Inchcape plc, the leading global automotive distributor, announces its interim results for the six months to 30 June 2023

A strong performance, driving further positive momentum

- **A robust set of results in H1 2023, with excellent revenue and profit growth:**
  - Revenue up 45% to £5.6bn, supported by contribution from Derco and 13% organic revenue growth[1]
  - Adjusted PBT[2] up 35% to £249m, with a strong operating profit performance more than offsetting higher interest costs during the period. Statutory PBT of £204m, reflecting adjusting items
  - Excellent performance in Distribution, with organic revenue growth[1] of 17%
- **Continued strategic progress, driving further scale and diversification:**
  - 11 distribution deals & acquisitions signed during H1 2023, including global strategic agreement with Great Wall Motors
  - Significant traction in APAC, with acquisitions and contract wins in the Philippines, Indonesia, New Zealand, and Thailand
  - Outstanding commercial momentum in the Americas, with several new distribution deals signed, including Subaru in Bolivia and Ecuador, Mercedes-Benz in Honduras, Geely in Guatemala and El Salvador and XCMG[4] in Colombia
- **Derco being successfully integrated:**
  - Operating margins on track
  - On track to deliver majority of annualised cost synergies of at least £40m by the end of FY 2024, with 30% in FY 2023
  - Substantial progress achieved in normalising Derco's working capital position
- **Inchcape remains extremely well positioned for growth:**
  - Supported by our market leadership, resilient business model, diversified geographic footprint and digital-led approach
  - Based on prevailing market conditions, full year results expected to be towards the top end of the range of published market consensus[5]

Duncan Tait, Group CEO, commented:

"Inchcape has produced another excellent performance during the first half of 2023, driven by growth from acquisitions and by consistently strong organic growth. In particular, the acqusition of Derco has transformed our market position in the Americas and is already having a positive impact on the Group. This first half performance highlights Inchcape's continued commercial momentum, supported by our global scale and long-standing OEM relationships, underpinned by a highly differentiated technology platform. Our business in the Americas is performing well, while we are producing strong momentum across the APAC region. In Europe, our business also performed well, despite challenges in certain markets.

Inchcape continues to build its position as the global leader in automotive distribution thanks to the combination of our people, who bring industry-leading expertise, our diversified geographic footprint and our digital and data capabilities. We are uniquely placed to deliver outstanding performance for our OEM partners and drive consolidation in a highly fragmented market, supporting sustainable growth and value for our stakeholders. As a result, we remain confident in our medium-term outlook."

	H1 2023	H1 2022	% change reported	% change constant FX[2]	% change organic[1]
Key financials (continuing operations)					
Revenue	**£5,628m**	£3,890m	+45%	**+42%**	**+13%**
Adjusted Operating Profit[2]	**£327m**	£204m	+61%	**+56%**	
Adjusted Operating Margin[2]	**5.8%**	5.2%	+60bps	**+50bps**	
Adjusted Profit Before Tax[2]	**£249m**	£184m	+35%	**+32%**	
Adjusted Basic EPS[2]	**42.2p**	35.0p	+21%		
Dividend Per Share	**9.6p**	7.5p	+28%		
Free Cash Flow	**£202m**	£224m	(10)%		
Statutory financials					
Operating Profit (continuing operations)	**£306m**	£207m	+48%		
Profit Before Tax (continuing operations)	**£204m**	£188m	+9%		
Total profit / (loss) for the period[3]	**£139m**	£(100)m			
Basic EPS (continuing operations)	**32.1p**	36.2p	(11)%		

1. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates
2. These measures are Alternative Performance Measures, see 'Our financial metrics'
3. Including discontinued operations
4. XCMG: Xuzhou Construction Machinery Co. – one of China's largest heavy machinery manufacturing companies and the third largest in the world
5. The current range of 2023 Adjusted PBT analysts' consensus estimates is between £470m and £506m, as at 12 May 2023

Market abuse regulation statement
This announcement contains inside information.

Results presentation today
A presentation for analysts and investors will be held today, Thursday 27th July 2023, at 08:30 (UK time). The presentation will be held at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS.

To register for the webcast of the event please follow this link, or to register for conference call access please follow this link.

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

Financial calendar

Ex-dividend date for 2023 interim dividend	3rd August 2023
Record date	4th August 2023
Last date election	10th August 2023
Payment date	1st September 2023
Q3 trading update	26th October 2023

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About Inchcape
Inchcape is the leading global automotive distributor, with operations across six continents.

By combining our in-market expertise with our unique technology and advanced data analytics, we create innovative customer experiences that deliver outstanding performance for our partners – building stronger automotive brands and creating sustainable growth.

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

Delivering for our partners, our customers and our people – so they can realise their ambitions in the new world of mobility.
The Group is headquartered in London and employs over 20,000 people globally.

www.inchcape.com

Our results are stated at actual exchange rates. However, to enhance comparability we also present year-on-year changes in sales and adjusted operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Unless otherwise stated, changes are expressed in constant currency and figures are stated before adjusting items. Following the disposal of our remaining Retail-only business in Russia (Moscow), all figures quoted in the 'Operational' and 'Operating and financial' reviews are on a 'continuing operations' basis and therefore exclude any contribution from Russia in 2022.

Operational review

Key performance indicators

	H1 2023	H1 2022	% change reported	**% change constant FX[1]**	**% change organic[2]**
Revenue	**£5.6bn**	£3.9bn	+45%	**+42%**	**+13%**
Adjusted Operating Profit[1]	**£327m**	£204m	+61%	**+56%**	
Adjusted Operating Margin[1]	**5.8%**	5.2%	+60bps	**+50bps**	
Adjusted Profit Before Tax[1]	**£249m**	£184m	+35%		
Free Cash Flow[1]	**£202m**	£224m	(10)%		
Return on Capital Employed[1]	**30%**	35%	(480)bps		

1. See note 16 for definition of Key Performance Indicators and other Alternative Performance Measures.

2. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates

H1 2023 results – performance review

The Group delivered an excellent operational performance in H1 2023, driven by organic revenue growth, and growth from acquisitions, with strong margins well ahead of historic levels, as the profile of the business continues to shift towards Distribution. This performance was supported by volume growth, as well as pricing, in new and used vehicles in each region of our Distribution business, and a robust performance from our Retail business. Our performance was supported by an easing supply environment.

Group revenue of £5.6bn rose 45% year-on-year reported and 42% in constant currency, supported by organic growth and the acquisition of Derco. On an **organic basis**, excluding currency effects and net M&A, revenue increased by 13%, with strong performances across our diversified geographic footprint.

The Group delivered an **adjusted operating profit** of £327m, up 61% year-on-year reported and 56% in constant currency, reflecting organic topline growth, the contribution of Derco and enhanced margins.

Adjusted profit before tax (PBT) of £249m (1H22: £184m) as a result of the improvement in revenue and operating profit.

This profit performance more than offsets an increase in **adjusted net interest expense** to £79m (1H22: £20m). This increase is due to the shift in the Group's capital structure from Net Cash to a Net Debt profile over the last 12 months, following the transformational acquisition of Derco. The increase in adjusted net interest expense was driven by this change in Net Debt profile, increasing interest rate environment and inflated further in H1 2023 from transitional costs and acquired debt in Derco. As the Group's capital structure continues to transition, with reduced exposure to floating interest rates following the successful issue of a 5 year £350m bond, at a 6.5% fixed interest rate coupon during the period, we expect adjusted net interest expense to moderate in H2 2023.

During the period pre-tax **adjusting items** amounted to an expense of £45m (1H22: £3m credit). As expected, this was primarily driven by acquisition and integration costs (£21m), the finance component of the deferred dividend payment (£10m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting relating to Ethiopia (£14m).

The highly cash-generative nature of our business model drove strong **free cash flow** generation of £202m (1H22: £224m), representing a conversion of adjusted operating profit of 62% (1H22: 110%). Net interest payments in the period increased to £62m (1H22: £12m), excluding payment for leases and currency in both periods, for the reasons outlined above. There was a net working capital inflow of £35m (1H22: inflow £80m) driven by an alignment of supplier trading terms (in particular around inventory financing) and a c.20% reduction in excess inventory at Derco, offset by a normalising of working capital elsewhere across the Group, as previously highlighted. Outside of free cash flow, there was a payment of a pre-completion dividend to the Del Rio family and the settlement of a liability to acquire the interests of minority shareholders of £212m. Ordinary dividend payments were £88m.

The Group closed the period with adjusted **net debt** of £564m (excluding lease liabilities), compared to adjusted net debt of £378m at the end of December 2022. On an IFRS 16 basis (including lease liabilities), the Group ended the period with net debt of £1,044m (December 2022: net debt of £877m). Group leverage on a proforma basis was approximately 0.8x at 30 June 2023. By the end of FY 2023, Group leverage is expected to reduce, benefiting from a strong profit and cash flow performance during H2 2023, partially offset by acquisitions and dividend cash outflows.

In June 2023, the Group successfully issued a £350m public bond, with 6.5% coupon and a five-year maturity. The proceeds from the bond were used to re-finance the bridge facility put in place to fund the acquisition of Derco, the initial term for which was due to expire at the end of FY 2023.

Return on capital employed over the period was 30%, compared to 35% for the equivalent period last year.

