FINANCIAL STATEMENTS

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INCHCAPE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of Inchcape plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows;
- the accounting policies; and
- the related Notes 1 to 34 to the consolidated financial statements and the related notes 1 to 14 to the Parent Company financial statements.

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

2. BASIS FOR OPINION

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

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

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Central America indefinite-life intangible asset impairment; • Acquisition accounting in respect of the Derco group; and • Disposal of the Group's operations in Russia. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £26.8 million which was determined on the basis of 1.7% of net assets and equates to 5.3% of pro forma adjusted profit before tax from continuing operations of the enlarged Group incorporating Derco as outlined in Note 29 (Acquisition and Disposals) to the financial statements. We changed the benchmark used in determining materiality in the current year to net assets from statutory profit before tax and adjusting items including net acquisition costs, which was used in the prior year. The Group completed its acquisition of the Derco Group on 31 December 2022, resulting in an increase to the consolidated statement of financial position of the enlarged Group with no corresponding increase to the consolidated income statement for the year then ended. Therefore we have concluded the use of a profit based benchmark to be inappropriate in the current year.
Scoping	The components which were either full or specified account balance scope in the current year contributed 76% (2021: 76%) of the Group's revenue, 76% (2021: 78%) of the Group's adjusted profit before tax from continuing operations and 80% (2021: 80%) of the Group's net assets.
Significant changes in our approach	The most significant changes in our approach relate to the acquisition of the Derco Group and the disposal of the Group's operations in Russia, which have been identified as new key audit matters. We have removed UK Site impairment as a key audit matter due to the return to profitability of the UK retail business.

4. CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

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

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

5. KEY AUDIT MATTERS

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

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

5.1. Central America indefinite-life intangible asset impairment

Key audit matter description	**Account balances: Intangible assets. Refer to the Critical Accounting judgements and sources of estimation uncertainty in the Accounting Policies section on page 150 and Note 11 (Intangible Assets) on page 172.** In addition to goodwill of £270.3 million (2021: £116.3 million) the Group has distribution agreements of £857.7 million (2021: £239.0 million) which are classified as indefinite-life intangible assets. £27.7 million (2021: £24.8 million) of the goodwill is allocated to the Central America group of cash generating units ("CGU's") and £73.7 million (2021: £65.8 million) of the carrying value of the distribution agreements relates to the exclusive right to distribute Suzuki vehicles in Costa Rica and Panama. These goodwill and distribution agreement assets were recognised following the acquisition of the Grupo Rudelman business in 2018. Since acquisition, political instability, in Costa Rica in particular, has impacted demand for vehicles in that market. In the prior year, the annual impairment review resulted in an impairment of £12.9 million against the goodwill and a £12.9 million reversal of impairment against the distribution agreement. In the current year, management performed annual impairment reviews on the Suzuki CGU and then the Central America group of CGUs, which resulted in no further impairment or reversals. Current year performance was better than budget resulting in a slight increase in forecast outlook, which was offset by an increase in the discount rate in the current year, therefore headroom remained tight. As noted on page 67, management's financial planning process incorporates an Annual Operating Plan ("AOP") for the next financial year (2023), together with financial forecasts/models for the remaining years based on external market benchmarks. When determining recoverable amount, cash flows are discounted using a discount rate and long-term growth rate advised by management's external expert. There continues to be uncertainty over market level performance in the short term given the ongoing supplier constraints as a result of semi-conductor shortages and there is continuing uncertainty over the strength and timing of the recovery of the market. Furthermore, there is ongoing uncertainty over wider macro-economic factors, including rising interest rates and inflation which impact future forecasts. Management's forecast is reliant upon the continued supply of vehicles into the market. As noted within Note 11 (Intangible Assets), the cash flows used within the impairment models are based on assumptions which are key sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment or reversal. Although the penetration of electric vehicles in each market is currently low, in Costa Rica as part of its 'National Decarbonization Plan' there are commitments to move to full electrification of the transport network by 2050. Management consider that the impact of electrification within the forecast period has been factored within the underlying market forecasts.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter identified included: • Obtaining an understanding of relevant controls, including Group oversight and management review controls, over the preparation and use of cash flow forecasts in the impairment reviews; • Assessing the integrity of the models used by management including reviewing their mechanical accuracy; • Assessing management's historical forecasting accuracy by comparing budgets to actuals; • Benchmarking management's assumptions against reputable third-party industry growth forecasts, publications, news articles, government legislation and economic data; • Challenging management's analysis of the impact of climate change through the use of our own climate change specialists including challenge of the reasonableness of the assumptions applied within the forecast period; • Evaluating the competence, capabilities and objectivity of management's expert who were engaged to advise on the discount rate and long-term growth rate used; • Engaging with our valuation specialists to independently evaluate the appropriateness of inputs and the methodology used in determining the discount rates used; • Assessing the impact of global supply chain constraints due to semi-conductor shortages on the forecast cashflows; • Performing sensitivities in order to challenge the reasonableness of management's assumptions; and • Assessing the appropriateness of disclosures in Note 11 (Intangible Assets) and the associated sensitivities applied.
Key observations	Based on our audit procedures we are satisfied that the assumptions in the impairment models are within an acceptable range. We also consider the disclosures in the Critical accounting judgements and key sources of estimation uncertainty within the Accounting Policies section and Note 11 (Intangible Assets) are appropriate.

5.2. Acquisition accounting in respect of the Derco group (!)

Key audit matter description	**Account balances: Various across the balance sheet. Refer to the Audit Committee report on page 88, Note 2 (Adjusting Items) on page 156 and Note 29a (Acquisitions and Disposals) on page 198.** As described in Note 29a (Acquisitions and disposals), the Group completed the acquisition of the Derco Group on 31 December 2022 for a total initial consideration of £723.1 million, which consisted of cash and equity shares. The transaction has been accounted for in accordance with IFRS 3 'Business Combinations'. £130.6 million of goodwill and £592.5 million of other assets and liabilities have been recognised, including £559.1 million of acquired intangible assets. We have identified a key audit matter in relation to the completeness and valuation of separately identifiable assets and liabilities recognised on acquisition, and the key assumptions underpinning the provisional fair valuation assumptions such as the discount rate and longevity of asset life, which are subject to change. The identified assets and liabilities that have been recognised are provisional, and there is a measurement period of one year from the date of acquisition to adjust the provisional values recognised from the business combination. The Audit Committee's discussion of this key audit matter is set out on page 88.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter identified included: • Obtaining an understanding of relevant controls, including management review controls, over the determination of valuation assumptions used in the provisional fair value calculations; • Engaging our valuation specialists to assess the completeness of identified assets and liabilities; • Involving our valuation specialists to assess the valuation methodologies used to determine the provisional value of identified assets; • Challenging the recognition of acquired Original Equipment Manufacturer ("OEM") agreements as a single asset through the use of external market data; • Engaging our valuation specialists in assessing key valuation assumptions; • Challenging management's key cash flow assumptions with reference to industry benchmarks and historical performance; and • Evaluating the relevant disclosures regarding the acquisition of Derco within Note 29a (Acquisitions and Disposals).
Key observations	Based on our audit procedures, we concluded that the key estimates underpinning the acquisition accounting exercise in relation to the completeness and provisional valuation of separately identifiable assets and liabilities recognised on acquisition, and the key assumptions underpinning the provisional fair valuation assumptions, were reasonable.

5.3. Disposal of the Group's operations in Russia (!)

Key audit matter description	**Account balances: Loss from discontinued operations. Refer to the Audit Committee report on page 88 and Note 29b (Acquisitions and Disposals) on page 202.** As noted in Note 29b (Acquisitions and Disposals), in the first half of the year, the Group agreed the sale of its remaining retail operations in Russia. The business represented the Group's remaining operation in Russia following the disposal of its St Petersburg business during 2021. The Russian business has been reported in the current period as a discontinued operation in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". A loss on disposal of £256.5m has been recorded, as disclosed within Note 29b (Acquisitions and Disposals). Net assets disposed of totalled £154.6m, with disposal costs of £2.9m and a loss of £99.0m arising from the recycling of the foreign currency translation reserve being recognised. The sale consideration consisted of €75m, receivable over 5 years, with a call option to reacquire the business in the future. There is judgement applied in: assessing the date on which control has transferred and the measurement of the deferred consideration, which includes the credit risk associated with the purchasers and the market risk of receiving cash from Russia given the sanctions regimes in place. Reflecting the inherent uncertainty, no value has been ascribed to the deferred consideration and call option on initial recognition. In September 2022, the Group received the first instalment of €15m, and has been recorded within Note 3b (Other operating income). There are uncertainties which remain on the ability to receive the remaining €60m, and therefore the deferred consideration remains valued at £nil on the balance sheet date.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter identified included: • Obtaining an understanding of relevant controls, including management review controls, over the initial valuation of the deferred consideration and call option; • Challenging the assumptions over the deferred consideration, which included assessing the likelihood of expected cash flows and ability of the buyer to remit the proceeds and the discount rate applied by comparison to independent, external market data; • Assessing that the Russian business had been deconsolidated from the date control passed by evaluating the relevant sale and purchase agreement (SPA); • Considering contradictory evidence, including review of board minutes, to assess whether there are any indicators that the Group had control over the Russian operations after 31 May 2022; • Obtaining evidence to support the initial instalment received of €15m; • Assessing the disposal against the criteria of IFRS 5 to evaluate whether it is appropriately classified as a discontinued operation; and • Evaluating the relevant disclosures regarding the disposal of the Russian business within Note 29b (Acquisitions and Disposals).
Key observations	Based on our audit procedures, we are satisfied that the Group's disclosures in Note 29b (Acquisitions and Disposals) in relation to the disposal of Russia operations were appropriate, including the disclosure of uncertainties relating to the valuation of the deferred consideration. We concluded that the judgements made were reasonable and supportable.

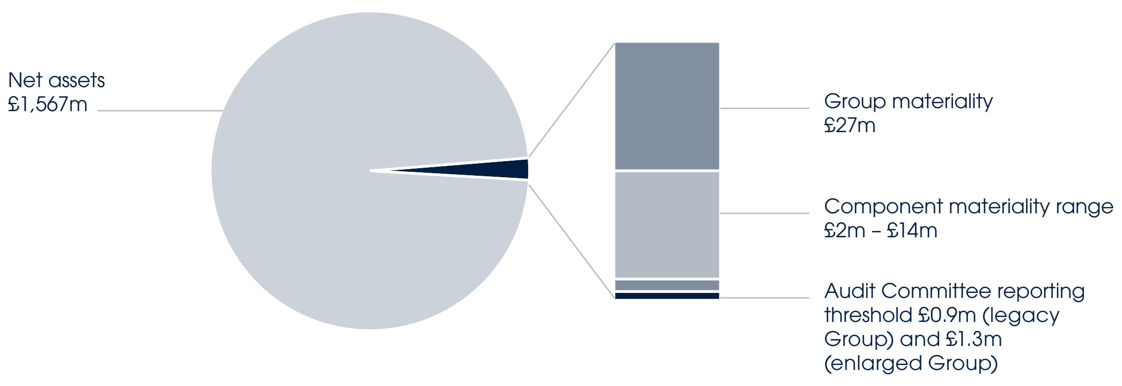
6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	£26.8 million (2021: £14.6 million)	£11.9 million (2021: £6.0 million)
Basis for determining materiality	Our materiality was determined on the basis of 1.7% of net assets and equates to 5.3% of pro forma adjusted profit before tax from continuing operations of the enlarged Group incorporating Derco as outlined in Note 29 (Acquisitions and Disposals) to the financial statements. In the prior year, materiality was determined on the basis of 5% of adjusted profit before tax including net acquisition costs which equated to 1.3% of net assets. In making our judgement, we considered the focus of the users of the financial statements as well as a range of benchmark metrics such as adjusted profit before tax from continuing operations and revenue, before selecting 1.7% of net assets as the benchmark for determining materiality. As discussed in Section 3 "Materiality" on page 125, we changed the benchmark used in determining materiality in the current year to net assets due to the enlarged balance sheet of the Group from the Derco group acquisition.	Parent Company materiality equates to 1.0% of net assets (2021: 1.0% of net assets).
Rationale for the benchmark applied	Net assets in the current year are £1,567.0 million, which have increased from the 2021 position £1,130.5 million due to the acquisition of the Derco group on 31 December 2022. Given the acquisition completed on 31 December, there was an increase to the consolidated statement of financial position but with no corresponding increase to the consolidated income statement. We consider it appropriate to change the benchmark used in determining materiality in the current year to net assets.	As the Parent Company is non-trading, operates primarily as a holding company for the Group's trading entities, and is not profit orientated, we consider the net asset position to be the most appropriate benchmark to use.



6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	65% (2021: 70%) of Group materiality	70% (2021: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits, including the low value of misstatements identified in prior periods and management's willingness to correct any misstatements identified; • our risk assessment, including our understanding of the entity, its environment; • our risk assessment arising from the consolidation of the newly acquired Derco group for the Group financial statements; and • our assessment of the Group and Parent Company's overall control environments.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3 million (2021: £0.7 million), with a lower threshold of £0.9 million used for the legacy Inchcape group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

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

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

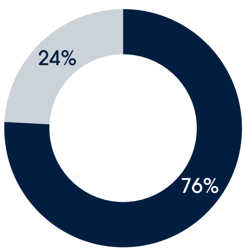
The significant components which were subject to full audit procedures were in Australia, Chile, Colombia, Ethiopia, Hong Kong, Singapore and the UK. Russia was no longer a significant component due to the Group disposing of its operations in Russia during the year.

Our components performed audits of specific account balances in Belgium, Bolivia, Costa Rica, Greece, Peru, Poland and Romania. Due to the acquisition of the Derco group, our component scope increased to include the audit of specified balance sheet items within the acquired Derco group, which covered Bolivia, Chile, Colombia and Peru.

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

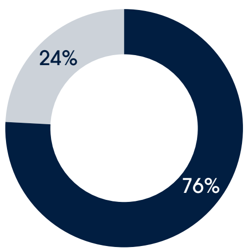
The range of component materialities applied was £2.1 million to £13.5 million (2021: £2.3 million to £6.0 million). The reporting units where we conducted our audit work accounted for 76% (2021: 76%) of the Group's revenue, 76% (2021: 78%) of the Group's profit before taxation from continuing operations and 80% (2021: 80%) of the Group's net assets.

REVENUE



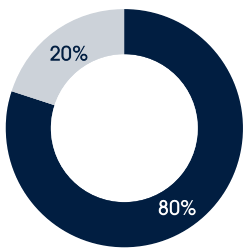
● Full audit scope and specified audit procedures
● Review at group level

PROFIT BEFORE TAX



● Full audit scope and specified audit procedures
● Review at group level

NET ASSETS



● Full audit scope and specified audit procedures
● Review at group level

7.2. Our consideration of the control environment

We have considered the control environment of the Group, which is also discussed within the Audit Committee Report on page 91, and encompasses controls relating to the financial reporting process, preparation of consolidated Group accounts, operational and compliance controls and risk management processes.

We have also considered the key Information Technology (IT) controls in place designed to address the IT risks faced by the Group and how these relate to the entity's financial reporting processes. A number of steps have been taken by management to consolidate and centralise key IT systems and support functions across the Group. Given this, we have sought to mirror the consolidation and centralisation of the IT infrastructure in our testing of IT controls where applicable. Whilst our IT audit work continued to be co-ordinated by our UK Group team, we have reduced the number of Deloitte teams testing locally operated IT controls where common IT systems are now utilised.

This year represented the second year of the Group's transition to the Global Business Services organisation ("GBS"). We considered the ongoing impact of this on our audit, with our Group and component teams assessing the impact on the control environment.

Whilst components had planned to take a control reliance approach for revenue, a SAP transition programme implemented during the year limited the ability for certain components to do so and a fully substantive approach was adopted in those locations.

7.3. Our consideration of climate-related risks

The Group is exposed to the impacts of climate change on its business and operations as highlighted in the Task Force on Climate-Related Financial Disclosures (TCFD) report on page 50, viability statement on page 67, the principal risks on page 61, and in Accounting Policies (climate change) on page 143.

We have obtained management's climate-related risk assessment and held discussions with management and their external advisors to understand the process of identifying and quantifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. We have engaged our climate specialists in our assessment to consider broader industry and market-wide practice.

We completed an independent climate-based risk assessment in order to consider the potential impact of climate change on the Group's financial statements, incorporating both business specific knowledge and wider industry awareness, including the extent to which they have been included in the Group's forecast financial information. We used this to assess the completeness of the Group's identified risks and to develop audit procedures to respond to these risks, in particular as part of our work in relation to store impairment and long-term viability, as well as considering climate-related risks throughout our risk assessments on each financial statement account balance. Further details of our work in relation to Central America indefinite-life intangible asset impairment are set out in our key audit matter in section 5.1 above.

