Inchcape plc, the leading global automotive distributor, announces its interim results for the six months to 30 June 2024

Inchcape becomes a pureplay automotive Distributor - resilient performance, outlook reiterated, share buyback increased to £150m

- **Major strategic inflection point for Inchcape, as the Group becomes a pureplay automotive Distribution business:**
  - Divestment of UK Retail business to Group 1 Automotive for cash consideration of £346m
    - Expected to complete during Q3 2024
  - Four Distribution contracts won in H1 2024, further highlighting our differentiated Distribution proposition

- **Resilient financial performance - with revenue and profit growth:**
  - Solid revenue growth of 8% in constant currency, 4% on a reported basis, to £4.7bn
    - Organic revenue growth[1] of 4%, and 4% growth from acquisitions
  - Robust profit delivery, with adjusted operating profit[2] up 7% in constant currency to £299m, and operating margins[2] of 6.3%
    - Adjusted PBT[2] up 7% in constant currency, up 1% on a reported basis, statutory PBT up 10%
    - Adjusted basic EPS[2] down (3)% to 34.7p due to a higher effective tax rate. Reported basic EPS up 9% to 27.9p

- **Robust operational performance against mixed market trends, supported by continued focus on cost management:**
  - Resilient market share in the Americas, against lower industry volumes, with key markets stabilising
  - On-going positive momentum in APAC, supported by strong organic growth and contribution from acquisitions
  - Continued outperformance in Europe, with order bank unwind continuing, supported by new Distribution contracts gaining momentum
  - On-going focus on cost management across the Group

- **Strong balance sheet, driven by excellent organic cash flow performance:**
  - Free cash flow[2] of £226m (H1 2023: £189m) and free cash flow conversion of 76%
  - Adjusted net debt[2] reduced to £524m (FY 2023: £601m) and leverage reduced to 0.7x
  - Strong ROCE[2] of 28% (H1 2023: 32%), highlighting benefits of becoming a pureplay automotive Distributor

- **Disciplined approach to capital allocation, with share buyback increased to £150m on an accelerated timetable:**
  - Increased share buyback reflects excellent free cash flow performance and strong balance sheet
    - Buyback to commence on 1st August 2024 and expected to complete during Q1 2025
  - Healthy pipeline of bolt-on acquisitions
  - Interim dividend per share of 11.3p

- **Outlook reiterated, supported by continued strategic execution:**
  - Maintaining our expectations for moderated growth, at constant currency, in FY 2024
  - Higher levels of growth expected over the medium to long term - driven by:
    - Anticipated recovery across a number of markets and recent Distribution contract wins
    - On-going development of technology capabilities and continued focus on cost management

Duncan Tait, Group CEO, commented:

"With the disposal of our UK Retail business, Inchcape will become a pureplay operator, focused on Automotive Distribution, which is capital light, highly cash generative, higher margin and higher returns than pure Retail businesses. This represents a significant strategic step in our journey to becoming the leading global distribution partner for our OEM partners. We are pleased to announce an increased buyback programme of £150m, with an accelerated timeline starting immediately. This increase is a demonstration of our disciplined capital allocation policy in action, and reflects the Group's strong financial position, following an excellent free cash flow performance in **H1 2024**.

"Inchcape delivered a resilient performance in **H1 2024**, with a strengthening balance sheet, reflecting our scaled and diversified growth portfolio. We delivered strong organic revenue and profit growth, with further high levels of cash generation and returns.

"Our success in winning new Distribution contracts continued during the first half, with four contracts awarded in the period. 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 OEM partner portfolio to drive growth. With our global market leadership position and our differentiated digital and data capabilities to support our OEM partners, our Distribution platform is well positioned for the future. To that end, we reiterate our growth expectations for FY 2024 and remain confident about the medium to long-term outlook for the Group."

Following the proposed disposal of our UK Retail business, all figures quoted on this page are on a 'continuing operations' basis and therefore exclude any contribution from UK Retail in the current and comparative years.

	H1 2024	H1 2023	% change reported	% change constant FX[2]	% change organic[1]
Key financials (continuing operations)					
Revenue	**£4,725m**	£4,563m	+4 %	**+8 %**	**+4 %**
Adjusted Operating Profit[2]	**£299m**	£295m	+1 %	**+7 %**	
Adjusted Operating Margin[2]	**6.3 %**	6.5 %	(20)bps	**(10)bps**	
Adjusted Profit Before Tax[2]	**£226m**	£223m	+1 %	**+7%**	
Adjusted Basic EPS[2]	**34.7p**	35.9p	(3)%		
Dividend Per Share	**11.3p**	9.6p	+18 %		
Free Cash Flow[2]	**£226m**	£189m	+20 %		
Reported financials					
Operating Profit (continuing operations)	**£276m**	£274m	+1 %		
Profit Before Tax (continuing operations)	**£195m**	£178m	+10 %		
Total profit for the period	**£129m**	£139m	(7)%		
Basic EPS (continuing operations)	**27.9p**	25.7p	+9 %		
Net cash generated from operating activities	**£283m**	£265m	+7 %		

1. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates. See Note 14 APMs
2. These measures are Alternative Performance Measures, see Note 14

Market abuse regulation statement

This announcement contains inside information.

