Inchcape plc, the leading global automotive distributor, announces its preliminary results for the twelve months to 31 December 2023

A strong performance, with substantial strategic progress – Inchcape well positioned for future growth

- **Another year of strong financial performance – double digit organic revenue and profit growth:**
  - Group Revenue up 41% on a reported basis to £11.4bn, boosted by acquisition of Derco
    - Group organic revenue growth[1] of 12%, Distribution organic growth[1] of 16%
  - Adjusted PBT[2] up 35% to £502m and Statutory PBT up 24% to £413m
    - Operating profit growth and higher operating margins of 5.8% (FY 2022: 5.1%) more than offsetting higher interest
    - Adjusted basic eps up 18% to 84.8p
  - Capital allocation policy remains unchanged, with near term focus on deleveraging
    - Total dividend per share up 18% to 33.9p
  - ROCE of 26%, free cash flow[2] conversion ahead of guidance range of 60%-70% at 74%, with leverage at 0.8x

- **Growth across each Distribution region:**
  - Continued growth, market share gains and strong margins across the Americas; but several markets remain weak, with further slowdown in a number of markets in Q4 2023
  - On-going positive momentum in APAC, supported by acquisitions and market share gains
  - Strong performance in Europe, boosted by order bank unwind, against a muted consumer environment

- **Substantial strategic progress – a record 15 distribution contracts won, and 3 acquisitions completed, in FY 2023:**
  - Driven by our ability to deliver for our mobility company partners ("OEMs"[3]), particularly through our market-leading capabilities in digital experience and data analytics
  - On Vehicle Lifecycle Services, good progress on our parts capabilities and used car programme, which is being re-focused on supporting Distribution model

- **Derco – integration progressing well, despite challenging markets:**
  - Foundation for revenue synergies in place in the Americas and other regions
  - Accelerated cost synergies of £21m delivered in FY 2023
    - Now expecting to deliver £10m more costs synergies, of at least £50m, in FY 2024, with integration cash costs of £70m over 3 years
  - Operating margins towards the top end of 5% - 7% range delivered, pre-synergies, in FY 2023
  - Successful completion of c.£200m excess inventory reduction

- **Outlook – moderated growth in the short term, accelerating in the medium to long term:**
  - Future growth and margins to be driven by our market leadership, cash generative business model, diversified geographic footprint and digital-led approach, supported by acquisitions and contract wins
  - Outlook for FY 2024 – another year of growth, albeit moderated:
    - Prudent expectations for recovery in certain markets, which are weaker than previous years
    - Even stronger focus on cost management to deliver a moderated short-term growth profile
  - Medium to long term outlook – expecting to return to higher levels of growth:
    - Many markets, particularly in the Americas, expected to recover from what are anticipated to be towards historical lows in FY 2024, supported by even stronger focus on cost management

Duncan Tait, Group CEO, commented:

"Inchcape produced a strong set of results in FY 2023, with an excellent performance across all our regions. The business continues to deliver, with double-digit organic revenue growth, margin progression, EPS growth and high levels of cash generation. We maintained positive momentum across APAC, supported by acquisitions, while Europe & Africa performed strongly, despite muted demand. The Americas produced growth in many markets, supported by Derco's performance, and while some markets became increasingly challenging, we continued to take market share across the region.

"We made substantial strategic progress last year, with a record number of distribution contracts won. These contracts, along with our investment in acquisitions, will continue to support the business as we grow in existing markets by building market share, expand into new markets, and develop our mobility company partner portfolio to drive growth. With our global market leadership position, disciplined approach to capital allocation, digital and data capabilities to support our mobility company partners and our highly cash-generative characteristics, Inchcape is well positioned for the future, and we remain confident about the medium to long-term outlook for the Group."

	2023	2022	% change reported	% change constant FX[2]	% change organic[1]
Key financials (continuing operations)					
Revenue	**£11,447m**	£8,133m	+41%	**+41%**	**+12%**
Adjusted Operating Profit[2]	**£669m**	£411m	+63%	**+64%**	
Adjusted Operating Margin[2]	**5.8%**	5.1%	+70bps	**+80bps**	
Adjusted Profit Before Tax[2]	**£502m**	£373m	+35%	**+36%**	
Adjusted Basic EPS[2]	**84.8p**	72.0p	+18%		
Dividend Per Share	**33.9p**	28.8p	+18%		
Free Cash Flow[2]	**£498m**	£380m	+31%		
Statutory financials					
Operating Profit (continuing operations)	**£619m**	£400m	+55%		
Profit Before Tax (continuing operations)	**£413m**	£333m	+24%		
Total profit / (loss) for the year	**£283m**	£(6)m			
Basic EPS (continuing operations)	**65.6p**	61.1p	+7%		
Net cash generated from operating activities	**593m**	494m	+20%		

1. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates. This metric includes contract wins and excludes acquisitions including Derco
2. These measures are Alternative Performance Measures, see Note 12
3. Original Equipment Manufacturers

Market abuse regulation statement
This announcement contains inside information.

Results presentation today
A presentation for analysts and investors will be held today, Tuesday 5th March 2024, 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

Q1 trading update	25th April 2024
Ex-dividend date for 2023 full year dividend	2nd May 2024
Record date	3rd May 2024
Annual general meeting	9th May 2024
Last election date	24th May 2024
Payment date	17th June 2024
H1 24 Interims Announcement	30th July 2024
Q3 trading update	24th October 2024

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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 company partners 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 22,000 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 revenue and adjusted operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Following the disposal of our remaining Retail-only business in Russia (Moscow) in 2022, 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

	2023	2022	% change reported	**% change constant FX[2]**	**% change organic[1]**
Revenue	**£11.4bn**	£8.1bn	+41%	**+41%**	**+12%**
Adjusted Operating Profit[2]	**£669m**	£411m	+63%	**+64%**	
Adjusted Operating Margin[2]	**5.8%**	5.1%	+70bps	**+80bps**	
Adjusted Profit Before Tax[2]	**£502m**	£373m	+35%		
Free Cash Flow[2]	**£498m**	£380m	+31%		
Return on Capital Employed	**26%**	41%[3]	(1500)bps		

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. See note 12 for definition of Key Performance Indicators and other Alternative Performance Measures

3. Adjusted to remove capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during that year

FY 2023 results – performance review

The Group delivered a strong operational and financial performance in 2023, driven by top line growth and margins well ahead of historic levels, supported by a continued shift towards our higher-margin and faster-growth Distribution business.

Group revenue of £11.4bn (2022: £8.1bn) rose 41% year-on-year reported, supported by organic growth and acquisitions. On an **organic basis**, excluding currency effects and net acquisitions, revenue increased by 12%. This was predominantly driven by volume growth, as supply continued to normalise, with some positive pricing impact on new and used vehicles across our Distribution businesses. We maintained positive momentum in APAC, while our performance in Europe and Africa was supported by an order bank unwind during the year. Volume growth across the Americas was flat, although we continued to increase share in many markets. Retail remained resilient.

The Group delivered an **adjusted operating profit** of £669m (2022: £411m), up 63% year-on-year reported, reflecting our continued shift towards Distribution, with organic revenue growth, the contribution of acquisitions, Derco synergies and some operating leverage. **Adjusted operating margins** increased by 70bps to 5.8%. Included within adjusted operating profit is a **net property profit** of £14m (2022: £2m), primarily related to the sale of a property in Australia, which more than offset impairment charges for certain retail sites. The Group also saw translational currency headwinds of (£4m) during the year.

Adjusted profit before tax (PBT) of £502m (2022: £373m) increased as a result of the improvement in revenue and operating profit.

This profit performance more than offset the increase in **adjusted net interest expense** to £168m (2022: £38m). This increase is primarily 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 acquisition of Derco, and a higher interest rate environment.

During the year pre-tax **adjusting items** amounted to an expense of £89m (2022: £40m). This was primarily driven by acquisition and integration costs (£50m), of which (£35m) related to Derco, the finance component of the deferred Derco dividend payment (£10m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting relating to Ethiopia (£29m).

The highly cash-generative nature of our business model drove strong **free cash flow** generation of £498m (2022: £380m), representing a conversion of adjusted operating profit of 74% (2022: 92%), above our guidance range of 60% - 70%, reflecting a stronger working capital performance. The net working capital inflow of £155m (2022: inflow £75m) was driven by a £215m reduction in excess inventory at Derco and an alignment of supplier trading terms, offset by a normalisation of working capital elsewhere across the Group. Net interest payments in the year increased to £130m (2022: £20m), excluding payment for leases, for the reasons outlined above.

As at 31 December 2023, Group **adjusted net debt** amounted to £601m (2022: £378m) (excluding lease liabilities), following ordinary dividend payments of £128m, payments relating to Derco of £267m and acquisition outflows primarily for the three acquisitions in APAC of £137m. On an IFRS 16 basis (including lease liabilities), the Group ended the period with net debt of £1,041m (December 2022: net debt of £877m). Group leverage on a proforma basis was approximately 0.8x at 31 December 2023, within the Group's internally-mandated leverage limit of 1x (pre IFRS16).

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. Additionally, in December 2023, the Group's syndicated revolving credit facility was renewed and increased to £900m, extending the maturity to December 2028.

Return on capital employed over the period was 26%, compared to 41% for the equivalent period last year, driven by the dilutive effect of acquisitions, and in line with our guidance of approximately 25%.

Q4 2023

Group revenue for the fourth quarter was £3.0bn, up 40% reported, reflecting the benefit of acquisitions, and **organic growth** of 13%, compared to +10% in Q3. In **Distribution**, revenue increased 16% organically, compared to 13% in Q3. The sequential step-up in organic growth was driven by on-going positive momentum across the APAC region, and the continued order bank unwind in Europe, partially offset by a weaker performance in the Americas. In **Retail**, revenue increased 4% organically, compared to 1% in Q3, partly supported by fleet.