In considering the disclosures presented as part of the Strategic Report, we engaged our climate specialists to assess compliance with the TCFD requirements and the recommendations made by both the Task Force and FRC as set out in their thematic reviews. We have also assessed whether these disclosures reflect our understanding of the Group's approach to climate.

7.4. Working with other auditors

We engaged component auditors from Deloitte member firms to perform procedures at the components under our direction and supervision. This approach also allows us to engage local auditors who have appropriate knowledge of local regulations to perform the audit work. We issued detailed instructions to the component auditors and held planning meetings, interim update meetings and year end close meetings with each component team.

The Group audit team issued detailed instructions to the component auditors and, as a result of Covid-19 restrictions easing across many parts of the world, we have resumed our component visits on a risk focused and rotational basis to oversee the work performed by our component auditors.

In conjunction with the on-site visits, frequent calls were held between the Group and component teams throughout the year and remote access to relevant documents was provided. A dedicated senior member of the Group audit team was focused on overseeing the role of the component audit teams, so that a consistent audit approach is applied to the operations in the Group's UK and international businesses.

The audit visits and other communications by the Group audit team were timed to enable us to be involved during the planning and risk assessment process in addition to the execution of detailed audit procedures. During our visits we attended key meetings with component management and auditors, reviewed and challenged component auditor working papers in the underlying audit files and component reporting. In addition, we attended component audit closing calls and other key meetings with management throughout the audit process.

We held virtual planning meetings with our component teams on a regional basis, led by the Group audit team, and held prior to commencement of our detailed audit work. The purpose of these planning meetings was to ensure a good level of understanding of the Group's businesses, its core strategy and a discussion of the significant risks and workshops on our planned audit approach.

The Parent Company is located in the United Kingdom and audited directly by the Group audit team.

8. OTHER INFORMATION

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

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

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

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

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

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

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

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in relation to judgement in the UK site impairment, challenging management's analysis and assumptions with the support of our real estate and valuation specialists through comparison to external market data and considering contradictory evidence; and performing sensitivities to challenge the reasonableness of management's assumptions; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the directors' report.

13. CORPORATE GOVERNANCE STATEMENT

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

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 122;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- the directors' statement on fair, balanced and understandable set out on page 91;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 89;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 91; and
- the section describing the work of the Audit Committee set out on page 89.

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

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

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members on 25 May 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ended 31 December 2018 to 31 December 2022.

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

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

16. USE OF OUR REPORT

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

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

ANNA MARKS FCA
SENIOR STATUTORY AUDITOR

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

22 March 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Continuing operations	Notes	2022 £m	2021[1] £m
Revenue	1,3	**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	3	**(925.0)**	(876.7)
Operating profit		**400.3**	181.3
Share of loss after tax of joint ventures and associates	14	**(0.6)**	–
Profit before finance and tax		**399.7**	181.3
Finance income	6	**21.6**	11.2
Finance costs	7	**(88.2)**	(43.7)
Profit before tax from continuing operations		**333.1**	148.8
Tax	8	**(98.2)**	(64.6)
Profit for the year from continuing operations		**234.9**	84.2
(Loss)/profit from discontinued operations	29(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	9		
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	9		
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:	2	**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:	2	**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	9		
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.

The notes on pages 141 to 205 are an integral part of these consolidated financial statements.

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	5	**(12.1)**	58.2
– deferred tax on actuarial losses/(gains)	17	**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	26	**8.7**	18.5
– tax on cash flow hedges[2]	17	**(6.6)**	(2.8)
Investments held at fair value			
– net fair value (losses)/gains	15	**(1.5)**	1.6
Deferred tax on taxation losses	17	**0.4**	–
Foreign currency translation			
Exchange differences on translation of foreign operations	26	**132.4**	(104.2)
Exchange differences on translation of discontinued operations	26,29(b)	**18.7**	(0.1)
Recycling of foreign currency reserve	26	**99.0**	108.2
Adjustments for hyperinflation	26	**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).

The notes on pages 141 to 205 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Intangible assets	11	**1,174.0**	394.1
Property, plant and equipment	12	**736.8**	548.0
Right-of-use assets	13	**419.2**	261.4
Investments in joint ventures and associates	14	**22.2**	4.9
Financial assets at fair value through other comprehensive income	15	**3.3**	4.8
Derivative financial instruments	24	**17.3**	3.0
Trade and other receivables	16	**53.4**	45.4
Deferred tax assets	17	**80.0**	67.4
Retirement benefit asset	5	**103.8**	135.3
		2,610.0	1,464.3
Current assets			
Inventories	18	**2,375.8**	1,134.7
Trade and other receivables	16	**816.8**	324.1
Financial assets at fair value through other comprehensive income	15	**0.2**	0.2
Derivative financial instruments	24	**36.9**	24.6
Current tax assets		**40.8**	9.0
Cash and cash equivalents	19	**1,064.2**	596.4
Assets held for sale and disposal group	20	**19.0**	4.8
		4,353.7	2,093.8
Total assets		**6,963.7**	3,558.1
Current liabilities			
Trade and other payables	21	**(2,898.0)**	(1,548.3)
Derivative financial instruments	24	**(38.1)**	(31.9)
Current tax liabilities		**(88.2)**	(63.0)
Provisions	22	**(56.6)**	(34.9)
Lease liabilities	13	**(83.4)**	(56.5)
Borrowings	23	**(546.3)**	(7.6)
		(3,710.6)	(1,742.2)
Non-current liabilities			
Trade and other payables	21	**(60.4)**	(63.2)
Provisions	22	**(46.7)**	(23.4)
Derivative financial instruments	24	**(1.4)**	–
Deferred tax liabilities	17	**(255.3)**	(68.1)
Lease liabilities	13	**(416.0)**	(267.6)
Borrowings	23	**(895.6)**	(210.0)
Retirement benefit liability	5	**(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	25	**37.6**	38.5
Share premium		**146.7**	146.7
Capital redemption reserve		**143.0**	142.1
Merger reserve	26	**315.8**	–
Other reserves	26	**69.3**	(227.1)
Retained earnings	27	**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

The notes on pages 141 to 205 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 136 to 140 were approved by the Board of Directors on 22 March 2023 and were signed on its behalf by:

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	4,17	–	–	–	–	–	10.0	10.0	–	10.0
Share buyback programme	25	(0.9)	–	0.9	–	–	(80.5)	(80.5)	–	(80.5)
Purchase of own shares by the Inchcape Employee Trust		–	–	–	–	–	(6.2)	(6.2)	–	(6.2)
Transactions with non-controlling interests		–	–	–	–	–	–	–	1.2	1.2
Dividends:										
– Owners of the parent	10	–	–	–	–	–	(52.2)	(52.2)	–	(52.2)
– Non-controlling interests		–	–	–	–	–	–	–	(3.0)	(3.0)
At 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	29	**-**	**-**	**-**	**-**	**-**	**(13.6)**	**(13.6)**	**-**	**(13.6)**
Shares to be issued	29	**-**	**-**	**-**	**315.8**	**-**	**-**	**315.8**	**-**	**315.8**
Non-controlling interests on acquisition of subsidiaries		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.3**	**5.3**
Share-based payments, net of tax	4,17	**-**	**-**	**-**	**-**	**-**	**10.2**	**10.2**	**-**	**10.2**
Share buyback programme	25	**(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	10	**-**	**-**	**-**	**-**	**-**	**(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**

The notes on pages 141 to 205 are an integral part of these consolidated financial statements. 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	28(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	29(a)	**(395.2)**	(20.2)
Net cash (outflow)/inflow from sale of businesses	29(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	25(b)	**(69.5)**	(80.5)
Purchase of own shares by the Inchcape Employee Trust		**(3.8)**	(6.2)
Cash inflow from acquisition financing facility	23	**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	10	**(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	28(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	19	**640.7**	501.8
– Short-term deposits	19	**423.5**	94.6
– Bank overdrafts	23	**(14.1)**	(7.6)
		1,050.1	588.8

The notes on pages 141 to 205 are an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

GENERAL INFORMATION

Inchcape plc is a public company limited by shares, domiciled and incorporated in the UK, and registered in England and Wales. The address of the registered office is 22a St James's Square, London, SW1Y 5LP. The nature of the Group's operations and principal activities are set out in note 1 and on pages 1 to 68.

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.

Accounting convention

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

Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will operate within the level of its committed facilities for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing its financial statements. In assessing whether the Group is a going concern, the ongoing implications of COVID-19 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.

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 Financial Reporting in Hyperinflationary Economies, which is discussed in further detail below.

The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

STANDARDS NOT EFFECTIVE AT THE BALANCE SHEET DATE

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Comparative Information;
- Amendments to IAS 12 Income Taxes relating to Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IFRS 4 Insurance Contracts when applying IFRS 9 Financial Instruments;
- Amendments to IAS 1 Presentation of Financial Instruments, classification of liabilities as current or non-current; and
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

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

BASIS OF CONSOLIDATION

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

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

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

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

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

In accordance with IAS 1 Presentation of Financial Statements, the Group Consolidated Income Statement for the year ended 31 December 2022 has been changed to present the results of the Group on a continuing operations basis, with a single amount reported for the total results for discontinued operations. The total for discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax loss on disposal (see note 29).

FOREIGN CURRENCY TRANSLATION

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

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

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

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 Changes 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.

CLIMATE CHANGE

In preparing the Group's financial statements consideration has been given to the impact of both physical and transition climate related risks, as described in the Task Force on Climate-Related Financial Disclosures (TCFD) section on page 44. Based on the TCFD recommendations, in 2022, the Group performed an assessment of the five most critical climate related risks and opportunities that were considered to have a potential financial impact on the financial statements.

Climate scenario analysis was used as a tool to identify and assess a potential range of future outcomes, by capturing different assumptions about policies and physical climate conditions. Scenario analysis was applied to the five most material risks and opportunities, being the transition risk of misalignment, increased carbon tax, aftersales revenues, margin pressure risk, and physical risks (due to the direct impacts to property and inventories from extreme weather conditions). There is inherent uncertainty over the assumptions used within these scenarios and how they will impact the Group's operations, cash flows and profit projections.

The policy, technology and market changes in response to climate change are still developing, and consequently the financial statements cannot capture all possible future outcomes as these are not yet known.

The climate-related estimates and assumptions were applied primarily to going concern, impairment of non-financial assets, property plant and equipment, indefinite life intangible assets and provisions.

REVENUE AND OTHER INCOME

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

Revenue from sale of goods

Revenue from the sale of goods is recognised when the obligation to transfer the goods to the customer has been satisfied and the revenue can reliably be measured. The obligation to transfer goods to the customer is considered to have been satisfied when the vehicles or parts are invoiced and physically dispatched or collected. Consideration received in advance of transfer of goods is recognised as deferred revenue on the balance sheet and is subsequently recognised as revenue when the transfer of goods occurs.

Revenue from rendering of services

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

Group acts as an agent

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

Sales with a repurchase commitment

Where a vehicle is sold to a customer subject to a repurchase commitment and the possibility of the buyback being exercised by the customer is highly likely, the transaction is recognised as a lease transaction with the Group acting as a lessor. Consequently, such vehicles are recognised within 'property, plant and equipment' in the consolidated statement of financial position at cost and are depreciated to their residual value over the period of the repurchase commitment. The difference between the initial amounts received from the customer and the repurchase commitment is recognised as deferred income in the consolidated statement of financial position and is released to the consolidated income statement on a straight-line basis over the life of the arrangement. The repurchase commitment, which reflects the price at which the vehicle will be bought back, is held within 'trade and other payables', according to the date of the commitment.

Where a vehicle is sold to a customer subject to a repurchase commitment and the possibility of the buyback being exercised by the customer is not highly likely, revenue is recognised in full when the vehicle is sold, less the expected value of the buyback payments to be made which is recorded as a liability in the consolidated statement of financial position. Similarly, an estimate of the value of the vehicles to be returned is deducted from cost of sales and recognised as an asset in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADJUSTING ITEMS

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

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

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

OTHER INTANGIBLE ASSETS

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

LEASES

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

THE GROUP AS A LESSEE

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

Lease liabilities are remeasured when there is a change in future lease payments as a result of a index or rate change, or if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether a purchase, lease-term extension or termination option will be exercised. Additional liability is also recognised where there a potential change in variable payment during term of the lease and lastly, where new leases have been committed to but not yet commenced. When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

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

THE GROUP AS A LESSOR

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date. Impairment of inventories are considered separately. Impairment losses are recognised against goodwill within the cash generating units before non-financial assets are impaired.

INVENTORIES

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

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

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

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

TRADE RECEIVABLES

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

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

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

TRADE PAYABLES

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

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

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

BORROWINGS

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

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of retirement benefit schemes.

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

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

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

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

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

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

Following the scheme merger which is now referred to as the 'Combined section', and sits alongside the Group section, a change was made to the trustees deeds whereby it was stipulated, in the event of a wind any pension surplus belonging to the group section would be returned to the Combined section in the first instance instead of being directly returned to the principal employer. The group takes the view any surplus in the Combined section ultimately belongs to the Principal employer, therefore judgement has been taken to recognise the pension surplus for the scheme in full.

PROVISIONS

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

PRODUCT WARRANTY PROVISION

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

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

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

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

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

SEGMENTAL REPORTING
Segment information is reported in accordance with IFRS 8 Operating Segments, which requires segmental reporting to be presented on the same basis as the internal management reporting. The Group's operating segments are countries or groups of countries and the market channels, Distribution and Retail. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. The accounting policies of the reportable segments are the same as the Group's accounting policies described in this note. Comparative amounts have been reclassified as explained in note 1.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

FAIR VALUE HEDGE

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

CASH FLOW HEDGE

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

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the consolidated income statement in the same period in which the hedged forecast transaction affects the consolidated income statement.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

SHARE CAPITAL

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

DIVIDENDS

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

CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

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

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

The assumptions used in the value in use calculations are based on past experience, recent trading and forecasts of operational performance in the relevant markets. They also reflect expectations about continuing relationships with key brand partners and the impact climate change may have on its operations. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which we operate, the forecasts reflect our best estimate. Key assumptions and sensitivities are disclosed in note 11.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS – ASSUMPTIONS

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

PENSIONS – DISCOUNT RATE

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

CRITICAL ACCOUNTING JUDGEMENTS

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES – EXTENSION AND TERMINATION OPTIONS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer to note 13 for additional disclosures relating to leases.

ADJUSTING ITEMS

The Directors believe that adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The operating profit before adjusting items and profit before tax and adjusting items measures are not recognised profit measures under IFRS and may not be directly comparable with such profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within the Group accounting policies and note 2 provides further details on current year adjusting items and their adherence to Group policy.

CLASSIFICATION OF VEHICLE FUNDING ARRANGEMENTS

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

ASSIGNMENT OF AN INDEFINITE USEFUL LIFE TO DISTRIBUTION AGREEMENTS

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

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

2022	Distribution APAC £m	 Europe & Africa £m	 Americas £m	 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**

1 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 from continuing operations	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.

1 SEGMENTAL ANALYSIS CONTINUED

2021	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Distribution 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

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

2021	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Distribution 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.

1 SEGMENTAL ANALYSIS CONTINUED

2021 from continuing operations	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	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.

2 ADJUSTING ITEMS

From continuing operations	**2022 £m**	2021 £m
Other asset impairment reversals (see notes 12 and 13)	**9.9**	2.9
Disposal of businesses (see note 29)	**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 8)	**(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 29.

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.

2 ADJUSTING ITEMS CONTINUED

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.

3 REVENUE AND EXPENSES

a. Revenue

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

From continuing operations	**2022 £m**	2021 £m
Sale of goods	**7,576.3**	6,456.2
Provision of services	**556.4**	444.7
	8,132.7	6,900.9

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

b. Analysis of net operating expenses

From continuing operations	**Net operating expenses before adjusting items 2022 £m**	**Adjusting items 2022 £m**	**Net operating expenses 2022 £m**	Net operating expenses before adjusting items 2021 (restated)[1] £m	Adjusting items 2021 £m	Net operating expenses 2021 (restated)[1] £m
Distribution costs	**385.1**	**–**	**385.1**	354.4	–	354.4
Administrative expenses	**512.4**	**43.0**	**555.4**	418.1	32.8	450.9
Other operating expenses/(income)	**17.0**	**(32.5)**	**(15.5)**	4.1	67.3	71.4
	914.5	**10.5**	**925.0**	776.6	100.1	876.7

1. The 2021 comparative figures above for distribution costs and administrative expenses contains a reclassification restatement of £29.5m between the line items resulting from a prior year error.

