROUP CHIEF EXECUTIVE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £m	Share Premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2021		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/(loss) 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		–	–	–	–	–	10.0	10.0	–	10.0
Share buyback programme		(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	8	–	–	–	–	–	(52.2)	(52.2)	–	(52.2)
– Non-controlling interests		–	–	–	–	–	–	–	(3.0)	(3.0)
At 1 January 2022		**38.5**	**146.7**	**142.1**	**–**	**(227.1)**	**1,008.7**	**1,108.9**	**21.6**	**1,130.5**
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**(11.2)**	**(11.2)**	**5.0**	**(6.2)**
Other comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**293.6**	**(11.7)**	**281.9**	**6.1**	**288.0**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**293.6**	**(22.9)**	**270.7**	**11.1**	**281.8**
Hedging gains and losses transferred to inventory		**–**	**–**	**–**	**–**	**2.8**	**–**	**2.8**	**–**	**2.8**
Written put option	10(a)	**–**	**–**	**–**	**–**	**–**	**(13.6)**	**(13.6)**	**–**	**(13.6)**
Shares to be issued	10(a)	**–**	**–**	**–**	**315.8**	**–**	**–**	**315.8**	**–**	**315.8**
Non-controlling interests on acquisition of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5.3**	**5.3**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**–**	**10.2**	**10.2**	**–**	**10.2**
Share buyback programme		**(0.9)**	**–**	**0.9**	**–**	**–**	**(69.5)**	**(69.5)**	**–**	**(69.5)**
Purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**	**–**	**(3.8)**
Dividends:										
– Owners of the parent	8	**–**	**–**	**–**	**–**	**–**	**(88.7)**	**(88.7)**	**–**	**(88.7)**
– Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**
At 31 December 2022		**37.6**	**146.7**	**143.0**	**315.8**	**69.3**	**820.4**	**1,532.8**	**34.2**	**1,567.0**

Share-based payments include a net tax credit of £nil (2021: net tax credit of £1.6m (current tax charge of £nil and a deferred tax credit of £1.6m)).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Cash generated from operating activities			
Cash generated from operations	9(a)	**618.8**	469.2
Tax paid		**(94.9)**	(63.8)
Interest received		**17.0**	12.2
Interest paid		**(47.4)**	(40.6)
Net cash generated from operating activities		**493.5**	377.0
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10(a)	**(395.2)**	(20.2)
Net cash (outflow)/inflow from sale of businesses	10(b)	**(17.0)**	76.2
Purchase of investment in joint ventures and associates		**(6.2)**	(2.6)
Purchase of property, plant and equipment		**(64.2)**	(48.5)
Purchase of intangible assets		**(4.3)**	(16.1)
Proceeds from disposal of property, plant and equipment		**10.0**	24.6
Payments made before the commencement date of a lease		**(0.2)**	(2.5)
Receipt from finance sub-lease receivables		**1.7**	2.3
Net cash (used in)/generated from investing activities		**(475.4)**	13.2
Cash flows from financing activities			
Share buyback programme		**(69.5)**	(80.5)
Purchase of own shares by the Inchcape Employee Trust		**(3.8)**	(6.2)
Cash inflow from acquisition financing facility		**600.0**	–
Cash outflow from other borrowings		**(3.7)**	(12.7)
Payment of capital element of lease liabilities		**(64.0)**	(59.3)
Transactions with non-controlling interests		**–**	1.2
Equity dividends paid	8	**(88.7)**	(52.2)
Dividends paid to non-controlling interests		**(3.8)**	(3.0)
Net cash generated from/(used in) financing activities		**366.5**	(212.7)
Net increase in cash and cash equivalents	9(b)	**384.6**	177.5
Cash and cash equivalents at beginning of the period		**588.8**	476.3
Effect of foreign exchange rate changes		**76.7**	(65.0)
Cash and cash equivalents at the end of the year		**1,050.1**	588.8
Cash and cash equivalents consist of:			
Cash at bank and cash equivalents	9(b)	**640.7**	501.8
Short-term deposits	9(b)	**423.5**	94.6
Bank overdrafts		**(14.1)**	(7.6)
		1,050.1	588.8

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group consolidated financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS.

The condensed set of financial information presented for the years ended 31 December 202 and 2021 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2021 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The financial information for the year ended 31 December 2022 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2022 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated financial statements for 2022 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The condensed set of consolidated financial information has been prepared using accounting policies consistent with those in the Group's Annual Report and Accounts 2021 with the exception of the following standards, amendments and interpretations which have been newly adopted from 1 January 2022:

Newly adopted accounting standards

From 1 January 2022, the following standards become effective in the Group's consolidated financial statements:

- Amendments to IFRS 3 Business Combinations, reference to conceptual framework;
- Amendments to IAS 16 Property Plant & Equipment, proceeds before intended use;
- Amendments to IAS 37 Onerous Contracts, cost of fulfilling a contract; and
- Annual Improvements to IFRS Standards 2018-2020.

The adoption of the standards and interpretations listed above 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, except for the adoption of IAS 29, which is discussed in further detail below.

Presentation of comparative amounts

Comparative amounts presented in the consolidated income statement, the consolidated statement of comprehensive income and relevant notes have been adjusted to reflect the classification of the remaining business in Russia as a discontinued operation.