Update on Derco – delivering against key metrics

We made further **progress on the integration of Derco** during the year, with all mobility company partner relationships maintained, key personnel retained and the technology integration on track.

As a result of the acquisition**, the Group consolidated its market leadership position in the Americas,** with foundations in place for revenue synergies, to help grow market share and further extend our mobility company partnerships in the region. Furthermore, there were strategic benefits achieved globally, including distribution contracts with Great Wall Motors in Indonesia and with Changan in the Philippines and East Africa, both of whom were historical Derco relationships.

Derco delivered a resilent financial performance in FY 2023, with **operating margin towards the top end of the 5% –7% range** of a typical distribution business, pre-synergies. Furthermore, as a result of proactive management action, **excess inventory of c.£200m was successfully reduced** during the year, resulting in a strong working capital inflow. This inflow was further supported by an alignment of trading terms.

We achieved **accelerated cost-related annualised synergies in FY 2023 of £21m** and we now expect to deliver an additional £10m of annualised cost synergies, of at least £50m, by the end of FY 2024. One-time integration cash costs of £70m will be invested in driving these synergies, of which £35m was invested in FY 2023, with these costs now expected to be incurred over three years, to help support the future delivery of cost-related synergies.

Looking ahead, we remain confident that the **high quality of the combined Inchcape and Derco business**, with its leading market positions in the Americas, will deliver strong revenue and profit growth in the future.

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 us closer to our mobility company partners and help us to 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 FY 2023:

- **Planet**: We made steady progress in reducing our Scope 1 and 2 CO2 emissions by 31%, and we remain on track to meet our reduction target of 46% by 2030. In addition, the Group's volume exposure to Electric Vehicles during the year was stable at 2.4%;
- **People**: We made significant progress with our People pillar. Key highlights include our Inclusive Leadership Programme, which has successfully engaged over 650 leaders globally since 2021. Since that time, over 100 female colleagues have graduated from our Women into Leadership Programme;
- **Places**: We delivered over 30 programmes across our regions to improve road and driver safety, improve mobility for people with disabilities, and provide humanitarian and educational programmes; and
- **Practices**: During 2023 and early 2024 we rolled out our enhanced Code of Conduct across our global business. This includes over 4,000 new colleagues who have joined the Group via acquisitions made over the last 18 months.

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

In the Group's core operations, we work with our mobility company partners in smaller, more complex and harder-to-reach markets, which tend to be higher growth with low motorisation rates. Our Distribution Excellence approach connects the products of our mobility company partners with consumers, supported by insights from our data analytics platform.

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, when we choose to operate dealerships ourselves, we perform retail and aftersales services. During FY 2023, we made further progress in this area through these following areas of investment:

- Digital, Data & Analytics: We continued to invest in our digital capabilities to drive performance and efficiency in our markets. On DXP, our customer experience platform, we have continued to develop and roll out an enhanced version of the platform across our regions, with improved functionality. DAP, which provides advanced analytics and machine learning, leverages our data and drives smarter, faster and better business decisions. By the end of FY 2023, we were running over 250 machine-learning algorithms and over 100 non-AI statistical forecast models across a range of markets.

- *Acquisitions*: 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 a range of 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

- *Distribution contract wins*: We won 15 distribution contracts with mobility company partners during the year, including a global strategic partnership with Great Wall Motors. Building on the Chinese mobility company partnerships through the acquisition of Derco, Inchcape is now the leading independent distributor of Chinese vehicles.
  - Distribution contract wins with existing mobility company partners in FY 2023 include BYD Commercial Vehicles in Singapore and Belux; Geely in Guatemala, and El Salvador; Subaru in Bolivia and Ecuador; Mercedes-Benz in Honduras; Great Wall in Indonesia; and Changan in the Philippines and across a number of markets in East Africa. Distribution contract wins in FY 2023 with new mobility company partners for Inchcape included Tata in Thailand and XCMG in Colombia and Peru. In addition, we have already won several new distribution contracts in Q1 2024, with mobility company partners including Changan in the Caribbean and Ford in the Baltics.

To provide investors and analysts with further understanding of the dynamics of the Distribution commercial model, management will be hosting an **"In The Driving Seat" webinar on Thursday 23 May 2024**, at 2pm UK time. Access details for this event will be published nearer the time.

(2) Vehicle Lifecycle Services (VLS): *capturing more lifetime value of vehicles*
We continue to see the strategic importance of VLS, with an opportunity for the Group to unlock value in the subsequent phases of the vehicle's lifecycle, through value-added services. VLS will drive enhancements to our core Distribution business and initiatives, through capabilities which include our Digital Parts Platform, a used car channel for our independent dealers, further finance and insurance programmes and warranty management.

- Digital Parts Platform: The platform in Australia continues to gain traction, with an ambition to modernise the aftermarket parts industry. We are further scaling this platform in Australia, with 12 distributors and 410 aftersales workshops now using the platform, and several new mobility company partners signed up to the platform, including BYD and Stellantis. We are planning to launch the platform across other markets in APAC in 2024.

- Used car excellence: We intend to further reduce the scale of bravoauto to its profitable core, particularly given our continued strategic focus on reducing our retail-only footprint. This will ensure a more focused and tailored approach for bravoauto, as a value-added service for our Distribution business, with a moderated operational and geographic profile, supported by a continued disciplined approach to investment. In light of our review of strategic options for the UK retail business, we are re-evaluating our ambitions for bravoauto as part of VLS.

Capital allocation

Supported by a strong balance sheet, our **capital allocation policy remains unchanged:** 1) to invest in the business for future growth; 2) to make dividend payments; 3) to conduct value-accretive acquisitions; and 4) in the absence of inorganic opportunities, to consider share buybacks, as appropriate, subject to the Group's leverage limit. In the short term, the Group continues to focus on deleveraging.

Our dividend policy targets a **40% annual payout** ratio of basic adjusted EPS, and as such our total dividend amounts to 33.9p compared to 28.8p in 2022.

Investment proposition

Inchcape is the **global leader in automotive distribution**, with a highly compelling offering for mobility company partners, based on a **differentiated, scaled and diversified business model**, which is asset-light and digitally-enabled. With the Group's on-going **investment in growth opportunities**, in particular through organic investment and acquisitions, Inchcape will continue to build on its long track record of delivering **revenue and profit growth, high levels of returns** and **strong free cash flow generation** through the cycle.

As evidence of this **track record of delivery**, the Group has relationships with 60 mobility company partners and, during FY 2023, delivered 74% free cash flow conversion and ROCE of 26%.

Our investment case is underpinned by **consistent execution against clear strategic objectives**, combined with a **disciplined approach to capital allocation**. These factors enable the Group to continue delivering **attractive returns for shareholders**.

Outlook

Future growth and operating margin delivery at Inchcape will be driven by our market leadership, resilient and cash generative business model, diversified geographic footprint and digital-led approach and supported by acquisitions and contract wins. The Group will also continue to invest in digital capabilities to enhance customer loyalty and drive margins.

FY 2024 is expected to be another year of growth, albeit moderated, with the Group maintaining prudent expectations for recovery in FY 2024 in certain markets, which are weaker than previous years. To that end, the Group is driving an even stronger focus on cost management to deliver a moderated short term growth profile, in the context of broader market dynamics.

Over the medium to long term, the Group is expecting to return to higher levels of growth, compared to FY 2024, with many markets, particularly in the Americas, expected to recover from what are anticipated to be towards historical lows in FY 2024. Medium to long term growth will be supported by the Group's even stronger focus on cost management.

Operating and financial review

Distribution

Distribution reported revenue of £9.1bn, increasing 55% year-on-year on a reported basis, reflecting the contribution of acquisition as well as organic growth, which was up 16%. The combination of an excellent revenue performance and margin expansion of 70bps drove adjusted operating profit[1] of £629m (2022: £363m). Adjusted operating margin[1] rose 70bps to 6.9%.

	2023 £m	2022 £m	% change reported	% change constant FX	% change organic[2]
Revenue					
APAC	**2,826**	2,341	+21%	+23%	+16%
Europe & Africa	**2,521**	2,048	+23%	+21%	+21%
Americas	**3,746**	1,480	+153%	+152%	+7%
Total Distribution	**9,093**	**5,869**	**+55%**	**+55%**	**+16%**
Adjusted operating profit[1]					
APAC	**235**	163	+44%	+47%	
Europe & Africa	**132**	90	+47%	+47%	
Americas	**262**	110	+138%	+137%	
Total Distribution	**629**	**363**	**+73%**	**+75%**	
Adjusted operating margin[1]					
APAC	**8.3%**	7.0%	+130bps	+130bps	
Europe & Africa	**5.2%**	4.4%	+80bps	+90bps	
Americas	**7.0%**	7.4%	(40)bps	(50)bps	
Total Distribution	**6.9%**	**6.2%**	**+70bps**	**+80bps**	

APAC revenue was up 21% year-on-year, reflecting organic growth of 16% and contribution of acquisitions. Adjusted operating profit[1] rose 44%, with an elevated adjusted operating margin of 8.3%. Excluding the impact of property profits, operating margin was higher year-on-year at 7.7%. Our **Asia** markets performed well, particularly **Guam** and **Brunei**. In **Hong Kong**, where the market continued to show some signs of recovery, we delivered market share gains and gained traction in certain segments where our brands perform relatively well. This was supported by a healthy order bank and further progress in diversifying our mobility company partner portfolio, particularly in Electric Vehicles. In **Singapore**, vehicle licence availability remained well below peak levels, but there were some encouraging signs of licence availability towards the end of the year. In **Australasia**, our strong performance was driven by momentum in new vehicle volumes, with market share gains achieved. This was partly due to improved supply against a strong opening order bank. During Q3 2024, we made three bolt-on distribution acquisitions in APAC (CATS in the Philippines, Mercedes-Benz in Indonesia and Great Lake Motor Distributors in New Zealand), which added an aggregate c.£400m in annualised revenue, with these businesses starting to contribute in FY 2023.