Results presentations

A presentation for analysts and investors will be held today, Tuesday 30th July 2024, at 08:30 BST. 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 analyst presentation will be available via the Company's website, www.inchcape.com later today.

Management will also be hosting an online presentation for investors via Investor Meet Company on 31st July 2024, 12:30 BST. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 30th July 2024, 09:00 BST or during the live presentation. To register for the conference call please follow this link. Investors who already follow Inchcape on the Investor Meet Company platform will automatically be invited.

Financial calendar

Ex-dividend date for 2024 interim dividend	8th August 2024
Record date	9th August 2024
Last election date	15th August 2024
Payment date	6th September 2024
Q3 trading update	24th October 2024
In the Driving Seat investor seminar	14th November 2024

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About Inchcape

Inchcape is the leading global automotive distributor, with operations across six continents. Inchcape works with our mobility company partners in smaller, more complex and harder-to-reach markets, which tend to be higher growth with low motorisation rates. 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 18,000 people globally.

Earlier this year, Inchcape hosted an "**In the Driving Seat**" webinar to provide investors and analysts with further understanding of the dynamics of the Group's Distribution commercial model. A recording is available on the Inchcape website: https://www.inchcape.com/investors/results-reports-presentations/

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 proposed disposal of our UK Retail business, all figures quoted in the 'Operational' and 'Operating and financial' reviews are on a 'continuing operations' basis and therefore exclude any contribution from UK Retail in the current and comparative years.

Operational review

Key performance indicators

Key financials (continuing operations)	**H1 2024**	H1 2023	% change reported	**% change constant FX[2]**	**% change organic[1]**
Revenue	**£4,725m**	£4,563m	+4 %	**+8 %**	**+4 %**
Adjusted Operating Profit[2]	**£299m**	£295m	+1 %	**+7 %**	
Adjusted Operating Margin[2]	**6.3 %**	6.5 %	(20)bps	**(10)bps**	
Adjusted Profit Before Tax[2]	**£226m**	£223m	+1 %	**+7%**	
Free Cash Flow[2]	**£226m**	£189m	+20 %		
Return on Capital Employed[2]	**28 %**	32 %	(400)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, see Note 14 APMs
2. These measures are Alternative Performance Measures, see Note 14

H1 2024 results – performance review

The Group delivered a resilient financial performance in H1 2024, driven by strong top line growth, with robust margins supported by operating leverage.

Group revenue of £4.7bn rose 4% year-on-year on a reported basis and 8% in constant currency, supported by organic growth of 4% and acquisitions which contributed a further 4%, partly offset by currency headwinds of (4)%.

The Group delivered an **adjusted operating profit** of £299m, up 7% in constant currency, offset by (6)% impact from currency, with reported growth of 1%. Robust **adjusted operating margins** of 6.3% reflected organic revenue growth in certain regions, operating leverage and a focus on cost management across the Group. We reduced overheads despite the increased scale of the business, with the ratio of adjusted net operating expenses to revenue improving during the period to 10.9% (H1 2023: 11.4%).

Adjusted net finance costs amounted to £74m (H1 2023: £73m), with an alignment of supplier terms related to inventory financing at acquired businesses, resulting in an expense of £26m (H1 2023: £16m). The positive impact of a reduction in average debt on net interest costs was partly offset by some short term cash-funded inventory flows during the period.

Adjusted profit before tax grew 7% on a constant currency basis, offset by (6)% currency headwinds with reported PBT of £226m (H1 2023: £223m). **Adjusted basic EPS** was down (3)% to 34.7p, due to a higher effective tax rate.

During the period pre-tax **adjusting items** amounted to an expense of £31m (H1 2023: £45m). This was primarily driven by one-off costs related to acquisition and integration costs (£23m, H1 2023: £21m), and non-cash, non-operational losses arising from hyperinflation accounting relating to Ethiopia (£8m, H1 2023: £14m). After adjusting items, the reported profit before tax was £195m (H1 2023: £178m).

The highly cash-generative nature of our business model was again in evidence during the first half, with **free cash flow** generation of £226m (H1 2023: £189m), representing a conversion of adjusted operating profit of 76% (H1 2023: 64%). This was supported by a net working capital inflow of £82m (H1 2023: inflow £39m) driven by strong inventory management and a continued alignment of supplier terms at acquired businesses. Inventory fell to £2,011m (FY 2023: £2,718m) due to an improvement in inventory efficiency across the Group and UK Retail inventory of £262m, which is treated as part of the discontinued operation. Net interest payments in the period increased to £64m (H1 2023: £57m), excluding payment for leases and currency in both periods, for the reasons outlined above.

As at 30 June 2024, Group **adjusted net debt** amounted to £524m (FY 2023: £601m) (excluding lease liabilities), with a strong free cash flow performance partly offset by ordinary dividend payments of £100m. Including lease liabilities, the Group ended the period with net debt of £891m (FY 2023: net debt of £1,041m). Group leverage on a proforma basis[1] was approximately 0.7x at 30 June 2024, down from 0.8x at the end of FY 2023, and is expected to continue to reduce in the future.

Return on capital employed during the period was 28%, down from H1 2023 when it was 32%, due to higher average capital employed during H1 2024, as a result of acquisitions, but higher than the reported FY 2023 ROCE of 26%. This highlights the benefits of becoming a pureplay automotive Distribution business.