Q2 2023

Group revenue for the second quarter was £2.9bn, up 40% reported, reflecting the contribution of Derco and **organic growth** of 13%, in line with Q1 2023. In **Distribution**, revenue increased 18% organically, compared to +15% in Q1. The sequential step-up in organic growth was driven strong performances in each region. In **Retail**, revenue increased 1% organically, compared to +8% in Q1 2023, as a result of the growing impact of the agency model.

Update on Derco – strong progress made during H1 2023

Our business in the Americas region remains resilient and we are confident about the medium to long-term outlook for our business in the region, despite a challenging environment in certain markets. Our confidence is supported by the high quality of the Derco business, with its leading market positions and exciting growth prospects in a region with high GDP growth and low motorisation rates.

Derco is a transformational acquisition for Inchcape - it has significantly increased our market leadership position in the Americas and is already helping to develop our OEM relationships in the region, as well as driving major strategic benefits globally, for example helping to deliver the global strategic agreement with Great Wall Motors. With this in mind, we expect Derco to accelerate the Group's growth profile and to drive margin accretion over the medium and long term.

During H1 2023, Derco's revenue and profit contribution was in line with our expectations, with successful delivery of operating margin at the top end of the 5% –7% range of a typical distribution business, pre-synergies, as anticipated. We made excellent progress in integrating the business, maintaining all OEM relationships, retaining key personnel,and successfully initiating the integration of Inchcape's tools and systems across the Derco business.

Our integration progress included the initial alignment of Derco's inventory management practices and supplier terms with those employed across the Group. We achieved substantial traction in normalising Derco's working capital position during the period, driven by the alignment of trading terms with certain OEM's. We also made good headway in reducing Derco's excess inventory, by around 20%, during the period. In addition, adjustments to the quantity of inventory in the supply chain were made to ensure we achieve a normalised level of inventory by the end of FY 2023, with most of the benefit expected to impact H2 2023.

As a result of the progress made in each of these areas, we continue to expect to deliver a £200m working capital inflow in Derco by the end of 2023, which will be partially offset by a working capital outflow across the rest of the Group, as previously outlined.

We remain on track to deliver the majority of the annualised cost synergies of at least £40m by the end of FY 2024, with around 30% of these cost synergies to be delivered during FY 2023. As previously stated, one-time costs of £60m will be invested in driving these synergies. We also expect to deliver substantial revenue synergies from the integration of Derco, through mutually developing our OEM relationships, driving improvements in aftersales processes at Derco and through implementing a market-leading approach to finance and insurance products for customers.

In line with our previous guidance, we expect Derco to be 15+% accretive to Inchcape's earnings per share (excluding implementation costs) in FY 2023 and 20+% accretive in FY 2024.

From the announcement of our FY 2023 results, Derco's performance will be reported within our disclosure for the Americas region.

Strategic priorities

Our *Accelerate* strategy is focused on two growth opportunities: Distribution Excellence and Vehicle Lifecycle Services, supported by our **Responsible Business plan**: *'Driving What Matters'.*

Developing our approach to **Responsible Business** is central to our future plans. It will bring Inchcape closer to our customers, ensure we further strengthen our position as a trusted partner to OEMs and help us recruit, engage and retain the best talent. All of these elements are fundamental to the successful delivery of our *Accelerate* strategy and to ensuring Inchcape's sustainability for the long-term. *Driving What Matters* has four key focus areas: Planet, People, Places and Practices. We made good progress in each of these areas in H1 2023:

- **Planet**: following our progress in reducing our Scope 1 and Scope 2 emissions in FY 2022, we have continued to identify ways to reduce our controllable emissions in H1 2023, with an increasing number of our markets moving onto renewable energy tariffs and further on-site renewable energy projects being executed and commissioned;
- **People**: the first phase of our Inclusive Leadership Programme was rolled out to 600 leaders across the business. In addition, a further 45 women completed the Women into Leadership Programme. We also developed a Global Health & Wellbeing approach and framework during the period;
- **Places**: we delivered 11 programmes across each of our regions to improve road and driver safety, including seven "Mobility for Everyone, Everywhere" programmes to improve mobility for people with disabilities; and
- **Practices**: Inchcape's Code of Conduct and Whistleblowing SpeakUp service was launched to more than 4,000 new Derco colleagues. In addition, our new Business Continuity Planning policy was approved, with an extensive roll-out planned for H2 2023.

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

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

During H1 2023, we have made further progress in this area:

- *Digital, Data & Analytics*: we have continued to invest in our digital capabilities, to further differentiate Inchcape from our peers and to drive a cutting edge capability for our OEM partners. We have developed and enhanced DXP, our customer experience platform, with improved functionality, launching it in a number of key markets in APAC, where we are already seeing enhanced customer engagement results. DAP, our data analytics platform, now operates 150 machine-learning models, from a standing start in FY 2021.
- *Consolidating a fragmented global market:* in line with our focus on markets with high growth potential, we further expanded our distribution footprint by acquiring several independent distribution businesses, across APAC in particular:
  - CATS, expanding our APAC footprint with entry into the Philippines with seven brands
  - Mercedes-Benz distribution business in Indonesia, further building our presence in that market
  - Great Lake Motor Distributors, which distributes SAIC's Maxus brand in New Zealand
- New contract wins: another growth lever for us is being awarded a contract by an OEM, giving us exclusive responsibility for its brand (driving new vehicle market share and parts revenue) in a market. We won several such contracts during H1 2023, including a global strategic contract with Great Wall Motors, which included a new market for our partnership in Indonesia, and XCMG, one of China's largest heavy machinery manufacturing companies, in Colombia.
- *Expanding OEM relationships:* one of the key barriers to entry in automotive distribution is relationships with OEMs - Inchcape takes pride in its long track-record of distribution contract retention. In H1 2023, we signed distribution agreements with a number of existing partners, including Mercedes-Benz in Honduras, a new market for Inchcape, Geely in Guatemala and El Salvador and Subaru in Bolivia and Ecuador. Our increased scale and market leadership, supported by the acquisition of Derco, is set to drive further deal flow in the future.

(2) Vehicle Lifecycle Services: *capturing more lifetime value – of customers and vehicles*
We see significant opportunity for the Group to unlock value in the subsequent phases of the vehicle's lifecycle, through new and complementary products and services. Over the past 18 months we have made solid progress in Vehicle Lifecycle Services:

- *bravoauto:* our digital-first, multi-brand, B2C used car platform, has been further rolled out across our business and is now live in 12 markets across Europe, APAC and the Americas. While the business is still developing, the initial results are encouraging. We remain on track with our ambition to double our used vehicle volumes by 2026.
- *Digital Parts Platform:* the pilot of our digital parts platform in Australia, aimed at modernising the aftermarket-parts industry, has seen some initial success and we plan to roll it out in other markets in APAC over the next 18 months.

Capital allocation

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

Our dividend policy targets a **40% annual payout** ratio of basic adjusted EPS, and as such based on the 2022 dividend of 28.8p, the Board has declared an interim dividend of 9.6p (1H22: 7.5p).

Investment proposition

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

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

Outlook

Inchcape remains extremely well positioned for growth, supported by the Group's global scale and market leadership, resilient business model, our digital-led approach and the excellent progress already made on the integration of Derco.

Across our diversified geographic footprint, our business in the Americas is performing well, remains resilient and has been further strengthened by the acquisition of Derco, while we are producing strong commercial and operational momentum across the APAC region. Our business in Europe also performed well in H1 2023, but consumer demand remains weak in a number of markets across the region.

Against this backdrop, and based on prevailing market conditions, we expect full year results for FY 2023 to be towards the top end of the range of published market consensus[1].

1. The current range of 2023 Adjusted PBT analysts' consensus estimates is between £470m and £506m, as at 12 May 2023

Operating and financial review

Distribution

The Distribution segment reported revenue of £4.4bn, increasing 62% year-on-year on a reported basis, reflecting the contribution of Derco as well as organic growth, which was up 17%. The combination of an excellent topline performance and higher margins drove adjusted operating profit[1] of £302m (1H22: £174m). Adjusted operating margin[1] rose 50bps to 6.8%.

	H1 2023 £m	H1 2022 £m	% change reported	% change constant FX	% change organic[2]
Revenue					
APAC	**1,255.2**	1,074.1	+17%	+14%	+15%
Europe & Africa	**1,258.8**	1,011.6	+24%	+20%	+20%
Americas	**1,910.5**	653.5	+192%	+186%	+16%
Total Distribution	**4,424.5**	**2,739.2**	**+62%**	**+57%**	**+17%**
Adjusted operating profit[1]					
APAC	**89.6**	71.6	+25%	+22%	
Europe & Africa	**69.8**	47.2	+48%	+54%	
Americas	**143.0**	54.9	+160%	+138%	
Total Distribution	**302.4**	**173.7**	**+74%**	**+69%**	
Adjusted operating margin[1]					
APAC	**7.1%**	6.7%	+40bps	+40bps	
Europe & Africa	**5.5%**	4.7%	+80bps	+120bps	
Americas	**7.5%**	8.4%	(90)bps	(150)bps	
Total Distribution	**6.8%**	**6.3%**	**+50bps**	**+50bps**	

APAC revenue was up 17% year-on-year with adjusted operating profit[1] rising 25%. Adjusted operating margin was stable at 7.1%, with market mix tailwinds expected to be partially offset by strategic investments in the short term. During the period, there were particularly strong performances from **Brunei, Thailand** and **Indonesia**. **Hong Kong** is showing some early signs of market recovery, highlighted by a growing order bank and improving demand for premium passenger vehicles. In **Singapore**, the market remains impacted by a low level of vehicle licence availability, down significantly from peak levels, with licence availability expected to improve in 2024. In **Australasia**, performance has been strong for new vehicles, with market share gains achieved, supported by an improving supply situation and resilient demand. We signed deals to acquire three businesses across APAC, all of which are expected to complete during H2 2023. These acquisitions, which are expected to contribute a combined annualised revenue of around £400m, are Mercedes-Benz's distribution operations in Indonesia, CATS, a leading distributor of luxury vehicles in the Philippines and Great Lake Motor Distributors, which distributes SAIC's Maxus brand in New Zealand.