3 REVENUE AND EXPENSES CONTINUED

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

From continuing operations	2022 £m	2021 £m
Depreciation of tangible fixed assets:		
– Property, plant and equipment	**32.5**	27.2
– Leased vehicles, rental machinery and equipment	**7.9**	2.5
– Right-of-use assets	**55.1**	47.3
Amortisation of intangible assets	**23.1**	32.0
Impairment of goodwill	–	12.9
Reversal of impairment of distribution agreements	–	(12.9)
Impairment of other intangible assets	–	0.2
Reversal of impairment of property, plant and equipment	**(9.1)**	(1.9)
Impairment of right-of-use assets	**1.9**	1.1
Impairment of assets held for sale	–	1.5
Impairment of trade receivables	**6.1**	2.6
Profit on sale of property, plant and equipment and intangibles	**(2.1)**	(5.0)

Profit on the sale of property, plant and equipment in 2022 mainly relates to the sale of surplus assets in APAC (2021: profit on sale of property, plant and equipment of surplus assets in the UK and APAC).

d. Auditor's remuneration

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

	2022 £m	2021 £m
Fees payable to the Company's auditor and its associates for the audit of the parent company and the consolidated financial statements	**2.7**	0.6
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	**4.6**	2.9
– Audit related assurance services	**5.4**	0.1
– All other services	**0.8**	0.1
Total fees payable to the Company's auditor	**13.5**	3.7
Audit fees – firms other than the Company's auditor	**0.1**	0.1

e. Staff costs

From continuing operations	2022 £m	2021 (restated)[1] £m
Wages and salaries	**445.4**	419.4
Social security costs	**34.7**	33.9
Other pension costs (see note 5)	**(4.8)**	13.4
Share-based payment charge (see note 4)	**10.2**	8.4
	485.5	475.1

1. The 2021 comparative figures above have been restated due to an error in classification.

Other pension costs correspond to the current and past service cost and contributions to the defined contribution schemes (see note 5). Included in other pension costs is a £19.7m past service credit as a result of changing the basis of indexation for the Inchcape Motors Pension Scheme from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

Information on Directors' emoluments and interests which forms part of these audited consolidated financial statements is given in the Directors' Report on Remuneration which can be found on pages 96 to 116 of this document. Information on compensation of key management personnel is set out in note 32b.

3 REVENUE AND EXPENSES CONTINUED

f. Average monthly number of employees

	Total	
	2022 Number	2021 Number
APAC	**3,402**	3,343
Europe & Africa	**1,566**	1,480
Americas	**3,972**	3,691
Total Distribution	**8,940**	8,514
Retail	**3,662**	4,245
Central & Digital	**896**	290
	13,498	13,049

Following the acquisition of the Derco group, total employees of the Group have increased by approximately 4,800 employees.

4 SHARE-BASED PAYMENTS

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

The charge arising from awards granted under share-based payment plans was £10.2m (2021: £8.4m), all of which was equity-settled.

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

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

2022	**Weighted average exercise price***	**Performance Share Plan**	**Save As You Earn Plan**	**Other Share Plans**
Outstanding at 1 January	**£4.53**	**4,967,050**	**2,068,892**	**1,130,883**
Granted	**£6.00**	**1,975,716**	**685,472**	**766,006**
Exercised	**£4.62**	**(473,051)**	**(435,285)**	**(198,516)**
Lapsed	**£5.17**	**(1,361,774)**	**(262,301)**	**(327,664)**
Outstanding at 31 December	**£4.92**	**5,107,941**	**2,056,778**	**1,370,709**
Exercisable at 31 December	**£4.59**	**166,168**	**45,291**	**11,895**

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

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

The weighted average remaining contractual life for the awards outstanding at 31 December 2022 is 1.4 years (2021: 2.3 years).

The range of exercise prices for options outstanding at the end of the year was £3.77 to £7.31 (2021: £3.77 to £7.31). See note 25 for further details.

The fair value of options granted under the Save As You Earn Plan and Other Share Plans is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of nil cost awards granted under the Performance Share Plan and Other Share Plans is the market value of the related shares at the time of grant. The following table lists the main inputs to the model for awards granted during the years ended 31 December 2022 and 31 December 2021:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2022	2021	**2022**	2021	**2022**	2021
Weighted average share price at grant date	**£6.52**	£7.93	**£7.06**	£8.35	**£6.13**	£8.24
Weighted average share price at date of exercise	**£7.13**	£7.78	**£7.28**	£8.18	**£7.42**	£8.53
Weighted average exercise price*	**n/a**	n/a	**£6.00**	£7.31	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**2.7 years**	2.5 years
Expected volatility	**n/a**	n/a	**33.9%**	31.4%	**n/a**	n/a
Expected life of award	**3.0 years**	3.0 years	**3.2 years**	3.2 years	**2.7 years**	2.5 years
Weighted average risk-free rate	**n/a**	n/a	**4.4%**	1.0%	**n/a**	n/a
Expected dividend yield	**n/a**	n/a	**3.5%**	3.8%	**n/a**	n/a
Weighted average fair value per option	**£6.52**	£7.93	**£1.78**	£2.15	**£6.13**	£8.24

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

No options were granted under the Executive Share Option Plan in 2022 or 2021.

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

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

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

The Inchcape Motors Pension Scheme (IMPS) in the UK is the Group's main defined benefit pension scheme. It is comprised of the Group and Combined sections. In the first half of 2022, IMPS completed a partial scheme merger and implemented a change to the indexation of benefits. Following the partial scheme merger, the assets and liabilities of the Motors, Normand and Cash+ sections are now pooled (referred to as the Combined Section). It is expected that this pooling of risks will reduce volatility.

With effect from 1 April 2022, the Trustee of IMPS 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 determined 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.

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

Benefit structure

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

The Cash+ section is a defined benefit cash balance scheme. Cash balance schemes like Cash+ allow members to accrue a percentage of their earnings each year which then grows to provide a lump sum payment on retirement. Members have accrued benefits under this scheme with effect from 1 January 2013 up to 31 December 2020. The Group underwrites the investment and interest rate risk to normal retirement age (65). Inflation and mortality risks associated with benefits are borne solely by the members. Following a consultation process with relevant employees this section closed to future benefit accrual on 31 December 2020. From 1 January 2021, UK employees were offered membership of the Inchcape Retirement Savings Plan, a defined contribution workplace personal pension scheme, which is designed to comply with auto enrolment legislation.

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

Governance

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

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

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

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

Scheme specific cash obligation/investment detail

Inchcape Motors Pension Scheme

Group, Motors, Normand and Cash+ sections (closed sections)

The Group considers two measures of the pension deficit. The accounting position is shown on the Group's balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to IMPS. The last completed actuarial valuations for the Group, Motors, Normand and Cash+ sections were carried out as at 5 April 2019 on a market-related basis. As part of the valuation process the Trustee and Group agreed future levels of contributions required to be made by the Group to IMPS.

For the Group, Motors and Normand sections the valuations were determined in accordance with the advice of the Scheme Actuary based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 17 years and that an aggregate deficit of £18.3m existed.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

For the Cash+ section, the valuation was determined in accordance with the advice of the Scheme Actuary based on the projected unit method. The valuation showed a funding deficit of £17.6m, with the Trustee expecting the shortfall to be removed by deficit recovery contributions and returns on the assets held.

Following the partial scheme merger and change in indexation, IMPS was no longer in a shortfall position, and the Group and Trustee agreed that Group contributions to IMPS could cease with effect from April 2022.

Along with many other UK pension schemes, the sharp increase in UK government bond yields in September 2022 created operational and liquidity challenges for IMPS. These challenges were successfully managed and the Scheme's asset strategy held up robustly during this volatile period and, as a result, its funding position remained strong. IMPS has met all collateral requirements throughout 2022 and has maintained its current level of protection to movements in interest rates and inflation, without the need for any additional support (e.g. cash loan for collateral purposes) from the Company.

Inchcape Overseas Pension Scheme (closed section)

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

b. Overseas schemes

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

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £13.2m (2021: £11.3m). There are no outstanding contributions at 31 December 2022 (2021: nil).

d. Defined benefit plans

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

e. Recognition of Pension Surplus 'IFRIC 14'

The Group is not required to recognise any additional liabilities in relation to funding plans, or limit the recognition of any surpluses, as the Group retains an unconditional right to any future economic benefits available by way of future refunds or reduction in contributions.

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2022 %	2021 %	**2022 %**	2021 %
Rate of increase in salaries	**n/a**	n/a	**3.4**	3.5
Rate of increase in pensions	**2.5**	3.2	**3.6**	1.8
Discount rate	**4.8**	1.8	**1.8**	1.3
Rate of inflation:				
– Retail price index	**3.3**	3.4	**2.4**	1.6
– Consumer price index	**2.6**	2.5	**n/a**	n/a

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 22.7 years (2021: 22.6 years) for current pensioners and 24.0 years (2021: 23.9 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Present value of funded obligations	**(571.5)**	(898.0)	**(35.0)**	(37.1)	**(606.5)**	(935.1)
Fair value of plan assets	**667.6**	980.5	**33.3**	38.1	**700.9**	1,018.6
Net surplus/(deficit) in funded obligations	**96.1**	82.5	**(1.7)**	1.0	**94.4**	83.5
Present value of unfunded obligations	**(0.4)**	(0.5)	**(0.9)**	(0.8)	**(1.3)**	(1.3)
	95.7	82.0	**(2.6)**	0.2	**93.1**	82.2
The net pension asset is analysed as follows:						
Schemes in surplus	**103.8**	133.1	**-**	2.2	**103.8**	135.3
Schemes in deficit	**(8.1)**	(51.1)	**(2.6)**	(2.0)	**(10.7)**	(53.1)
	95.7	82.0	**(2.6)**	0.2	**93.1**	82.2

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Current service cost	**-**	–	**(1.7)**	(2.1)	**(1.7)**	(2.1)
Past service cost	**19.7**	–	**-**	–	**19.7**	–
Scheme expenses	**(1.8)**	(1.5)	**-**	–	**(1.8)**	(1.5)
Interest expense on plan liabilities	**(18.5)**	(12.2)	**(0.5)**	(0.2)	**(19.0)**	(12.4)
Interest income on plan assets	**21.7**	12.5	**0.5**	0.2	**22.2**	12.7
	21.1	(1.2)	**(1.7)**	(2.1)	**19.4**	(3.3)

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Actuarial (losses)/gains on liabilities:						
– Experience (losses)/gains	**(19.9)**	(3.7)	**1.7**	0.7	**(18.2)**	(3.0)
– Changes in demographic assumptions	**0.2**	(6.5)	**-**	–	**0.2**	(6.5)
– Changes in financial assumptions	**312.3**	38.6	**1.7**	1.7	**314.0**	40.3
Actuarial (losses)/gains on assets:						
– Experience (losses)/gains	**(302.4)**	26.7	**(5.7)**	0.7	**(308.1)**	27.4
	(9.8)	55.1	**(2.3)**	3.1	**(12.1)**	58.2

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At 1 January	**82.0**	21.6	**0.2**	(2.0)	**82.2**	19.6
Amount recognised in the consolidated income statement	**21.1**	(1.2)	**(1.7)**	(2.1)	**19.4**	(3.3)
Contributions by employer	**2.4**	6.5	**1.0**	1.1	**3.4**	7.6
Actuarial (losses)/gains recognised in the year	**(9.8)**	55.1	**(2.3)**	3.1	**(12.1)**	58.2
Effect of foreign exchange rates	**-**	–	**0.2**	0.1	**0.2**	0.1
At 31 December	**95.7**	82.0	**(2.6)**	0.2	**93.1**	82.2

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At 1 January	**(898.5)**	(950.2)	**(37.9)**	(43.2)	**(936.4)**	(993.4)
Current service cost	**-**	–	**(1.7)**	(2.1)	**(1.7)**	(2.1)
Past service cost	**19.7**	–	**-**	–	**19.7**	–
Interest expense on plan liabilities	**(18.5)**	(12.2)	**(0.5)**	(0.2)	**(19.0)**	(12.4)
Actuarial (losses)/gains:						
– Experience (losses)/gains	**(19.9)**	(3.7)	**1.7**	0.7	**(18.2)**	(3.0)
– Changes in demographic assumptions	**0.2**	(6.5)	**-**	–	**0.2**	(6.5)
– Changes in financial assumptions	**312.3**	38.6	**1.7**	1.7	**314.0**	40.3
Benefits paid	**32.8**	35.5	**4.9**	4.8	**37.7**	40.3
Plan settlements	**-**	–	**-**	0.3	**-**	0.3
Effect of foreign exchange rate changes	**-**	–	**(4.1)**	0.1	**(4.1)**	0.1
At 31 December	**(571.9)**	(898.5)	**(35.9)**	(37.9)	**(607.8)**	(936.4)

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

	United Kingdom		Overseas		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At 1 January	**980.5**	971.8	**38.1**	41.2	**1,018.6**	1,013.0
Interest income on plan assets	**21.7**	12.5	**0.5**	0.2	**22.2**	12.7
Scheme expenses	**(1.8)**	(1.5)	**-**	–	**(1.8)**	(1.5)
Actuarial (losses)/gains:						
– Experience (losses)/gains	**(302.4)**	26.7	**(5.7)**	0.7	**(308.1)**	27.4
Contributions by employer	**2.4**	6.5	**1.0**	1.1	**3.4**	7.6
Benefits paid	**(32.8)**	(35.5)	**(4.9)**	(4.8)	**(37.7)**	(40.3)
Plan settlements	**-**	–	**-**	(0.3)	**-**	(0.3)
Effect of foreign exchange rate changes	**-**	–	**4.3**	–	**4.3**	–
At 31 December	**667.6**	980.5	**33.3**	38.1	**700.9**	1,018.6

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2022	2021	**2022**	2021	**2022**	2021
Equities (quoted)	**4.0%**	1.9%	**50.2%**	52.5%	**6.2%**	3.8%
Corporate bonds (quoted)	**-**	–	**42.0%**	39.6%	**2.0%**	1.5%
Government bonds	**-**	–	**0.6%**	0.3%	**-**	–
Investment funds (unquoted)	**74.6%**	63.1%	**-**	–	**71.0%**	60.8%
Other (quoted)	**-**	–	**7.2%**	6.0%	**0.3%**	0.2%
Other (unquoted)	**21.4%**	35.0%	**-**	1.6%	**20.5%**	33.7%
	100%	100%	**100%**	100%	**100%**	100%

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

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

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

f. Risk management

Asset volatility

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

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

Inflation risk

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

Life expectancy

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

g. Sensitivity analysis

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

Impact on the defined benefit obligation

	United Kingdom	
	2022 £m	2021 £m
Discount rate -1% (2021: -0.25%)	**+80.9**	+38.5
Discount rate +1% (2021: +0.25%)	**-65.9**	-35.9
CPI Inflation -0.25%	**-9.1**	-10.5
CPI Inflation +0.25%	**+10.3**	+10.3
Life expectancy +1 year	**+24.7**	+46.9

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

h. Expected future cash flows

The Group paid approximately £2.4m to its UK defined benefit plans in 2022 under the prevailing Schedules of Contributions (following the 5 April 2019 actuarial valuations for the Motors, Group, Cash+ and Normand sections of the Inchcape Motors Pension Scheme and 31 March 2018 valuation for the Inchcape Overseas Pension Scheme). Following the partial scheme merger and change in indexation, IMPS was no longer in a shortfall position, and the Group and Trustee agreed that Group contributions to IMPS could cease with effect from April 2022.

From 1 January 2021 (following the closure of the Cash+ section to future benefit accrual on 31 December 2021) the Group pays ongoing employer pension contributions into the Inchcape Retirement Savings Plan (a defined contribution plan).

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

6 FINANCE INCOME

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 (see note 13(b))	0.6	0.6
Other finance income	0.7	0.1
Total finance income	21.6	11.2

7 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 (see note 13(b))	9.9	9.7
Stock holding interest (see note 21)	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.

8 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 (see note 17)	**(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 2. 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.

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 2).

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 (see note 11)	**–**	3.8
– Acquisition and disposals of businesses	**3.9**	8.9
– Other asset impairment charge/(reversal) for the year (see notes 11, 12 and 13)	**(1.0)**	(0.1)
– Adjustments for hyperinflation	**12.2**	–
Total tax charge	**98.2**	64.6

8 TAX CONTINUED

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. Information about the Group's tax losses and deferred tax assets can be found in note 17.

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.

9 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.

9 EARNINGS PER SHARE CONTINUED

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 notes 25 and 29).

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.

10 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.