Designation of Ethiopia as a hyperinflationary economy

The Group financial statements include adjustments for hyperinflation, following the application of IAS 29 Financial Reporting in Hyperinflationary Economies in relation to the Group's operations with a functional currency of Ethiopian Birr.

The Group's consolidated financial statements include the results and financial position of its Ethiopian operations restated to the purchasing power or inflationary measuring unit current at the end of the year, leading to a hyperinflationary loss in respect of monetary items being reported in finance costs, and treated as an adjusting item. The results of the Group's Ethiopian operations have been translated at the closing exchange rate, as required by IAS 21 The Effects of Change in Foreign Exchange Rates for hyperinflationary foreign operations.

Whilst IAS 29 Financial Reporting in Hyperinflationary Economies is applied in individual financial statements as though the relevant economy was always hyperinflationary, comparative amounts are not restated in consolidated amounts already presented in a stable currency. The resulting difference in the opening Ethiopian net assets has been presented as a translation adjustment in other comprehensive income.

The inflationary factors used by the Group are the official price indices published by the Central Statistical Agency of Ethiopia. Hyperinflationary adjustments have been calculated using the price index prevailing at 31 December 2022, which was a CPI index of 328.9 (31 December 2021: CPI index 245.8). The adjusted results and financial position of Ethiopia were translated at the year-end closing rate before being included in the Group's consolidated financial statements.

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 and the shortage of semi-conductor chips have been considered. In making this assessment, the Group has considered available liquidity in relation to net debt and committed facilities, the Group's latest forecasts for 2023 and 2024 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 including the newly acquired Derco business, for 2023 and 2024.

Committed bank facilities, Private Placement borrowings amounting to £910m, of which £210m was drawn at 31 December 2022, and a new debt facility of £600m, comprised of a £250m term loan, and a £350m bridge facility, 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 2023 and 2024 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:

- a one-month period of Covid-19 restrictions in 2023, similar in nature and impact to those seen in the first half of 2021, impacting all of the Group's markets simultaneously;
- a reduction in New and Used vehicle revenue due to a shortage of semi-conductor chips, reducing gross profit from May 2023 to April 2024;
- a general liquidity reduction impacting working capital from December 2022;
- with no mitigating actions applied in relation to the sensitivities described above.

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 2023 and 2024. 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 throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements.

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 2022.

2 SEGMENTAL ANALYSIS

The Group has four 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 2022, following the acquisition of the Derco Group based in the Americas region, the distribution business based in Africa is now reported and reviewed alongside existing distribution businesses in Europe, forming a combined segment of Europe & Africa.

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	Exclusive distribution, sales and marketing activities of New Vehicles and Parts.
	Europe & Africa Americas	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		Sale of New and Used Vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales in the UK and Europe.

2022	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Distribution Total Distribution £m	Retail £m	Total £m
Revenue						
Total revenue	**2,341.5**	**2,047.5**	**1,479.8**	**5,868.8**	**2,263.9**	**8,132.7**
Results						
Adjusted operating profit	**163.1**	**90.0**	**110.2**	**363.3**	**47.5**	**410.8**
Operating adjusting items						**(10.5)**
Operating profit from continuing operations						**400.3**
Share of loss after tax of joint ventures and associates						**(0.6)**
Profit before finance and tax						**399.7**
Finance income						**21.6**
Finance costs						**(88.2)**
Profit before tax from continuing operations						**333.1**
Tax						**(98.2)**
Profit for the year from continuing operations						**234.9**

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:

2022	£m
UK	**2,029.1**
Australia	**1,136.4**
Rest of the world	**4,967.2**
Group	**8,132.7**

The Group's non-current assets by location comprise intangible assets, property, plant and equipment, right-of-use assets, joint ventures and associates, and are analysed as follows:

2022	£m
UK	**298.9**
Rest of the world	**2,053.3**
Group	**2,352.2**

2 SEGMENTAL ANALYSIS CONTINUED

2022	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Total Distribution £m	Retail £m	Total £m
Segment assets and liabilities						
Segment assets	**619.6**	**477.4**	**1,945.3**	**3,042.3**	**440.0**	**3,482.3**
Other current assets						**917.0**
Other non-current assets						**2,564.4**
Segment liabilities	**(921.3)**	**(482.8)**	**(1,344.9)**	**(2,749.0)**	**(452.8)**	**(3,201.8)**
Other liabilities						**(2,194.9)**
Total net assets						**1,567.0**

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

2022	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Total Distribution £m	Retail £m	Total £m
Other segment items						
Capital expenditure:						
– Property, plant and equipment	**14.4**	**13.4**	**11.7**	**39.5**	**21.9**	**61.4**
– Leased vehicles, rental machinery and equipment	**9.3**	**3.5**	**0.1**	**12.9**	**–**	**12.9**
– Right-of-use assets	**10.3**	**7.8**	**9.0**	**27.1**	**6.7**	**33.8**
– Intangible assets	**1.3**	**1.2**	**1.1**	**3.6**	**0.7**	**4.3**
Depreciation:						
– Property, plant and equipment	**8.0**	**6.7**	**7.9**	**22.6**	**9.9**	**32.5**
– Leased vehicles, rental machinery and equipment	**4.2**	**3.5**	**0.2**	**7.9**	**–**	**7.9**
– Right-of-use assets	**28.7**	**6.3**	**13.0**	**48.0**	**7.1**	**55.1**
Amortisation of intangible assets	**8.4**	**6.0**	**6.6**	**21.0**	**2.1**	**23.1**
(Reversal of impairment)/impairment of property, plant and equipment	**(0.5)**	**–**	**0.4**	**(0.1)**	**(9.0)**	**(9.1)**
Impairment of right-of-use assets	**0.9**	**0.2**	**–**	**1.1**	**0.8**	**1.9**
Net provisions charged to the consolidated income statement	**21.9**	**20.3**	**10.3**	**52.5**	**6.4**	**58.9**