Europe & Africa revenue was up 24% year-on-year with adjusted operating profit[1] rising 48%, with elevated levels of adjusted operating margin at 5.5%. In **Europe**, accelerated supply helped to drive this top line growth and margin performance, while new consumer demand was weak in a number of markets. Our relatively high order bank is expected to moderate, with margins expected to normalise. **Africa** continues to be an exciting long term growth prospect for the Group and has performed in line with the market, particularly in the aftermarket.

Americas revenue grew 192% year-on-year, as a result of the contribution from Derco and a strong organic growth performance of 16%. Adjusted operating profit[1] grew 160%, with adjusted operating margin of 7.5%, ahead of the more normal levels of 6.7% delivered in H2 2022. The region's future margin performance will be underpinned by the delivery of cost synergies at Derco and from a highly diversified geographic footprint across the region, we benefited from growth in 10 of the 12 markets where we have a presence. Our businesses in **Peru**, **Bolivia**, **Uruguay**, **Ecuador,** across **Central America** and in the **Caribbean** performed particularly well, with market share gains in a number of these markets. Industry volumes in **Chile** and **Colombia** were down on the prior year but our businesses in those markets remain resilient, with our market share growing in Chile and remaining stable in Colombia. We remain confident about our position in the Americas over the medium to long term, given the relatively high GDP growth and low motorisation rates being exhibited in the region.

Retail

Our Retail segment includes the results of our UK and Poland franchise dealerships and our *bravoauto* business in these markets.

From the start of 2023, in the UK, certain manufacturers changed the way they sell new vehicles (choosing to sell directly to consumers via dealer groups), and as such the Group recognises a handling-fee (not the selling price of the vehicle). This transition to an "agency model" has adversely impacted reported revenue growth but supported margins.

	H1 2023 £m	H1 2022 £m	% change reported	% change constant FX	% change organic
Revenue					
Total Retail	**1,203.0**	**1,151.2**	**+5%**	**+4%**	**+4%**
Adjusted operating profit[1]					
Total Retail	**24.3**	**30.3**	**(20)%**	**(20)%**	
Adjusted operating margin[1]					
Total Retail	**2.0%**	**2.6%**	**(60)bps**	**(60)bps**	

Retail delivered organic revenue growth of 4% and adjusted operating profit[1] declined (20)%, resulting in an adjusted operating margin of 2.0%. Excluding the impact of the "agency model", organic revenue growth is estimated to have been 17% and adjusted operating margin is estimated to have been 0.2% lower. The reduction in operating profit reflects margin normalisation as we lap the peak of vehicle pricing in the prior year driven by supply shortages, as well as on-going investment in the development of *bravoauto,* which continued to support growth in our used car business. Volume growth in new vehicles was supported by improving vehicle supply.

1: Operating profit and operating margin stated before adjusting items

2. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates

Value drivers

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

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

	H1 2023 £m	H1 2022 £m	% change reported	% change constant FX
Gross Profit				
Vehicles	**662.3**	412.5	61%	56%
Aftersales	**303.0**	202.8	49%	44%
Total	**965.3**	**615.3**	**57%**	**52%**

We operate across the automotive value chain, and during the year we generated 31% of gross profit through Aftersales (1H22: 33%). This reflects greater gross profit contribution from vehicles as volumes improved and higher vehicle gross margins.

Other financial items

Adjusting items: In the first half of the year, we have reported a pre-tax charge of £45m (1H22: £3m credit) in respect of adjusting items. This was primarily driven by one-off costs related to acquisition and integration costs (£21m), non-cash, non-operational losses arising from the adoption of hyperinflation accounting relating to Ethiopia (£14m), and a component of the deferred dividend payment for the Derco acquisition recognised as a financing cost (£10m). Further details can be found in note 3 of the interim financial statements.

Net financing costs: Reported net finance costs were £103m (1H22: £20m). This includes approximately £24m of adjusting items relating to hyperinflationary accounting in Ethiopia and interest on a component of the deferred dividend payment for the Derco acquisition recognised as a financing cost. Adjusted net finance costs increased to £79m (1H22: £20m) which was driven by higher interest rates, a phased reduction in acquired local debt and transitional costs relating to the Derco acquisition.

Tax: The effective tax rate on adjusted profit is 27.2% (1H22: 26.1%), within the Group's guidance range of between 27% and 28%, and on a statutory basis is 31.7% (1H22: 25.0%). The increase in the effective tax rate on adjusted profit includes the impact of unrecognised deferred tax on losses across the group, principally in the UK and Americas. The effective tax rate on a statutory basis for the period is not comparable to the same period in FY22 since the current period includes the impact of IAS 29 Financial Reporting for Hyperinflationary Economies in relation to the financial position of Ethiopia.

Non-controlling interests: Profits attributable to our non-controlling interests increased to £7m (1H22: £4m). The Group's non-controlling interests comprise a 40% holding in PT JLM Auto Indonesia, a 33% share in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 30% share in Inchcape JLR Europe, a 30% share in Ditec in Chile, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend: The Board has declared an interim dividend of 9.6p per ordinary share which will be paid on 1 September 2023 to shareholders on the register at close of business on 4 August 2023. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 10 August 2023.

Capital expenditure: During the first half of 2023, the Group incurred net capital expenditure of £35m (1H22: £18m), consisting of £36m of capital expenditure (1H22: £26m) and £1m of proceeds from the sale of property (1H22: £8m). In 2023, we continue to expect net capital expenditure of less than 1% of Group sales.

Financing: As at 30 June 2023, the funding structure of the Group is comprised of a committed syndicated revolving credit facility of £700m (1H22: £700m), sterling Private Placement Loan Notes totalling £210m (2022: £210m), a 5 year bond of £350m, at a fixed coupon of 6.5%, replacing the bridge facility of £350m (2022: £350m), a term facility of £250m (2022: £250m) and Derco debt on acquisition £52m (2022: £617m). As at 30 June 2023 the syndicated revolving credit facility was drawn £120m (2022: undrawn). For our corporate debt, excluding our Revolving Credit Facility, around 70% is at fixed rates and over 50% has a maturity of at least 3 years. The Group remains well within its debt covenants.

Pensions: As at 30 June 2023, the IAS 19 net post-retirement surplus was £77m (2022: £93m), with the decrease driven largely by lower than expected returns on scheme assets partially offset by movements in corporate bond yields affecting the discount rate assumption used to determine the value of scheme liabilities. In line with the funding programme agreed with the Trustees, the Group did not make any additional cash contributions to the UK pension schemes (2022: £2m).

Acquisitions: In H1 2023 the Group continued to further expand its distribution footprint, signing 3 acquisitions during the period. These deals are expected to complete during H2 2023.

OUR FINANCIAL METRICS

APM – Adjusted profit before tax (from continuing operations)	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m
Gross Profit	**965.3**	615.3
Less: Segment operating expenses	**(638.6)**	(411.3)
Adjusted Operating Profit	**326.7**	204.0
(Less)/add: Adjusting items in operating expenses	**(21.2)**	3.3
Operating Profit	**305.5**	207.3
Less: Net Finance Costs and JV losses	**(101.6)**	(19.8)
Profit Before Tax	**203.9**	187.5
Add/(less): Total adjusting items	**45.0**	(3.3)
Adjusted profit before tax	**248.9**	184.2

APM – Free cash flow (from continuing operations)	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m	Six months to 30 Jun 2022 £m
Net cash generated from operating activities		**265.2**		287.1
Add back: Payments in respect of adjusting items		**20.6**		4.7
Net cash generated from operating activities, before adjusting items		**285.8**		291.8
Purchase of property, plant and equipment	**(32.5)**		(24.3)	
Purchase of intangible assets	**(3.2)**		(1.2)	
Proceeds from disposal of property, plant and equipment	**1.2**		7.5	
Net capital expenditure		**(34.5)**		(18.0)
Net payment in relation to leases		**(45.3)**		(29.8)
Dividends paid to non-controlling interests		**(4.4)**		(2.9)
Free cash flow		**201.6**		241.1
Less: Free cash flow from discontinued operations		**–**		(17.4)
Free cash flow from continuing operations		**201.6**		223.7