Q2 2024 performance

Q2 2024 Group revenue was £2.4bn, up 2% on a reported basis, reflecting the contribution of acquisitions and **organic growth** of 2%, offset by currency headwinds. Q2 2024 Group revenue, particularly in APAC and the Americas, was higher than Q1 2024. The level of organic revenue growth in Q2 2024 slowed from Q1 2024, due to more challenging comparators, although the quarterly organic growth rate in the Americas improved sequentially.

1. Proforma basis includes last twelve months of adjusted EBITDA including full year impact of acquisitions

Strategic overview - Inchcape becomes a pureplay automotive Distributor

Inchcape is the **global leader in automotive Distribution**, with a highly compelling offering for over 60 OEM partners, based on a differentiated, scaled and diversified business model, which is asset-light and digitally-enabled. From 2016 to 2023, supported by the Group's on-going investment in growth opportunities, in particular through organic investment and acquisitions, Inchcape has delivered revenue CAGR of 6%, adjusted operating profit CAGR of 9%, an adjusted earnings per share CAGR of 5% and strong free cash flow generation of between 60% to 70%. In addition, from 2016 to H1 2024 the Group has returned £790m to shareholders through dividends.

Following the **divestment of the Group's UK Retail business** to Group 1 Automotive, which is expected to complete during Q3 2024, Inchcape becomes a pureplay operator in automotive Distribution. Proceeds from the disposal will provide additional balance sheet capacity for the Group to invest in future growth and to support Inchcape's capital allocation policy.

As a pureplay Distribution business, Inchcape will further focus on enhancing its Distribution platform in small to medium-sized, more complex markets, which are higher growth with low motorisation rates, particularly in existing Inchcape markets. Evidence that this enhanced focus is already being achieved is the award of a number of **Distribution contracts** with OEMs during H1 2024. These contract wins are a key growth driver for Inchcape, giving us exclusive responsibility for a brand in a market. In H1 2024, we were awarded four Distribution contracts, with existing OEM partners including Ford in Estonia, JAC Trucks in Colombia and Changan in the Caribbean, as well as with a new partner, Forland, in Ecuador.

We also continued to enhance our Distribution platform through the development of our proprietary **digital and data analytics capabilities**, which help to drive superior performance for Inchcape and for our OEM partners. During the period, we continued to expand the breadth of coverage of our core artificial intelligence (AI) solutions in new vehicles, aftersales service and parts, including in our recently acquired businesses. We also developed and deployed new market-leading AI solutions during the period, including AI-based quotations for repair services.

Our Distribution platform is supplemented by a range of **Value-Added Services**. These services include our role as the exclusive distributor of relatively high margin OEM-certified parts in our markets, which we are scaling through the on-going roll-out of a **Digital Parts Platform** across our APAC region. In addition, we run a number of global strategic partnerships on **Finance and Insurance** with key finance houses, which are delivered on a local basis. We are at an early stage for value-added services relating to **New Energy Vehicles**, including Electric Vehicles, although Inchcape is already offering some capabilities in this area in certain markets, such as battery-related services. Our approach on **used vehicles** is to leverage our distribution platform through our third party independent retail network.

Inchcape will hold an **"In the Driving Seat"** investor seminar on 14 November 2024, focusing on our APAC region, in the context of a refreshed Accelerate strategy.

Our Sustainability approach

Developing our approach to Responsible Business is central to our future plans, bringing us closer to our OEM partners and helping us to recruit, engage and retain the best talent, and thereby ensuring Inchcape continues to play a key role in the mobility transition in our markets. Our Sustainability approach, "Driving What Matters", has four focus areas: Planet, People, Places and Practices. We made good progress in each of these areas in H1 2024. On Planet, we continued to improve disclosure and external stakeholder engagement on key Planet-related areas through the launch of our first Sustainability Report, supplemented by an ESG investor roadshow. On People, we rolled out our global inclusive hiring training programme and launched our first global safety culture survey. On Places, we showcased our 'Mobilising Hearts' initiative in Colombia and our 'Liter of Light' contribution in the Philippines. Finally, on Practices, we piloted an 'Open Door' Policy in the Americas to encourage an open and trust-based reporting culture where colleagues feel comfortable voicing their questions, concerns and feedback to management.

Capital allocation

Supported by a strong balance sheet, our **capital allocation policy remains unchanged** and is focused on: 1) organic investment; 2) dividend payments at 40% of adjusted EPS and with the interim dividend set at one-third of the preceding year's dividend, the Board is declaring an interim dividend of 11.3p (H1 2023: 9.6p); 3) value-accretive acquisitions, with a healthy pipeline of bolt-on acquisitions at the current time; and 4) share buybacks, the viability for which will continue to be assessed by the Board. This policy continues to be conducted within the Group's self-mandated leverage limit of 1x adjusted net debt: adjusted EBITDA.

Taking into account the excellent underlying free cash flow performance in H1 2024, and the Group's strong balance sheet, in line with the Group's capital allocation policy, the Board has taken the decision to accelerate the timetable of its **share buyback** and increase the amount from £100m to £150m. This share buyback programme will commence on 1st August 2024, and is expected to complete during Q1 2025.