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

2021	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Total Distribution £m	Retail £m	Total £m
Revenue						
Total revenue	2,146.9	1,598.6	926.2	4,671.7	2,229.2	6,900.9
Results						
Adjusted operating profit	127.8	62.6	55.6	246.0	35.4	281.4
Operating adjusting items						(100.1)
Operating profit from continuing operations						181.3
Share of profit after tax of joint ventures and associates						–
Profit before finance and tax						181.3
Finance income						11.2
Finance costs						(43.7)
Profit before tax from continuing operations						148.8
Tax						(64.6)
Profit for the year from continuing operations						84.2

2 SEGMENTAL ANALYSIS CONTINUED

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
Rest of the world	4,003.0
Group	6,900.9

The Group's non-current assets by location comprise intangible assets, property, plant and equipment, right-of-use assets, joint ventures and associates, and are analysed as follows:

2021	£m
UK	275.1
Rest of the world	933.3
Group	1,208.4

	Distribution					
2021	APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Segment assets and liabilities						
Segment assets	428.9	299.3	293.2	1,021.4	384.1	1,405.5
Other current assets						621.4
Other non-current assets						1,352.8
Segment liabilities	(633.9)	(283.3)	(296.4)	(1,213.6)	(354.1)	(1,567.7)
Other liabilities						(790.4)
Net assets from continuing operations						1,021.6
Net assets from discontinued operations						108.9
Total net assets						1,130.5

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

	Distribution					
2021 from continuing operations	APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Other segment items						
Capital expenditure:						
– Property, plant and equipment	10.7	10.7	6.8	28.2	15.9	44.1
– Leased vehicles, rental machinery and equipment	1.8	2.0	0.1	3.9	–	3.9
– Right-of-use assets	29.1	2.0	7.4	38.5	6.1	44.6
– Intangible assets	4.1	4.6	2.8	11.5	4.1	15.6
Depreciation:						
– Property, plant and equipment	7.7	5.3	5.5	18.5	8.7	27.2
– Leased vehicles, rental machinery and equipment	2.0	0.2	0.3	2.5	–	2.5
– Right-of-use assets	25.3	5.6	8.3	39.2	8.1	47.3
Amortisation of intangible assets	11.5	13.2	3.3	28.0	4.0	32.0
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)	(1.9)
Impairment of right-of-use assets	0.3	0.6	–	0.9	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	4.7	6.3	21.7	3.4	25.1

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

3 ADJUSTING ITEMS

From continuing operations	2022 £m	2021 £m
Other asset impairment reversals	**9.9**	2.9
Disposal of businesses (see note 10)	**1.4**	(67.3)
Restructuring costs	**–**	(12.2)
Acquisition and integration costs	**(41.7)**	(3.4)
Accelerated amortisation (SaaS)	**(12.6)**	(20.1)
Other income	**12.8**	–
Gain on pension indexation	**19.7**	–
Total adjusting items in operating profit	**(10.5)**	(100.1)
Adjusting items in finance costs:		
Net monetary loss on hyperinflation	**(29.6)**	–
Total adjusting items before tax	**(40.1)**	(100.1)
Tax on adjusting items (see note 6)	**(0.9)**	(1.5)
Total adjusting items	**(41.0)**	(101.6)

Other asset impairment reversals of £9.9m primarily relate to property, plant & equipment and right-of-use assets in the UK and Australia. They have been reported as an adjusting item which is consistent with the reporting of the original impairment charge.

During the year operating costs of £41.7m have been incurred in connection with the acquisition and integration of businesses. These costs have been reported as adjusting items to better reflect the underlying performance of the business. These primarily relate to the acquisitions of the Derco group and ITC/Simpson Motors in the Caribbean. For more details on acquisitions made during the year, please refer to note 10.

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 was determined to be Software as a Service (SaaS) and therefore the existing software assets no longer fall to be treated as an asset under IAS 38 Intangible Assets once the migration to the new solution has occurred. Consequently, the useful life of the existing assets was reassessed and the impact 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 £12.6m (2021: £20.1m) has been disclosed as an adjusting item.

In the first half of the year, the Group disposed of its remaining operations in Russia and, at the time, management concluded that the value of the expected proceeds from disposal was £nil. In the second half of the year, the Group received proceeds of £12.8m which has been reported as other income within continuing operations as the subsequent receipt does not alter the initial (and reassessed) conclusion that no consideration was expected.

With effect from 1 April 2022, the Trustee of the Inchcape Motors Pension Scheme now uses the Consumer Prices Index (CPI) instead of Retail Prices Index (RPI) for those elements of pensions from the Group, Motors and Normand sections that are increased in line with RPI. We have concluded that the change in indexation represents a plan amendment and the impact of the change in benefits payable of £19.7m should be recognised in the income statement as a past service cost. Considering the magnitude and nature of the item, the impact on the income statement has been reported as an adjusting item.