APM – Return on capital employed (from continuing operations)	As at 30 Jun 2023 £m	As at 30 Jun 2022 £m
Adjusted operating profit	**326.7**	204.0
Adjusted operating profit for the previous 6 month period	**206.8**	144.8
Adjusted operating profit on a 12 month basis	**533.5**	348.8
Net assets	**1,512.7**	1,137.4
Add net debt/ less (net funds)	**1,044.0**	(97.6)
Capital employed	**2,556.7**	1,039.8
Effect of averaging	**(758.4)**	(28.7)
Average capital employed	**1,798.3**	1,011.1
Return on capital employed	**29.7%**	34.5%

OUR FINANCIAL METRICS CONTINUED

APM – Adjusted (net debt)	**As at 30 Jun 2023 £m**	As at 31 Dec 2022 £m
Net debt from continuing operations	**(1,044.0)**	(877.1)
Add back: lease liabilities	**480.0**	499.4
Adjusted net debt from continuing operations	**(564.0)**	(377.7)

APM – Adjusted earnings per share (from continuing operations)	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Operating profit	**305.5**	207.3
Adjusting items within net operating expenses	**21.2**	(3.3)
Adjusted operating profit	**326.7**	204.0
Share of profit/(loss) after tax of joint ventures and associates	**1.0**	(0.3)
Adjusted profit before finance and tax	**327.7**	203.7
Net finance costs	**(102.6)**	(19.5)
Adjusting items within net finance costs	**23.8**	–
Adjusted profit before tax	**248.9**	184.2
Tax on adjusted profit	**(67.8)**	(48.0)
Adjusted profit after tax	**181.1**	136.2
Less: minority interest	**(7.2)**	(3.5)
Adjusted earnings	**173.9**	132.7
Weighted average number of shares (m)	**411.9**	379.0
Dilutive effect	**6.2**	5.6
Basic adjusted earnings per share	**42.2p**	35.0p
Diluted adjusted earnings per share	**41.6p**	34.5p

RISKS

PRINCIPAL BUSINESS RISKS

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

Strategic risks, including:

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

Material operational risks, including:

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

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

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

APPENDIX – REGIONAL BUSINESS MODELS CONTINUED

DISTRIBUTION

Americas

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

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

APAC

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

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

Europe & Africa

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

APPENDIX – REGIONAL BUSINESS MODELS CONTINUED

RETAIL

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

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

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

Continuing operations	Notes	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Revenue	2	**5,627.5**	3,890.4
Cost of sales		**(4,662.2)**	(3,275.1)
Gross profit		**965.3**	615.3
Net operating expenses		**(659.8)**	(408.0)
Operating profit	2	**305.5**	207.3
Share of profit/(losses) after tax of joint ventures and associates		**1.0**	(0.3)
Profit before finance and tax		**306.5**	207.0
Finance income	4	**24.8**	7.9
Finance costs	5	**(127.4)**	(27.4)
Profit before tax from continuing operations		**203.9**	187.5
Tax	6	**(64.6)**	(46.8)
Profit for the period from continuing operations		**139.3**	140.7
Loss from discontinued operations		**–**	(240.2)
Total profit/(loss) for the period		**139.3**	(99.5)
Profit/(loss) attributable to:			
– Owners of the parent		**132.1**	(103.0)
– Non-controlling interests		**7.2**	3.5
		139.3	(99.5)
Earnings per share from continuing operations attributable to the owners of the parent			
Basic earnings per share (pence)	7	**32.1p**	36.2p
Diluted earnings per share (pence)	7	**31.6p**	35.7p
Earnings/(loss) per share attributable to the owners of the parent			
Basic earnings/(loss) per share (pence)	7	**32.1p**	(27.2)p
Diluted earnings/(loss) per share (pence)	7	**31.6p**	(27.2)p
Alternative performance measures			
Operating profit from continuing operations		**305.5**	207.3
Adjusting items within net operating expenses:	3	**21.2**	(3.3)
Acquisition and integration costs		**21.2**	6.8
Accelerated amortisation and other asset write-offs and impairments		**–**	9.6
Gain on pension indexation		**–**	(19.7)
Adjusted operating profit from continuing operations		**326.7**	204.0
Share of profit/(loss) after tax of joint ventures and associates		**1.0**	(0.3)
Adjusted profit before finance and tax from continuing operations		**327.7**	203.7
Net finance costs		**(102.6)**	(19.5)
Adjusting items within net finance costs:	3	**23.8**	–
Net monetary loss on hyperinflation		**14.2**	–
Interest on deferred dividend payment		**9.6**	–
Adjusted profit before tax from continuing operations		**248.9**	184.2
Tax on adjusted profit		**(67.8)**	(48.0)
Adjusted profit after tax from continuing operations		**181.1**	136.2
Adjusted earnings per share from continuing operations			
Basic adjusted earnings per share	7	**42.2p**	35.0p
Diluted adjusted earnings per share	7	**41.6p**	34.5p

See note 16 on page 37 for further details of alternative performance measures.
The notes on pages 20 to 39 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m
Profit/(loss) for the period	**139.3**	(99.5)
Other comprehensive income/(expense):		
Items that will not be reclassified to the consolidated income statement		
Retirement benefit schemes		
– net actuarial (losses)/gains	**(18.1)**	48.3
	(18.1)	48.3
Items that may be or have been reclassified subsequently to the consolidated income statement		
Cash flow hedges		
– net fair value losses	**(62.0)**	(45.2)
– tax on cash flow hedges	**15.9**	16.4
Investments held at fair value		
– net fair value gains	**0.2**	–
Deferred tax on taxation losses	**0.5**	–
Foreign currency translation		
Exchange differences on translation of foreign operations	**(48.0)**	105.0
Exchange differences on translation of discontinued operations	**–**	18.7
Recycling of foreign currency reserve	**(0.4)**	99.0
Adjustments for hyperinflation	**20.8**	–
Taxation on hyperinflation adjustments	**(1.8)**	–
	(74.8)	193.9
Other comprehensive (expense)/income for the period	**(92.9)**	242.2
Total comprehensive income for the period	**46.4**	142.7
Total comprehensive income attributable to:		
– Owners of the parent	**42.2**	142.0
– Non-controlling interests	**4.2**	0.7
	46.4	142.7
Total comprehensive income/(expense) attributable to owners of Inchcape plc arising from		
– Continuing operations	**46.4**	264.5
– Discontinued operations	**–**	(122.5)

The notes on pages 20 to 39 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	As at 30 Jun 2023 £m	As at 31 Dec 2022 £m
Non-current assets			
Intangible assets		**1,185.8**	1,174.0
Property, plant and equipment		**774.3**	736.8
Right-of-use assets		**406.2**	419.2
Investments in joint ventures and associates		**20.6**	22.2
Financial assets at fair value through other comprehensive income	11g	**3.7**	3.3
Derivative financial instruments	11g	**–**	17.3
Trade and other receivables		**56.3**	53.4
Deferred tax assets		**95.0**	80.0
Retirement benefit asset		**88.0**	103.8
		2,629.9	2,610.0
Current assets			
Inventories		**2,537.1**	2,375.8
Trade and other receivables		**837.9**	816.8
Financial assets at fair value through other comprehensive income	11g	**0.2**	0.2
Derivative financial instruments	11g	**23.6**	36.9
Current tax assets		**33.8**	40.8
Cash and cash equivalents	9b	**571.4**	1,064.2
Assets held for sale and disposal group	12	**18.0**	19.0
		4,022.0	4,353.7
Total assets		**6,651.9**	6,963.7
Current liabilities			
Trade and other payables		**(2,898.5)**	(2,898.0)
Derivative financial instruments	11g	**(111.6)**	(38.1)
Current tax liabilities		**(71.0)**	(88.2)
Provisions		**(55.4)**	(56.6)
Lease liabilities	9b	**(85.8)**	(83.4)
Borrowings	9b	**(251.1)**	(546.3)
		(3,473.4)	(3,710.6)
Non-current liabilities			
Trade and other payables		**(70.7)**	(60.4)
Provisions		**(53.9)**	(46.7)
Derivative financial instruments	11g	**(10.8)**	(1.4)
Deferred tax liabilities		**(241.0)**	(255.3)
Lease liabilities	9b	**(394.2)**	(416.0)
Borrowings	9b	**(884.3)**	(895.6)
Retirement benefit liability		**(10.9)**	(10.7)
		(1,665.8)	(1,686.1)
Total liabilities		**(5,139.2)**	(5,396.7)
Net assets		**1,512.7**	1,567.0
Equity			
Share capital	8	**41.5**	37.6
Share premium		**146.7**	146.7
Capital redemption reserve	8	**143.0**	143.0
Merger reserve	8	**311.9**	315.8
Other reserves		**(5.2)**	69.3
Retained earnings		**840.8**	820.4
Equity attributable to owners of the parent		**1,478.7**	1,532.8
Non-controlling interests		**34.0**	34.2
Total equity		**1,512.7**	1,567.0