Europe & Africa revenue was up 23% year-on-year with adjusted operating profit[1] rising 47%, with elevated levels of adjusted operating margin at 5.2%. In **Europe**, accelerated supply and an order bank unwind helped to drive top-line growth and margin performance. During the year, there were particularly strong performances from **Belux, Greece** and **Romania**. The region's elevated order bank reduced during the course of 2023, and new consumer demand remains muted in a number of markets. **Africa** continues to be an exciting long-term growth prospect for the Group and has performed well, supported by a resilient aftermarket capability.
Americas revenue grew 153% year-on-year, driven by the contribution from Derco and organic growth of 7%. Adjusted operating profit[1] grew 138%, with adjusted operating margin of 7.0%. Despite challenges across the year in certain markets, and further slowdown in a number of markets in Q4 2023, we continued to gain market share and drive growth in many markets across the region, supported by the benefit of diversification. Our businesses in **Peru**, **Bolivia**, **Uruguay**, **Ecuador,** across **Central America** and in the **Caribbean** performed well during the year, with market share gains in a number of these markets. Industry volumes in **Chile** and **Colombia** were significantly reduced from the prior year but our businesses in those markets remain resilient, with strong market share. We remain confident about our prospects in the Americas over the medium to long term, with our highly diversified geographic footprint and product portfolio, and supported by the region's high GDP growth, low motorisation rates.

Retail

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

	2023 £m	2022 £m	% change reported	% change constant FX	% change organic[2]
Revenue					
Total Retail	**2,354**	**2,264**	**+4%**	**+3%**	**+3%**
Adjusted operating profit[1]					
Total Retail	**40**	**48**	**(17)%**	**(17)%**	
Adjusted operating margin[1]					
Total Retail	**1.7%**	**2.1%**	**(40)bps**	**(40)bps**	

Retail delivered organic revenue growth of 3% and adjusted operating profit[1] declined (17)%, resulting in an adjusted operating margin of 1.7%. Retail remained resilient, despite weaker consumer demand, supported by new vehicle growth from a stronger fleet market and a robust aftersales business. The reduction in operating profit largely reflects a more normalised margin in used cars.

As previously announced, following approaches from a number of interested parties, the Group is reviewing strategic options for the UK Retail business, which potentially could include a sale. This review remains at an early stage and there can be no certainty that it will result in a transaction. A further update on this review will be provided as and when appropriate.

We note that the FCA has announced a review into historical finance commission arrangements. We look forward to the outcome of the FCA review and the clarity that this will bring for customers, lenders and dealers.

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

	2023 £m	2022 £m	% change reported	% change constant FX
Gross Profit				
Vehicles	**1,391**	883	+58%	+50%
Aftersales	**548**	442	+24%	+28%
Total	**1,939**	**1,325**	**+46%**	**+43%**

We operate across the automotive value chain, and during the year we generated 28% of gross profit through Aftersales (2022: 33%). This reflects greater gross profit contribution from vehicles as volumes improved, the contribution of acquisitions and higher vehicle gross margins.

Other financial items

Adjusting items: In the year, we have reported a pre-tax charge of £89m (2022: £40m) in respect of adjusting items. This was primarily driven by acquisition and integration costs (£50m), 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 (£29m). Further details can be found in note 3 of the condensed financial statements.

Net financing costs: Adjusted net finance costs increased to £168m (2022: £38m), primarily 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 acquisition of Derco, and a higher interest rate environment. Reported net finance costs were £207m (2022: £67m), primarily driven by 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 (£29m).

Tax: The effective tax rate on adjusted profit is 27.9% (2022: 26.0%), within the Group's guidance range of between 27% and 28%, and on a statutory basis is 31.5% (2022: 29.4%). The effective tax rate on adjusted profit continues to be higher than the weighted average tax rate (22.4%) due primarily to the impact of unrecognised deferred tax assets across the group, principally in the UK and Americas.

Non-controlling interests: Profits attributable to our non-controlling interests increased to £13m (2022: £5m). Non-controlling interests now include a 40% holding in the CATS Group of Companies in the Philippines and a 30% holding in the Mercedes-Benz distribution business in Indonesia following their acquisition by the Group during the year. Other significant non-controlling interests include a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Dividend: The Board has proposed a final ordinary dividend of 24.3p, which is subject to the approval of shareholders at the 2024 Annual General meeting, and if approved will be paid in June 2024. This follows an interim dividend of 9.6p, and takes the total dividend in respect of FY 2023 to 33.9p. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 24 May 2024.

Capital expenditure: During 2023, the Group incurred net capital expenditure of £62m (2022: £58m), consisting of £93m of capital expenditure (2022: £68m) and £31m of proceeds from the disposal of property, plant and equipment (2022: £10m).

Financing: As at 31 December 2023, the funding structure of the Group is comprised of a committed syndicated revolving credit facility of £900m (2022: £700m), sterling Private Placement Loan Notes totalling £210m (2022: £210m), a 5-year bond of £350m, at a fixed coupon of 6.5%, a term facility of £250m (2022: £250m) and debt acquired from acquisitions (including prior year acquisitions) of £80m (2022: £617m). As at 31 December 2023, £150m of the syndicated revolving credit facility was drawn (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 31 December 2023, the IAS 19 net post-retirement surplus was £67m (2022: £93m), with the decrease driven largely by lower than expected returns on scheme assets and 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 made additional cash contributions to the UK pension schemes of £2m (2022: £3m). In addition, the Group acquired post-retirement liabilities of £11m as a result of the acquisitions in the year.

Acquisitions: During the year the Group continued to further expand its distribution footprint, completing three acquisitions during the year, amounting to net acquisition outflows of £146m, with £23m of additional debt acquired (excluding lease liabilities).

RISKS

PRINCIPAL BUSINESS RISKS

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

Tier 1:

- Cybersecurity incident;
- EV transition risks;
- Margin pressure (changing route to market, incentives);
- Macro-economic conditions (cost inflation, economic slowdown);
- HSE: Health, safety or environmental incident; and
- Political risks/social unrest;

Tier 2:

- Acquisition ROI;
- Business interruption (pandemic, natural hazards)Supply chain disruption;
- Derco integration;
- Financial reporting, fraud;
- Foreign exchange volatility; HSE: Health, safety or environmental incident;
- Legal/regulatory compliance;
- Loss of Distribution contract
- Loss of technology systems (non-cyber);
- New market entrants: business models or technology;
- People engagement and rentention;
- People future skills;
- Supply chain disruption;
- Strategy delivery and transformation; and
- FCA investigation.

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

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, Komatsu, Mazda, Renault, Still, Subaru, Suzuki
Chile	BMW, BMW Motorrad, DFSK, Changan, Geely, Great Wall, Hangcha, Haval, Hino, JAC Motors, Jaguar, JCB, Komatsu, Land Rover, Landini, Massey Ferguson, Mazda, MINI, Porsche, Renault, Rolls Royce, Still, Subaru, Suzuki, Volvo
Colombia	Citroen, Develon, DFSK, Dieci, Doosan, DS Automobiles, Hangcha, Hino, Jaguar, Komatsu, Land Rover, Liebher, Linde, Mack, Mercedes-Benz, Still, 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	Freightliner, Geely, Mercedes-Benz, Western Star
Panama	Suzuki
Peru	BMW, BMW Motorrad, Changan, Citroen, DFSK, Great Wall, Haval, Hino, JAC Motors, Komatsu, Mazda, MINI, Renault, Still, Subaru, Suzuki, XCMG
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, Lexus, Toyota, Morrico heavy equipment[3]
Hong Kong	Hino, Jaguar, Land Rover, Lexus, Maxus, ORA, Toyota
Indonesia	Great Wall, Harley Davidson, Jaguar, Land Rover, Mercedes-Benz
Macau	Hino, Jaguar, Land Rover, Lexus, ORA, Toyota
Saipan	Toyota, Lexus
Singapore	BYD Commercial Vehicles, Hino, Lexus, Suzuki, Toyota
Philippines	Changan, Harley Davidson, Jaguar, Land Rover, Mazda, Mercedes-Benz, Ram
Thailand	Jaguar, Land Rover, Tata Motors
Australia	Citroen, Peugeot, Subaru
New Zealand	Maxus, Subaru

2. Distribution agreements for these brands across a range of Pacific islands, centred on Guam
3. Morrico heavy equipment - Bomag, CNHI International SA, Cummins, Daimler, Detroit Diesel International Direct, Dieci, DTNA , EL Industries, Fuso, Haulotte, Hyundai, Kohler, Load King, New Holland, Rosenbauer, Schwarze, Sullivan Palatek, Vac Con, WanCo

Europe & Africa

Country	Brands
Belgium	BYD, BYD Commercial Vehicles, Lexus, Toyota
Bulgaria	Lexus, Toyota
Estonia	BMW, BMW Motorrad, 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
Luxembourg	BYD, Lexus, Toyota
North Macedonia	Lexus, Toyota
Poland	Jaguar, Land Rover
Romania	Lexus, Toyota
Djibouti	BMW, Changan, Komatsu, Toyota
Ethiopia	Hino, Komatsu, New Holland, Suzuki, Toyota
Kenya	BMW, BMW Motorrad, Changan, Jaguar, Land Rover
Tanzania	Changan