11 INTANGIBLE ASSETS

Cost	Goodwill £m	Indefinite-life intangible assets[1] £m	Computer software & Other[2] £m	Total £m
At 1 January 2021	577.5	277.4	216.9	1,071.8
Businesses acquired	17.7	3.8	–	21.5
Business sold	(30.6)	–	(4.1)	(34.7)
Additions	–	–	15.8	15.8
Disposals	–	–	(2.5)	(2.5)
Reclassifications	–	–	(2.9)	(2.9)
Retirements	–	–	(2.2)	(2.2)
Effect of foreign exchange rate changes	(12.5)	(24.2)	(4.4)	(41.1)
At 1 January 2022	**552.1**	**257.0**	**216.6**	**1,025.7**
Businesses acquired (see note 29)	**139.9**	**592.9**	**25.6**	**758.4**
Business sold	**(83.7)**	**-**	**(28.6)**	**(112.3)**
Additions	**-**	**-**	**4.3**	**4.3**
Disposals	**-**	**-**	**(1.3)**	**(1.3)**
Retirements	**-**	**-**	**(94.7)**	**(94.7)**
Effect of foreign exchange rate changes	**39.4**	**28.0**	**10.3**	**77.7**
At 31 December 2022	**647.7**	**877.9**	**132.2**	**1,657.8**
Accumulated amortisation and impairment				
At 1 January 2021	(458.5)	(30.8)	(156.7)	(646.0)
Amortisation charge for the year	–	–	(33.0)	(33.0)
Impairment (charge)/reversal for the year	(12.9)	12.9	(0.2)	(0.2)
Business sold	30.6	–	4.1	34.7
Disposals	–	–	2.4	2.4
Reclassifications	–	–	0.4	0.4
Retirements	–	–	2.2	2.2
Effect of foreign exchange rate changes	5.0	(0.1)	3.0	7.9
At 1 January 2022	**(435.8)**	**(18.0)**	**(177.8)**	**(631.6)**
Amortisation charge for the year (note 3)	**-**	**-**	**(23.1)**	**(23.1)**
Business sold	**83.7**	**-**	**27.5**	**111.2**
Disposals	**-**	**-**	**0.9**	**0.9**
Retirements	**-**	**-**	**94.7**	**94.7**
Effect of foreign exchange rate changes	**(25.3)**	**(2.2)**	**(8.4)**	**(35.9)**
At 31 December 2022	**(377.4)**	**(20.2)**	**(86.2)**	**(483.8)**
Net book value at 31 December 2022	**270.3**	**857.7**	**46.0**	**1,174.0**
Net book value at 31 December 2021	116.3	239.0	38.8	394.1

1. Indefinite-life intangible assets comprise distribution agreements and acquired brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.
2. Included in computer software and other is acquired customer relationships.

There were no impairment charges or reversals during the year (2021: £0.2m). At 31 December 2022, computer software under development was £6.2m (2021: £17.5m).

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

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

11 INTANGIBLE ASSETS CONTINUED

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

Goodwill	CGU group	**2022 £m**	2021 £m
Retail	UK – Retail	**2.6**	–
Europe & Africa Distribution	Baltics – BMW	**6.1**	5.8
	Kenya	**1.3**	1.1
Americas Distribution	Americas – Daimler	**6.5**	5.8
	Americas – Hino/Subaru/JLR/Volvo/Porsche[1]	**47.4**	39.8
	Central America – Suzuki	**27.7**	24.8
	Caribbean	**0.1**	–
	Americas – Derco	**130.6**	–
APAC Distribution	Singapore	**25.0**	22.3
	Guam	**23.0**	16.7
		270.3	116.3

1. From 2022, the goodwill arising from the acquisition of the Ditec business has been included in this CGU group (see note 29a).

Distribution agreements	CGU group	**2022 £m**	2021 £m
Europe & Africa Distribution	Baltics – BMW	**28.6**	27.2
Americas Distribution	Americas – Daimler	**30.8**	29.7
	Americas – Hino/Subaru/JLR/Volvo/Porsche[1]	**158.5**	116.3
	Central America – Suzuki	**73.7**	65.8
	Caribbean	**30.1**	–
	Americas – Derco	**536.0**	–
		857.7	239.0

1. From 2022, the distribution rights to Porsche, Volvo and Jaguar Land Rover that were acquired as part of the acquisition of the Ditec business have been included in this CGU group (see note 29a).

In accordance with the Group's accounting policy, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests were performed for all CGU groups during the year ended 31 December 2022. The recoverable amounts of the Group's Americas – Derco CGU groups, including its identified assets and liabilities, were determined based on fair value less costs of disposal due to the acquisition date coinciding with the reporting date.

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

Site-based assets (property, plant and equipment and right-of-use assets) are first tested for impairment individually before being included in the impairment tests as a component of the carrying value of a CGU group. If the carrying amount of a CGU group exceeds its recoverable amount, an impairment loss is recognised and allocated between the assets of the CGU group to reduce the carrying amount. This allocation is initially applied to the carrying amount of goodwill allocated to the CGU group. If a further impairment charge still remains, then this is allocated to other assets in the CGU group on a pro-rata basis.

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

Forecast revenue is based on past experience and expectations for near-term growth in the relevant markets. Key assumptions used to determine revenue are expectations of market size, represented by Total Industry Volume ("TIV"), Units in Operation ("UIO") and market share, based on external sources where appropriate. Operating profits are forecast based on historical experience of gross and operating margins, adjusted for the impact of changes to product mix and cost-saving initiatives that had been implemented at the reporting date. Cash flows are forecast based on operating profit adjusted for the level of working capital required to support trading and capital expenditure. The assumptions used in the value in use calculations are based on past experience, recent trading and forecasts of operational performance in the relevant markets including expectations about continuing relationships with key brand partners.

11 INTANGIBLE ASSETS CONTINUED

The impact of climate change on the future cashflows has been considered. The group scenario analysis performed as part of the Task Force Climate-Related Financial Disclosures (TCFD) report identified five prioritised risks and opportunities in a 1.5°C and a 4°C scenario, and factored in to the impairment assessment where accurately quantifiable . Further details on the climate change risks and opportunities can be found on pages 44 to 54.

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

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

Key assumptions used

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

Goodwill:

2022	**Baltics**	**Americas – Daimler**	**Americas – Hino/Subaru/ JLR/Volvo/ Porsche**	**Central America – Suzuki**
Pre-tax discount rate (%)	**8.1**	**15.8**	**12.2**	**14.1**
Long-term growth rate (%)	**1.9**	**3.2**	**2.9**	**2.6**

2021	Baltics	Americas – Daimler	Americas – Hino/Subaru	Central America – Suzuki
Pre-tax discount rate (%)	6.9	12.9	10.6	11.7
Long-term growth rate (%)	2.1	2.3	2.9	2.5

Indefinite-life intangible assets:

2022	**Baltics – BMW**	**Americas – Daimler**	**Americas – Hino**	**Americas – Subaru**	**Americas – JLR/Volvo/ Porsche**	**Central America – Suzuki**	**Caribbean**
Pre-tax discount rate (%)	**8.1**	**15.8**	**13.4**	**12.2**	**11.8**	**14.1**	**13.6**
Long-term growth rate (%)	**1.9**	**3.2**	**3.1**	**3.0**	**3.0**	**2.6**	**3.0**

2021	Baltics – BMW	Americas – Daimler	Americas – Hino	Americas – Subaru	Americas – JLR/Volvo/ Porsche	Central America – Suzuki	Caribbean
Pre-tax discount rate (%)	6.9	12.9	11.9	11.0	–	11.7	–
Long-term growth rate (%)	2.1	2.3	3.1	3.1	–	2.5	–

11 INTANGIBLE ASSETS CONTINUED

Central America – Suzuki

In 2021, trading momentum was above management expectations with revenue tracking above 2020 levels and profitability exceeding original projections as the region recovered from the Covid-19 pandemic. Based on the impairment assessment carried out, forecast assumptions continued to expect the business to grow and improve its profitability over the forecast period. The forecasts applied in the model considered the historical performance achieved by the business, the expected short-term impact of the semi-conductor chip shortage affecting the global automotive industry and management's best estimated of the consequences of the net risks and opportunities resulting from climate change.

The 2021 impairment models for the Central America – Suzuki CGU group had two contrasting outcomes. The assessment performed over the Suzuki distribution agreement indicated an amount of headroom of £12.9m and therefore a partial reversal of the charge taken in 2020 was required. Conversely, the goodwill model indicated a further impairment of goodwill was required of £12.9m. This re-classification of impairment charges/reversals on the balance sheet was due to the forecast performance of the Suzuki brand in the market relative to the other brands represented which form only a small component of the CGU group.

As at 31 December 2022, the recoverable amount of the CGU group was £155.8m. The recoverable value of the CGU group was determined based on value in use calculations, consistent with the approach used as at 31 December 2021. Cash flows were discounted back to present value using a pre-tax discount rate of 14.1% (2021: 11.7%).

The cash flows used within the impairment models are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management have performed sensitivity analysis on the key assumptions in the indefinite-life intangible asset impairment model for Central America – Suzuki using reasonably possible changes in these key assumptions. The sensitivities have been selected based on the inherent business volatility and the metrics that closely align to the consequences of climate change risks and opportunities detailed on pages 44 to 54.

	Increase/(decrease) in assumption	Impairment charge £m	Impairment credit £m
Revenue CAGR (%)	**(1.0%)/1.0%**	**(16.2)**	**18.2**
Average gross margin (%)	**(0.5%)/0.5%**	**(9.6)**	**9.6**
Pre-tax discount rate (%)	**1.0%/(1.0%)**	**(17.7)**	**22.8**
Long-term growth rate (%)	**(0.5%)/0.5%**	**(5.0)**	**5.6**

Other CGUs

The Group's value in use calculations are sensitive to a change in the key assumptions used. However, with the exception of the Group's business in the Baltics, a reasonably possible change in a key assumption will not cause a material impairment of goodwill or indefinite-life intangible assets in any of the other CGU groups. The value in use calculations for the distribution agreement in the Baltics currently exceed the carrying value by 25%. A 1.1% increase in the discount rate or a 2.0% reduction in the long-term growth rate, while holding all other assumptions constant, would eliminate this headroom.

12 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Leased vehicles, rental machinery and equipment £m	Total £m
At 1 January 2021	721.4	247.5	968.9	19.4	988.3
Businesses acquired	–	0.5	0.5	5.4	5.9
Businesses sold	(15.8)	(3.2)	(19.0)	–	(19.0)
Additions	24.9	24.5	49.4	3.9	53.3
Disposals	(30.3)	(8.6)	(38.9)	–	(38.9)
Reclassifications	–	2.9	2.9	–	2.9
Transferred to/from inventory	–	(0.4)	(0.4)	(6.6)	(7.0)
Retirement of fully depreciated assets	(6.0)	(1.2)	(7.2)	–	(7.2)
Reclassified to assets held for sale	(1.4)	(0.4)	(1.8)	–	(1.8)
Effect of foreign exchange rate changes	(17.7)	(7.5)	(25.2)	0.2	(25.0)
At 1 January 2022	**675.1**	**254.1**	**929.2**	**22.3**	**951.5**
Opening balance hyperinflation adjustment	**20.3**	**13.9**	**34.2**	**–**	**34.2**
Businesses acquired (see note 29)	**82.7**	**33.8**	**116.5**	**59.6**	**176.1**
Businesses sold (see note 29)	**(63.4)**	**(42.5)**	**(105.9)**	**–**	**(105.9)**
Additions	**17.2**	**46.4**	**63.6**	**12.9**	**76.5**
Disposals	**(8.8)**	**(25.6)**	**(34.4)**	**–**	**(34.4)**
Transferred to/from inventory	**–**	**–**	**–**	**(9.7)**	**(9.7)**
Retirement of fully depreciated assets	**–**	**(2.7)**	**(2.7)**	**–**	**(2.7)**
Reclassified to/from assets held for sale	**(19.5)**	**(2.6)**	**(22.1)**	**–**	**(22.1)**
Effect of foreign exchange rate changes	**41.1**	**24.4**	**65.5**	**2.8**	**68.3**
At 31 December 2022	**744.7**	**299.2**	**1,043.9**	**87.9**	**1,131.8**
Accumulated depreciation and impairment					
At 1 January 2021	(221.5)	(189.8)	(411.3)	(7.2)	(418.5)
Businesses sold	4.7	1.7	6.4	–	6.4
Depreciation charge for the year	(12.4)	(17.6)	(30.0)	(2.5)	(32.5)
Impairment charge for the year	1.9	–	1.9	–	1.9
Disposals	11.5	8.1	19.6	–	19.6
Reclassifications	–	(0.4)	(0.4)	–	(0.4)
Transferred to/from inventory	–	0.2	0.2	2.5	2.7
Retirement of fully depreciated assets	6.0	1.2	7.2	–	7.2
Reclassified to assets held for sale	(0.1)	–	(0.1)	–	(0.1)
Effect of foreign exchange rate changes	5.6	4.8	10.4	(0.2)	10.2
At 1 January 2022	**(204.3)**	**(191.8)**	**(396.1)**	**(7.4)**	**(403.5)**
Opening balance hyperinflation adjustment	**(2.6)**	**(8.0)**	**(10.6)**	**–**	**(10.6)**
Businesses sold (see note 29)	**28.6**	**12.5**	**41.1**	**–**	**41.1**
Depreciation charge for the year	**(13.7)**	**(20.0)**	**(33.7)**	**(7.9)**	**(41.6)**
Impairment reversal for the year	**8.3**	**0.8**	**9.1**	**–**	**9.1**
Disposals	**2.5**	**24.6**	**27.1**	**–**	**27.1**
Transferred to/from inventory	**–**	**–**	**–**	**3.8**	**3.8**
Retirement of fully depreciated assets	**–**	**2.7**	**2.7**	**–**	**2.7**
Reclassified to/from assets held for sale	**5.9**	**0.6**	**6.5**	**–**	**6.5**
Effect of foreign exchange rate changes	**(15.2)**	**(13.2)**	**(28.4)**	**(1.2)**	**(29.6)**
At 31 December 2022	**(190.5)**	**(191.8)**	**(382.3)**	**(12.7)**	**(395.0)**
Net book value at 31 December 2022	**554.2**	**107.4**	**661.6**	**75.2**	**736.8**
Net book value at 31 December 2021	470.8	62.3	533.1	14.9	548.0

12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

The book value of land and buildings is analysed between:

	2022 £m	2021 £m
Freehold	**397.6**	325.7
Leasehold with over 50 years unexpired	**61.1**	41.6
Short leasehold	**95.5**	103.5
	554.2	470.8

Land and buildings include properties with a net book value of £5.3m (2021: £4.3m) that are let to third parties on a short-term basis.

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

Computer software, property, plant and equipment and right-of-use assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on the higher of value in use calculations, which require estimates to be made of future cash flows, or fair value less costs of disposal. Impairment triggers were identified in a limited number of markets and tests for impairment were carried out, where appropriate. As part of the assessment, the Group also assessed whether there was any indication that previously recognised impairment losses for an asset no longer exists or may have decreased which would result in an impairment reversal being recognised.

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

The results of the testing indicated that net impairment reversals totalling £7.2m were required against site and other assets, principally in relation to UK and Australia (2021: £0.6m UK and Australia).

	2022 £m	2021 £m
Computer software	**–**	0.2
Property, plant and equipment	**(9.1)**	(1.9)
Right-of-use assets	**1.9**	1.1
At 31 December	**(7.2)**	(0.6)

Included within the asset net impairment reversal of £9.1m is an impairment reversal of £9.7m and an impairment charge of £0.6m. The impairment reversal primarily arose in the UK and Australia, where, based on the recovery of site-based assets after the impact of Covid-19, the calculated recoverable amount exceeded the impaired carrying value for several sites.

Impairment reversals have been reported as adjusting items which is consistent with the treatment of the original impairments (see note 2).

The presence of potential physical risks arising from climate change to the Group's key operational sites in the short to medium term has been reviewed and no assets have been impaired as a result of this exercise.

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

a. Amounts recognised on the balance sheet

Cost	Land and buildings £m	Other £m	Total £m
At 1 January 2021	582.3	4.3	586.6
Businesses acquired	1.9	–	1.9
Business sold	(9.7)	–	(9.7)
Additions	41.4	0.9	42.3
Lease payments at or before commencement date	2.4	–	2.4
Derecognition	(31.9)	(2.5)	(34.4)
Remeasurement	27.7	–	27.7
Effect of foreign exchange rate changes	(17.9)	(0.3)	(18.2)
At 1 January 2022	**596.2**	**2.4**	**598.6**
Opening balance hyperinflation adjustment	**1.0**	–	**1.0**
Businesses acquired	**149.4**	**0.3**	**149.7**
Business sold	**(25.1)**	**–**	**(25.1)**
Additions	**33.0**	**1.4**	**34.4**
Lease payments at or before commencement date	**0.2**	**–**	**0.2**
Derecognition	**(22.4)**	**(1.2)**	**(23.6)**
Remeasurement	**24.9**	**–**	**24.9**
Reclassified to assets held for sale	**0.4**	**–**	**0.4**
Effect of foreign exchange rate changes	**42.8**	**0.2**	**43.0**
At 31 December 2022	**800.4**	**3.1**	**803.5**

Accumulated depreciation and impairment			
At 1 January 2021	(326.5)	(2.8)	(329.3)
Business sold	0.1	–	0.1
Depreciation charge for the year	(48.5)	(1.4)	(49.9)
Derecognition	30.3	2.5	32.8
Impairment charge for the year	(1.1)	–	(1.1)
Effect of foreign exchange rate changes	10.0	0.2	10.2
At 1 January 2022	**(335.7)**	**(1.5)**	**(337.2)**
Opening balance hyperinflation adjustment	**(0.1)**	**–**	**(0.1)**
Business sold	**12.8**	**–**	**12.8**
Depreciation charge for the year	**(55.3)**	**(0.9)**	**(56.2)**
Derecognition	**21.8**	**1.2**	**23.0**
Impairment charge for the year	**(1.9)**	**–**	**(1.9)**
Effect of foreign exchange rate changes	**(24.8)**	**0.1**	**(24.7)**
At 31 December 2022	**(383.2)**	**(1.1)**	**(384.3)**
Net book value at 31 December 2022	**417.2**	**2.0**	**419.2**
Net book value at 31 December 2021	260.5	0.9	261.4

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

Asset impairment charges total £1.9m (2021: impairment charge of £1.1m). Further details on the impairment of right-of-use assets are disclosed in note 12.