The notes on pages 20 to 39 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Share capital £m	Share Premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
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 period		–	–	–	–	–	(103.0)	(103.0)	3.5	(99.5)
Other comprehensive income/(expense) for the period		–	–	–	–	196.7	48.3	245.0	(2.8)	242.2
Total comprehensive income/(expense) for the period		–	–	–	–	196.7	(54.7)	142.0	0.7	142.7
Hedging gains and losses transferred to inventory		–	–	–	–	2.9	–	2.9	–	2.9
Written put option		–	–	–	–	–	(10.2)	(10.2)	–	(10.2)
Non-controlling interests on acquisition of subsidiaries		–	–	–	–	–	–	–	4.9	4.9
Share-based payments, net of tax		–	–	–	–	–	3.5	3.5	–	3.5
Share buyback programme	8b	(0.8)	–	0.8	–	–	(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	8b	–	–	–	–	–	(60.7)	(60.7)	–	(60.7)
– Non-controlling interests		–	–	–	–	–	–	–	(2.9)	(2.9)
At 30 June 2022		37.7	146.7	142.9	–	(27.5)	813.3	1,113.1	24.3	1,137.4
Profit for the period		–	–	–	–	–	91.8	91.8	1.5	93.3
Other comprehensive income/(expense) for the period		–	–	–	–	96.9	(60.0)	36.9	8.9	45.8
Total comprehensive income for the period		–	–	–	–	96.9	31.8	128.7	10.4	139.1
Hedging gains and losses transferred to inventory		–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Written put option		–	–	–	–	–	(3.4)	(3.4)	–	(3.4)
Shares to be issued	8a	–	–	–	315.8	–	–	315.8	–	315.8
Non-controlling interests on acquisition of subsidiaries		–	–	–	–	–	–	–	0.4	0.4
Share-based payments, net of tax		–	–	–	–	–	6.7	6.7	–	6.7
Share buyback programme		(0.1)	–	0.1	–	–	–	–	–	–
Dividends:										
– Owners of the parent	8b	–	–	–	–	–	(28.0)	(28.0)	–	(28.0)
– Non-controlling interests		–	–	–	–	–	–	–	(0.9)	(0.9)
At 31 December 2022		37.6	146.7	143.0	315.8	69.3	820.4	1,532.8	34.2	1,567.0

	Notes	Share capital £m	Share Premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2023		**37.6**	**146.7**	**143.0**	**315.8**	**69.3**	**820.4**	**1,532.8**	**34.2**	**1,567.0**
Profit for the period		–	–	–	–	–	**132.1**	**132.1**	**7.2**	**139.3**
Other comprehensive (expense)/income for the period		–	–	–	–	**(71.8)**	**(18.1)**	**(89.9)**	**(3.0)**	**(92.9)**
Total comprehensive income/(expense) for the period		–	–	–	–	**(71.8)**	**114.0**	**42.2**	**4.2**	**46.4**
Hedging gains and losses transferred to inventory		–	–	–	–	**(2.7)**	–	**(2.7)**	–	**(2.7)**
Written put option		–	–	–	–	–	**(0.7)**	**(0.7)**	–	**(0.7)**
Shares issued	8a	**3.9**	–	–	**(3.9)**	–	–	–	–	–
Share-based payments, net of tax		–	–	–	–	–	**6.8**	**6.8**	–	**6.8**
Purchase of own shares by the Inchcape Employee Trust		–	–	–	–	–	**(11.8)**	**(11.8)**	–	**(11.8)**
Dividends:										
– Owners of the parent	8b	–	–	–	–	–	**(87.9)**	**(87.9)**	–	**(87.9)**
– Non-controlling interests		–	–	–	–	–	–	–	**(4.4)**	**(4.4)**
At 30 June 2023		**41.5**	**146.7**	**143.0**	**311.9**	**(5.2)**	**840.8**	**1,478.7**	**34.0**	**1,512.7**

The notes on pages 20 to 39 are an integral part of these condensed consolidated interim financial statements.

Share-based payments include a deferred tax charge of £nil (30 June 2022: deferred tax charge of £1.8m; 31 December 2022: net tax credit of £nil).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Cash generated from operating activities			
Cash generated from operations	9a	**423.6**	355.0
Tax paid		**(88.8)**	(51.7)
Interest received		**22.3**	6.1
Interest paid		**(91.9)**	(22.3)
Net cash generated from operating activities		**265.2**	287.1
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	10a	**(4.3)**	(77.7)
Net cash inflow/(outflow) from sale of businesses		**2.3**	(32.3)
Purchase of investments in joint ventures and associates		**(1.1)**	(2.8)
Purchase of property, plant and equipment		**(32.5)**	(24.3)
Purchase of intangible assets		**(3.2)**	(1.2)
Proceeds from disposal of property, plant and equipment		**1.2**	7.5
Proceeds from disposal of intangible assets		**–**	0.1
Receipt from finance sub-lease receivables		**0.8**	0.9
Other lease payments		**(0.1)**	–
Net cash used in investing activities		**(36.9)**	(129.8)
Cash flows from financing activities			
Share buyback programme	8a	**–**	(58.5)
Purchase of own shares by the Inchcape Employee Trust		**(11.8)**	(3.8)
Cash outflow from other borrowings	9b	**(550.3)**	(2.0)
Cash inflow from bond issuance	9b	**348.3**	–
Cash inflow from revolving credit facility	9b	**120.0**	–
Repayment of acquisition financing bridge facility	9b	**(350.0)**	–
Payments to former shareholders of Derco group		**(211.5)**	–
Payment of capital element of lease liabilities	9b	**(46.0)**	(30.7)
Equity dividends paid	8b	**(87.9)**	(60.7)
Dividends paid to non-controlling interests		**(4.4)**	(2.9)
Net cash used in financing activities		**(793.6)**	(158.6)
Net decrease in cash and cash equivalents	9b	**(565.3)**	(1.3)
Cash and cash equivalents at beginning of the period		**1,050.1**	588.8
Effect of foreign exchange rate changes		**(34.6)**	63.3
Cash and cash equivalents at end of the period		**450.2**	650.8
Cash and cash equivalents consist of:			
Cash at bank and cash equivalents		**496.1**	555.3
Short-term deposits		**75.3**	99.3
Bank overdrafts		**(121.2)**	(3.8)
		450.2	650.8

The notes on pages 20 to 39 are an integral part of these condensed consolidated interim financial statements.

NOTES (UNAUDITED)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2023 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts 2022, which have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the external auditors. The condensed consolidated interim financial statements in the Interim Report do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 22 March 2023 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial statements on pages 14 to 41 were approved by the Board of Directors on 26 July 2023.

Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to 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 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 appropriate sensitivities.

Given the global political and economic uncertainty resulting from the conflict in the Ukraine and inflationary pressures, we expect to see continued volatility, some business disruption and the impact of tightening fiscal policy in the markets in which the Group operates during the remainder of 2023 and into 2024.

Committed bank facilities and Private Placement borrowings amounting to £1,160m, of which £580m was drawn at 30 June 2023, 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. In addition, in June 2023, the Group issued a £350m bond offering with a coupon of 6.5%, due to mature in June 2028. Private Placement Loan Notes of £70m mature in May 2024 and the £250m Term Loan matures in December 2024.

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 to 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 reduction in New and Used vehicle revenue and margins in 2024 resulting from a decreasing consumer demand in response to fiscal tightening and resulting economic downturns;
a general liquidity reduction impacting working capital from 2024; with no mitigating actions applied in relation to the sensitivities described above.
In scenarios 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 at December 2023 and throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements.

A reverse stress test scenario analysis, concluded that a set of circumstances in which the Group would breach its covenant or have insufficient funds to meet cash flow requirements are considered to be remote, relative to the sensitivities referred to above.

The Board therefore concluded that the Group will be able to operate within the level of its committed facilities for the foreseeable future and the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

NOTES (UNAUDITED) CONTINUED

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Accounting policies

The condensed set of consolidated financial information has been prepared using accounting policies consistent with those in the Group's Annual Report and Accounts 2022 with the exception of the following standards, amendments and interpretations which have been newly adopted from 1 January 2023:

Newly adopted accounting standards

From 1 January 2023, the following standards became effective for the Group's consolidated financial statements:

IFRS 17 Insurance Contracts;
Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Comparative Information;
Amendments to IAS 12 relating to Deferred tax related to assets and liabilities arising from a single transaction;
Amendments to IFRS 4 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.

The adoption of the standards and interpretations listed above has not led to any material impact on the financial position or performance of the Group.

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

Standards not yet effective

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2024:

Amendments to IAS 1 - Non-current liabilities with covenants
Amendments to IFRS 16 - Leases on sale and leaseback
Amendments to IAS 7 and IFRS 7 - Supplier finance
Amendments due to Finance (No. 2) Act 2023 for Pillar Two income inclusion (IIR)

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.

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 period, leading to a hyperinflationary loss in respect of monetary items being reported in finance costs, and treated as an adjusting item. The results of the Group's Ethiopian operations have been translated at the closing exchange rate, as required by IAS 21 The Effects of Change in Foreign Exchange Rates for hyperinflationary foreign operations.

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

The inflationary factors used by the Group are the official price indices published by the Central Statistical Agency of Ethiopia. Hyperinflationary adjustments have been calculated using the price index prevailing at 30 June 2023, which was a CPI index of 379.0 (31 December 2022: CPI index 328.9). The adjusted results and financial position of Ethiopia were translated at the period-end closing rate before being included in the Group's consolidated financial statements.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed consolidated interim 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. The critical accounting judgements and key sources of estimation uncertainty remain consistent with those presented in the accounting policies note within the Group's 2022 Annual Report and Accounts. Those that are new or significant to the preparation of the interim financial statements are presented below.