During the year, Ethiopia was designated as a hyperinflationary economy as its three-year cumulative inflation rate exceeded 100%. As a result, IAS 29 Financial Reporting for Hyperinflationary Economies, became effective for the year ended 31 December 2022. The results and financial position of Ethiopia have therefore been restated to include the effect of indexation and the resulting £29.6m net monetary loss on hyperinflation has been recognised within net finance costs and reported as an adjusting item.

In the year to 31 December 2021, the Group:

- disposed of businesses in the UK, Belgium & Luxembourg and Russia. The loss on disposal in Russia related to the sale of Toyota and Audi retail operations in St. Petersburg. The reported loss included a loss of £108.0m relating to the recycling of cumulative exchange differences previously recognised in other comprehensive income, as required under IFRS.
- incurred adjusting operating costs of £3.4m in connection with the acquisition and integration of businesses. These primarily related to the Daimler business acquired in Guatemala; and
- 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 £12.2m of restructuring costs were 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.

4 FINANCE INCOME

From continuing operations	2022 £m	2021 £m
Bank and other interest receivable	**17.1**	10.2
Net interest income on post-retirement plan assets and liabilities	**3.2**	0.3
Sub-lease finance income	**0.6**	0.6
Other finance income	**0.7**	0.1
Total finance income	**21.6**	11.2

5 FINANCE COSTS

From continuing operations	2022 £m	2021 £m
Interest payable on bank borrowings	**12.1**	7.8
Interest payable on Private Placement	**6.3**	6.3
Finance costs on lease liabilities	**9.9**	9.7
Stock holding interest	**18.8**	14.1
Net monetary loss on hyperinflation	**29.6**	–
Other finance costs	**11.5**	5.8
Total finance costs	**88.2**	43.7

Total finance costs are analysed as follows:

From continuing operations	2022 £m	2021 £m
Finance costs excluding adjusting finance costs	**58.6**	43.7
Finance costs reported as adjusting items	**29.6**	–
Total finance costs	**88.2**	43.7

In 2022, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the results and financial position of the Group's operations in Ethiopia have been restated to the purchasing power or inflationary measuring unit current at 31 December 2022. Therefore, finance costs include the loss on hyperinflation in respect of monetary items, which is also treated as an adjusting item.

6 TAX

This note only provides information about corporate income taxes under IFRS. The Group operates in over 40 markets and territories across the world. The Group pays and collects many different taxes in addition to corporate income taxes including: payroll taxes, value added and sales taxes, property taxes, product-specific taxes and environmental taxes. Such taxes borne by the Group are included in profit before tax.

From continuing operations	2022 £m	2021 £m
Current tax:		
– UK corporation tax	**–**	0.1
– Overseas tax	**110.5**	74.5
	110.5	74.6
Adjustments to prior year liabilities:		
– UK	**–**	–
– Overseas	**(5.5)**	(6.1)
Current tax	**105.0**	68.5
Deferred tax	**(6.8)**	(3.9)
Total tax charge	**98.2**	64.6

The total tax charge is analysed as follows:		
– Tax charge on adjusted profit before tax	**97.3**	63.1
– Tax charge on adjusting items	**0.9**	1.5
Total tax charge	**98.2**	64.6

Details of the adjusting items for the year can be found in note 3. Not all of the adjusting items will be taxable or deductible for tax purposes. Therefore, the tax charge on adjusting items represents the total of the current and deferred tax on only those elements that are assessed as taxable or deductible.

6 TAX CONTINUED

a. Factors affecting the tax expense for the year

The effective tax rate for the year is 29.5% (2021: 43.4%). The effective tax rate on adjusted profit before tax is 26.1% (2021: 25.4%). The weighted average tax rate is 22.7% (2021: 27.1%). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses before tax. The weighted average tax rate is higher than the UK corporation tax rate primarily due to the geographic profile of the Group.

During the year, there was a net profit generated by the legal entities within the UK group and thus brought forward losses were utilised. However, given current forecasts, no net deferred tax asset is recognised for the remaining losses and other temporary differences within the UK.

The total tax charge in the current year also includes the impact of IAS 29 Financial Reporting for Hyperinflationary Economies in relation to the financial position of Ethiopia (see note 1).

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

From continuing operations	2022 £m	2021 £m
Profit before tax	**333.1**	148.8
Profit before tax multiplied by the weighted average tax rate of 22.7% (2021: 27.1%)	**75.6**	40.3
– Permanent differences	**13.7**	8.9
– Non-taxable income	**(3.5)**	(3.0)
– Prior year items	**(1.3)**	(0.1)
– (Recognition)/derecognition of deferred tax assets	**(2.4)**	9.1
– Tax audits and settlements	**1.7**	(4.5)
– Taxes on undistributed earnings	**1.6**	1.6
– Other items (including tax rate differentials and changes)	**(2.3)**	(0.3)
– Goodwill impairment charge/(reversal) for the year	**–**	3.8
– Acquisition and disposals of businesses	**3.9**	8.9
– Other asset impairment charge/(reversal) for the year	**(1.0)**	(0.1)
– Adjustments for hyperinflation	**12.2**	–
Total tax charge	**98.2**	64.6

b. Factors affecting the tax expense of future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, changes in tax laws or tax rates, repatriation of cash from overseas markets to the UK, 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 charge.

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.

In December 2021, the Organisation for Economic Co-operation and Development ('OECD') published its Pillar Two Model Rules relating to global minimum taxation, expected to apply from 2024, which will impact the future taxation of large multinationals such as Inchcape. The Group will continue to monitor the development and future implementation of these rules. However, at this time and as currently drafted, they are not expected to have a material impact on the Group.