Remeasurements of £24.9m were made to leases during the year, primarily in the UK and APAC, due to either a change in the lease term or a change in an index or rate applicable to the underlying lease (2021: £27.7m, primarily in Northern Europe and APAC). Lease liabilities are also remeasured if there is a change in the assessment of whether a purchase, lease-term extension or termination option will be exercised, exposure to potential variable lease payments during the life of the lease together with any additional liability being present as a result of entering new lease commitments which have not commenced as at the balance sheet date. All known exposure as at the balance sheet date has been captured in the £24.9m of remeasurements.

	2022 £m	2021 £m
Lease liabilities		
Current	**83.4**	56.5
Non-current	**416.0**	267.6
At 31 December	**499.4**	324.1

b. Amounts recognised in the consolidated income statement

	2022 £m	2021 £m
Depreciation of right-of-use assets	**56.2**	49.9
Impairment charge for right-of-use assets	**1.9**	1.1
Finance costs on lease liabilities (included in finance costs)	**9.9**	9.7
Operating lease rentals – short-term leases	**6.1**	3.7
Operating lease rentals – variable lease payments	**1.5**	0.8
Rent concessions recognised	**–**	(0.3)
Sub-lease finance income (included in finance income)	**(0.6)**	(0.6)
Sub-lease income from right-of-use assets	**(1.7)**	(1.0)

c. Amounts recognised in the consolidated statement of cash flows

	2022 £m	2021 £m
Lease interest paid	**10.2**	10.5
Payment of capital element of lease liabilities	**64.0**	59.3

14 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Details of the interests held by the Group in joint ventures and associates can be found in note 14 to the Inchcape plc Company financial statements on pages 219 to 227.

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

	2022 £m	2021 £m
At 1 January	**4.9**	2.4
Businesses acquired (see note 29)	**11.0**	–
Additions	**6.2**	2.6
Share of loss after tax of joint ventures and associates	**(0.6)**	–
Share of other comprehensive income of joint ventures and associates	**0.5**	–
Effect of foreign exchange rate changes	**0.2**	(0.1)
At 31 December	**22.2**	4.9

Net assets of joint ventures and associates

	2022 £m	2021 £m
Current assets	**169.3**	23.0
Non-current assets	**15.8**	–
Total assets	**185.1**	23.0
Current liabilities	**(138.6)**	(13.2)
Non-current liabilities	**(2.1)**	–
Total liabilities	**(140.7)**	(13.2)
Net assets	**44.4**	9.8

Results of joint ventures and associates

	2022 £m	2021 £m
Revenue	**–**	0.1
Expenses	**(1.7)**	(0.3)
Loss before tax	**(1.7)**	(0.2)
Tax	**0.5**	0.1
Loss after tax of joint ventures and associates	**(1.2)**	(0.1)

Summarised financial information of joint ventures and associates

	2022 £m	2021 £m
Opening net assets at 1 January	**9.8**	4.9
Loss for the year	**(1.2)**	(0.1)
Businesses acquired	**22.0**	–
Additions	**12.4**	5.3
Other comprehensive income/(loss) for the year	**1.4**	(0.3)
Closing net assets at 31 December	**44.4**	9.8
Carrying value of interest in joint ventures and associates	**22.2**	4.9

During the year, the Group invested £6.2m in Inchcape Financial Services Australia Pty Ltd, a captive finance company.

As at 31 December 2022, no guarantees were provided in respect of joint ventures and associates' borrowings (2021: £nil).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 £m	2021 £m
At 1 January	**5.0**	3.8
Businesses acquired	**0.1**	–
Net fair value (losses)/gains recognised in other comprehensive income	**(1.5)**	1.6
Effect of foreign exchange rate changes	**(0.1)**	(0.4)
At 31 December	**3.5**	5.0

Analysed as:

	2022 £m	2021 £m
Current	**0.2**	0.2
Non-current	**3.3**	4.8
	3.5	5.0

Assets held are analysed as follows:

	2022 £m	2021 £m
Equity securities	**3.2**	4.8
Other	**0.3**	0.2
	3.5	5.0

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

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

16 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade receivables	**443.5**	194.7	**13.9**	11.5
Less: allowance for expected credit losses	**(17.2)**	(11.6)	**–**	–
Net trade receivables	**426.3**	183.1	**13.9**	11.5
Prepayments	**205.3**	55.6	**8.4**	8.0
Accrued income	**20.4**	29.6	**0.7**	0.9
Other taxation and social security	**96.5**	8.4	**–**	–
Other receivables	**68.3**	47.4	**30.4**	25.0
	816.8	324.1	**53.4**	45.4

Other receivables includes buyback and indemnity assets, interest, sublease and sundry receivables. These relate to premiums receivable from insurance companies, and rental and utilities deposits. The breakdown of other receivables is as follows:

	Current		Non-current	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Buyback assets	**12.0**	9.9	**8.0**	6.9
Indemnity assets	**9.1**	10.0	**–**	–
Interest receivable	**1.0**	0.3	**–**	–
Sublease receivables	**1.6**	1.7	**13.5**	14.2
Other	**44.6**	25.5	**8.9**	3.9
	68.3	47.4	**30.4**	25.0

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

	2022 £m	2021 £m
APAC	**84.2**	62.3
Europe & Africa	**109.8**	61.2
Americas	**224.7**	46.3
Retail	**38.7**	36.4
	457.4	206.2
Less: allowance for expected credit losses	**(17.2)**	(11.6)
	440.2	194.6

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

2022	**Total £m**	**Current £m**	**0 – 30 days £m**	**30 – 90 days £m**	**> 90 days £m**
Gross trade receivables	**457.4**	**254.3**	**109.5**	**52.8**	**40.8**
Expected credit loss allowance	**(17.2)**	**(2.1)**	**(0.7)**	**(0.8)**	**(13.6)**
Net carrying amount	**440.2**	**252.2**	**108.8**	**52.0**	**27.2**

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

16 TRADE AND OTHER RECEIVABLES CONTINUED

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

	2022 £m	2021 £m
At 1 January	**(11.6)**	(10.4)
Charge for the year	**(6.1)**	(2.6)
Amounts written off	**0.4**	0.4
Business sold	**0.8**	0.1
Unused amounts reversed	**0.1**	0.2
Effect of foreign exchange rate changes	**(0.8)**	0.7
At 31 December	**(17.2)**	(11.6)

The expected credit loss for accrued income and other receivables is not significant.

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

The concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions and the default loss percentage incurred by the Group has customarily been low even if there have been significant changes in economic conditions experienced in markets in which the Group operates. Trade receivables include amounts due from a number of finance houses in respect of vehicles sold to customers on finance.

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

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

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

17 DEFERRED TAX

Net deferred tax (liability)/asset	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Indefinite life intangible assets £m	IFRS 16 £m	Total £m
At 1 January 2021	(6.9)	1.9	1.2	15.6	7.3	18.0	(63.0)	17.3	(8.6)
(Charged)/credited to the consolidated income statement (continuing operations)	(3.5)	–	2.0	(9.9)	11.9	9.1	(5.0)	(0.7)	3.9
(Charged)/credited to the consolidated income statement (discontinued operations)	–	–	–	0.9	–	0.7	–	(0.1)	1.5
(Charged)/credited to equity and other comprehensive income	(13.1)	(0.5)	1.6	12.7	–	–	–	–	0.7
Businesses acquired	–	–	–	–	–	0.1	–	–	0.1
Business sold	–	–	–	(0.4)	0.1	(0.3)	–	–	(0.6)
Effect of foreign exchange rate changes	(0.1)	(0.2)	–	(0.6)	(0.5)	(2.1)	6.5	(0.7)	2.3
At 1 January 2022	**(23.6)**	**1.2**	**4.8**	**18.3**	**18.8**	**25.5**	**(61.5)**	**15.8**	**(0.7)**
Adjustments for hyperinflation	**-**	**-**	**-**	**-**	**(4.0)**	**(0.1)**	**-**	**(0.2)**	**(4.3)**
(Charged)/credited to the consolidated income statement (continuing operations)	**(4.5)**	**(0.2)**	**1.1**	**0.4**	**(4.1)**	**12.1**	**0.4**	**1.6**	**6.8**
(Charged)/credited to the consolidated income statement (discontinued operations)	**-**	**-**	**-**	**(0.3)**	**(0.1)**	**1.2**	**-**	**(0.1)**	**0.7**
Credited/(charged) to equity and other comprehensive income	**0.4**	**(9.3)**	**-**	**0.4**	**-**	**-**	**-**	**-**	**(8.5)**
Businesses acquired	**-**	**(0.1)**	**-**	**2.0**	**(19.5)**	**9.2**	**(157.4)**	**(0.9)**	**(166.7)**
Business sold	**-**	**-**	**-**	**(1.3)**	**0.2**	**1.8**	**-**	**(0.1)**	**0.6**
Effect of foreign exchange rate changes	**-**	**0.1**	**0.1**	**0.7**	**0.1**	**2.8**	**(7.3)**	**0.3**	**(3.2)**
At 31 December 2022	**(27.7)**	**(8.3)**	**6.0**	**20.2**	**(8.6)**	**52.5**	**(225.8)**	**16.4**	**(175.3)**

Analysed as:

	2022 £m	2021 £m
Deferred tax assets	**80.0**	67.4
Deferred tax liabilities	**(255.3)**	(68.1)
	(175.3)	(0.7)

Measured at relevant local statutory rates, the Group has an unrecognised deferred tax asset of £45m (2021: £39m) relating to tax relief on trading losses. The unrecognised asset represents £174m (2021: £160m) of losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future. Unrecognised tax losses totalling £7.3m (2021: £3.1m) will expire within 5 years and £3.9m (2021: £nil) will expire in more than 5 years.

The Group has unrecognised deferred tax assets of £44m (2021: £44m) relating to capital losses. The asset represents £177m (2021: £177m) of losses at the UK standard rate. The key territory holding the losses is the UK.

The Group has unrecognised deferred tax assets of £20m (2021: £26m) relating to other deductible temporary differences.

The deferred tax asset on tax trading losses of £20.2m (2021: £18.3m) relates to territories and entities where future taxable profits are considered probable.

The net deferred tax asset relating to the UK group of companies remains unrecognised as at 31 December 2022. Therefore, no deferred tax charges or credits are recorded in the consolidated income statement or consolidated statement of other comprehensive income in relation to temporary differences arising in the period for these companies (2021: the deferred tax charge on UK pension actuarial movements through other comprehensive income was offset by recognition of a deferred tax credit on losses).

17 DEFERRED TAX CONTINUED

The net deferred tax asset on provisions and other timing differences is principally made up of a deferred tax liability on non-qualifying property £9.6m (2021: £12.5m) offset by deferred tax assets on trade related accounting provisions and other items in the Group's operating companies £62.1m (2021: £38.0m).

The deferred tax liability of £225.8m (2021: £61.5m) on indefinite life intangible assets, comprising distribution agreements and acquired brands, has been recorded as a result of the business acquisitions in the current and prior periods (see note 29).

Relevant tax laws largely exempt receipt of dividends from tax. A tax liability is more likely to arise in respect of withholding taxes levied by overseas jurisdictions. No deferred tax liability has been recognised in respect of £188m (2021: £173m) of post-acquisition unremitted earnings of subsidiaries because the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the next 12 months. Deferred tax is provided when there is an intention to distribute earnings and a tax liability arises. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

18 INVENTORIES

	2022 £m	2021 £m
Raw materials and work in progress	**82.0**	46.9
Finished goods and merchandise	**2,293.8**	1,087.8
	2,375.8	1,134.7

Vehicles held on consignment which are in substance assets of the Group amount to £60.1m (2021: £55.5m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of a period of up to six months from delivery or the date of sale.

An amount of £57.7m (2021: £48.4m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £6,846.4m (2021: £6,278.1m). The write-down of inventory to net realisable value recognised as an expense during the year was £1.8m (2021: expense of £0.9m). All of these items have been included within 'cost of sales' in the consolidated income statement.

19 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily SONIA or the local equivalent). At 31 December 2022, the weighted average floating rate was 3.0% (2021: 0.4%).

£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.

At 31 December 2022, short-term deposits have a weighted average period to maturity of 5 days (2021: 10 days).

20 ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSAL GROUP

	2022 £m	2021 £m
Assets classified as held for sale and disposal group	**19.0**	4.8

Assets held for sale relate to surplus properties in the United Kingdom and Australia which are actively marketed with a view to sale.

In 2021, assets held for sale were stated net of an impairment charge of £1.5m which was reported as a non-adjusting charge in the income statement following the subsequent write-down of the asset to fair value less costs to sell.

21 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade payables	**418.0**	166.6	**–**	–
Payments received on account	**105.4**	93.6	**1.0**	1.8
Vehicle funding agreements	**1,422.5**	851.0	**–**	–
Other taxation and social security payable	**65.8**	40.3	**–**	–
Accruals	**395.5**	280.3	**1.8**	2.3
Deferred income	**155.9**	78.5	**34.8**	51.6
Other payables	**334.9**	38.0	**22.8**	7.5
	2,898.0	1,548.3	**60.4**	63.2

Other payables include a dividend liability of £208.3m due to the former owners of the Derco group which represents the amount due in respect of a pre-completion dividend that remained unpaid at the balance sheet date and is due to be paid in four instalments during 2023. Other payables also include a liability of £59.8m which represents a contractual liability to minority shareholders in Derco group companies that was settled in early January 2023.

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally are uncommitted facilities, have a maturity of 180 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to SONIA-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest (see note 7). At 31 December 2022, amounts outstanding under vehicle funding facilities and on which interest was payable were subject to a weighted average interest rate of 3.7% (2021: 1.3%).

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

Included within deferred income are the following balances:

	2022 £m	2021 £m
Extended warranties	**45.3**	44.0
Service packages	**57.5**	49.8
Other services	**87.9**	36.3
	190.7	130.1

Revenue recognised in 2022 that was included in deferred revenue at the beginning of the year was £77.1m (2021: £47.8m).

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

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

Other services
Certain Group companies provide other services as part of the total vehicle package (e.g. roadside assistance, fuel coupons etc). Where the Group acts as principal, the value of the additional services is separately identified, deducted from revenue and recognised as deferred income on the balance sheet. It is subsequently recognised as revenue over the period to which the service relates. Included within other services is £54.3m that relates to amounts received from customers for goods not yet delivered.

22 PROVISIONS

	Product warranty £m	Leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2022	**27.6**	**8.4**	**3.4**	**18.9**	**58.3**
Businesses acquired	**4.7**	**-**	**1.1**	**5.1**	**10.9**
Business sold	**-**	**-**	**(0.9)**	**(0.5)**	**(1.4)**
Charged to the consolidated income statement	**22.5**	**1.3**	**2.5**	**22.8**	**49.1**
Released to the consolidated income statement	**(1.3)**	**(0.9)**	**(0.7)**	**(1.0)**	**(3.9)**
Effect of unwinding of discount factor	**-**	**-**	**-**	**0.1**	**0.1**
Utilised during the year	**(3.9)**	**(0.1)**	**(0.1)**	**(9.5)**	**(13.6)**
Effect of foreign exchange rate changes	**1.6**	**0.5**	**0.2**	**1.5**	**3.8**
At 31 December 2022	**51.2**	**9.2**	**5.5**	**37.4**	**103.3**

Inflation and expected future movements in prices have been considered in calculating provisions where relevant.

Analysed as:

	2022 £m	2021 £m
Current	**56.6**	34.9
Non-current	**46.7**	23.4
	103.3	58.3

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

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

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

Other
This category principally includes provisions relating to uncertain non-income taxes and provisions relating to restructuring activities of £2.5m (2021: £4.7m). Acquisition and disposal related provisions total £6.1m (2021: £3.5m), of which there is an offsetting indemnity asset recognised in trade and other receivables. Restructuring provisions relate to the estimated costs associated with transformation projects, including the establishment of back-office services. These provisions are expected to be utilised within three years.

Climate change
The group has reviewed its provisions and concluded that no adjustments need to be made for climate change risks, nor that any new provisions need to be recognised for climate-related matters.