Outlook

We maintain our expectations for **moderated growth in FY 2024, at constant currency**. **Over the medium to long term, the Group is expecting to return to higher levels of growth**, compared to FY 2024, driven by an anticipated recovery across a number of markets, the contribution from Distribution contract wins achieved in recent years, bolt-on acquisitions and supported by the on-going development of Inchcape's technology capabilities and the Group's continued focus on cost management.

Operating and financial review

The Group reported revenue of £4.7bn from continuing operations, increasing 4% year-on-year on a reported basis, with organic growth of 4% and a 4% contribution from M&A, offset by currency headwinds of (4)%. Adjusted operating profit[1] of £299m (H1 2023: £295m) was up 7% in constant currency and adjusted operating margin[1] decreased slightly to 6.3%.

	H1 2024 £m	H1 2023 £m	% change reported	% change constant FX	% change organic[2]
Revenue					
APAC	**1,495**	1,255	19%	24%	9%
Europe & Africa	**1,622**	1,397	16%	18%	18%
Americas	**1,608**	1,911	(16)%	(10)%	(9)%
Total	**4,725**	**4,563**	**4%**	**8%**	**4%**
Adjusted operating profit[1]					
APAC	**116**	86	35%	41%	
Europe & Africa	**85**	70	21%	25%	
Americas	**98**	139	(29)%	(24)%	
Total	**299**	**295**	**1%**	**7%**	
Adjusted operating margin[1]					
APAC	**7.8%**	6.9%	90bps	90bps	
Europe & Africa	**5.2%**	5.0%	20bps	30bps	
Americas	**6.1%**	7.3%	(120)bps	(110)bps	
Total	**6.3%**	**6.5%**	**(20)bps**	**(10)bps**	

Segments have been redefined following the UK Retail business being classified as an asset held for sale and as a discontinued operation. See Note 2 for segmental definitions.

APAC (32% of revenue and 39% of adjusted operating profit)

Revenue grew 24% in constant currency, including organic revenue growth of 9%, supported by market share gains in key markets, and a contribution from acquisitions, with new brands in early stages of development. Adjusted operating profit[1] was up 41%, with adjusted **operating margins**[1] up 90bps to 7.8%, driven by operating leverage and the mix effect of faster-growing, higher margin businesses. For **H2 2024**, continued growth is anticipated in many markets, with margin growth expected to be partially offset by contract wins.

Europe & Africa (34% of revenue and 28% of adjusted operating profit)

Revenue grew 18% in constant currency, with outperformance against the market in Europe, a continuation of order bank normalisation, market share growth and new contract wins growing quickly. Performance in Africa remained resilient. Adjusted operating profit[1] was up 25%, with continued elevated adjusted **operating margins**[1] of 5.2%, despite some dilution of accelerating contract wins. For **H2 2024**, growth is expected to be supported by some improvement in order intake, which will partly offset the effect of order bank normalisation over the last 18 months, with operating margins in Europe expected to moderate towards historic levels.

Americas (34% of revenue and 33% of adjusted operating profit)

Revenue fell (9)% in constant currency. Our market share across the region remained resilient, with key markets stabilising and Central America performing well. There were lower industry volumes across the region, with many markets at historic lows, and some consequent pricing pressure. Derco continues to be transformative for our business in the region, and has helped to scale our business in the Americas, highlighted by three Distribution contracts won in the Americas during H1 2024, with the cost synergy programme on track. Adjusted operating profit[1] was down (24)%, with adjusted **operating margins**[1] down (110)bps from H1 2023, but only (30)bps lower than H2 2023, to 6.1%. The cost synergies achieved following the Derco acquisition have improved operating efficiency across the region, and this has mostly mitigated the deleveraging effect of reducing market volumes. For **H2 2024**, we have prudent expectations for volume recovery, but margins are expected to improve, reflecting an improved margin exit rate at the end of H1 2024.

For financial performance, cash flow information and balance sheet information on our **UK Retail business**, classified as an asset held for sale and discontinued operation, see note 9 Acquisitions and Disposals, in this report.

1. Operating profit and operating margin stated before adjusting items at constant currency rates
2. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates. Note 14 APMs

Gross profit drivers

We provide disclosure on the drivers of our gross profit, including:

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

	H1 2024 £m	H1 2023 £m	% change reported	% change constant FX
Gross Profit				
Vehicles	**566**	555	2%	7%
Aftersales	**248**	262	(5)%	—%
Total	**814**	**817**	**—%**	**5%**

During the half year period, we generated 30% of gross profit through Aftersales (H1 2023: 32%).

Other financial items

Adjusting items: a pre-tax expense of £31m (H1 2023: £45m) was reported in respect of adjusting items for H1 2024. This was primarily driven by costs related to acquisition and integration costs (£23m), and non-cash, non-operational losses arising from hyperinflation accounting relating to Ethiopia (£8m). Further details can be found in note 3 of the interim financial statements.

Net financing costs: Adjusted net finance costs increased to £74m (H1 2023: £73m), driven by an alignment of supplier terms, related to inventory financing arrangements, at acquired businesses. The positive impact of a reduction in average debt on net interest costs was partly offset by some short term cash-funded inventory flows during the period. Reported net finance costs were £82m (H1 2023: £97m). This includes £8m of adjusting items relating to non cash, non-operational losses arising from hyperinflationary accounting in Ethiopia.