RETAIL

Country	Brands
Australia[4]	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

4. Following scale disposal of retail businesses in Australia, no longer disclosed within Retail

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

Continuing operations	Notes	2023 £m	2022 £m
Revenue	2	**11,447**	8,133
Cost of sales		**(9,508)**	(6,808)
Gross profit		**1,939**	1,325
Net operating expenses		**(1,320)**	(925)
Operating profit	2	**619**	400
Share of profit after tax of joint ventures and associates		**1**	–
Profit before finance and tax		**620**	400
Finance income	4	**52**	21
Finance costs	4	**(259)**	(88)
Profit before tax from continuing operations		**413**	333
Tax	5	**(130)**	(98)
Profit for the year from continuing operations		**283**	235
Loss from discontinued operations	9(c)	**–**	(241)
Total profit/(loss) for the year		**283**	(6)
Profit/(loss) attributable to:			
Owners of the parent		**270**	(11)
Non-controlling interests		**13**	5
		283	(6)
Earnings per share from continuing operations attributable to the owners	6		
Basic earnings per share (pence)		**65.6p**	61.1p
Diluted earnings per share (pence)		**64.8p**	54.6p
Earnings/(loss) per share attributable to the owners of the parent	6		
Basic earnings/(loss) per share (pence)		**65.6p**	(2.9)p
Diluted earnings/(loss) per share (pence)		**64.8p**	(2.5)p
Alternative performance measures:			
Operating profit from continuing operations		**619**	400
Adjusting items within net operating expenses:	3	**50**	11
Acquisition and integration costs		**50**	42
Disposal of businesses		**–**	(14)
Accelerated amortisation and net impairment reversals		**–**	3
Gain on pension indexation		**–**	(20)
Adjusted operating profit from continuing operations		**669**	411
Share of profit after tax of joint ventures and associates		**1**	–
Adjusted profit before finance costs and tax from continuing operations		**670**	411
Net finance costs		**(207)**	(67)
Adjusting items within net finance costs:	3	**39**	29
Net monetary loss on hyperinflation		**29**	29
Interest on dividend payments to former shareholders of Derco		**10**	–
Adjusted profit before tax from continuing operations		**502**	373
Tax on adjusted profit		**(140)**	(97)
Adjusted profit after tax from continuing operations		**362**	276
Adjusted earnings per share from continuing operations	6		
Basic adjusted earnings per share		**84.8p**	72.0p
Diluted adjusted earnings per share		**83.7p**	64.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023 £m**	2022 £m
Profit/(loss) for the year		**283**	(6)
Other comprehensive income/(loss):			
Items that will not be reclassified to the consolidated income statement			
Retirement benefit schemes			
– net actuarial losses		**(20)**	(12)
– deferred tax on actuarial losses		**–**	–
		(20)	(12)
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges			
– net fair value (losses)/gains		**(48)**	9
– tax on cash flow hedges[1]		**17**	(7)
Investments held at fair value			
– net fair value losses		**(3)**	(2)
Deferred tax on taxation losses		**(1)**	–
Foreign currency translation			
– exchange differences on translation of foreign operations		**(133)**	133
– exchange differences on translation of discontinued operations	9(b)	**–**	19
– recycling of foreign currency reserve		**(1)**	99
Adjustments for hyperinflation		**36**	49
		(133)	300
Other comprehensive (loss)/income for the year		**(153)**	288
Total comprehensive income for the year		**130**	282
Total comprehensive income attributable to:			
– Owners of the parent		**120**	271
– Non-controlling interests		**10**	11
		130	282
Total comprehensive income/(loss) arising from:			
– Continuing operations		**130**	405
– Discontinued operations		**–**	(123)

1. Taxation in other comprehensive income in respect of cashflow hedges is comprised of a deferred tax credit of £18m (2022: charge of £9m) offset by a current tax charge of £1m (2022: credit of £3m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets		**1,271**	1,174
Property, plant and equipment		**893**	737
Right-of-use assets		**364**	419
Investments in joint ventures and associates		**21**	22
Financial assets at fair value through other comprehensive income		**1**	3
Derivative financial instruments		**11**	17
Trade and other receivables		**49**	54
Deferred tax assets		**105**	80
Retirement benefit asset		**84**	104
		2,799	2,610
Current assets			
Inventories		**2,718**	2,376
Trade and other receivables		**835**	817
Derivative financial instruments		**28**	37
Current tax assets		**56**	41
Cash and cash equivalents	8(b)	**689**	1,064
Assets held for sale		**14**	19
		4,340	4,354
Total assets		**7,139**	6,964
Current liabilities			
Trade and other payables		**(3,150)**	(2,898)
Derivative financial instruments		**(78)**	(39)
Current tax liabilities		**(81)**	(88)
Provisions		**(69)**	(57)
Lease liabilities		**(81)**	(83)
Borrowings		**(652)**	(546)
		(4,111)	(3,711)
Non-current liabilities			
Trade and other payables		**(69)**	(60)
Provisions		**(39)**	(47)
Derivative financial instruments		**(19)**	(1)
Deferred tax liabilities		**(267)**	(255)
Lease liabilities		**(359)**	(416)
Borrowings		**(638)**	(896)
Retirement benefit liability		**(17)**	(11)
		(1,408)	(1,686)
Total liabilities		**(5,519)**	(5,397)
Net assets		**1,620**	1,567
Equity			
Share capital		**42**	38
Share premium		**147**	147
Capital redemption reserve		**143**	143
Merger reserve		**312**	316
Other reserves		**(63)**	69
Retained earnings		**940**	820
Equity attributable to owners of the parent		**1,521**	1,533
Non-controlling interests		**99**	34
Total equity		**1,620**	1,567

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

ADRIAN LEWIS
GROUP CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £m	Share Premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2022		39	147	142	–	(228)	1,009	1,109	22	1,131
(Loss)/profit for the year		–	–	–	–	–	(11)	(11)	5	(6)
Other comprehensive income/(loss) for the year		–	–	–	–	294	(12)	282	6	288
Total comprehensive income/(loss) for the year		–	–	–	–	294	(23)	271	11	282
Hedging gains and losses transferred to inventory		–	–	–	–	3	–	3	–	3
Written put option		–	–	–	–	–	(13)	(13)	–	(13)
Shares to be issued		–	–	–	316	–	–	316	–	316
Non-controlling interests on acquisition of subsidiaries		–	–	–	–	–	–	–	5	5
Share-based payments, net of tax		–	–	–	–	–	10	10	–	10
Share buyback programme		(1)	–	1	–	–	(70)	(70)	–	(70)
Purchase of own shares by the Inchcape Employee Trust		–	–	–	–	–	(4)	(4)	–	(4)
Dividends:										
– Owners of the parent	7	–	–	–	–	–	(89)	(89)	–	(89)
– Non-controlling interests		–	–	–	–	–	–	–	(4)	(4)
At 1 January 2023		**38**	**147**	**143**	**316**	**69**	**820**	**1,533**	**34**	**1,567**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**270**	**270**	**13**	**283**
Other comprehensive (loss)/income for the year		**–**	**–**	**–**	**–**	**(130)**	**(20)**	**(150)**	**(3)**	**(153)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**(130)**	**250**	**120**	**10**	**130**
Hedging gains and losses transferred to inventory		**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Written put option	9(b)	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Shares issued		**4**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests	9(b)	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**(3)**	**–**
Non-controlling interests on acquisition of subsidiaries	9(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64**	**64**
Share-based payments, net of tax		**–**	**–**	**–**	**–**	**–**	**15**	**15**	**–**	**15**
Purchase of own shares by the Inchcape Employee Trust		**–**	**–**	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Dividends:										
– Owners of the parent	7	**–**	**–**	**–**	**–**	**–**	**(128)**	**(128)**	**–**	**(128)**
– Non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
At 31 December 2023		**42**	**147**	**143**	**312**	**(63)**	**940**	**1,521**	**99**	**1,620**

Share-based payments include a net tax credit of £nil (2022: net tax credit of £nil).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Cash generated from operating activities			
Cash generated from operations	8(a)	**900**	619
Tax paid		**(156)**	(95)
Interest received		**46**	17
Interest paid		**(197)**	(47)
Net cash generated from operating activities		**593**	494
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	9(a)	**(137)**	(395)
Net cash inflow/(outflow) from sale of businesses		**1**	(17)
Proceeds from disposal of investments in joint ventures and associates		**2**	–
Purchase of investments in joint ventures and associates		**(3)**	(6)
Purchase of property, plant and equipment		**(88)**	(64)
Purchase of intangible assets		**(5)**	(4)
Proceeds from disposal of property, plant and equipment		**31**	10
Dividends received from joint ventures and associates		**1**	–
Payments made before the commencement date of a lease		**–**	(1)
Receipt from finance sub-lease receivables		**3**	2
Net cash used in investing activities		**(195)**	(475)
Cash flows from financing activities			
Share buyback programme		**–**	(70)
Purchase of own shares by the Inchcape Employee Trust		**(19)**	(4)
Cash (outflow)/inflow from acquisition financing bridge facility		**(350)**	600
Cash inflow from revolving credit facility		**150**	–
Cash inflow from bond issuance		**348**	–
Cash outflow from other borrowings		**(560)**	(4)
Payment of capital element of lease liabilities		**(87)**	(63)
Payments to former shareholders of Derco group		**(267)**	–
Equity dividends paid	7	**(128)**	(89)
Acquisition of non-controlling interests		**(15)**	–
Dividends paid to non-controlling interests		**(6)**	(4)
Net cash (used in)/generated from financing activities		**(934)**	366
Net (decrease)/increase in cash and cash equivalents	8(b)	**(536)**	385
Cash and cash equivalents at beginning of the year		**1,050**	589
Effect of foreign exchange rate changes		**(74)**	76
Cash and cash equivalents at the end of the year		**440**	1,050
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents		**610**	641
– Short-term deposits		**79**	423
– Bank overdrafts		**(249)**	(14)
		440	1,050

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed set of financial information presented for the years ended 31 December 2023 and 2022 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2022 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The financial information for the year ended 31 December 2023 and the comparative information have been extracted from the audited consolidated financial statements for the year ended 31 December 2023 prepared under IFRS, which have not yet been approved by the shareholders and have not yet been delivered to the Registrar. The report of the auditors on the consolidated financial statements for 2023 was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The condensed set of consolidated financial information has been prepared using accounting policies consistent with those in the Group's Annual Report and Accounts 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 become effective in 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.