23 BORROWINGS

2022	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2022 Total £m
Current							
Bank overdrafts	**14.1**	**3.8%**	**–**	**–**	**14.1**	**–**	**14.1**
Bank loans	**63.1**	**6.1%**	**469.1**	**8.9%**	**532.2**	**–**	**532.2**
	77.2	**5.6%**	**469.1**	**8.9%**	**546.3**	**–**	**546.3**
Non-current							
Bank loans	**625.0**	**4.0%**	**60.6**	**13.0%**	**685.6**	**–**	**685.6**
Private Placement	**–**	**–**	**210.0**	**3.0%**	**210.0**	**–**	**210.0**
	625.0	**4.0%**	**270.6**	**5.2%**	**895.6**	**–**	**895.6**
Total borrowings	**702.2**	**4.2%**	**739.7**	**7.5%**	**1,441.9**	**–**	**1,441.9**

Bank overdrafts include £14.1m (2021: £7.6m) held in cash pooling arrangements which have not been offset in the consolidated statement of financial position (see note 24b).

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

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

At 31 December 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). At 31 December 2022, the bridge and term facilities were fully drawn and the syndicated revolving credit facility was undrawn (2021: undrawn).

In July 2022, the Group entered into a facilities agreement with two banks comprising a £350m bridge facility and a £250m term loan facility. The bridge facility has an initial term of 12 months commencing from 29 December 2022, but the term is extendable at Inchcape's option by up to 12 months. The term loan has a term of 2 years commencing from 29 December 2022. The term and bridge facilities were fully drawn as at 31 December 2022 and have been disclosed as non-current borrowings.

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

The Group's bank loans are not secured by any term deposits placed under a standby letter of credit and related facility arrangements (2021: £nil secured). The Group's bank overdrafts are secured by related offsetting cash balances held under pooling arrangements. The Group's remaining borrowings are unsecured.

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

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

The £210m sterling Private Placement loan notes are held at amortised cost. They have a fair value of £204.5m (2021: £222.0m) calculated from discounted cash flow techniques obtained using discount rates from observable market data, which is a level 2 valuation technique. The fair values of the Group's other borrowings are not considered to be materially different from their book value.

23 BORROWINGS CONTINUED

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

2022	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 3 years £m**	**Between 3 and 4 years £m**	**Between 4 and 5 years £m**	**Greater than 5 years £m**	**Total interest bearing £m**
Fixed rate							
Bank loans	**469.1**	**58.5**	**0.4**	**0.4**	**0.4**	**0.9**	**529.7**
Private Placement	**-**	**70.0**	**-**	**-**	**100.0**	**40.0**	**210.0**
	469.1	**128.5**	**0.4**	**0.4**	**100.4**	**40.9**	**739.7**
Floating rate							
Bank overdrafts	**14.1**	**-**	**-**	**-**	**-**	**-**	**14.1**
Bank loans	**63.1**	**625.0**	**-**	**-**	**-**	**-**	**688.1**
	77.2	**625.0**	**-**	**-**	**-**	**-**	**702.2**

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

24 FINANCIAL INSTRUMENTS

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

The Group's primary derivative transactions include forward and swap currency contracts. The purpose is to manage the currency and interest rate risks arising from the Group's trading operations and its sources of finance. Group policy is that there is no trading or speculation in derivatives. Cash flow hedge ineffectiveness can arise from changes to the timing and amounts of forecasted cashflows of hedged items. Fair value hedge ineffectiveness can arise from different yield curves linked to the hedged item and hedging instrument as well as changes to the counterparties credit risk.

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

The Group does not hedge for inflation risk and has not hedged for cross-currency interest rates risk in recent years.

a. Classification of financial instruments

2022	**Measured at amortised cost £m**	**Measured at fair value through other comprehensive income £m**	**Measured at fair value through profit or loss £m**	**Total £m**
Financial assets				
Financial assets at fair value through other comprehensive income	**–**	**3.5**	**–**	**3.5**
Trade and other receivables	**520.5**	**–**	**–**	**520.5**
Derivative financial instruments	**–**	**23.9**	**30.3**	**54.2**
Cash and cash equivalents	**1,064.2**	**–**	**–**	**1,064.2**
Total financial assets	**1,584.7**	**27.4**	**30.3**	**1,642.4**
Financial liabilities				
Trade and other payables	**(2,581.2)**	**–**	**–**	**(2,581.2)**
Derivative financial instruments	**–**	**(15.0)**	**(24.5)**	**(39.5)**
Lease liabilities	**(499.4)**	**–**	**–**	**(499.4)**
Borrowings	**(1,441.9)**	**–**	**–**	**(1,441.9)**
Total financial liabilities	**(4,522.5)**	**(15.0)**	**(24.5)**	**(4,562.0)**
	(2,937.8)	**12.4**	**5.8**	**(2,919.6)**

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

24 FINANCIAL INSTRUMENTS CONTINUED

b. Offsetting financial assets and financial liabilities

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

	Gross amounts of financial assets £m	Gross amounts of financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral received £m	Net amount £m
As at 31 December 2022						
Derivative financial assets	**54.2**	**-**	**54.2**	**(19.4)**	**-**	**34.8**
Cash and cash equivalents	**1,064.2**	**-**	**1,064.2**	**(14.1)**	**-**	**1,050.1**
	1,118.4	**-**	**1,118.4**	**(33.5)**	**-**	**1,084.9**
As at 31 December 2021						
Derivative financial assets	27.6	–	27.6	(16.5)	–	11.1
Cash and cash equivalents	596.4	–	596.4	(7.6)	–	588.8
	624.0	–	624.0	(24.1)	–	599.9

	Gross amounts of financial liabilities £m	Gross amounts of financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral paid £m	Net amount £m
As at 31 December 2022						
Derivative financial liabilities	**(39.5)**	**-**	**(39.5)**	**19.4**	**-**	**(20.1)**
Bank overdrafts	**(14.1)**	**-**	**(14.1)**	**14.1**	**-**	**-**
	(53.6)	**-**	**(53.6)**	**33.5**	**-**	**(20.1)**
As at 31 December 2021						
Derivative financial liabilities	(31.9)	–	(31.9)	16.5	–	(15.4)
Bank overdrafts	(7.6)	–	(7.6)	7.6	–	–
	(39.5)	–	(39.5)	24.1	–	(15.4)

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

24 FINANCIAL INSTRUMENTS CONTINUED

c. Market risk and sensitivity analysis

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

The following assumptions were made in calculating the sensitivity analysis:

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

d. Interest rate risk and sensitivity analysis

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

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

Interest rate risk table

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on bank borrowings, supplier related finance and cash balances as at 31 December 2022 with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
2022		
Sterling	**100**	**(9.9)**
Euro	**100**	**(0.4)**
Chilean peso	**250**	**(3.2)**
Australian dollar	**100**	**1.3**
US dollar	**100**	**1.4**
2021		
Sterling	75	(5.7)
Euro	50	0.6
Russian rouble	500	(1.1)
Australian dollar	100	2.8
US dollar	75	0.8

24 FINANCIAL INSTRUMENTS CONTINUED

e. Foreign currency risk

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

Transaction exposure hedging

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

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

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

Foreign currency risk table

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

	Increase/ (decrease) in exchange rate	Effect on equity £m
2022		
Yen	**+10%**	**2.5**
Yen	**-10%**	**3.7**
2021		
Yen	+10%	–
Yen	-10%	–

f. Credit risk

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

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

24 FINANCIAL INSTRUMENTS CONTINUED

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

	2022			2021		
Credit rating of counterparty	**Derivative assets £m**	**Cash at bank £m**	**Short-term deposits £m**	Derivative assets £m	Cash at bank £m	Short-term deposits £m
AA-	**11.6**	**343.3**	**0.2**	1.1	327.6	–
A+	**2.5**	**56.0**	**40.1**	1.4	66.6	0.4
A	**11.2**	**33.1**	**102.1**	9.3	14.9	30.0
A-	**14.6**	**82.5**	**134.0**	7.9	28.3	–
BBB+	**6.3**	**11.4**	**-**	5.5	7.5	–
BBB	**1.4**	**7.7**	**-**	0.3	3.8	4.2
BBB-	**0.8**	**5.5**	**72.7**	–	4.1	0.1
BB+	**1.6**	**-**	**-**	0.7	–	–
BB-	**-**	**13.8**	**-**	–	–	–
B	**-**	**0.4**	**-**	–	9.5	–
B-	**-**	**-**	**-**	–	5.8	0.4
CCC+	**-**	**-**	**-**	–	1.2	–
No rating*	**4.2**	**87.0**	**74.4**	1.4	32.5	59.5
	54.2	**640.7**	**423.5**	27.6	501.8	94.6

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

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

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

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

Total cash at bank of £640.7m (2021: £501.8m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

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

24 FINANCIAL INSTRUMENTS CONTINUED

g. Liquidity risk

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

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2022 based on contractual expected undiscounted cash flows:

2022	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	**1,058.7**	**5.5**	**–**	**–**	**1,064.2**
Trade and other receivables	**444.2**	**42.7**	**28.1**	**5.6**	**520.6**
Financial assets at fair value through other comprehensive income	**0.2**	**–**	**–**	**3.3**	**3.5**
Derivative financial instruments	**1,216.5**	**911.6**	**352.2**	**–**	**2,480.3**
	2,719.6	**959.8**	**380.3**	**8.9**	**4,068.6**
Financial liabilities					
Interest bearing loans and borrowings	**(171.6)**	**(448.4)**	**(911.9)**	**(42.6)**	**(1,574.5)**
Lease liabilities	**(23.3)**	**(67.4)**	**(245.8)**	**(213.8)**	**(550.3)**
Trade and other payables	**(1,991.7)**	**(561.5)**	**(27.9)**	**(0.1)**	**(2,581.2)**
Derivative financial instruments	**(1,211.5)**	**(940.9)**	**(348.8)**	**–**	**(2,501.2)**
	(3,398.1)	**(2,018.2)**	**(1,534.4)**	**(256.5)**	**(7,207.2)**
Net outflows	**(678.5)**	**(1,058.4)**	**(1,154.1)**	**(247.6)**	**(3,138.6)**

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

24 FINANCIAL INSTRUMENTS CONTINUED

h. Fair value measurement

In accordance with IFRS 13 Fair Value Measurement, disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	2022				2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Derivatives used for hedging	**-**	**54.2**	**-**	**54.2**	–	27.6	–	27.6
Financial assets at fair value through other comprehensive income	**0.9**	**-**	**2.6**	**3.5**	0.5	–	4.5	5.0
	0.9	**54.2**	**2.6**	**57.7**	0.5	27.6	4.5	32.6
Liabilities								
Derivatives used for hedging	**-**	**(39.5)**	**-**	**(39.5)**	–	(31.9)	–	(31.9)

Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted markets price at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 primarily represents the Group's equity interest in Hino Motors Manufacturing Company SAS (see note 15). Fair value is based on discounted free cash flows, using the projection of annual income and expenses mainly based on historical financial figures.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2022.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cross currency interest rate swaps	**4.4**	–	**-**	–
Forward foreign exchange contracts	**49.8**	27.6	**(39.5)**	(31.9)
	54.2	27.6	**(39.5)**	(31.9)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to £nil (2021: £nil). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to £nil (2021: £nil).

Derivative financial instruments

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months (2021: 12 months) of the end of the reporting period.

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 26) on forward foreign exchange contracts as at 31 December 2022 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2021: 12 months).

24 FINANCIAL INSTRUMENTS CONTINUED

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

2022	**Current**	**Current**	**Non-current**
Hedging risk strategy	**Cash flow hedges**	**Fair value hedges**	**Cash flow hedges**
Notional/currency legs	**3,107.8**	**781.1**	**929.9**
Carrying amount net (liabilities)/assets	**(17.3)**	**16.1**	**15.9**
Maturity date	**to Dec 2023**	**to Dec 2023**	**to Mar 2026**
Hedge ratio	**1:1**	**1:1**	**1:1**
Description of hedged item	**Highly probable FX exposures**	**FX exposure on balance sheet positions**	**Highly probable FX exposures**
Change in fair value of outstanding hedging instruments since 1 January	**(20.0)[2]**	**25.7**	**12.9[2]**
Change in fair value of hedging item used to determine hedge effectiveness	**20.0**	**(25.7)**	**(12.9)**
Weighted average hedge rate of outstanding deals (AUD/JPY)	**85.67[1]**	**n/a**	**90.20**
Amounts recognised within net finance costs on profit and loss	**–**	**25.7**	**–**
Balance on cash flow hedge reserve (net of tax) at 31 December	**2.8**	**–**	**–**

2021	Current	Current	Non-current
Hedging risk strategy	Cash flow hedges	Fair Value hedges	–
Notional/currency legs	1,427.7	804.8	126.5
Carrying amount net assets/(liabilities)	2.3	(9.6)	3.0
Maturity date	to Dec 2022	to Jun 2022	to Jan 2026
Hedge ratio	1:1	1:1	1:1
Description of hedged item	Highly probable FX exposures	FX exposures on balance sheet positions	Highly probable FX exposures
Change in fair value of outstanding hedging instruments since 1 January	30.1[2]	(8.2)	3.0[2]
Change in fair value of hedging item used to determine hedge effectiveness	(30.1)	8.2	(3.0)
Weighted average hedge rate of outstanding deals	(AUD/JPY) 81.99[1]	n/a	(GBP/USD) 1.39
Amounts recognised within net finance costs on profit and loss	–	(8.2)	–
Balance on cash flow hedge reserve (net of tax) at 31 December	(3.2)	–	(3.0)

1. Outstanding deals predominantly relate to our business in Australia which purchases vehicles in Japanese yen.
2. Includes hedging derivatives for both actual and highly probable forecasted purchases. The movement presented in OCI only covers hedging derivatives relating to highly probable forecasted purchases.

As at 31 December 2022, the accumulated balance of the cash flow hedge reserve was a loss of £2.8m (2021: loss of £6.2m). The above changes in fair value of hedging instruments will include hedge positions taken up for future foreign currency exposures and will also include amounts that would have been reclassified from the hedge reserve to the balance sheet as at 31 December 2022.

i. Capital management

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

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

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

24 FINANCIAL INSTRUMENTS CONTINUED

The Group uses return on capital employed ("ROCE") as a measure of its ability to drive better returns on the capital invested in the Group's operations. See alternative performance measures on page 206.

	2022	2021
Adjusted return on capital employed	**40.6%**	27.9%

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

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

	2022	2021
Adjusted EBITA interest cover (times)*	**459.3**	114.4
Net debt to EBITDA (times)**	**n/a**	n/a
Net debt/market capitalisation (percentage)***	**28.6%**	n/a

* Calculated as Adjusted EBITA/interest on consolidated borrowings.
** Calculated as net debt/adjusted earnings before interest, tax, depreciation and amortisation.
*** Calculated as net debt/market capitalisation as at 31 December.

Net debt as at 31 December 2022 includes debt used to acquire the Derco group together with acquired debt. As the acquisition completed on 31 December 2022 and did not contribute to EBITDA in the year, then the ratio has been reported as not applicable.

25 SHARE CAPITAL

a. Allotted, called up and fully paid up

	2022 Number	2021 Number	**2022 £m**	2021 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**383,851,938**	393,274,393	**38.5**	39.4
Cancelled under share buyback	**(9,357,908)**	(9,422,455)	**(0.9)**	(0.9)
At 31 December	**374,494,030**	383,851,938	**37.6**	38.5

b. Share buyback programme

During 2022, the Company repurchased 9,357,908 of its own shares (2021: 9,422,455 shares) through purchases on the London Stock Exchange, at a cost of £69.5m (2021: £80.5m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.9m (2021: £0.9m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.8m (2021: £ nil) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the retained earnings reserve.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 22 March 2023 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options

At 31 December 2022, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
45,291	1 May 2023	4.59
1,109,249	1 May 2024	3.77
248,162	1 May 2025	7.31
653,940	1 May 2026	6.00

Included within the retained earnings reserve are 344,009 (2021: 349,149 shares) ordinary shares in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2022 was £2.7m (2021: £2.6m). The market value of these shares at both 31 December 2022 and 22 March 2023 was £2.8m and £3.0m respectively (31 December 2021: £3.2m; 24 February 2022: £2.5m).

25 SHARE CAPITAL CONTINUED

e. Issue of shares after the balance sheet date

On 4 January 2023, 38,513,102 ordinary shares of 10p each in the capital of the Company were issued in connection with the acquisition of the Derco group. As at 31 December 2022, the acquisition had completed and, as at that date, the shares that were issued on 4 January 2023 represented a liability to issue a fixed number of shares in exchange for fixed financial assets. As such, they have been accounted for as an equity instrument (refer to note 29). Including the shares issued in connection with the acquisition of the Derco group, issued share capital of the Group will amount to a total of 413,007,132 shares.