Tax: The effective tax rate on adjusted profit is 32.7% (H1 2023: 30.5%), and on a statutory basis is 36.4% (H1 2023: 36.5%). The increase in the effective tax rate on adjusted profit includes the impact of mix and the Group's Pillar 2 tax liability from H1 2024. The effective tax rate is expected to decline over time.

Non-controlling interests: Profits attributable to our non-controlling interests increased to £9m (H1 2023: £7m). The Group's non-controlling interests comprise a 40% interest in the Group's distribution operations in the Philippines and a 30% holding in the Mercedes-Benz distribution business in Indonesia. Other significant non-controlling interests include a 30% share in NBT Brunei and a 10% share of Subaru Australia.

Dividend: The Board has declared an interim dividend of 11.3p per ordinary share which will be paid on 6th September 2024 to shareholders on the register at close of business on 9th August 2024. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 15th August 2024.

Capital expenditure: During the first half of 2024, the Group incurred net capital expenditure of £23m (H1 2023: £24m), consisting of £25m gross capital expenditure (H1 2023: £25m) and £2m of proceeds from the sale of property (H1 2023: £1m). In 2024, we continue to expect net capital expenditure of less than 1% of Group sales.

Financing: As at 30 June 2024, the funding structure of the Group is comprised of a committed syndicated revolving credit facility of £900m (FY 2023: £900m), sterling Private Placement Loan Notes totalling £140m (FY 2023: £210m), a 5 year bond of £350m, at a fixed coupon of 6.5%, a term facility of £250m (FY 2023: £250m) and debt remaining outstanding from acquisitions £28m (FY 2023: £80m). As at 30 June 2024 the syndicated revolving credit facility was drawn £130m (FY 2023: £150m). Excluding our Revolving Credit Facility, 66% of the Group's corporate debt is at fixed rates and is not due to be repaid for at least 3 years. The Group remains well within its debt covenants.

Pensions: As at 30 June 2024, the IAS 19 net post-retirement surplus was £63m (2023: £67m), with the decrease driven largely by lower than expected returns on scheme assets partially offset by movements in corporate bond yields affecting the discount rate assumption used to determine the value of scheme liabilities. In line with the funding programme agreed with the Trustees, the Group did not make any additional cash contributions to the UK pension schemes (2023: £2m).

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);
- Financial reporting, fraud;
- Foreign exchange volatility;
- Legal/regulatory compliance;
- Loss of Distribution contract;
- Loss of technology systems (non-cyber);
- People engagement and retention;
- People future skills;
- Supply chain disruption; and
- Strategy delivery and transformation (digital).

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, 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.

In H1 2024, 'New market entrants: business models or technology' was removed from our Tier 2 risks. This risk was originally identified in 2020 as new players arrived with new technology offerings, primarily in the UK retail market. In light of the UK Retail disposal, the Group's exposure to this competition is no longer applicable.

APPENDIX – REGIONAL BUSINESS MODELS

Americas

Country	Brands
Argentina	Subaru, Suzuki
Barbados[1]	Changan, Chrysler, Daimler Trucks, Dodge, Freightliner, FUSO, Isuzu, JCB, Jeep, John Deere, Mercedes-Benz, Mitsubishi, Subaru, Suzuki, Western Star
Bolivia	Changan, Chevrolet, JAC Motors, Joylong, Komatsu, Mazda, Renault, 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, JAC Trucks, Jaguar, Komatsu, Land Rover, Liebher, Linde, Mack, Mercedes-Benz, Still, Subaru, Suzuki, XCMG
Costa Rica	Changan, JAC, Suzuki
Ecuador	Freightliner, Forland, 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 in 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	Distribution: Citroen, Peugeot, Subaru Retail only: Isuzu Ute, Jeep, Kia, Mitsubishi, Volkswagen
New Zealand	Maxus, Subaru

2. Distribution agreements for these brands across a range of Pacific islands, centred in 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, Lexus, Toyota
Bulgaria	Lexus, Toyota
Estonia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Finland	Jaguar, Land Rover, Mazda
Greece	Lexus, Toyota
Latvia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Lithuania	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Luxembourg	BYD, Lexus, Toyota
North Macedonia	Lexus, Toyota
Poland	Distribution: Jaguar, Land Rover Retail only: BMW, BMW Motorrad, MINI
Romania	Lexus, Toyota
Djibouti	BMW, Changan, Komatsu, Toyota
Ethiopia	Hino, Komatsu, New Holland, Suzuki, Toyota
Kenya[4]	BMW, BMW Motorrad, Changan, Jaguar, Land Rover

4. Distribution agreement for Changan also distributed to Tanzania, centred in Kenya and distribution agreement for Jaguar, Land Rover also distributed to Uganda, centred in Kenya