Impairment of goodwill and other indefinite life intangible assets

The carrying amount of goodwill and other indefinite life intangible assets is shown below:

	As at 30 Jun 2023			As at 31 Dec 2022		
	Goodwill £m	**Indefinite-life intangible assets £m**	**Total £m**	Goodwill £m	Indefinite-life intangible assets £m	Total £m
At 1 January	**270.3**	**857.7**	**1,128.0**	116.3	239.0	355.3
Businesses acquired	**3.9**	**–**	**3.9**	139.9	592.9	732.8
Acquisition accounting adjustments	**11.1**	**–**	**11.1**	–	–	–
Effect of foreign exchange rates	**(2.9)**	**1.8**	**(1.1)**	14.1	25.8	39.9
At 30 June/31 December	**282.4**	**859.5**	**1,141.9**	270.3	857.7	1,128.0

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination. Indefinite-life intangible assets, principally distribution agreements acquired in a business combination, are also allocated to the CGUs or CGU groups that are expected to benefit from the cash flows associated with the relevant agreements.

Indicators of impairment in goodwill and other indefinite-life intangible assets

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.

In the first half of 2023, the Group carried out an assessment as to whether any impairment testing is required to be performed for the six months ending 30 June 2023. As set out in IAS 36 Impairment of Assets, the assessment involved the Group reviewing potential indicators of impairment to determine if any of the Group's assets should be tested.

The review included examining data trends on asset valuations, reviewing latest macro-economic data including global economic forecasts, reviewing latest industry data including industry volumes and comparing the Group's results against cash flows used in previously prepared impairment models and latest forecasts. The conclusion reached from the review performed was that there was no requirement to test any assets or cash generating units for impairment for the six-month period to 30 June 2023.

At 31 December 2022, the Group's value in use calculations prepared for the cash generating units represented by Central America - Suzuki business in the Americas were sensitive to a change in the key assumptions used. The recoverable amount calculated for the Central America CGU was £155.8m. Cash flows were discounted back to present value using a pre-tax discount rate of 14.1%.

NOTES (UNAUDITED) CONTINUED

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

The cash flows used within the impairment model were based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management 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 were 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 of the 2022 Annual Report and Accounts.

	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 would 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 exceeded the carrying value by 25% as at 31 December 2022 and 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.

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 3 provides further details on current year adjusting items and their adherence to Group policy.

In the period, the Group has reported an aggregate pre-tax adjusting items loss of £45.0m (see note 3). The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying business performance and is used by management to facilitate internal performance analysis. Items that may be considered as adjusting items include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Any reversal of an amount previously recognised as an adjusting item would also be recognised as an adjusting item in a subsequent period.

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 the duration of the finance. 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 note 11f).

Alternative performance measures (APMs)

In the prior year, the consolidated income statement included presentation of certain alternative performance measures in addition to IFRS measures. In the current period, the consolidated income statement presents only IFRS measures which is in line with the basis of preparation disclosed in this note. The alternative performance measures used by the Group are included in note 16. This includes further information on the definitions, purpose and reconciliation to IFRS measures.

NOTES (UNAUDITED) CONTINUED

2 SEGMENTAL ANALYSIS

The Group has four reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision-maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics.

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, bodyshop repairs and parts sales.
Retail		Sale of New and Used Vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.

	Distribution					
Six months to 30 June 2023	**APAC £m**	**Europe & Africa £m**	**Americas £m**	**Total Distribution £m**	**Retail £m**	**Total £m**
Revenue						
Total revenue	**1,255.2**	**1,258.8**	**1,910.5**	**4,424.5**	**1,203.0**	**5,627.5**
Results						
Adjusted operating profit from continuing operations	**89.6**	**69.8**	**143.0**	**302.4**	**24.3**	**326.7**
Operating adjusting items						**(21.2)**
Operating profit from continuing operations						**305.5**
Share of profits after tax of joint ventures and associates						**1.0**
Profit before finance and tax						**306.5**
Finance income						**24.8**
Finance costs						**(127.4)**
Profit before tax from continuing operations						**203.9**
Tax						**(64.6)**
Profit for the period from continuing operations						**139.3**

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:

Six months to 30 June 2023	**£m**
UK	**1,064.9**
Chile	**896.8**
Australia	**661.8**
Rest of the world	**3,004.0**
Group	**5,627.5**

Six months to 30 June 2022	Distribution APAC £m	Distribution Europe & Africa £m	Distribution Americas £m	Total Distribution £m	Retail £m	Total £m
Total revenue	1,074.1	1,011.6	653.5	2,739.2	1,151.2	3,890.4
Results						
Adjusted operating profit from continuing operations	71.6	47.2	54.9	173.7	30.3	204.0
Operating adjusting items						3.3
Operating profit from continuing operations						207.3
Share of losses after tax of joint ventures and associates						(0.3)
Profit before finance and tax						207.0
Finance income						7.9
Finance costs						(27.4)
Profit before tax from continuing operations						187.5
Tax						(46.8)
Profit for the period from continuing operations						140.7

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:

Six months to 30 June 2022	**£m**
UK	1,042.0
Chile	263.3
Australia	512.9
Rest of the world	2,072.2
Group	3,890.4

NOTES (UNAUDITED) CONTINUED

3 ADJUSTING ITEMS

From continuing operations	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Other asset write-offs and impairments	**–**	0.5
Acquisition and integration costs	**(21.2)**	(6.8)
Accelerated amortisation (SaaS)	**–**	(10.1)
Gain on pension indexation	**–**	19.7
Total adjusting items in operating profit	**(21.2)**	3.3
Adjusting items in finance costs:		
Net monetary loss on hyperinflation	**(14.2)**	–
Interest costs on deferred dividend payment	**(9.6)**	–
Total adjusting items before tax	**(45.0)**	3.3
Tax on adjusting items (note 6)	**3.2**	1.2
Total adjusting items	**(41.8)**	4.5

During the period, operating costs of £21.2m 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 acquisition and integration of the Derco group. For more details on acquisitions, please refer to note 10.

At 31 December 2022, a liability was acquired, as part of the Derco acquisition, for the payments of a pre-completion dividend to former shareholders. The payment of this dividend was agreed to be made in four tranches, throughout 2023, with interest accruing on the outstanding amounts. At 30 June 2023, three of the tranches have been paid and interest of £9.6m has been recognised, which is expected to rise to approximately £11.0m by the end of the year. This interest expense has been recognised within finance costs and reported as an adjusting item.

During 2022, Ethiopia was designated as a hyperinflationary economy as its three-year cumulative inflation rate exceeded 100%. 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 results and financial position of Ethiopia for the six months ended 30 June 2023 have been restated to include the effect of indexation and the resulting £14.2m net monetary loss on hyperinflation has been recognised within net finance costs and reported as an adjusting item.

In the period to 30 June 2022, the Group:

- incurred adjusting operating costs of £6.8m in connection with the acquisition and integration of businesses. These primarily related to the ITC/Simpson Motors business acquired in the Caribbean and the Ditec acquisition in Chile;
- 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. Management 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 was reported as an adjusting item; and
- 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 and therefore the existing software assets no longer fall to be treated as an asset under IAS 38 once the migration to the new solution has occurred. Consequently, the useful life of the existing assets 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, in 2022, the incremental amortisation of £10.1m was disclosed as an adjusting item.

NOTES (UNAUDITED) CONTINUED

4 FINANCE INCOME

From continuing operations	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Bank and other interest receivable	**21.0**	5.9
Net interest income on post-retirement plan assets and liabilities	**2.3**	1.5
Lease finance income	**0.3**	0.3
Other finance income	**1.2**	0.2
Total finance income	**24.8**	7.9

5 FINANCE COSTS

From continuing operations	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Interest payable on bank borrowings	**54.3**	5.0
Interest payable on Private Placement	**3.2**	3.2
Interest payable on other borrowings	**1.3**	–
Lease finance costs	**10.0**	4.6
Stock holding interest	**21.2**	8.3
Net monetary loss on hyperinflation (note 3)	**14.2**	–
Interest on deferred dividend payment	**9.6**	–
Other finance costs	**13.6**	6.3
Total finance costs	**127.4**	27.4

Total finance costs are analysed as follows:

From continuing operations	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Finance costs excluding adjusting finance costs	**103.6**	27.4
Finance costs reported as adjusting items	**23.8**	–
Total finance costs	**127.4**	27.4

NOTES (UNAUDITED) CONTINUED

6 TAX

From continuing operations		**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Current tax	– UK corporation tax	**–**	–
	– Overseas tax	**83.8**	51.7
Adjustments to prior year liabilities	– UK	**–**	–
	– Overseas	**(3.1)**	2.0
Current tax		**80.7**	53.7
Deferred tax		**(16.1)**	(6.9)
Total tax charge		**64.6**	46.8
	– Tax charge on profit before adjusting items	**67.8**	48.0
	– Tax credit on adjusting items	**(3.2)**	(1.2)
Total tax charge		**64.6**	46.8

The tax charge for the 6 months ended 30 June 2023 has been calculated by applying the estimated average annual effective income tax rate for each jurisdiction in which Inchcape operates to the interim period pre-tax income of each jurisdiction as required by IAS 34 'Interim Financial Reporting'. Tax credited on adjusting items has been separately calculated and is disclosed above. Details of the adjusting items for the period can be found in note 3.