The Group has published its approach to tax on www.inchcape.com covering its tax strategy and governance framework in accordance with Schedule 19 Finance Act 2016.

7 EARNINGS PER SHARE

	2022 £m	2021 £m
(Loss)/profit for the year	**(6.2)**	121.9
Non-controlling interests	**(5.0)**	(4.9)
Basic earnings	**(11.2)**	117.0
Loss/(profit) for the year from discontinued operations	**241.1**	(37.7)
Basic earnings from continuing operations attributable to owners of the parent	**229.9**	79.3
Adjusting items	**41.0**	101.6
Adjusted earnings from continuing operations	**270.9**	180.9
Basic earnings/(loss) per share:		
Basic earnings per share from continuing operations	**61.1p**	20.3p
Basic (loss)/earnings per share from discontinued operations	**(64.1)p**	9.7p
Total basic (loss)/earnings per share	**(3.0)p**	30.0p
Diluted earnings/(loss) per share:		
Diluted earnings per share from continuing operations	**54.6p**	20.1p
Diluted (loss)/earnings per share from discontinued operations	**(57.2)p**	9.5p
Total diluted (loss)/earnings per share	**(2.6)p**	29.6p
Adjusted earnings per share from continuing operations		
Basic Adjusted earnings per share from continuing operations	**72.0p**	46.3p
Diluted Adjusted earnings per share from continuing operations	**64.3p**	45.8p

	2022 number	2021 number
Weighted average number of fully paid ordinary shares in issue during the year	**377,146,960**	391,136,363
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(749,751)**	(553,006)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**376,397,209**	390,583,357
Dilutive effect of potential ordinary shares	**44,733,701**	4,506,362
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**421,130,910**	395,089,719

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. In 2022, dilutive potential ordinary shares also include the shares to be issued in connection with the acquisition of the Derco group (see note 10).

Basic Adjusted earnings (which excludes adjusting 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.

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.

8 DIVIDENDS

The following dividends were paid by the Group:

	2022 £m	2021 £m
Interim dividend for the six months ended 30 June 2022 of 7.5p per share (30 June 2021: 6.4p per share)	**28.0**	25.1
Final dividend for the year ended 31 December 2021 of 16.1p per share (31 December 2020: 6.9p per share)	**60.7**	27.1
	88.7	52.2

A final proposed dividend for the year ended 31 December 2022 of 21.3p 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 2022.

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 2022, Inchcape plc's company-only distributable reserves were £520.9m. 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.

9 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

	2022 £m	2021 £m
Cash flows from operating activities		
Operating profit – continuing operations	**400.3**	181.3
Operating profit – discontinued operations	**20.5**	45.6
Adjusting items (see note 3)	**10.5**	101.2
Amortisation of intangible assets (including non-adjusting impairment charges)	**10.3**	13.1
Depreciation of property, plant and equipment (including non-adjusting impairment charges)	**32.4**	30.9
Depreciation of right-of-use assets (including non-adjusting impairment charges)	**58.3**	51.0
Profit on disposal of property, plant and equipment and intangibles	**(2.1)**	(4.8)
Impairment of held for sale assets	**–**	1.5
Gain on disposal of right-of-use assets	**(1.0)**	(0.9)
Gain on disposal of businesses	**(2.7)**	–
Share-based payments charge	**10.2**	8.4
(Increase)/decrease in inventories	**(395.8)**	36.3
(Increase)/decrease in trade and other receivables	**(140.9)**	29.7
Increase/(decrease) in trade and other payables	**617.7**	(22.3)
Increase in provisions	**30.2**	10.5
Pension contributions more than the pension charge for the year[1]	**(1.7)**	(5.5)
(Increase)/decrease in interest in leased vehicles	**(0.6)**	3.9
Payments in respect of operating adjusting items	**(28.6)**	(12.0)
Other non-cash items	**1.8**	1.3
Cash generated from operations	**618.8**	469.2

1. Includes additional payments of £2.2m (2021 – £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 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 1 January 2022	**(210.0)**	**(324.1)**	**(534.1)**	**588.8**	**54.7**
Cash flows	**(596.3)**	**64.0**	**(532.3)**	**796.8**	**264.5**
Acquisitions	**(621.6)**	**(173.7)**	**(795.3)**	**(395.2)**	**(1,190.5)**
Disposals	**–**	**13.1**	**13.1**	**(17.0)**	**(3.9)**
New lease liabilities	**–**	**(58.4)**	**(58.4)**	**–**	**(58.4)**
Foreign exchange adjustments	**0.1**	**(20.3)**	**(20.2)**	**76.7**	**56.5**
Net debt at 31 December 2022	**(1,427.8)**	**(499.4)**	**(1,927.2)**	**1,050.1**	**(877.1)**

Net funds/(debt) is analysed as follows:

	2022 £m	2021 £m
Cash and cash equivalents as per the statement of financial position	**1,064.2**	596.4
Borrowings – disclosed as current liabilities	**(546.3)**	(7.6)
Add back: amounts treated as debt financing	**532.2**	–
Cash and cash equivalents as per the statement of cash flows	**1,050.1**	588.8
Debt financing		
Amounts to be treated as debt financing	**(532.2)**	–
Borrowings – disclosed as non-current liabilities	**(895.6)**	(210.0)
Lease liabilities	**(499.4)**	(324.1)
Debt financing	**(1,927.2)**	(534.1)
Net (debt)/funds	**(877.1)**	54.7
Add back: lease liabilities	**499.4**	324.1
Adjusted (net debt)/net cash	**(377.7)**	378.8

Cash and cash equivalents are analysed as follows:

	2022 £m	2021 £m
Cash at bank and cash equivalents	**640.7**	501.8
Short-term deposits	**423.5**	94.6
	1,064.2	596.4

£91.4m (2021: £71.8m) 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.