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

Continuing operations	Notes	**Six months to 30 Jun 2024 £m**	Six months to 30 Jun 2023 £m
Revenue	2	**4,725**	4,563
Cost of sales		**(3,911)**	(3,746)
Gross profit		**814**	817
Net operating expenses		**(538)**	(543)
Operating profit	2	**276**	274
Share of profit after tax of joint ventures and associates		**1**	1
Profit before finance and tax		**277**	275
Finance income	4	**22**	24
Finance costs	4	**(104)**	(121)
Profit before tax from continuing operations		**195**	178
Tax	5	**(71)**	(65)
Profit for the period from continuing operations		**124**	113
Profit from discontinued operations		**5**	26
Total profit for the period		**129**	139
Profit attributable to:			
– Owners of the parent		**120**	132
– Non-controlling interests		**9**	7
		129	139
Earnings per share from continuing operations attributable to the owners of the parent			
Basic earnings per share (pence)	6	**27.9p**	25.7p
Diluted earnings per share (pence)	6	**27.5p**	25.4p
Earnings per share attributable to the owners of the parent			
Basic earnings per share (pence)	6	**29.1p**	32.0p
Diluted earnings per share (pence)	6	**28.7p**	31.6p
Alternative performance measures			
Operating profit from continuing operations		**276**	274
Adjusting items within net operating expenses:	3	**23**	21
Acquisition and integration costs		**23**	21
Adjusted operating profit from continuing operations		**299**	295
Share of profit after tax of joint ventures and associates		**1**	1
Adjusted profit before finance and tax from continuing operations		**300**	296
Net finance costs		**(82)**	(97)
Adjusting items within net finance costs:	3	**8**	24
Net monetary loss on hyperinflation		**8**	14
Interest on deferred dividend payment		**—**	10
Adjusted profit before tax from continuing operations		**226**	223
Tax on adjusted profit		**(74)**	(68)
Adjusted profit after tax from continuing operations		**152**	155
Adjusted earnings per share from continuing operations			
Basic adjusted earnings per share	6	**34.7p**	35.9p
Diluted adjusted earnings per share	6	**34.2p**	35.4p

See note 14 on page 34 for further details of alternative performance measures.
The notes on pages 16 to 36 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months to 30 Jun 2024 £m	Six months to 30 Jun 2023 £m
Profit for the period	**129**	139
Other comprehensive income/(expense):		
Items that will not be reclassified to the consolidated income statement		
Retirement benefit schemes		
– net actuarial losses	**(5)**	(18)
	(5)	(18)
Items that may be or have been reclassified subsequently to the consolidated income statement		
Cash flow hedges		
– net fair value losses	**(40)**	(62)
– tax on cash flow hedges	**9**	16
Deferred tax on taxation losses	**—**	1
Foreign currency translation		
Exchange differences on translation of foreign operations	**(117)**	(49)
Adjustments for hyperinflation	**10**	21
Taxation on hyperinflation adjustments	**(1)**	(2)
	(139)	(75)
Other comprehensive expense for the period	**(144)**	(93)
Total comprehensive (expense)/income for the period	**(15)**	46
Total comprehensive (expense)/income for the period		
– Owners of the parent	**(19)**	42
– Non-controlling interests	**4**	4
	(15)	46
Total comprehensive (expense)/income attributable to owners of Inchcape plc arising from:		
– Continuing operations	**(24)**	16
– Discontinued operations	**5**	26

The notes on pages 16 to 36 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	**As at 30 Jun 2024 £m**	As at 31 Dec 2023 £m
Non-current assets			
Intangible assets		**1,199**	1,271
Property, plant and equipment		**641**	893
Right-of-use assets		**313**	364
Investments in joint ventures and associates		**21**	21
Financial assets at fair value through other comprehensive income	10g	**1**	1
Derivative financial instruments	10g	**1**	1
Trade and other receivables		**37**	49
Deferred tax assets		**113**	105
Retirement benefit asset		**81**	84
		2,407	2,789
Current assets			
Inventories		**2,011**	2,718
Trade and other receivables		**810**	835
Financial assets at fair value through other comprehensive income	10g	**—**	—
Derivative financial instruments	10g	**39**	38
Current tax assets		**61**	56
Cash at bank and short term deposits	8b	**647**	689
Assets held for sale and disposal group	9b	**710**	14
		4,278	4,350
Total assets		**6,685**	7,139
Current liabilities			
Trade and other payables		**(2,495)**	(3,150)
Derivative financial instruments	10g	**(153)**	(88)
Current tax liabilities		**(75)**	(81)
Provisions		**(65)**	(69)
Lease liabilities	8b	**(72)**	(81)
Borrowings	8b	**(559)**	(652)
Liabilities directly associated with the disposal group	9b	**(470)**	—
		(3,889)	(4,121)
Non-current liabilities			
Trade and other payables		**(69)**	(69)
Provisions		**(37)**	(39)
Derivative financial instruments	10g	**—**	(9)
Deferred tax liabilities		**(256)**	(267)
Lease liabilities	8b	**(295)**	(359)
Borrowings	8b	**(618)**	(638)
Retirement benefit liability		**(18)**	(17)
		(1,293)	(1,398)
Total liabilities		**(5,182)**	(5,519)
Net assets		**1,503**	1,620
Equity			
Share capital	7	**42**	42
Share premium		**147**	147
Capital redemption reserve	7	**143**	143
Merger reserve	7	**312**	312
Other reserves		**(191)**	(63)
Retained earnings		**957**	940
Equity attributable to owners of the parent		**1,410**	1,521
Non-controlling interests		**93**	99
Total equity		**1,503**	1,620