Designation of Ethiopia as a hyperinflationary economy

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

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

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

The inflationary factors used by the Group are the official price indices published by the Central Statistical Agency of Ethiopia. Hyperinflationary adjustments have been calculated using the price index prevailing at 31 December 2023, which was a CPI index of 425.1 (31 December 2022: CPI index 328.9). The adjusted results and financial position of Ethiopia were translated at the year-end closing rate before being included in the Group's consolidated financial statements.

Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will operate within the level of its committed facilities for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing its financial statements. In making this assessment, the Group has considered available liquidity in relation to net debt and committed facilities, the Group's latest forecasts for 2024 and 2025 cash flows, together with adjusted scenarios.

Committed bank facilities and Private Placement borrowings amount to £1,360m, of which £610m was drawn at 31 December 2023. In June 2023, the Group issued a £350m bond offering with a coupon of 6.5%, due to mature in June 2028 and in December 2023, the Group's Revolving Credit Facility was amended, increasing the facility limit to £900m and extending the maturity date to December 2028.

The Private Placement Loan notes (of which £70m is due to mature in May 2024) and the Term Loan (due to mature in December 2024) are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings measured on a trailing 12-month basis at June and December.

The latest Group forecasts for 2024 and 2025 indicate that the Group is expected to be compliant with this covenant throughout the forecast period and have sufficient liquidity to continue operating throughout that period.

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

- a 12-month reduction in New and Used revenue from July 2024, resulting from decreasing consumer demand in response to fiscal tightening and resulting economic downturns;
- a reduction in reported GBP earnings from July to December 2024 resulting from the strengthening of the sterling relative to other currencies;
- a general liquidity reduction impacting working capital from January 2025;
- with no mitigating actions applied in relation to the sensitivities described above.

In a scenario where all of the above sensitivities occur at the same time, with the interest cover covenant measured on a trailing 12-month basis, the sensitised forecasts indicate that the Group is not expected to breach any covenants and would be compliant with the interest cover requirements throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements.

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.

Therefore, the Board concluded that the Group will be able to operate within the level of its committed facilities for the foreseeable future. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements for the year ending 31 December 2023.

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. A reassessment of the Group's operating segments was conducted following the acquisition of the Derco group in 2022. The Group's operating segments are now represented by groups of countries which comprise the UK, Asia, Australasia, Europe, Africa, and the Americas, and the market channels, Distribution and Retail. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The reassessment of the Group's operating segments did not result in a change to the reporting segments.

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

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

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

	Distribution					
2023	APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Revenue						
Total revenue	**2,826**	**2,521**	**3,746**	**9,093**	**2,354**	**11,447**
Results						
Adjusted operating profit	**235**	**132**	**262**	**629**	**40**	**669**
Operating adjusting items						**(50)**
Operating profit from continuing operations						**619**
Share of profit after tax of joint ventures and associates						**1**
Profit before finance and tax						**620**
Finance income						**52**
Finance costs						**(259)**
Profit before tax from continuing operations						**413**
Tax						**(130)**
Profit for the year from continuing operations						**283**

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:

2023	£m
UK	**2,065**
Chile	**1,773**
Australia	**1,310**
Rest of the world	**6,299**
Group	**11,447**

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

2023	£m
UK	**290**
Rest of the world	**2,252**
Group	**2,542**

2 SEGMENTAL ANALYSIS CONTINUED

2023	Distribution APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Segment assets and liabilities						
Segment assets	**915**	**748**	**1,454**	**3,117**	**485**	**3,602**
Other current assets						**785**
Other non-current assets						**2,752**
Segment liabilities	**(1,269)**	**(741)**	**(830)**	**(2,840)**	**(495)**	**(3,335)**
Other liabilities						**(2,184)**
Total net assets						**1,620**

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

2023 from continuing operations	Distribution APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Other segment items						
Capital expenditure:						
– Property, plant and equipment	**27**	**13**	**27**	**67**	**21**	**88**
– Leased vehicles, rental machinery and equipment	**20**	**26**	**15**	**61**	**23**	**84**
– Right-of-use assets	**12**	**7**	**14**	**33**	**3**	**36**
– Intangible assets	**1**	**1**	**2**	**4**	**1**	**5**
Depreciation and impairment:						
– Property, plant and equipment	**11**	**7**	**20**	**38**	**23**	**61**
– Leased vehicles, rental machinery and equipment	**6**	**1**	**13**	**20**	**–**	**20**
– Right-of-use assets	**30**	**8**	**35**	**73**	**8**	**81**
Amortisation of intangible assets	**2**	**1**	**7**	**10**	**1**	**11**
Net provisions charged to the consolidated income statement	**8**	**7**	**31**	**46**	**2**	**48**

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

2022	Distribution APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Revenue						
Total revenue	2,341	2,048	1,480	5,869	2,264	8,133
Results						
Adjusted operating profit	163	90	110	363	48	411
Operating adjusting items						(11)
Operating profit from continuing operations						400
Share of profit after tax of joint ventures and associates						–
Profit before finance and tax						400
Finance income						21
Finance costs						(88)
Profit before tax from continuing operations						333
Tax						(98)
Profit for the year from continuing operations						235

2 SEGMENTAL ANALYSIS CONTINUED

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

2022	£m
UK	2,029
Australia	1,136
Rest of the world	4,968
Group	8,133

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

2022	£m
UK	299
Rest of the world	2,053
Group	2,352

	Distribution					
2022 (Represented)	APAC £m	Europe & Africa £m	Americas[1] £m	Total Distribution £m	Retail £m	Total £m
Segment assets and liabilities						
Segment assets	620	477	1,799	2,896	440	3,336
Other current assets						917
Other non-current assets						2,711
Segment liabilities	(921)	(483)	(1,199)	(2,603)	(453)	(3,056)
Other liabilities						(2,341)
Total net assets						1,567

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

[1] Segment assets and liabilities in the Americas include a reclassification of derivative assets and liabilities.

	Distribution					
2022 from continuing operations	APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
Other segment items						
Capital expenditure:						
– Property, plant and equipment	14	13	12	39	22	61
– Leased vehicles, rental machinery and equipment	9	4	–	13	–	13
– Right-of-use assets	10	8	9	27	7	34
– Intangible assets	1	1	1	3	1	4
Depreciation and impairment:						
– Property, plant and equipment	7	7	9	23	1	24
– Leased vehicles, rental machinery and equipment	4	4	–	8	–	8
– Right-of-use assets	30	6	13	49	8	57
Amortisation of intangible assets	8	6	7	21	2	23
Net provisions charged to the consolidated income statement	22	21	10	53	6	59

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

3 ADJUSTING ITEMS

From continuing operations	2023 £m	2022 £m
Other asset impairment reversals	–	10
Disposal of businesses (see note 9)	–	1
Acquisition and integration costs	**(50)**	(42)
Accelerated amortisation (SaaS)	–	(13)
Other income	–	13
Gain on pension indexation	–	20
Total adjusting items in operating profit	**(50)**	(11)
Adjusting items in finance costs:		
Interest on dividend payments to former shareholders of Derco	**(10)**	–
Net monetary loss on hyperinflation	**(29)**	(29)
Total adjusting items before tax	**(89)**	(40)
Tax on adjusting items (see note 5)	**10**	(1)
Total adjusting items	**(79)**	(41)

During the year, the Group incurred costs of £50m (2022: £42m) in relation to acquisition and integration of businesses. Acquisition costs relate to the acquisitions of new businesses and integration costs were incurred primarily in relation to the integration of the Derco business. For more details on acquisitions made during the year, please refer to note 9. These costs have been reported as adjusting items to better reflect the underlying performance of the business.

At 31 December 2022, a liability was acquired, as part of the Derco acquisition, for the payment 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 31 December 2023, all of the tranches have been paid and interest expense of £10m 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%. As a result, IAS 29 Financial Reporting for Hyperinflationary Economies became effective for the year ended 31 December 2022. The results and financial position of Ethiopia are therefore restated to include the effect of indexation and the resulting £29m net monetary loss on hyperinflation (2022: £29m net monetary loss) has been recognised within net finance costs and reported as an adjusting item.

In 2022, other asset impairment reversals of £10m primarily related to property, plant & equipment and right-of-use assets in the UK and Australia. These were reported as an adjusting item, consistent with the reporting of the original impairment charge.

In 2021, the Group started to migrate the Group's existing ERP applications to a cloud-based solution. This was a strategic decision to consolidate and upgrade the systems, improve speed and performance, and facilitate centralised support following the transformation of the Information Technology organisational structure. The new solution was determined to be Software as a Service (SaaS) and therefore the existing software assets were no longer treated as an asset under IAS 38 Intangible Assets once the migration to the new solution had 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 and the incremental amortisation of £13m in 2022 was disclosed as an adjusting item.