10 ACQUISITIONS AND DISPOSALS

a. Acquisitions

Acquisition of the Derco Group

On 31 December 2022, the Group acquired 100% of the share capital of Dercorp CL and merged a subsidiary company with Dercorp Ex (together with Dercorp CL "Derco"). Derco is a multi-brand automotive distributor, and the largest independent distributor by volume in Latin America, with a strong track record of profitable growth. Derco has significant presence across four attractive markets of Chile, Peru, Colombia and Bolivia with long-standing partnerships with global automotive brands such as Suzuki, Mazda, Chevrolet, Changan, JAC, Renault, Great Wall and Haval. The transaction has been accounted for as a business combination and significantly expands the Group's position in highly attractive and fast growth markets within Latin America and is expected to deliver significant value creation through enhanced growth prospects and the delivery of meaningful recurring synergies.

The consideration to acquire the share capital, valued at £723.1m, was satisfied by the issue of 38.5m new shares in the Inchcape group and by £407.3m in cash. Final consideration is subject to the conclusion of completion accounts. The fair value of the shares issued was based on the Inchcape plc closing share price at 30 December 2022 of 820p per share. The shares were valued at approximately £280m at the announcement of the acquisition, based on the Company's 20-day volume-weighted average price (VWAP) up to and including 26 July. Given completion occurred on a non-business day the shares were not registered until 4 January 2023 and so the amounts relating to shares to be issued are classified within other reserves in the consolidated statement of financial position at 31 December 2022. The issuing of shares will qualify for merger relief.

The cash consideration of the acquisition was partly financed through the draw down, in December 2022, of a £350.0m bridge facility and a £250.0m term facility.

Acquisition-related costs of £34.4m incurred in connection with the acquisition of Derco have been recorded within net operating expenses in the consolidated income statement in the year ended 31 December 2022.

10 ACQUISITIONS AND DISPOSALS CONTINUED

Details of the provisional fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	Total £m
Assets and liabilities acquired, at provisional values[1]	
Non-current assets	
Intangible assets	**559.1**
Property, plant and equipment	**161.3**
Right-of-use assets	**124.0**
Investments in joint ventures and associates	**11.0**
Financial assets at fair value through other comprehensive income	**0.1**
Trade and other receivables	**2.6**
Deferred tax assets	**10.1**
Current assets	
Inventories	**796.2**
Trade and other receivables	**316.2**
Derivative financial instruments	**4.6**
Current tax assets	**34.2**
Cash and cash equivalents	**94.9**
Current liabilities	
Trade and other payables	**(562.8)**
Current tax liabilities	**(21.0)**
Provisions	**(5.6)**
Lease liabilities	**(19.5)**
Borrowings	**(531.6)**
Non-current liabilities	
Provisions	**(4.0)**
Deferred tax liabilities	**(173.5)**
Lease liabilities	**(118.3)**
Borrowings	**(85.5)**
Net identifiable assets	**592.5**
Goodwill	**130.6**
Net assets acquired	**723.1**
Consideration comprises	
Shares issued	**315.8**
Cash consideration	**407.3**
Total consideration	**723.1**

1. Given the proximity of the acquisition prior to the year end, the fair values of assets and liabilities acquired, as stated above are provisional values.

Cash outflow to acquire businesses, net of cash and overdrafts acquired	2022 £m
Cash consideration	**407.3**
Less: Cash acquired	**(94.9)**
Net cash outflow	**312.4**

The fair value and useful lives of identified intangible assets was estimated to be:

	Fair value £m	Useful life Years
Distribution agreement	**516.8**	**Indefinite**
Brands	**19.2**	**Indefinite**
Customer relationships	**13.1**	**10**
Computer software	**10.0**	**2 to 5**
Total	**559.1**	

10 ACQUISITIONS AND DISPOSALS CONTINUED

Provisional goodwill of £130.6m arose on the acquisition and is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing businesses in South America. Specifically, the goodwill represents the premium paid to expand the Group's presence in this important market and to create a scale Distribution platform across South America with attractive growth prospects. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion. None of the goodwill is expected to be deductible for tax purposes.

Intangible assets (not including goodwill) with provisional fair values of £559.1m were recognised at the date of acquisition, including distribution agreements (£516.8m), brands (£19.2m) and customer relationships (£13.1m). The distribution agreement and customer relationship intangible assets were valued using the multi period excess earnings (MEEM) approach, while the brands were valued using the relief from royalty approach.

Right-of-use assets of £124.0m and lease liabilities of £137.8m have been recognised at the date of acquisition. The lease liabilities are valued based on the assumption that the lease start date is equal to the acquisition date and discounting future lease payments by the incremental borrowing rate at the acquisition date. The right-of-use asset is measured at the same amount as the lease liability, adjusted to reflect terms which are favourable or unfavourable compared to market terms.