The notes on pages 16 to 36 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 2023		38	147	143	316	69	820	1,533	34	1,567
Profit for the period		—	—	—	—	—	132	132	7	139
Other comprehensive expense for the period		—	—	—	—	(72)	(18)	(90)	(3)	(93)
Total comprehensive (expense)/income for the period		—	—	—	—	(72)	114	42	4	46
Hedging gains and losses transferred to inventory		—	—	—	—	(3)	—	(3)	—	(3)
Written put option		—	—	—	—	—	(1)	(1)	—	(1)
Shares issued		4	—	—	(4)	—	—	—	—	—
Share-based payments, net of tax		—	—	—	—	—	7	7	—	7
Purchase of own shares by the Inchcape Employee Trust		—	—	—	—	—	(12)	(12)	—	(12)
Dividends:										
– Owners of the parent	7b	—	—	—	—	—	(88)	(88)	—	(88)
– Non-controlling interests		—	—	—	—	—	—	—	(4)	(4)
At 30 June 2023		42	147	143	312	(6)	840	1,478	34	1,512
Profit for the period		—	—	—	—	—	138	138	6	144
Other comprehensive income/(expense) for the period		—	—	—	—	(58)	(2)	(60)	—	(60)
Total comprehensive income for the period		—	—	—	—	(58)	136	78	6	84
Hedging gains and losses transferred to inventory		—	—	—	—	1	—	1	—	1
Acquisition of non-controlling interests		—	—	—	—	—	3	3	(3)	—
Non-controlling interests on acquisition of subsidiaries		—	—	—	—	—	—	—	64	64
Share-based payments, net of tax		—	—	—	—	—	8	8	—	8
Purchase of own shares by the Inchcape Employee Trust		—	—	—	—	—	(7)	(7)	—	(7)
Dividends:										
– Owners of the parent	7b	—	—	—	—	—	(40)	(40)	—	(40)
– Non-controlling interests		—	—	—	—	—	—	—	(2)	(2)
At 31 December 2023		42	147	143	312	(63)	940	1,521	99	1,620

	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 2024		**42**	**147**	**143**	**312**	**(63)**	**940**	**1,521**	**99**	**1,620**
Profit for the period		—	—	—	—	—	**120**	**120**	**9**	**129**
Other comprehensive (expense)/income for the period		—	—	—	—	**(134)**	**(5)**	**(139)**	**(5)**	**(144)**
Total comprehensive (expense)/income for the period		—	—	—	—	**(134)**	**115**	**(19)**	**4**	**(15)**
Hedging gains and losses transferred to inventory		—	—	—	—	**6**	—	**6**	—	**6**
Share-based payments, net of tax		—	—	—	—	—	**9**	**9**	—	**9**
Purchase of own shares by the Inchcape Employee Trust		—	—	—	—	—	**(7)**	**(7)**	—	**(7)**
Non-controlling interests on acquisition of subsidiaries		—	—	—	—	—	—	—	(1)	(1)
Dividends:										
– Owners of the parent	7b	—	—	—	—	—	**(100)**	**(100)**	—	**(100)**
– Non-controlling interests		—	—	—	—	—	—	—	**(9)**	**(9)**
At 30 June 2024		**42**	**147**	**143**	**312**	**(191)**	**957**	**1,410**	**93**	**1,503**

The notes on pages 16 to 36 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	**Six months to 30 Jun 2024 £m**	Six months to 30 Jun 2023 £m
Cash generated from operating activities			
Cash generated from operations	8a	**443**	424
Tax paid		**(80)**	(89)
Interest received		**20**	22
Interest paid		**(100)**	(92)
Net cash generated from operating activities		**283**	265
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	9a	**—**	(4)
Net cash inflow from sale of businesses		**—**	2
Purchase of investments in joint ventures and associates		**—**	(1)
Purchase of property, plant and equipment		**(34)**	(32)
Purchase of intangible assets		**(2)**	(3)
Proceeds from disposal of property, plant and equipment		**4**	1
Dividends received from joint ventures and associates		**1**	—
Receipt from finance sub-lease receivables		**1**	1
Net cash used in investing activities		**(30)**	(36)
Cash flows from financing activities			
Purchase of own shares by the Inchcape Employee Trust		**(7)**	(12)
Repayment of other borrowings	8b	**(110)**	(550)
Cash inflow from bond issuance	8b	**—**	348
Cash (outflow)/inflow from revolving credit facility	8b	**(20)**	120
Repayment of acquisition financing bridge facility	8b	**—**	(350)
Payments to former shareholders of Derco group		**—**	(212)
Payment of capital element of lease liabilities	8b	**(43)**	(46)
Equity dividends paid	7b	**(100)**	(88)
Dividends paid to non-controlling interests		**(9)**	(4)
Net cash used in financing activities		**(289)**	(794)
Net decrease in cash and cash equivalents	8b	**(36)**	(565)
Cash and cash equivalents at beginning of the period		**440**	1,050
Effect of foreign exchange rate changes		**(18)**	(35)
Cash and cash equivalents at end of the period		**386**	450
Cash and cash equivalents consist of:			
Cash at bank		**560**	496
Short-term deposits		**87**	75
Bank overdrafts		**(267)**	(121)
Cash and cash equivalents included in disposal groups held for sale	9b	**6**	—
		386	450

The notes on pages 16 to 36 are an integral part of these condensed consolidated interim financial statements.