26 OTHER RESERVES

	Merger reserve £m	Fair value through OCI reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2021	–	(2.4)	(225.7)	(20.1)	(248.2)
Cash flow hedges:					
– net fair value gains	–	–	–	18.0	18.0
– reclassified and reported in inventories	–	–	–	(0.9)	(0.9)
– tax on cash flow hedges	–	–	–	(2.8)	(2.8)
Investments held at fair value:					
– net fair value gains	–	1.6	–	–	1.6
Transfers	–	0.7	(0.3)	(0.4)	–
Exchange differences on translation of foreign operations	–	–	(102.9)	–	(102.9)
Exchange differences on translation of discontinued operations	–	–	(0.1)	–	(0.1)
Recycling of foreign currency reserve	–	–	108.2	–	108.2
At 1 January 2022	**–**	**(0.1)**	**(220.8)**	**(6.2)**	**(227.1)**
Cash flow hedges:					
– net fair value gains	**–**	**–**	**–**	**7.4**	**7.4**
– reclassified and reported in inventories	**–**	**–**	**–**	**2.8**	**2.8**
– tax on cash flow hedges	**–**	**–**	**–**	**(7.1)**	**(7.1)**
Investments held at fair value:					
– net fair value losses	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Deferred tax on taxation losses	**–**	**–**	**–**	**0.3**	**0.3**
Shares to be issued	**315.8**	**–**	**–**	**–**	**315.8**
Exchange differences on translation of foreign operations	**–**	**–**	**130.9**	**–**	**130.9**
Exchange differences on translation of discontinued operations	**–**	**–**	**18.7**	**–**	**18.7**
Recycling of foreign currency reserve	**–**	**–**	**99.0**	**–**	**99.0**
Adjustments in respect of hyperinflation	**–**	**–**	**45.9**	**–**	**45.9**
At 31 December 2022	**315.8**	**(1.6)**	**73.7**	**(2.8)**	**385.1**

Fair value through OCI reserve

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

Translation reserve

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

The effect of foreign exchange rate changes includes a loss of £99.0m (2021: loss of £108.2m) on the sale and liquidation of overseas subsidiaries that has been reclassified to the consolidated income statement in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

The adjustments in respect of hyperinflation relate to the application of IAS 29 Financial Reporting in Hyperinflationary Economies to the Group's operations in Ethiopia. The indexation impact to opening share capital and retained earnings of £45.9m (2021: £nil) has been included in translation reserves above.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

26 OTHER RESERVES CONTINUED

Hedging reserve

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

Merger reserve

As at 31 December 2022, the acquisition of the Derco group had completed and, as at that date, the consideration shares that were issued on 4 January 2023 represented a liability to issue a fixed number of shares in exchange for fixed financial assets. As such, these have been accounted for as an equity instrument and recognised in the other reserve (see also notes 25 and 29).

27 RETAINED EARNINGS

	2022 £m	2021 £m
At 1 January	**1,008.7**	962.8
Total comprehensive (loss)/income attributable to owners of the parent for the year:		
– (Loss)/profit for the year	**(11.2)**	117.0
– Actuarial (losses)/gains on defined pension benefits (see note 5)	**(12.1)**	58.2
– tax on actuarial losses/(gains)	**0.4**	(0.4)
Total comprehensive (loss)/income for the year	**(22.9)**	174.8
Written put option	**(13.6)**	–
Share-based payments, net of tax	**10.2**	10.0
Share buyback programme	**(69.5)**	(80.5)
Purchase of own shares by Inchcape Employee Trust	**(3.8)**	(6.2)
Dividends paid (see note 10)	**(88.7)**	(52.2)
At 31 December	**820.4**	1,008.7

28 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 2)	**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).

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

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

29 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 loan facility, see note 23.

29 ACQUISITIONS AND DISPOSALS CONTINUED

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.

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**

29 ACQUISITIONS AND DISPOSALS CONTINUED

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**
	559.1	

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.

29 ACQUISITIONS AND DISPOSALS CONTINUED

	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.

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 value of assets and liabilities acquired in business combinations in 2021 by £0.2m in addition to the increase in cash consideration of £0.5m.

29 ACQUISITIONS AND DISPOSALS CONTINUED

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.

Financial performance and cash flow information

The financial performance and cash flow information presented below is 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)**

29 ACQUISITIONS AND DISPOSALS CONTINUED

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.

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.

30 GUARANTEES AND CONTINGENCIES

	2022 £m	2021 £m
Guarantees	**120.5**	25.8
Letters of credit	**21.5**	20.0
Contingent liabilities	**10.7**	6.4
	152.7	52.2

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

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

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HMRC in the Franked Investment Income Group Litigation Order ("FII GLO"). As at 31 December 2022, there were 17 corporate groups in the FII GLO. The action concerns the treatment for UK corporation tax purposes of profits earned overseas and distributed to the UK. As previously reported, the Supreme Court has returned the test case to the High Court to establish when the claimant in the test case could have reasonably discovered its mistake about the UK tax treatment of such profits. The case has now been listed to be heard by the High Court in November 2023. As at 31 December 2022, no further receipts have been recognised in relation to the balance of Inchcape's claim in the FII GLO due to the uncertainty of the eventual outcome, given that the test case has not yet been completed nor has Inchcape's specific claim been heard by the Courts.

31 COMMITMENTS

a. Capital commitments

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

	2022 £m	2021 £m
Property, plant and equipment	**2.5**	10.0

b. Lease commitments

Operating lease commitments – Group as lessee

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

	2022 £m	2021 £m
Within one year	**4.4**	3.2

Operating leases – Group as lessor

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

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

	2022 £m	2021 £m
Within one year	**4.2**	1.5
Between one and five years	**3.7**	2.1
After five years	**0.1**	0.7
	8.0	4.3

Sub-lease receivables – Group as lessor

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

	2022 £m	2021 £m
Minimum lease payments receivable:		
– Within one year	**2.0**	2.3
– Between one and five years	**6.5**	7.6
– After five years	**10.1**	10.3
Total minimum lease payments receivable	**18.6**	20.2
Less: Unearned finance income	**(3.5)**	(4.3)
Present value of sub-lease receivables	**15.1**	15.9

c. Repurchase commitments

The Group has entered into agreements with certain customers to repurchase vehicles for a specified value at a predetermined date as follows:

	2022 £m	2021 £m
Vehicles subject to repurchase commitments	**98.2**	79.7

Repurchase commitments represent the total repurchase liability on all vehicles where the Group has a repurchase commitment. These commitments are largely expected to be settled over the next three years. £20.0m (2021: £18.4m) of the above repurchase commitments are included within 'trade and other payables' in the consolidated statement of financial position.

32 RELATED PARTY DISCLOSURES

a. Trading transactions

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

	Transactions		Amounts outstanding	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Other income paid to related parties	**1.2**	1.2	**–**	–
Other income received from related parties	**–**	–	**1.7**	–

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties. (2021: £nil).

b. Compensation of key management personnel

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

	2022 £m	2021 £m
Wages and salaries	**8.9**	9.3
Post-retirement benefits	**0.3**	0.4
Compensation for loss of office	**–**	0.4
Share-based payments	**3.9**	2.9
	13.1	13.0

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

33 FOREIGN CURRENCY TRANSLATION

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

	Average rates		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.

34 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.

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.

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 2.	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 9.	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 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Performance measure	Definition	Why we measure it
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 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Constant currency % change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

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

FIVE YEAR RECORD

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

	Continuing operations				Total Group
Consolidated income statement	**2022 £m**	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	**8,132.7**	6,900.9	6,837.8	9,379.7	9,277.0
Adjusted operating profit	**410.8**	281.4	164.1	373.1	398.6
Operating adjusting items	**(10.5)**	(100.1)	(257.1)	75.5	(223.7)
Operating profit/(loss)	**400.3**	181.3	(93.0)	448.6	174.9
Share of (loss)/profit after tax of joint ventures and associates	**(0.6)**	–	–	0.3	0.1
Profit/(loss) before finance and tax	**399.7**	181.3	(93.0)	448.9	175.0
Net finance costs before adjusting items	**(37.0)**	(32.5)	(36.6)	(47.1)	(48.1)
Adjusting finance costs	**(29.6)**	–	–	–	(13.9)
Profit/(loss) before tax	**333.1**	148.8	(129.6)	401.8	113.0
Tax before tax on adjusting items	**(97.3)**	(63.1)	(33.7)	(75.6)	(79.1)
Tax on adjusting items	**(0.9)**	(1.5)	24.2	2.5	5.5
Profit/(loss) after tax	**234.9**	84.2	(139.1)	328.7	39.4
(Loss)/profit from discontinued operations	**(241.1)**	37.7	–	–	–
Non-controlling interests	**(5.0)**	(4.9)	(2.9)	(5.8)	(7.0)
(Loss)/profit for the year attributable to owners of the parent	**(11.2)**	117.0	(142.0)	322.9	32.4
Basic:					
– (Loss)/profit for the year attributable to owners of the parent	**(11.2)**	117.0	(129.6)	401.8	113.0
– (Loss)/earnings per share (pence)	**(3.0)p**	30.0p	(36.0)p	79.0p	7.8p
Adjusted (before adjusting items):					
– Adjusted profit from continuing operations	**270.9**	180.9	127.5	326.3	350.6
– Adjusted earnings per share (pence)	**72.0**	46.3p	23.1p	59.9p	63.8p
Dividends per share – interim paid and final proposed (pence)	**28.8p**	22.5p	6.9p	26.8p	26.8p
Consolidated statement of financial position					
Non-current assets	**2,610.0**	1,464.3	1,479.6	1,773.2	2,056.0
Other assets less (liabilities) excluding net (debt)/funds	**(165.9)**	(388.5)	(351.9)	(224.7)	(248.4)
Capital employed	**2,444.1**	1,075.8	1,127.7	1,548.5	1,807.6
Net (debt)/funds	**(877.1)**	54.7	(66.5)	(249.9)	(445.9)
Net assets	**1,567.0**	1,130.5	1,061.2	1,298.6	1,361.7
Equity attributable to owners of the parent	**1,532.8**	1,108.9	1,041.9	1,278.3	1,338.4
Non-controlling interests	**34.2**	21.6	19.3	20.3	23.3
Total equity	**1,567.0**	1,130.5	1,061.2	1,298.6	1,361.7

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	**2022 £m**	2021 £m
Non-current assets			
Intangible assets	3	**–**	2.6
Property, plant and equipment	4	**–**	0.6
Investment in subsidiaries	5	**2,347.1**	1,565.3
Deferred tax assets	10	**9.8**	8.5
Trade and other receivables	6	**210.4**	210.4
		2,567.3	1,787.4
Current assets			
Current tax assets		**9.6**	5.3
Trade and other receivables	6	**7.0**	6.1
Cash and cash equivalents	7	**3.9**	0.9
		20.5	12.3
Total assets		**2,587.8**	1,799.7
Current liabilities			
Trade and other payables	8	**(52.3)**	(53.7)
		(52.3)	(53.7)
Non-current liabilities			
Trade and other payables	8	**(561.5)**	(900.3)
Borrowings	9	**(810.0)**	(210.0)
		(1,371.5)	(1,110.3)
Total liabilities		**(1,423.8)**	(1,164.0)
Net assets		**1,164.0**	635.7
Equity			
Share capital	12	**37.6**	38.5
Share premium		**146.7**	146.7
Capital redemption reserve		**143.0**	142.1
Merger reserve		**315.8**	–
Retained earnings		**520.9**	308.4
Total shareholders' funds		**1,164.0**	635.7

The Company reported a profit for the financial year ended 31 December 2022 of £364.3m (2021: loss of £33.7m). The financial statements on pages 210 to 227 were approved by the Board of Directors on 22 March 2023 and were signed on its behalf by:

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

Registered Number: 609782

Inchcape plc

COMPANY 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	Retained earnings £m	Total £m
At 1 January 2021		39.4	146.7	141.2	–	472.6	799.9
Loss for the year		–	–	–	–	(33.7)	(33.7)
Total comprehensive loss for the year		–	–	–	–	(33.7)	(33.7)
Dividends	13	–	–	–	–	(52.2)	(52.2)
Share buyback programme	12	(0.9)	–	0.9	–	(80.5)	(80.5)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(6.2)	(6.2)
Share-based payments, net of tax		–	–	–	–	8.4	8.4
At 1 January 2022		**38.5**	**146.7**	**142.1**	**-**	**308.4**	**635.7**
Profit for the year		**-**	**-**	**-**	**-**	**364.3**	**364.3**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**364.3**	**364.3**
Dividends	13	**-**	**-**	**-**	**-**	**(88.7)**	**(88.7)**
Share buyback programme	12	**(0.9)**	**-**	**0.9**	**-**	**(69.5)**	**(69.5)**
Net purchase of own shares by the Inchcape Employee Trust		**-**	**-**	**-**	**-**	**(3.8)**	**(3.8)**
Share-based payments, net of tax		**-**	**-**	**-**	**-**	**10.2**	**10.2**
Shares to be issued		**-**	**-**	**-**	**315.8**	**-**	**315.8**
At 31 December 2022		**37.6**	**146.7**	**143.0**	**315.8**	**520.9**	**1,164.0**

Share-based payments include a net tax charge of £nil (2021: £nil).

ACCOUNTING POLICIES

GENERAL INFORMATION

These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2022. The Company is the ultimate parent entity of the Inchcape Group (the Group) and acts as the holding company of the Group. The parent company financial statements present information about the company as a separate entity and not about the Group.

BASIS OF PREPARATION

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

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

The Company does not have any critical accounting judgements. The valuation of the Company's investments is a key source of estimation uncertainty. The Company's net assets were lower than its market capitalisation on 31 December 2022 and the estimates of the recoverable amounts of the individual investments were in excess of their carrying values. As a result, no impairment has been reflected. Other sources of estimation uncertainty most applicable to the Company do not give rise to a significant risk of material adjustment to the carrying value of the Company's assets and liabilities.

The Directors of Inchcape plc manage the Group's risks at a group level rather than an individual business unit or company level. Further information on these risks and uncertainties, in the context of the Group as a whole, are included within the Group disclosures on pages 59 to 66.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure has been taken:

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

GOING CONCERN

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

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange and differences are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

FINANCE COSTS

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

INVESTMENTS

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

IMPAIRMENT

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

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

OTHER INTANGIBLE ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

DEFERRED TAX

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

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

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

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

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

SHARE CAPITAL

Ordinary shares are classified as equity.

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

DIVIDENDS

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

SHARE-BASED PAYMENTS

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

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

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

FINANCIAL INSTRUMENTS

The Company's policies on the recognition, measurement and presentation of financial instruments under IFRS 7 are the same as those set out in the Group's accounting policies on pages 141 to 151.

FINANCIAL GUARANTEES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

1 AUDITOR'S REMUNERATION

The Company incurred £0.1m (2021: £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2022.

2 DIRECTORS' REMUNERATION

	2022 £m	2021 £m
Wages and salaries	**2.6**	3.3
Social security costs	**0.5**	0.5
Pension costs	**0.1**	0.1
	3.2	3.9

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 96 to 116.

3 INTANGIBLE ASSETS

	Computer software £m
Cost	
At 1 January 2022	**25.9**
Retirement of fully amortised assets	**(25.9)**
At 31 December 2022	**–**
Accumulated amortisation and impairment	
At 1 January 2022	**(23.3)**
Amortisation charge for the year	**(2.6)**
Retirement of fully amortised assets	**25.9**
At 31 December 2022	**–**
Net book value at 31 December 2022	**–**
Net book value at 31 December 2021	2.6

At 31 December 2022, there were no assets under development (2021: £nil).

4 PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment £m
Cost	
At 1 January 2022	**1.8**
Retirement of fully depreciated assets	**(1.8)**
At 31 December 2022	**–**
Accumulated depreciation and impairment	
At 1 January 2022	**(1.2)**
Depreciation charge for the year	**(0.6)**
Retirement of fully depreciated assets	**1.8**
At 31 December 2022	**–**
Net book value at 31 December 2022	**–**
Net book value at 31 December 2021	0.6

5 INVESTMENT IN SUBSIDIARIES

	2022 £m	2021 £m
Cost		
At 1 January	**1,696.0**	1,696.0
Additions	**781.8**	–
Dissolution	**(75.9)**	–
At 31 December	**2,401.9**	1,696.0
Provisions		
At 1 January	**(130.7)**	(130.3)
Dissolution	**75.9**	–
Impairment	**–**	(0.4)
At 31 December	**(54.8)**	(130.7)
Net book value	**2,347.1**	1,565.3

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

During 2022, as part of the acquisition of the Derco group, the Company increased its investment in Inchcape International Holdings Limited and Indigo Chile Holdings SpA.

Inchcape Finance (Ireland) Limited, a subsidiary of the company, was dissolved on 10 January 2022, and an impairment charge of £0.4m was recognised against the Company's investment in this subsidiary in 2021.