In the first half of 2022, the Group disposed of its remaining operations in Russia and, at the time, management concluded that the value of the expected proceeds from disposal was £nil. In the second half of 2022, the Group received proceeds of £13m which were reported as other income within continuing operations as the subsequent receipt did not alter the initial (and reassessed) conclusion that no consideration was expected. Given the magnitude and nature of the item, the impact on the income statement was reported as an adjusting item.

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 represented a plan amendment and the impact of the change in benefits payable of £20m was 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.

4 NET FINANCE COSTS

From continuing operations	2023 £m	2022 £m
Interest expense on bank and other borrowings	**124**	27
Finance costs on lease liabilities	**22**	10
Stock holding interest	**50**	19
Net monetary loss on hyperinflation	**29**	29
Interest on deferred dividend payment	**10**	–
Other finance costs	**24**	3
Finance costs	**259**	88
Bank and other interest income	**(47)**	(17)
Net interest income on post-retirement plan assets and liabilities	**(4)**	(3)
Other finance income	**(1)**	(1)
Finance income	**(52)**	(21)
Net finance costs	**207**	67
Analysed as:		
Net finance costs excluding adjusting finance costs	**168**	38
Finance costs reported as adjusting items	**39**	29
Net finance costs	**207**	67

Other finance costs include fees, commissions and foreign exchange gains and losses.

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

5 TAX

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

From continuing operations	2023 £m	2022 £m
Current tax:		
– Overseas tax	**146**	111
Adjustments to prior year liabilities:		
– Overseas tax	**(6)**	(6)
Current tax	**140**	105
Deferred tax (note 16):		
Origination and reversal of temporary differences	**(10)**	(7)
Deferred tax	**(10)**	(7)
Total tax charge	**130**	98
The total tax charge is analysed as follows:		
– Tax charge on adjusted profit before tax	**140**	97
– Tax (credit)/charge on adjusting items	**(10)**	1
Total tax charge	**130**	98

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

5 TAX CONTINUED

a. Factors affecting the tax expense for the year

The effective tax rate for the year is 31.5% (2022: 29.4%). The effective tax rate on adjusted profit before tax is 27.9% (2022: 26.0%). The weighted average tax rate is 22.4% (2022: 22.7%). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses before tax. The table below explains the differences between the expected tax charge at the weighted average tax rate and the Group's total tax charge.

From continuing operations	**2023 £m**	2022 £m
Profit before tax	**413**	333
Profit before tax multiplied by the weighted average tax rate of 22.4% (2022: 22.7%)	**93**	75
– Permanent differences	**4**	10
– Non-taxable income	**(4)**	(4)
– Prior year items	**(4)**	(1)
– Derecognition/(recognition) of deferred tax assets	**27**	(2)
– Overseas tax audits and settlements	**1**	2
– Taxes on undistributed earnings	**2**	2
– Acquisition of businesses	**2**	4
– Adjustments for hyperinflation	**9**	12
Total tax charge	**130**	98

The major component of recognition and derecognition of deferred tax assets in the table above is the non-recognition of deferred tax assets associated with tax losses and UK corporate interest restrictions arising in the current year.

b. Factors affecting the tax expense of future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, changes in tax laws or tax rates, repatriation of cash from overseas markets to the UK, the ability to utilise brought forward losses, the impact of UK corporate interest restrictions 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 reactivation of previously disallowed interest deductions under the UK corporate interest restriction regulations and the recognition of deferred tax assets associated with them 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.

The Group is within the scope of the OECD Pillar Two model rules, the relevant legislation has been enacted in the United Kingdom, the jurisdiction in which Inchcape plc is incorporated, and is effective from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax liability. Under the legislation, the Group is liable to pay a top-up tax for the difference between its Pillar Two effective tax rate per jurisdiction and the 15% minimum rate. The Group expects to be subject to the top-up tax in relation to its operations in several countries and the average effective tax rate (before considering Pillar Two) of those operations expected to be in scope is:

	£m
Accounting profit for the year ending 31 December 2023	**43**
Tax charge for year ending 31 December 2023	**3**
2023 Average effective tax rate	**6%**

The Group is in the process of assessing its exposure to the Pillar Two legislation and is implementing processes to comply with the regulations. Although the average effective tax rate disclosed above is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to these jurisdictions. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with IAS 12. Due to the complexities in applying the legislation, the quantitative impact of the legislation is not yet reasonably estimable. Therefore, even for those jurisdictions with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

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

6 EARNINGS PER SHARE

	2023 £m	2022 £m
Profit/(loss) for the year	**283**	(6)
Non-controlling interests	**(13)**	(5)
Basic earnings	**270**	(11)
Loss for the year from discontinued operations	**–**	241
Basic earnings from continuing operations attributable to owners of the parent	**270**	230
Adjusting items	**79**	41
Adjusted earnings from continuing operations	**349**	271
Basic earnings/(loss) per share:		
Basic earnings per share from continuing operations	**65.6p**	61.1p
Basic loss per share from discontinued operations	**–**	(64.0)p
Total basic earnings/(loss) per share	**65.6p**	(2.9)p
Diluted earnings/(loss) per share:		
Diluted earnings per share from continuing operations	**64.8p**	54.6p
Diluted loss per share from discontinued operations	**–**	(57.1)p
Total diluted earnings/(loss) per share	**64.8p**	(2.5)p
Adjusted earnings per share from continuing operations:		
Basic Adjusted earnings per share from continuing operations	**84.8p**	72.0p
Diluted Adjusted earnings per share from continuing operations	**83.7p**	64.4p

	2023 number	2022 number
Weighted average number of fully paid ordinary shares in issue during the year	**412,689,716**	377,146,960
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the Inchcape Employee Trust	**(1,131,983)**	(749,751)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**411,557,733**	376,397,209
Dilutive effect of potential ordinary shares	**5,408,280**	44,733,701
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	**416,966,013**	421,130,910

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

Diluted earnings/(loss) per share is calculated on the same basis as Basic earnings/(loss) per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and other share-based awards. In 2022, dilutive potential ordinary shares also include the shares to be issued in connection with the acquisition of the Derco group (see note 9).

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

Diluted Adjusted earnings per share is calculated on the same basis as the Basic Adjusted earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Information presented for diluted and diluted adjusted earnings per ordinary share uses the weighted average number of shares as adjusted for potentially dilutive ordinary shares as the denominator.

7 DIVIDENDS

The following dividends were paid by the Group:

	2023 £m	2022 £m
Interim dividend for the six months ended 30 June 2023 of 9.6p per share (30 June 2022: 7.5p per share)	**40**	28
Final dividend for the year ended 31 December 2022 of 21.3p per share (31 December 2021: 16.1p per share)	**88**	61
	128	89

A final proposed dividend for the year ended 31 December 2023 of [24.3]p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2023. The Group has sufficient distributable reserves to pay dividends to its ultimate shareholders. Distributable reserves are calculated on an individual legal entity basis and the ultimate parent company, Inchcape plc, currently has adequate levels of realised profits within its retained earnings to support dividend payments. At 31 December 2023, Inchcape plc's company-only distributable reserves were £276m. On an annual basis, the distributable reserve levels of the Group's subsidiary undertakings are reviewed and dividends paid up to Inchcape plc where it is appropriate to do so.

8 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

	2023 £m	2022 £m
Cash flows from operating activities		
Operating profit – continuing operations	**619**	400
Operating profit – discontinued operations	**–**	21
Adjusting items (see note 3)	**50**	11
Amortisation of intangible assets (including non-adjusting impairment charges)	**11**	10
Depreciation of property, plant and equipment (including non-adjusting impairment charges)	**61**	32
Depreciation of right-of-use assets (including non-adjusting impairment charges)	**81**	58
Profit on disposal of property, plant and equipment and intangibles	**(16)**	(2)
Gain on disposal of right-of-use assets	**–**	(1)
Gain on disposal of businesses	**–**	(3)
Share-based payments charge	**15**	10
Increase in inventories	**(251)**	(396)
Increase in trade and other receivables	**(9)**	(141)
Increase in trade and other payables	**415**	618
(Decrease)/increase in provisions	**(1)**	30
Pension contributions more than pension charge for the year[1]	**(1)**	(2)
Increase in leased vehicles, rental machinery and equipment	**(18)**	–
Payments in respect of operating adjusting items	**(57)**	(28)
Other non-cash items	**1**	2
Cash generated from operations	**900**	619

8 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

b. Net debt reconciliation

	Liabilities from financing activities			Assets	
	Borrowings £m	Leases £m	Sub-total £m	Cash/bank overdrafts £m	Total net debt £m
Net funds at 1 January 2022	(210)	(324)	(534)	589	55
Cash flows	(596)	64	(532)	797	265
Acquisitions	(622)	(174)	(796)	(395)	(1,191)
Disposals	–	13	13	(17)	(4)
New lease liabilities	–	(58)	(58)	–	(58)
Foreign exchange adjustments	–	(20)	(20)	76	56
Net funds at 1 January 2023	**(1,428)**	**(499)**	**(1,927)**	**1,050**	**(877)**
Cash flows	**412**	**87**	**499**	**(400)**	**99**
Acquisitions (see note 9(a))	**(23)**	**(11)**	**(34)**	**(146)**	**(180)**
Period adjustments (see note 9(b))	**(7)**	**(1)**	**(8)**	**9**	**1**
Disposals	**–**	**–**	**–**	**1**	**1**
New lease liabilities	**–**	**(37)**	**(37)**	**–**	**(37)**
Foreign exchange adjustments	**11**	**21**	**32**	**(74)**	**(42)**
Other non-cash movements	**(6)**	**–**	**(6)**	**–**	**(6)**
Net debt at 31 December 2023	**(1,041)**	**(440)**	**(1,481)**	**440**	**(1,041)**

Net funds/(debt) is analysed as follows:

	2023 £m	2022 £m
Cash and cash equivalents as per the statement of financial position	**689**	1,064
Borrowings – disclosed as current liabilities	**(652)**	(546)
Add back: amounts treated as debt financing	**403**	532
Cash and cash equivalents as per the statement of cash flows	**440**	1,050
Debt financing		
Amounts to be treated as debt financing	**(403)**	(532)
Borrowings – disclosed as non-current liabilities	**(638)**	(896)
Lease liabilities	**(440)**	(499)
Debt financing	**(1,481)**	(1,927)
Net debt	**(1,041)**	(877)
Add back: lease liabilities	**440**	499
Adjusted net debt	**(601)**	(378)

9 ACQUISITIONS AND DISPOSALS

a. 2023 Acquisitions

CATS

On 2 August 2023, the Group acquired 60% of the share capital of the CATS Group of Companies (CATS) for cash consideration of £54m. The deal expands the Group's global distribution footprint as it enters the Philippines, further building on its well-established presence in the APAC region. It also strengthens the Group's geographic reach and partnerships with Mercedes-Benz, Chrysler, Jeep, Dodge, Jaguar and Land Rover, and broaden its relationships, adding RAM to its list of mobility partners. Non-controlling interests of £30m have been recognised, calculated as the proportionate share of acquired net identifiable assets. Provisional goodwill of £12m arose on the acquisition and is not expected to be deductible for tax purposes.