The fair value of trade and other receivables includes trade receivables of £125.1m and £67.3m of other taxation assets. The gross contractual amount receivable for trade receivables was £129.3m and the best estimate at the acquisition date of the contractual cash flows not expected to be collected was £4.2m. The gross contractual amount receivable for other taxation assets was equal to its fair value.

If the Derco Group had been acquired on 1 January 2022, the approximate revenue of the Group for the year ended 31 December 2022 would have been £10,380m and adjusted profit before tax would have been £510m. This information has been estimated based on management information of the acquired businesses prior to the date of acquisition, adjusted for known accounting policy differences and the impact of drawing down the related financing facilities from 1 January 2022. This pro forma information does not represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2022 and should not be taken to be representative of future results.

Other acquisitions

On 28 March 2022, to expand its distribution footprint in the Americas, the Group acquired 70% of Comercializadora Ditec Automoviles S.A., acquiring the distribution rights to Porsche, Volvo and Jaguar Land Rover in Chile, for total consideration of £15.0m. Distribution agreements with a provisional fair value of £28.0m were recognised at the date of acquisition. Provisional goodwill of £2.7m arose on the acquisition. None of the goodwill is expected to be deductible for tax purposes.

On 29 April 2022, the Group acquired the entire share capital of ITC Group, a distributor of Suzuki, Mercedes-Benz, Subaru and Chrysler brands in the Caribbean, from the Simpson Group. The total cash consideration paid was £61.4m. Distribution agreements with a provisional fair value of £28.9m were recognised at the date of acquisition. Provisional goodwill of £0.1m arose on the acquisition. These businesses were acquired to further expand the Group's footprint with both existing and new OEM partners and using our distribution business as a platform to capture more of a vehicle's lifecycle value. Ditec and ITC Group contributed £221.4m of revenue and £11.6m of profit before tax for the year ended 31 December 2022.

During the year, the Group also acquired businesses in Guam and the UK. The total cost of these acquisitions was £18.1m and goodwill of £6.5m has been recognised.

	Ditec £m	ITC Group £m	Other £m	Total £m
Assets and liabilities acquired, at provisional values[1]				
Distribution agreements recognised on acquisition	28.0	28.9	–	**56.9**
Computer software	0.1	2.4	–	**2.5**
Property, plant and equipment	3.6	2.2	9.0	**14.8**
Right-of-use assets	16.6	9.1	–	**25.7**
Inventories	23.9	19.0	2.6	**45.5**
Trade and other receivables	14.5	19.0	–	**33.5**
Cash and cash equivalents	6.0	6.3	–	**12.3**
Other assets	0.9	–	–	**0.9**
Trade and other payables	(41.5)	(14.6)	–	**(56.1)**
Borrowings	(4.5)	–	–	**(4.5)**
Lease liabilities	(27.1)	(8.8)	–	**(35.9)**
Provisions	–	(1.3)	–	**(1.3)**
Other liabilities	(2.9)	(0.9)	–	**(3.8)**
Net identifiable assets	17.6	61.3	11.6	**90.5**
Less: Non-controlling interests	(5.3)	–	–	**(5.3)**
Goodwill	2.7	0.1	6.5	**9.3**
Net assets acquired	15.0	61.4	18.1	**94.5**
Consideration comprises				
Cash consideration	14.2	62.8	18.1	**95.1**
Amounts payable to/(receivable from) seller	0.8	(1.4)	-	**(0.6)**
Total consideration	15.0	61.4	18.1	**94.5**

1. Given these acquisitions are still in the measurement period, the fair values of assets and liabilities acquired, as stated above are provisional values.

10 ACQUISITIONS AND DISPOSALS CONTINUED

Cash outflow to acquire businesses, net of cash and overdrafts acquired	2022 £m
Cash consideration	**95.1**
Less: Cash acquired	**(12.3)**
Net cash outflow	**82.8**

The non-controlling interest has a written put option over its 30% equity ownership in the Ditec business. This permits the holder to sell their shares to the Group at a price determined by an EBITDA driven formula during a three year period post-acquisition. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within trade and other payables with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests. The liability is subsequently remeasured through equity for any subsequent charges in value. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity. At 31 December 2022 the put option value is estimated as £14.1m.

Measurement period adjustments

During the year, adjustments have been made to decrease the fair of assets and liabilities acquired in business combinations in 2021 by £0.2m in addition to the increase in cash consideration of £0.5m.

b. Disposals and discontinued operations

In the first half of the year, the Group agreed the sale of its remaining retail operations in Russia to management. The business represented the Group's remaining operation in Russia following the disposal of its St Petersburg business during 2021. The Russian operation is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The price agreed for the sale of the Russian business was €76m (c£63m), to be satisfied over a period of five years in annual instalments. Significant uncertainty exists with regards to the amount that will ultimately be recoverable given the precarious outlook for the Russian economy and the uncertainty regarding the continued supply of vehicles and parts by the OEMs. In estimating the amount to be recognised at the time of the disposal, management developed a number of scenarios for the possible performance of the business. Probabilities were applied to these scenarios which indicated that some of the receivable would be received over time. However, given the difficulties in remitting the proceeds and uncertainty over whether this would change in the future, management concluded that the disposal proceeds should be recognised at £nil.