6 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Amounts due within one year		
Amounts owed by Group undertakings	**4.0**	5.8
Other debtors	**3.0**	0.3
	7.0	6.1
Amounts due after more than one year		
Amounts owed by Group undertakings	**210.0**	210.0
Other debtors	**0.4**	0.4
	210.4	210.4

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

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

7 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash and cash equivalents	**3.9**	0.9

8 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Amounts due within one year		
Amounts owed to Group undertakings	**46.8**	47.7
Other creditors	**5.5**	6.0
	52.3	53.7

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

	2022 £m	2021 £m
Amounts due after more than one year		
Amounts owed to Group undertakings	**561.5**	900.3
	561.5	900.3

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

9 BORROWINGS

	2022 £m	2021 £m
Amounts due after more than one year		
Private placement	**210.0**	210.0
Borrowings	**600.0**	–
	810.0	210.0

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

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

In July 2022, the Group entered into a facilities agreement with two banks comprising a £350m bridge facility and a £250m term loan facility. The bridge facility has an initial term of 12 months commencing from the 29 December 2022, but the term is extendable at Inchcape's option by up to 12 months. The term loan has a term of 2 years commencing from 29 December 2022. The term and bridge facilities were fully drawn as at 31 December 2022 and have been disclosed as non-current borrowings.

10 DEFERRED TAX

Net deferred tax asset/(liabilities)	Tax losses £m
At 1 January 2021	**-**
Credited to the income statement	**8.5**
At 1 January 2022	**8.5**
Credited to the income statement	**1.3**
At 31 December 2022	**9.8**

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

11 GUARANTEES

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's exposure under these guarantees at 31 December 2022 was £3.9m (2021: £0.9m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 7).

In addition, the Company has given performance guarantees in the normal course of business in respect of the obligations of Group undertakings amounting to £147.0m (2021: £119.0m).

12 SHARE CAPITAL

a. Allotted, called up and fully paid up

	2022 Number	2021 Number	2022 £m	2021 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**383,851,938**	393,274,393	**38.5**	39.4
Cancelled under share buyback	**(9,357,908)**	(9,422,455)	**(0.9)**	(0.9)
At 31 December	**374,494,030**	383,851,938	**37.6**	38.5

b. Share buyback programme

During 2022, the Company repurchased 9,357,908 of its own shares (2021: 9,422,455 shares) through purchases on the London Stock Exchange, at a cost of £69.5m (2021: £80.5m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.9m (2021: £0.9m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £0.8m (2021: £ nil) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the retained earnings reserve.

12 SHARE CAPITAL CONTINUED

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 22 March 2023 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options

At 31 December 2022, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
45,291	1 May 2023	4.59
1,109,249	1 May 2024	3.77
248,162	1 May 2025	7.31
653,940	1 May 2026	6.00

Included within the retained earnings reserve are 344,009 ordinary shares (2021: 349,149 ordinary shares) in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2022 was £2.7m (2021: £2.6m). The market value of these shares at both 31 December 2022 and 22 March 2023 was £2.8m and £3.0m respectively (31 December 2021: £3.2m; 24 February 2022: £2.5m).

e. Issue of shares after the balance sheet date

On 4 January 2023, 38,513,102 ordinary shares of 10p each in the capital of the Company were issued in connection with the acquisition of the Derco group. As at 31 December 2022, the acquisition had completed and, as at that date, the shares that were issued on 4 January 2023 represented a liability to issue a fixed number of shares in exchange for fixed financial assets. As such, they have been accounted for as an equity instrument.

f. Share-based remuneration

During the year, Inchcape plc had two employees, the Group Chief Executive and the former Chief Financial Officer.

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

The charge arising from share-based transactions during the year was £0.7m (2021: charge of £1.2m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £nil (2021: £0.10).

The weighted average remaining contractual life for the share options outstanding at 31 December 2022 is 1.3 years (2021: 2.3 years) and the weighted average exercise price for options outstanding at the end of the year was £4.79 (2021: £3.77).

13 DIVIDENDS

The following dividends were paid by the Company:

	2022 £m	2021 £m
Interim dividend for the six months ended 30 June 2022 of 7.5p per share		
(30 June 2021 of 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 of 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.

14 RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures as at 31 December 2022 is shown below:

Subsidiaries

Name and registered address		Percentage owned
Argentina		
Torre Catalinas Plaza, Av. Eduardo Madero 900 Piso 17, Buenos Aires		
Distribuidora Automotriz Argentina SA		100%
Inchcape Argentina SA		100%
Australia		
Level 2, 4 Burbank Place, Baulkham Hills, NSW 2153		
AutoNexus Pty Ltd		100%
Bespoke Automotive Australia Pty Ltd		100%
Inchcape Australia Ltd	(i)	100%
Trivett Automotive Retail Pty Ltd		100%
Inchcape European Automotive Pty Ltd	(ii)	100%
SMLB Pty Ltd		100%
Subaru (Aust) Pty Ltd		90%
TCH Unit Trust		100%
Trivett Automotive Group Pty Ltd		100%
Trivett Bespoke Automotive Pty Ltd		100%
Trivett Classic Garage Pty Ltd		100%
Trivett Classic Group Finance Pty Ltd		100%
Trivett Classic Holdings Pty Ltd	(iii)	100%
Trivett Classic Pty Ltd	(iv)	100%
Trivett Motorcycles Pty Ltd		100%
Trivett Pty Ltd		100%
Trivett Tyres Pty Ltd		100%
Inchcape Finance Australia Pty Limited		100%
Inchcape Corporate Services Australia Pty Limited		100%
Barbados		
International Trading Centre, Warrens, St. Michael, Barbados, BB22026		
Inchcape Caribbean Inc (formerly Interamericana Trading Corporation)		100%
Inchcape (Barbados) Inc (formerly Simpson Motors Limited)		100%
Belgium		
Leuvensesteenweg 369, 1932 Sint-Stevens-Woluwe		
Autoproducts NV		100%
Car Security NV		100%
Toyota Belgium NV/SA		100%
Boulevard Industriel 198, 1070 Anderlecht		
Garage Francorchamps SA		100%
Inchcape Retail Belgium		100%
Bolivia		
Avenue Cristobal de Mendoza No. 164 UV:14 Mzno:5 Bldg. Imcruz, Santa Cruz		
Imcruz Comercial S.A.		100%
Corporación de Inversiones Imcruz Corp. S.A.		100%
Inversiones Piraí S.R.L.		100%
Imcruz Corredores de Seguros S.R.L.		100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Brunei	
KM3.6, Jalan Gadong, Bandar Seri Begawan	
Champion Motors (Brunei) Sdn Bhd	70%
NBT (Brunei) Sdn Bhd	70%
NBT Services Sdn Bhd	70%
Bulgaria	
163 Tsarigradsko Shosse Str, Sofia	
Inchcape Brokerage Bulgaria EOOD	100%
TM Auto EOOD	100%
Toyota Balkans EOOD	100%
Cayman Islands	
c/o JTC (Cayman) Limited P.O. Box 30745, 94 Solaris Avenue, 2nd Floor, Camana Bay, Grand Cayman, KY1-1203	
Interamericana Trading Corp.	100%
Chile	
Av. La Dehesa 265, Ciudad Santiago comuna Lo Barnechea Región Metropolitana	
Mobility Services Chile SpA	100%
Universal Motors SpA	100%
Williamson Balfour Motors SA	100%
Williamson Balfour SA	100%
Ruta 5 Norte #19100 Ciudad Santiago comuna Lampa Región Metropolitana	
Hino Chile SA	100%
Inchcape Camiones y Buses Chile SA	100%
Avda. Las Condes 11774, Vitacura, Santiago	
Inchcape Latam Internacional SA	100%
Inchcape Automotriz Chile SA	100%
Indigo Chile Holdings SpA	100%
Av. Vitacura #5410, Vitacura, Santiago	
Inchcape Commercial Chile SA	100%
Av. Raul Labbe #12981, comuna Lo Barnechea Región Metropolitana	
Comercializadora Ditec Automoviles SA	70%
Comercial Automoviles Raul Labbe SA	70%
Alonso de Córdova 4125, office 403, Vitacura, Santiago	
Dercorp CL SpA	100%
Av. Americo Vespucio 1842, Quilicura, Santiago	
Promac SpA	100%
Importadora y Distribuidora Alameda SpA	100%
Dercomaq SpA	100%
Comesa S.A.	100%
Inversiones Derco Internacional SpA	100%
Derco Inversiones SpA	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Chile CONTINUED	
Dercolatina SpA	100%
Sociedad Corredora de Seguros Derco SpA	100%
Derco Chile Repuestos SpA	100%
Dercocenter SpA	100%
Derco SpA	100%
Sociedad Inmobiliaria SCR SpA	100%
Servicios Operacionales Comerciales y Administrativos SpA (formerly known as Sociedad Comercializadora de Motos S.A.)	100%
Sociedad Comercializadora de Repuestos SpA	100%
Colombia	
Calle 99 N° 69c – 41 Bogotá	
Inchcape Digital Delivery Centre Colombia S.A.S	100%
Matrase S.A.S	100%
Inchcape Colombia S.A.S	100%
Inmobiliaria Inchcape Colombia S.A.S	100%
BravoAuto S.A.S	100%
Vuelta Grande a 150 metros de la Glorieta de Siberia via Cota-Chia CLIS BG34	
Distribuidora Hino de Colombia SAS	100%
Chía, Cundinamarca, Colombia	
Derco Colombia S.A.S.	100%
Derco Agencia de Seguros LTDA	100%
Cook Islands	
First Floor, BCI House, Avarua, Rarotonga	
IB Enterprises Ltd	100%
Costa Rica	
La Uruca, de la Pozuelo 200 metros oeste, frente al Hospital Mexico	
Arienda Express SA	100%
Inchcape Protection Express Sociedad Agencia de Seguros SA	100%
Vehiculos de Trabajo SA	100%
Vistas de Guanacaste Orquideas SA	100%
Djibouti	
Route de Venise – Djibouti Free Zone – PO Box 2645	
Red Sea Automotive FZCO	100%
Inchcape Djibouti Automotive Sarl	100%
Ecuador	
Av. 10 de Agosto N36-226 y Naciones Unidas, Quito, 170507	
Autolider Ecuador S.A.S	100%
El Salvador	
Boulevard Luis Poma y Calle Llama del Bosque Pte. #1, Urb. Madreselva, Antiguo Cuscatlán, La Libertad	
Inchcape El Salvador, S.A. de C.V.	100%

14 RELATED UNDERTAKINGS CONTINUED

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

14 RELATED UNDERTAKINGS CONTINUED

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

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Panama	
Vía General Nicanor A. de Obarrio (Street 50), Plaza Bancomer	
Ilaother SA	100%
Ilachile SA	100%
Ciudad de Panamá, Vía Cincuentenario Andrés Mojica, Ave. 6ta B., Lote X 5B, Corregimiento de San Francisco, Distrito de Panamá, Provincia de Panamá	
Arrendadora Automotriz SA	100%
Motors Japoneses SA	100%
Sun Motors SA	100%
Lopez, Lopez & Associates, 53rd street Marbella, World Trade Center, 5th floor, suite 502, Panama City	
Isthmus Exchange S.A.	100%
Peru	
Av. El Polo Nro. 1117, Santiago de Surco, Lima	
Inchcape Motors Peru SA	100%
Av. Republica de Panama Nro. 3330, San Isidro, Lima	
IMP Distribuidora SA	100%
Av. Morro Solar 812, Santiago de Surco, Lima	
Autocar del Peru SA	100%
Distribuidora Automotriz del Peru SA	100%
Inchcape Latam Peru SA	100%
Rentas e Inmobiliaria Sur Andina SA	100%
Av. Manuel Olguin 325, Santiago de Surco, Lima	
Derco Perú S.A.	100%
Dercocenter S.A.C.	100%
Corporación Andina de Negocios S.A.	100%
Poland	
Al. Prymasa Tysiąclecia 64, 01-424 Warszawa	
Inchcape Motors Polska Sp z.o.o	100%
Al. Karkonoska 61, 53-015 Wroclaw	
Interim Cars Sp z.o.o	100%
Ul. Lopuzanska 38 B, 02-232 Warszawa	
Inchcape JLR Poland Sp. Z.o.o	70%
Philippines	
28F Robinsons Cyberscape Gamma, Topaz and Ruby Roads, Ortigas Center, San Antonio, Pasig Cit, Second District, NCR, 1605	
Inchcape Digital Delivery Center Philippines Inc.	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Puerto Rico	
Sabana Gardens Industrial Park Calle B Lotes 6 al 9a, Carolina, PR 00983 and PO Box 29718, San Juan, PR 00929	
K.I. Investments Inc.	100%
Sabana Gardens Industrial Park Calle B Lotes 6 al 9a, Carolina, PR 00983 and PO Box 29718, San Juan, PR 00924-0092	
Millenium Sales and Services, Inc.	100%
Inchcape Puerto Rico, Inc (formerly Suzuki del Caribe, Inc.)	100%
Romania	
Pipera Boulevard No 1, Voluntari, Ilfov, 077190	
Inchcape Motors Srl	100%
Toyota Romania Srl	100%
Inchcape Broker de Asigurare Srl	100%
Inchcape Bravoauto Srl	100%
Saipan	
San Jose Village, 1 Chalan Monsignor Guerrero, Saipan, 96950, Northern Mariana Islands	
Atkins Kroll (Saipan) Inc	100%
Singapore	
2 Pandan Crescent, Inchcape Centre, Singapore 128462	
Borneo Motors (Singapore) Pte Ltd	100%
Century Motors (Singapore) Pte Ltd	100%
Champion Motors (1975) Pte Ltd	100%
Inchcape Automotive Services Pte Ltd	100%
Inchcape Motors Private Ltd	100%
Spain	
C. De Don Ramon de la Cruz, 38, 28001 Madrid	
Inchcape Inversiones España SLu	100%
Tanzania	
AFED Business Park, JK Nyerere Rd, PO.Box 21885, Dar Es Salaam	
Inchcape Automotive Limited	100%
Thailand	
No. 4332 Rama IV Road, Prakhanong Sub-District, Klongtoey District, Bangkok	
Inchcape (Thailand) Company Ltd	100%
No. 2133 New Petchburi Road, Bangkapi Sub-District, Huaykwang District, Bangkok 10310	
Inchcape Services (Thailand) Co Ltd	100%
Turks and Caicos Islands	
Market Place, Providenciales	
Nagoya Marine & General Insurance Ltd.	100%

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address		Percentage owned
United Kingdom		
Inchcape Retail, First Floor, Unit 3140 Park Square, Solihull Parkway, Birmingham B37 7YN		
Armstrong Massey (York) Ltd		100%
Armstrong Massey Holdings Ltd (dissolved January 2023)		100%
Autobytel Ltd		100%
Chapelgate Motors Ltd		100%
Ferrari Concessionaires Ltd	(v)	100%
Gerard Mann Ltd		100%
Inchcape Estates Ltd		100%
Inchcape Motors International Ltd		100%
Inchcape North West Ltd		100%
Inchcape Retail Ltd		100%
Inchcape Trade Parts Ltd		100%
Inchcape Transition Ltd		100%
Inchcape UK Corporate Management Ltd		100%
Inchcape KMG Ltd		100%
Mann Egerton & Co Ltd		100%
Nexus Corporation Ltd		100%
Notneeded No. 144 Ltd		100%
The Cooper Group Ltd		100%
Tozer International Holdings Ltd		100%
Tozer Kemsley Millbourn Automotive Ltd		100%
22a St James's Square, London, SW1Y 5LP		
Inchcape Digital Ltd		100%
Inchcape (Belgium) Ltd	(vi)	100%
Inchcape Corporate Services Ltd		100%
Inchcape Finance plc		100%
Inchcape Hellas Funding		100%
Inchcape Investments (no 1) Ltd		100%
Inchcape International Holdings Ltd		100%
Inchcape JLR Europe Ltd		70%
Inchcape Management (Services) Ltd		100%
Inchcape Overseas Ltd		100%
Inchcape Russia (UK) Ltd	(vi)	100%
Inchcape (Singapore) Ltd		100%
St Mary Axe Securities Ltd		100%
PO Box 33 Dorey Court Admiral Park St Peter Port GUERNSEY GY1 4AT		
St James's Insurance Ltd		100%
4th Floor 115 George Street, Edinburgh EH2 4JN		
Inchcape Investments & Asset Management Ltd		100%
Uruguay		
Rambla Baltasar Brum 3028, Montevideo		
Autolider Uruguay S.A.		100%

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

14 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
United States of America	
The Corporation Company, 30600 Telegraph Road Bingham Farms, MI 48025	
Baltic Motors Corporation	100%

Joint ventures

Name and registered address	Percentage owned
Australia	
Level 6, 15 Talavera Road, Macquarie Park, NSW, 2113	
Inchcape Financial Services Australia Pty Limited	50%
Chile	
Av. Americo Vespucio 1842, Quilicura, Santiago	
Sociedad Comercial e Inmobiliaria Autoshopping S.A.	50%
Sociedad Comercial Ecovalor S.A.	50%
Av. Las Condes #11000, Oficina 301-A, Vitacura, Santiago	
Sociedad de Creditos Automotrices S.A.	50%
Greece	
48 Ethnikis Antistaseos Street, Halandri 15231	
Tefin SA	50%

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

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