The effective tax rate for the period to 30 June is 31.7% compared to 25.0% for the same period last year. The effective tax rate on adjusted profit for the period is 27.2% compared to 26.1% for the same period last year.

The total tax charge in the period includes the impact of IAS 29 Financial Reporting for Hyperinflationary Economies in relation to the financial position of Ethiopia (see note 3).

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

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

In addition, Finance (No.2) Act 2023 was substantively enacted on 20 June 2023. The Act includes the legislation to implement the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two income inclusion rule (IIR) in the United Kingdom. The legislation will be relevant for the Group from January 2024.

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

NOTES (UNAUDITED) CONTINUED

7 EARNINGS PER SHARE

	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m
Profit/(loss) for the period	**139.3**	(99.5)
Non-controlling interests	**(7.2)**	(3.5)
Basic earnings/(loss)	**132.1**	(103.0)
Loss for the period from discontinued operations	**–**	240.2
Basic earnings from continuing operations attributable to owners of the parent	**132.1**	137.2
Adjusting items	**41.8**	(4.5)
Adjusted earnings from continuing operations	**173.9**	132.7

Basic earnings per share		
Basic earnings per share from continuing operations	**32.1p**	36.2p
Basic loss per share from discontinued operations	**–**	(63.4)p
Total basic earnings/(loss) per share	**32.1p**	(27.2)p
Diluted earnings per share		
Diluted earnings per share from continuing operations	**31.6p**	35.7p
Diluted loss per share from discontinued operations[1]	**–**	(63.4)p
Total diluted earnings/(loss) per share1	**31.6p**	(27.2)p
Adjusted earnings per share from continuing operations		
Basic Adjusted earnings per share from continuing operations	**42.2p**	35.0p
Diluted Adjusted earnings per share from continuing operations	**41.6p**	34.5p

1. Due to the impact of dilutive ordinary shares having the effect of decreasing both the loss attributable to discontinued operations and the loss attributable to total operations, the basic earnings per share calculated has been shown.

	Six months to 30 Jun 2023 number	Six months to 30 Jun 2022 number
Weighted average number of fully paid ordinary shares in issue during the period	**412,365,247**	379,788,540
Weighted average number of fully paid ordinary shares in issue during the period:		
– Held by the Inchcape Employee Trust	**(487,899)**	(783,582)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**411,877,348**	379,004,958
Dilutive effect of potential ordinary shares	**6,152,343**	5,553,858
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	**418,029,691**	384,558,816

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

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

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

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

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

NOTES (UNAUDITED) CONTINUED

8 SHAREHOLDERS' EQUITY

A. Issue of ordinary shares

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 and were. accounted for as an equity instrument. As at 30 June 2023, issued share capital of the Group amounted to a total of 413,007,132 shares.

During the period, the Group issued £nil (June 2022 – £nil, December 2022 – £nil) of ordinary shares exercised under the Group's share option schemes.

Share buyback programme

During the six months ended 30 June 2023, the Company repurchased none of its own shares (June 2022: 7,913,076, December 2022: 9,357,908) through purchases on the London Stock Exchange, at a cost of £nil (June 2022: £57.8m, December 2022: £69.5m). The shares repurchased during the prior period were cancelled, with none held as treasury shares at the end of the prior reporting period. An amount of £nil (June 2022: £0.8m, December 2022: £0.9m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £nil (June 2022: £0.7m, December 2022: £0.8m) associated with the transfer to the Group of the repurchased shares and their subsequent cancellation were charged to the profit and loss reserve.

B. Dividends

The following dividends were paid by the Group:

	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m	Year to 31 Dec 2022 £m
Final dividend for the year ended 31 December 2022 of 21.3p per share (2021: 16.1p per share)	**87.9**	60.7	60.7
Interim dividend for the six months ended 30 June 2022 of 7.5p per share (2021: 6.4 per share)	**–**	–	28.0
	87.9	60.7	88.7

An interim dividend of 9.6p per share for the period ending 30 June 2023 was approved by the Board on 26 July 2023 and will be paid on 1 September 2023 to shareholders who are on the register at close of business on 4 August 2023. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 10 August 2023.

NOTES (UNAUDITED) CONTINUED

9 NOTES TO THE STATEMENT OF CASH FLOWS

A. Reconciliation of cash generated from operations

	Six months to 30 Jun 2023 £m	Six months to 30 Jun 2022 £m
Cash flows from operating activities		
Operating profit – continuing operations	**305.5**	207.3
Operating profit – discontinued operations	**–**	20.5
Adjusting items	**21.2**	(3.3)
Amortisation including non-adjusting impairment charges	**5.7**	6.4
Depreciation of property, plant and equipment including non-adjusting impairment charges	**23.7**	14.3
Depreciation of right-of-use assets	**40.3**	26.9
Profit on disposal of property, plant and equipment and intangible assets	**(0.3)**	(1.4)
Gain on disposal of right-of-use assets	**(0.1)**	(0.8)
Share-based payments charge	**6.8**	5.3
Increase in inventories	**(195.7)**	(102.8)
Increase in trade and other receivables	**(43.0)**	(134.5)
Increase in trade and other payables	**273.9**	316.8
Increase in provisions	**6.6**	7.0
Pension contributions more than pension charge for the period[1]	**(0.3)**	(2.1)
Increase in interest in leased vehicles	**(0.8)**	(0.4)
Payments in respect of operating adjusting items	**(20.6)**	(4.7)
Other non-cash items	**0.7**	0.5
Cash generated from operations	**423.6**	355.0

1. Includes additional payments of £nil (30 June 2022: – £2.1m).

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)/funds at 1 January 2022	(210.0)	(324.1)	(534.1)	588.8	54.7
Cash flows	2.0	30.7	32.7	108.7	141.4
Acquisitions	(4.5)	(32.9)	(37.4)	(77.7)	(115.1)
Disposals	–	13.1	13.1	(32.3)	(19.2)
New lease liabilities	–	(13.3)	(13.3)	–	(13.3)
Transferred from liabilities held for sale	–	–	–	–	–
Foreign exchange adjustments	0.5	(14.7)	(14.2)	63.3	49.1
Net (debt)/funds at 30 June 2022	(212.0)	(341.2)	(553.2)	650.8	97.6
Cash flows	(598.3)	33.3	(565.0)	688.1	123.1
Acquisitions	(617.1)	(140.8)	(757.9)	(317.5)	(1,075.4)
Disposals	–	–	–	15.3	15.3
New lease liabilities	–	(45.1)	(45.1)	–	(45.1)
Foreign exchange adjustments	(0.4)	(5.6)	(6.0)	13.4	7.4
Net (debt)/funds at 1 January 2023	**(1,427.8)**	**(499.4)**	**(1,927.2)**	**1,050.1**	**(877.1)**
Cash flows	**432.0**	**46.0**	**478.0**	**(561.0)**	**(83.0)**
Acquisitions	**(7.4)**	**–**	**(7.4)**	**(4.3)**	**(11.7)**
New lease liabilities	**–**	**(33.5)**	**(33.5)**	**–**	**(33.5)**
Other non-cash movements	**(3.1)**	**(2.0)**	**(5.1)**	**–**	**(5.1)**
Foreign exchange adjustments	**(7.9)**	**8.9**	**1.0**	**(34.6)**	**(33.6)**
Net (debt)/funds at 30 June 2023	**(1,014.2)**	**(480.0)**	**(1,494.2)**	**450.2**	**(1,044.0)**

NOTES (UNAUDITED) CONTINUED

9 NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

Net debt is analysed as follows:

	As at 30 Jun 2023 £m	As at 31 Dec 2022 £m	As at 30 Jun 2022 £m
Cash and cash equivalents as per the balance sheet	**571.4**	1,064.2	654.6
Borrowings – disclosed as current liabilities	**(251.1)**	(546.3)	(5.8)
Add back: amounts treated as debt financing (see below)	**129.9**	532.2	2.0
Cash and cash equivalents as per the statement of cash flows	**450.2**	1,050.1	650.8
Debt financing			
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	**(129.9)**	(532.2)	(2.0)
Borrowings – disclosed as non-current liabilities	**(884.3)**	(895.6)	(210.0)
Lease liabilities	**(480.0)**	(499.4)	(341.2)
Debt financing	**(1,494.2)**	(1,927.2)	(553.2)
Net (debt)/funds	**(1,044.0)**	(877.1)	97.6
Add back: lease liabilities	**480.0**	499.4	341.2
Adjusted net (debt)/cash	**(564.0)**	(377.7)	438.8

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

	As at 30 Jun 2023 £m	As at 31 Dec 2022 £m	As at 30 Jun 2022 £m
Cash at bank and cash equivalents	**496.1**	640.7	555.3
Short-term deposits	**75.3**	423.5	99.3
Bank overdrafts	**(121.2)**	(14.1)	(3.8)
	450.2	1,050.1	650.8

£91.5m (31 December 2022: £91.4m; 30 June 2022: £77.0m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

10 ACQUISITIONS AND DISPOSALS

A. Acquisitions

The Group, to expand its aftersales capacity in Singapore, acquired certain assets and liabilities, and the ongoing operations, from Auto Insure Ptd. Ltd. for cash consideration of £3.9m. Provisional goodwill of £3.9m arose on the acquisition.

B. 2022 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") for consideration of £723.1m, satisfied by the issue of 38.5m new shares in the Inchcape group and by £407.3m in cash.