A distribution agreement intangible asset of £77m has been recorded, valued using the multi period excess earnings (MEEM) approach.

Mercedes-Benz Indonesia

On 29 September 2023, the Group acquired 70% of the share capital of Mercedes-Benz's Indonesian distribution business for cash consideration of £86m. Deferred consideration represents payments to be made to the Seller on settlement of certain acquired receivables. The deal expands the Group's existing footprint in Indonesia and, like the CATS acquisition, continues to build its presence in the APAC region. It also strengthens the Group's relationship with Mercedes-Benz. Land and buildings of £78m were acquired as part of the business combination, for which value was included in the agreed purchase price. Non-controlling interests of £34m have been recognised, calculated as the proportionate share of acquired net identifiable assets. Provisional goodwill of £17m arose on the acquisition and is not expected to be deductible for tax purposes.

A distribution agreement intangible asset of £29m has been recognised, valued using the multi period excess earnings (MEEM) approach.

9 ACQUISITIONS AND DISPOSALS CONTINUED

Other acquisitions

On 2 August 2023 the Group acquired the SAIC Maxus distribution business in New Zealand for cash consideration of £29m. Provisional goodwill of £6m arose on the acquisition. The Group also acquired certain assets and liabilities and the ongoing operations of Auto Insure Ptd. Ltd. in the period for cash consideration of £4m to expand its aftersales capacity in Singapore.

	CATS £m	Mercedes-Benz Indonesia £m	Other £m	Total £m
Assets and liabilities acquired, at provisional values[1]				
Non-current assets				
Intangible assets	**77**	**29**	**7**	**113**
Property, plant and equipment	**2**	**91**	**5**	**98**
Right-of-use assets	**7**	**–**	**4**	**11**
Deferred tax assets	**–**	**7**	**–**	**7**
Current assets				
Inventories	**42**	**97**	**17**	**156**
Trade and other receivables	**8**	**27**	**1**	**36**
Current tax assets	**–**	**7**	**–**	**7**
Cash and cash equivalents	**15**	**12**	**–**	**27**
Current liabilities				
Trade and other payables	**(52)**	**(105)**	**(5)**	**(162)**
Provisions	**–**	**(4)**	**(1)**	**(5)**
Borrowings	**–**	**(23)**	**–**	**(23)**
Non-current liabilities				
Deferred tax liabilities	**(19)**	**(16)**	**(1)**	**(36)**
Lease liabilities	**(7)**	**–**	**(4)**	**(11)**
Retirement benefit liability	**(1)**	**(10)**	**–**	**(11)**
Net identifiable assets acquired	**72**	**112**	**23**	**207**
Less: Non-controlling interests	**(30)**	**(34)**	**–**	**(64)**
Goodwill	**12**	**17**	**10**	**39**
Net assets acquired	**54**	**96**	**33**	**183**
Consideration comprises				
Deferred consideration	**–**	**10**	**–**	**10**
Cash consideration	**54**	**86**	**33**	**173**
Total consideration	**54**	**96**	**33**	**183**

1. The fair values of assets and liabilities acquired, as stated above, are provisional values.

The gross contractual amount receivable for trade receivables was £26m and the best estimate at the acquisition date of the contractual cash flows not expected to be collected was £2m.

Acquisition and integration costs of £50m were recognised in net operating expenses in the period, relating to current and prior year acquisitions (see note 3).

Cash outflow to acquire businesses, net of cash and overdrafts acquired	2023 £m	2022 £m
Current year acquisitions		
CATS	**39**	–
Mercedes-Benz Indonesia	**74**	–
Other	**33**	–
Prior year acquisitions including deferred and contingent payments		
Derco	**(9)**	312
Ditec	**–**	8
ITC Group	**–**	57
Other	**–**	18
Net cash outflow	**137**	395

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"). Derco is a multi-brand automotive distributor, and was the largest independent distributor by volume in Latin America, with a strong track record of profitable growth. Derco has significant presence across four attractive markets of Bolivia, Chile, Colombia, and Peru, and with long-standing partnerships with global mobility partners such as Suzuki, Mazda, Chevrolet, Changan, JAC, Renault, Great Wall, and Haval. The transaction was accounted for as a business combination and significantly expanded the Group's position in highly attractive and fast growth markets within Latin America and is expected to deliver significant value creation through enhanced growth prospects and the delivery of meaningful recurring synergies.

Goodwill of £136m arose on the acquisition and is attributable to the anticipated future cash flows of the acquired business and synergies expected to arise following integration with the Group's existing businesses in South America. Specifically, the goodwill represents the premium paid to expand the Group's presence in this important market and to create a scale Distribution platform across South America with attractive growth prospects. This provides a platform to deliver growth and improved returns far quicker than would have been achievable through organic expansion. None of the goodwill is expected to be deductible for tax purposes.

Intangible assets (not including goodwill) with fair values of £559m were recognised at the date of acquisition, including distribution agreements (£517m), brands (£19m) and customer relationships (£13m). The distribution agreement and customer relationship intangible assets were valued using the multi period excess earnings (MEEM) approach, while the brands were valued using the relief from royalty approach.

The consideration to acquire the share capital, initially valued at £723m, was satisfied by the issue of 38.5m new shares in the Inchcape group and by £407m in cash. Final consideration was reduced by £9m after the conclusion of the completion accounts process. The fair value of the shares issued was based on the Inchcape plc closing share price at 30 December 2022 of 820p per share. Given completion occurred on a non-business day, the shares were not registered until 4 January 2023 and so the amounts relating to shares to be issued were classified within other reserves in the consolidated statement of financial position at 31 December 2022. The issuing of shares qualified for merger relief.

The cash consideration for the acquisition was partly financed through the draw down, in December 2022, of a £350m bridge facility and a £250m term loan facility.

Acquisition-related costs of £34m incurred in connection with the acquisition of Derco were recorded within net operating expenses, and recognised as adjusting items in the consolidated income statement in the year ended 31 December 2022.

9 ACQUISITIONS AND DISPOSALS CONTINUED

The accounting standards allow a period of up to a year to finalise the accounting for an acquisition. Details of the fair values of the identifiable assets and liabilities, after adjustments made within the period, are set out below:

	2022 £m	Period Adjustments[1] £m	2023 £m
Assets and liabilities acquired, at provisional values			
Non-current assets			
Intangible assets	559	–	**559**
Property, plant and equipment	161	–	**161**
Right-of-use assets	124	**(7)**	**117**
Investments in joint ventures and associates	11	–	**11**
Trade and other receivables	3	–	**3**
Deferred tax assets	10	**1**	**11**
Current assets			
Inventories	796	**4**	**800**
Trade and other receivables	316	–	**316**
Derivative financial instruments	5	–	**5**
Current tax assets	34	**(9)**	**25**
Cash and cash equivalents	95	–	**95**
Current liabilities			
Trade and other payables	(563)	–	**(563)**
Current tax liabilities	(21)	**7**	**(14)**
Provisions	(6)	–	**(6)**
Lease liabilities	(19)	–	**(19)**
Borrowings	(532)	–	**(532)**
Non-current liabilities			
Provisions	(4)	**(4)**	**(8)**
Deferred tax liabilities	(174)	**2**	**(172)**
Lease liabilities	(118)	**(1)**	**(119)**
Borrowings	(85)	**(7)**	**(92)**
Net identifiable assets	592	**(14)**	**578**
Goodwill	131	**5**	**136**
Net assets acquired	723	**(9)**	**714**
Consideration comprises			
Shares issued	316	–	**316**
Cash consideration	407	**(9)**	**398**
Total consideration	723	**(9)**	**714**

1. Due to the period adjustments not being material, the prior year statement of financial position has not been restated.

Cash outflow to acquire businesses, net of cash and overdrafts acquired	2023 £m	2022 £m
Cash consideration	**(9)**	407
Less: Cash acquired	**–**	(95)
Net cash (inflow)/outflow	**(9)**	312

9 ACQUISITIONS AND DISPOSALS CONTINUED

Other acquisitions

On 28 March 2022, to expand its distribution footprint in the Americas, the Group acquired 70% of Comercializadora Ditec Automoviles S.A., acquiring the distribution rights to Porsche, Volvo, and Jaguar Land Rover in Chile, for total consideration of £15m. Distribution agreements with a fair value of £28m were recognised. Goodwill of £3m arose on the acquisition. None of the goodwill is expected to be deductible for tax purposes. In September 2023 the Group finalised the purchase of the remaining 30% stake in Ditec. This stake was previously subject to a written put option, resulting in a liability on the Group's statement of financial position, which has now been extinguished.