In the second half of the year, the Group received the first annual instalment from the sale of the Russian business of €15m (£12.8m). This has been recorded as other income within the operating profit from continuing operations and has been reported as an adjusting item. Management have subsequently reassessed the amount at which the remaining receivable should be recorded at as at 31 December 2022. The outlook for the Russian economy remains precarious and there is continued uncertainty with regards to the supply of vehicle and parts and the ability of the purchaser to remit the instalments. Management therefore concluded that the value of the remaining instalments should be recognised at £nil at 31 December 2022.

10 ACQUISITIONS AND DISPOSALS CONTINUED

Financial performance and cash flow information

The financial performance and cash flow information presented are for the five months ended 31 May 2022 and for the 12 months to 31 December 2021.

	2022 £m	2021 £m
Revenue	**236.9**	739.2
Expenses	**(216.4)**	(693.6)
Operating profit	**20.5**	45.6
Finance (costs)/income	**(0.3)**	0.4
Profit before tax	**20.2**	46.0
Tax	**(4.8)**	(8.3)
Profit after tax of discontinued operation	**15.4**	37.7
Loss on disposal	**(256.5)**	–
(Loss)/profit from discontinued operation	**(241.1)**	37.7
Exchange differences on translation of discontinued operation	**117.7**	(0.1)
Other comprehensive (loss)/income from discontinued operation	**(123.4)**	37.6

	2022 £m	2021 £m
Net cash inflow from operating activities	**21.1**	21.2
Net cash outflow from investing activities	**(2.3)**	(5.4)
Net cash outflow from financing activities	**(1.4)**	(3.0)
Net increase in cash generated from discontinued operation	**17.4**	12.8

	Russia £m	**UK Retail £m**	**Total £m**
Disposal proceeds, net of disposal costs	**(2.9)**	**5.8**	**2.9**
Net assets disposed of	**(154.6)**	**(3.1)**	**(157.7)**
(Loss)/gain on disposal before reclassification of foreign currency translation reserve	**(157.5)**	**2.7**	**(154.8)**
Recycling of foreign currency translation reserve	**(99.0)**	**–**	**(99.0)**
(Loss)/gain on disposal	**(256.5)**	**2.7**	**(253.8)**

	Russia £m	**UK Retail £m**	**Total £m**
Consideration received, net of disposal costs paid	**9.8**	**5.8**	**15.6**
Cash & cash equivalents disposed of	**(32.6)**	**–**	**(32.6)**
Net cash (outflow)/inflow on disposal of business	**(22.8)**	**5.8**	**(17.0)**

During the year, the Group also disposed of a retail site in the UK for £5.8m and received £0.2m of deferred proceeds from sites disposed of in 2021.

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

10 ACQUISITIONS AND DISPOSALS CONTINUED

c. 2021 acquisitions and disposals

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 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.

In 2021 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.

In 2021, 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.

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

11 FOREIGN CURRENCY TRANSLATION

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

	Average rates		Closing rates*	
	2022	**2021**	2022	2021
Australian dollar	**1.78**	1.84	**1.77**	1.86
Chilean peso	**1,073.09**	1,043.46	**1,028.42**	1,152.93
Ethiopian birr[1]	**64.72**	60.21	**64.72**	66.81
Euro	**1.17**	1.16	**1.13**	1.19
Hong Kong dollar	**9.70**	10.69	**9.44**	10.55
Russian rouble[2]	**106.85**	101.55	**78.92**	101.43
Singapore dollar	**1.71**	1.85	**1.62**	1.82
US dollar	**1.24**	1.38	**1.21**	1.35

* At 31 December

Note 1: In 2022, the results for Ethiopia are translated at the closing rate, rather than the average rate, as required by IAS 21 The Effects of Changes in Foreign Exchange Rates for hyperinflationary foreign operations.

Note 2: Average rates for the Russian rouble represent the average rates for the 5-month period ending 31 May 2022, and the closing rates for the Russian rouble are as at the date of disposal of Russian operations.

12 EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, the Group announced the acquisition of a 60% controlling interest in the CATS group of companies, a leading distributor of luxury vehicles in the Philippines. The acquisition is subject to customary conditions with completion anticipated in the second half of 2023.

Byron Grote and Juan Pablo Del Rio were appointed to the Board of Directors in January 2023.

13 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 adjusting 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 adjusting items and on a continuing operations basis.

Adjusting 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. Adjusting items excluded from adjusted results can evolve from one financial period to the next depending on the nature of adjusting items or one-off activities.

13 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

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
Adjusted gross profit	Gross profit before adjusting 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).
Adjusted operating profit	Operating profit before adjusting items. Refer to the consolidated income statement.	A key metric of the Group's business performance.
Operating margin	Adjusted operating profit divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Adjusted profit before tax	Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Adjusting items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 3.	The separate reporting of adjusting 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.
Adjusted earnings per share	Represents earnings per share excluding the impact of adjusting items Refer to note 7.	A measure useful to shareholders and investors to understand the earnings attributable to shareholders without the impact of adjusting items.
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 adjusting 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 adjusting 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.
Adjusted return on capital employed (ROCE)	Operating profit (before adjusting 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, less the capital employed of Derco, which was acquired on the last day of the year and therefore did not contribute to operating profit during the year.	Adjusted ROCE is a measure of the Group's underlying ability to drive better returns for investors on the capital we invest.
Net (debt)/funds	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 9.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Adjusted (net debt)/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 9.	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.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Directors' Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Inchcape plc Annual Report and Accounts confirm that, to the best of their knowledge:

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