Adjustments to the acquisition balance sheet, which remains provisional at June 2023, recognised in the period have resulted in an increase to the provisional goodwill of £11.1m.

Other acquisitions

The acquisition accounting in respect of the acquisition of 70% of Comercializadora Ditec Automoviles S.A., and the entire share capital of ITC Group, was finalised in the period, with no further measurement period adjustments made.

11 FINANCIAL RISK MANAGEMENT

A. Financial risk factors

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

During the six months to 30 June 2023, the Group has continued to apply the financial risk management process and policies as detailed in the Group's principal risks and risk management process included in the Annual Report and Accounts 2022. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in the Annual Report and Accounts 2022.

B. Foreign currency risk

The Group publishes its consolidated interim 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.

C. Interest rate risk

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. 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. For the Group's corporate debt, excluding the Revolving Credit Facility, around 70% is at fixed rates and over 50% has a maturity of at least 3 years.

D. Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations leading to a financial loss for the Group. Credit risk arises from cash and cash equivalents, trade receivables and other financial assets. 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 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 historically low default loss percentage incurred by the Group.

E. Liquidity risk

As at 30 June 2023, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (31 December 2022: £700m), sterling Private Placement Loan Notes totalling £210m (31 December 2022: £210m) and a term loan facility of £250m (31 December 2022: £250m). As at 30 June 2023, £120m of the £700m syndicated revolving credit facility was drawn (31 December 2022: £nil).

The Group entered into the syndicated revolving credit facility of £700m in February 2019, 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.

NOTES (UNAUDITED) CONTINUED

11 FINANCIAL RISK MANAGEMENT CONTINUED

Private Placement Loan Notes of £70m mature in May 2024, and the £250m term loan facility matures in December 2024. 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 measured on a trailing 12-month basis at June and December. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant as at 30 June 2023.

In June 2023, the Group issued £350m Guaranteed Notes ("the Notes") due 2028 with a coupon rate of 6.5%. The proceeds from the issue of the Notes were used to repay the £350m Bridge Facility entered into as part of the acquisition of the Derco group in 2022.

F. Vehicle funding arrangements

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally are uncommitted facilities and have a maturity of 180 days or less. Amounts due under these vehicle funding arrangements are included within trade and other payables in the consolidated statement of financial position. Related cash flows are reported within cash flows from operating activities in the consolidated statement of cash flows. As at 30 June 2023, the total amount outstanding under such arrangements was £1,695.7m (31 December 2022: £1,422.5m).

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

G. Fair value measurements

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

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

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

	As at 30 June 2023				As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets								
Derivatives used for hedging	**–**	**23.6**	**–**	**23.6**	–	54.2	–	54.2
Financial assets at fair value through other comprehensive income	**1.0**	**–**	**2.9**	**3.9**	0.9	–	2.6	3.5
	1.0	**23.6**	**2.9**	**27.5**	0.9	54.2	2.6	57.7
Liabilities								
Derivatives used for hedging	**–**	**(122.4)**	**–**	**(122.4)**	–	(39.5)	–	(39.5)
	–	**(122.4)**	**–**	**(122.4)**	–	(39.5)	–	(39.5)

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

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

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

NOTES (UNAUDITED) CONTINUED

11 FINANCIAL RISK MANAGEMENT CONTINUED

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange and prevailing forward interest rates at 30 June 2023.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	As at 30 Jun 2023	As at 31 Dec 2022	**As at 30 Jun 2023**	As at 31 Dec 2022
	£m	£m	**£m**	£m
Cross currency interest rate swaps	**–**	4.4	**–**	–
Forward foreign exchange contracts	**23.6**	49.8	**(122.4)**	(39.5)
	23.6	54.2	**(122.4)**	(39.5)

12 ASSETS HELD FOR SALE

	As at 30 Jun 2023 £m	As at 31 Dec 2022 £m
Assets held for sale	**18.0**	19.0

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

13 OTHER DISCLOSURES

A. RELATED PARTIES

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2022.

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

There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2023.

B. Contingencies

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 30 June 2023, there were 17 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK. 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 30 June 2023, 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.

14 FOREIGN CURRENCY TRANSLATION

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

	Average rates			Period end rates		
	30 Jun 2023	30 Jun 2022	31 Dec 2022	**30 Jun 2023**	30 Jun 2022	31 Dec 2022
Australian dollar	**1.84**	1.81	1.78	**1.91**	1.76	1.77
Chilean peso	**1,000.41**	1,070.80	1,073.09	**1,016.96**	1,118.04	1,028.42
Ethiopian birr[1]	**69.60**	66.35	64.72	**69.60**	63.50	64.72
Euro	**1.14**	1.19	1.17	**1.16**	1.16	1.13
Hong Kong dollar	**9.68**	10.18	9.70	**9.95**	9.56	9.44
Russian rouble[2]	**N/A**	106.85	106.85	**N/A**	78.92	78.92
Singapore dollar	**1.65**	1.77	1.71	**1.72**	1.69	1.62
US dollar	**1.23**	1.30	1.24	**1.27**	1.22	1.21

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

15 EVENTS AFTER THE REPORTING PERIOD

Stuart Rowley was appointed as a Non-Executive Director with effect from 17 July 2023.

16 ALTERNATIVE PERFORMANCE MEASURES

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

The Group's income statement and segmental analysis identify separately adjusted 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.

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 type activities.

Constant currency

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

Performance Measure	Definition	Why we measure it
Adjusted gross profit	Gross profit before adjusting items.	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.	A key metric of the Group's underlying business performance.
Operating margin	Operating profit (before adjusting items) divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to 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.	A key driver of delivering sustainable and growing earnings to shareholders.
Adjusting items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 3.	The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying 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.	A measure useful to shareholders and investors to understand the earnings attributable to shareholders excluding the impact of adjusting items.
Net capital expenditure	Cash outflows from the purchase of property, plant, equipment and intangible assets less the proceeds from the disposal of property, plant, equipment and intangible assets. Refer to page 38.	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. Refer to page 38.	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. Refer to page 39.	ROCE is a measure of the Group's 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 9b.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

NOTES (UNAUDITED) CONTINUED

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 IFRS16 lease liabilities. Refer to note 9b.	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 percentage change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of underlying business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

APMs: Reconciliation of income statement measures

Continuing operations	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m
Gross Profit	**965.3**	615.3
Add back: Adjusting items charged to gross profit	**–**	–
Adjusted Gross Profit from continuing operations	**965.3**	615.3
Less: Segment operating expenses	**(638.6)**	(411.3)
Adjusted Operating Profit from continuing operations	**326.7**	204.0
(Less)/add: Adjusting items in operating expenses	**(21.2)**	3.3
Operating Profit	**305.5**	207.3
Less: Net Finance Costs and JV profits/losses	**(101.6)**	(19.8)
Profit Before Tax	**203.9**	187.5
Add/(less): Total adjusting Items	**45.0**	(3.3)
Adjusted profit before tax from continuing operations	**248.9**	184.2

APMs: Reconciliation of cash flow measures

	Six months to 30 Jun 2023 £m	**Six months to 30 Jun 2023 £m**	Six months to 30 Jun 2022 £m	Six months to 30 Jun 2022 £m
Net cash generated from total operating activities		**265.2**		287.1
Add back: Payments in respect of adjusting items		**20.6**		4.7
Net cash generated from operating activities, before adjusting items		**285.8**		291.8
Purchase of property, plant and equipment	**(32.5)**		(24.3)	
Purchase of intangible assets	**(3.2)**		(1.2)	
Proceeds from disposal of property, plant and equipment	**1.2**		7.5	
Net capital expenditure		**(34.5)**		(18.0)
Net payment in relation to leases		**(45.3)**		(29.8)
Dividends paid to non-controlling interests		**(4.4)**		(2.9)
Free cash flow		**201.6**		241.1
Less: Free cash flow from discontinued operations		**–**		(17.4)
Free cash flow from continuing operations		**201.6**		223.7

NOTES (UNAUDITED) CONTINUED

APMs: Reconciliation of balance sheet measures

	As at 30 Jun 2023 £m	As at 30 Jun 2022 £m
Adjusted operating profit from continuing operations	**326.7**	204.0
Adjusted operating profit for the previous 6 month period from continuing operations	**206.8**	144.8
Adjusted operating profit from continuing operations on a 12 month basis	**533.5**	348.8
Net assets from continuing operations	**1,512.7**	1,137.4
Add net debt/less (net funds)	**1,044.0**	(97.6)
Capital employed – continuing operations	**2,556.7**	1,039.8
Effect of averaging	**(758.4)**	(28.7)
Average capital employed	**1,798.3**	1,011.1
Return on capital employed	**29.7%**	34.5%

	As at 30 Jun 2023 £m	As at 31 Dec 2022 £m
Net debt from continuing operations	**(1,044.0)**	(877.1)
Add back: lease liabilities	**480.0**	499.4
Adjusted net debt from continuing operations	**(564.0)**	(377.7)

INDEPENDENT REVIEW REPORT TO INCHCAPE PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, England

26 July 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors and positions held during the period were as published in the Annual Report and Accounts 2022. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

On behalf of the Board

Duncan Tait

GROUP CHIEF EXECUTIVE

26 July 2023