On 29 April 2022, the Group acquired the entire share capital of ITC Group, a distributor of Suzuki, Mercedes-Benz, Subaru, and Chrysler brands in the Caribbean, from the Simpson Group. The total cash consideration paid was £61m. Distribution agreements with a fair value of £29m were recognised. Goodwill of £nil arose on the acquisition. These businesses were acquired to further expand the Group's footprint with both existing and new mobility company partners and using our distribution business as a platform to capture more of a vehicle's lifecycle value.

During 2022, the Group also acquired businesses in Guam and the UK. The total cost of these acquisitions was £18m and goodwill of £7m was recognised.

c. 2022 Disposals and discontinued operations

In the first half of 2022, the Group agreed the sale of its remaining retail operations in Russia to management. The business represented the Group's remaining operation in Russia following the disposal of its St Petersburg business during 2021. The Russian operation was reported in the prior period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

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

In the second half of 2022, the Group received the first annual instalment from the sale of the Russian business of €15m (£12.8m). This was recorded as other income within the operating profit from continuing operations and was reported as an adjusting item. Management have subsequently reassessed the amount at which the remaining receivable should be recorded at as at 31 December 2023. The outlook for the Russian economy remains precarious and there is continued uncertainty with regards to the supply of vehicle and parts and the ability of the purchaser to remit the instalments. Management therefore concluded that the value of the remaining instalments should be recognised at £nil at 31 December 2023.

Financial performance and cash flow information

The financial performance and cash flow information presented below is for the five months ended 31 May 2022.

	2022 £m
Revenue	237
Expenses	(216)
Operating profit	21
Finance (costs)/income	(1)
Profit before tax	20
Tax	(5)
Profit after tax of discontinued operation	15
Loss on disposal	(256)
(Loss)/profit from discontinued operation	(241)
Exchange differences on translation of discontinued operation	118
Other comprehensive (loss)/income from discontinued operation	(123)

	2022 £m
Net cash inflow from operating activities	21
Net cash outflow from investing activities	(2)
Net cash outflow from financing activities	(2)
Net increase in cash generated from discontinued operation	17

9 ACQUISITIONS AND DISPOSALS CONTINUED

	Russia £m	UK Retail £m	Total £m
Disposal proceeds, net of disposal costs	(3)	6	3
Net assets disposed of	(155)	(3)	(158)
(Loss)/gain on disposal before reclassification of foreign currency translation reserve	(158)	3	(155)
Recycling of foreign currency translation reserve	(99)	–	(99)
(Loss)/gain on disposal	(257)	3	(254)

	Russia £m	UK Retail £m	Total £m
Consideration received, net of disposal costs paid	10	6	16
Cash & cash equivalents disposed of	(33)	–	(33)
Net cash (outflow)/inflow on disposal of business	(23)	6	(17)

During 2022, the Group also disposed of a retail site in the UK for £6m and received £0.2m of deferred proceeds from sites disposed of in 2021. None of these disposals were material enough to be shown as discontinued operations on the face of the consolidated income statement as they did not represent a major line of business or geographical area of operations.

10 FOREIGN CURRENCY TRANSLATION

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

	Average rates		Closing rates*	
	2023	2022	**2023**	2022
Australian dollar	**1.88**	1.78	**1.87**	1.77
Chilean peso	**1,044.74**	1,073.09	**1,130.41**	1,028.42
Ethiopian birr[1]	**71.84**	64.72	**71.84**	64.72
Euro	**1.15**	1.17	**1.15**	1.13
Hong Kong dollar	**9.75**	9.70	**9.98**	9.44
Russian rouble[2]	**n/a**	106.85	**n/a**	78.92
Singapore dollar	**1.67**	1.71	**1.68**	1.62
US dollar	**1.25**	1.24	**1.28**	1.21

* At 31 December.

1. In 2023, the results for Ethiopia are translated at the closing rate as required by IAS 21 The Effects of Changes in 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 Russian operations.

11 EVENTS AFTER THE REPORTING PERIOD

On 29 January 2024, following approaches from a number of interested parties, the Group announced that it was reviewing strategic options for the UK Retail business, which could potentially include a sale. At the reporting date, the strategic review was in initial stages and as there is no certainty that a transaction would result, the Group has concluded that the UK Retail business did not meet the criteria to be classified as an asset held for sale as at 31 December 2023.

12 ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

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

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

Constant currency

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

Performance measure	Definition	Why we measure it
Adjusted gross profit	Gross profit before adjusting items. Refer to the consolidated income statement.	A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales).
Adjusted operating profit	Operating profit before adjusting items. Refer to the consolidated income statement.	A key metric of the Group's business performance.
Operating margin	Adjusted operating profit divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Adjusted profit before tax	Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Adjusted earnings before interest, tax, depreciation and amortisation	Represents the earnings before interest expense, taxation, depreciation and amortisation expenses, and excluding the impact of adjusting items.	One of the key measures used in monitoring the Group's leverage and capital allocation.
Adjusting items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 3.	The separate reporting of adjusting items helps provide additional useful information regarding the Group's business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Adjusted earnings per share	Represents earnings per share excluding the impact of adjusting items. Refer to note 6.	A measure useful to shareholders and investors to understand the earnings attributable to shareholders without the impact of adjusting items.
Net capital expenditure	Cash outflows from the purchase of property, plant and equipment and intangible assets less the proceeds from the disposal of property, plant and equipment and intangible assets.	A measure of the net amount invested in operational facilities in the period.
Free cash flow	Net cash flows from operating activities, before adjusting cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.
Return on capital employed (ROCE)	Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds.	ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.
Adjusted return on capital employed (ROCE)*	Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds, less the capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during the year.	Adjusted ROCE is a measure of the Group's underlying ability to drive better returns for investors on the capital we invest.
Net (debt)/funds	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 8.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Adjusted (net debt)/net cash	Cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings and before the incremental impact of IFRS 16 lease liabilities. Refer to note 8.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Constant currency % change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

* Adjusted ROCE is only relevant for 2022.

12 ALTERNATIVE PERFORMANCE MEASURES (APMS) CONTINUED

APM – Adjusted profit before tax (from continuing operations)	2023 £m	2022 £m
Gross Profit	**1,939**	1,325
Less: Segment operating expenses	**(1,270)**	(914)
Adjusted Operating Profit	**669**	411
Less: Adjusting items in net operating expenses	**(50)**	(11)
Operating Profit	**619**	400
Less: Net finance costs and JV profits	**(206)**	(67)
Profit Before Tax	**413**	333
Add back: Adjusting Items in net operating expenses	**50**	11
Add back: Adjusting items in net finance costs	**39**	29
Adjusted profit before tax	**502**	373

APM – Free cash flow (from continuing operations)	2023 £m	2023 £m	2022 £m	2022 £m
Net cash generated from operating activities		**593**		494
Add back: Payments in respect of adjusting items		**57**		28
Net cash generated from operating activities, before adjusting items		**650**		522
Purchase of property, plant and equipment	**(88)**		(64)	
Purchase of intangible assets	**(5)**		(4)	
Proceeds from disposal of property, plant and equipment	**31**		10	
Net capital expenditure		**(62)**		(58)
Net payment in relation to leases		**(84)**		(63)
Dividends paid to non-controlling interests		**(6)**		(4)
Free cash flow		**498**		397
Less: Free cash flow from discontinued operations		**–**		(17)
Free cash flow from continuing operations		**498**		380

APM – Return on capital employed (from continuing operations)	2023 £m	2022 £m
Operating profit	**619**	400
Adjusting items in net operating expenses	**50**	11
Adjusted operating profit	**669**	411
Net assets	**1,620**	1,567
Add net debt	**1,041**	877
Capital employed	**2,661**	2,444
Effect of averaging	**(108)**	(741)
Average capital employed	**2,553**	1,703
Return on capital employed	**26.2%**	24.1%
APM – Adjusted return on capital employed (from continuing operations)		
Capital employed – continuing operations	**2,661**	2,444
Less: Derco capital employed	**n/a***	(1,383)
Adjusted capital employed – continuing operations	**2,661**	1,061
Effect of averaging	**(108)**	(49)
Average adjusted capital employed	**2,553**	1,012
Adjusted return on capital employed	**26.2%**	40.6%

* Capital employed for Derco was removed from prior year as the acquisition completed end of 2022, hence the ratio was adjusted for this.

APM – Adjusted net debt	2023 £m	2022 £m
Net debt	**(1,041)**	(877)
Add back: lease liabilities	**440**	499
Adjusted net debt	**(601)**	(378)

12 ALTERNATIVE PERFORMANCE MEASURES (APMS) CONTINUED

APM – Adjusted earnings per share (from continuing operations)	**2023 £m**	2022 £m
Operating profit	**619**	400
Add: adjusting items in net operating expenses	**50**	11
Adjusted operating profit	**669**	411
Share of profit after tax of joint ventures and associates	**1**	–
Adjusted profit before finance and tax	**670**	411
Net finance costs	**(207)**	(67)
Add: adjusting items in net finance costs	**39**	29
Adjusted profit before tax	**502**	373
Tax on adjusted profit	**(140)**	(97)
Adjusted profit after tax	**362**	276
Less: non-controlling interests	**(13)**	(5)
Adjusted earnings	**349**	271
Weighted average number of shares (m)	**412**	376
Dilutive effect (m)	**5**	45
Basic adjusted earnings per share	**84.8p**	72.0p
Diluted adjusted earnings per share	**83.7p**	64.4p