NOTES (UNAUDITED)

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2024 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts 2023, which have been prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the external auditors. The condensed consolidated interim financial statements in the Interim Report do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 4 March 2024 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial statements on pages 10 to 38 were approved by the Board of Directors on 29 July 2024.

Going concern

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

Committed bank facilities and Private Placement borrowings amount to £1,290m, of which £520m was drawn at 30 June 2024. In addition, the Group issued a £350m bond in June 2023 with a coupon of 6.5% which is due to mature in June 2028.

The Private Placement Loan notes 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 to have sufficient liquidity to continue operating throughout that period.

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

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

In scenarios where all of the above sensitivities occur at the same time, the Group has modelled the possibility of the interest cover covenant being breached in 2024 and 2025. 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.

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

NOTES (UNAUDITED)

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES CONTINUED

Accounting policies

The condensed set of consolidated financial information has been prepared using accounting policies consistent with those in the Group's Annual Report and Accounts 2023 with the exception of the following standards, amendments and interpretations which have been newly adopted from 1 January 2024:

Newly adopted accounting standards

From 1 January 2024, the following standards became effective for the Group's consolidated financial statements:

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

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 will apply the amendments to IAS7 and IFRS 7 for the first time in the current year. The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The Group has entered into vehicle funding arrangements to fund the purchase of vehicles (see note 10f) and will provide the required disclosures in its annual financial statements.

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

Standards not yet effective

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2025:

Amendments to IAS 21 - Lack of exchangeability
IFRS 18 - Presentation and Disclosure in Financial Statements

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

Designation of Ethiopia as a hyperinflationary economy

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

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

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

The inflationary factors used by the Group are the official price indices published by the Central Statistical Agency of Ethiopia. Hyperinflationary adjustments have been calculated using the price index prevailing at 30 June 2024, which was a CPI index of 455.9 (31 December 2023: CPI index 425.1). The adjusted results and financial position of Ethiopia were translated at the period-end closing rate before being included in the Group's consolidated financial statements.

NOTES (UNAUDITED)

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES CONTINUED

Critical accounting judgements and key sources of estimation uncertainty
The preparation of these condensed consolidated interim financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors have made a number of estimates and assumptions regarding the future and made some significant judgements in applying the Group's accounting policies. The critical accounting judgements and key sources of estimation uncertainty remain consistent with those presented in the accounting policies note within the Group's 2023 Annual Report and Accounts. Those that are new or significant to the preparation of the interim financial statements are presented below.

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

	As at 30 Jun 2024			As at 31 Dec 2023		
	Goodwill £m	**Indefinite-life intangible assets £m**	**Total £m**	Goodwill £m	Indefinite-life intangible assets £m	Total £m
At 1 January	**302**	**929**	**1,231**	270	858	1,128
Businesses acquired	**—**	**—**	**—**	39	113	152
Period adjustments (see note 9a)	**5**	**—**	**5**	5	—	5
Reclassified to assets held for sale	**(2)**	**—**	**(2)**	—	—	—
Effect of foreign exchange rates	**(15)**	**(57)**	**(72)**	(12)	(42)	(54)
At 30 June/31 December	**290**	**872**	**1,162**	302	929	1,231

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

Indicators of impairment in goodwill and other indefinite-life intangible assets
In accordance with the Group's accounting policy, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable.

In the first half of 2024 , the Group carried out an assessment as to whether any impairment testing is required to be performed for the six months to 30 June 2024. As set out in IAS 36 Impairment of Assets, the assessment involved the Group reviewing potential indicators of impairment to determine if any of the Group's assets should be tested.

The review included examining data trends on asset valuations, reviewing latest macro-economic data including global economic forecasts, reviewing latest industry data including forecasts of industry volumes and comparing the Group's results against cash flows used in previously prepared impairment models and latest forecasts. The conclusion reached from the review performed was that there was no requirement to test any assets or cash generating units for impairment for the six-month period to 30 June 2024.

At 31 December 2023, the Group's value in use calculations prepared for the cash generating units represented by Central America - Suzuki business in the Americas were sensitive to a change in the key assumptions used. The recoverable amount calculated for the Central America CGU was £170m. Cash flows were discounted back to present value using a pre-tax discount rate of 12.6%.

NOTES (UNAUDITED)

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES CONTINUED

The cash flows used within the impairment model were based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management performed sensitivity analysis on the key assumptions in the indefinite-life intangible asset impairment model for Central America – Suzuki using reasonably possible changes in these key assumptions. The sensitivities were selected based on the inherent business volatility and the metrics that closely align to the consequences of climate change risks and opportunities detailed on pages 44 to 49 of the 2023 Annual Report and Accounts.

	Increase/ (decrease) in assumption	Impairment charge £m	Impairment credit £m
Revenue CAGR (%)	(1.0%)/1.0%	(16)	18
Average gross margin (%)	(0.5%)/0.5%	(9)	9
Pre-tax discount rate (%)	1.0%/(1.0%)	(19)	25
Long-term growth rate (%)	(0.5%)/0.5%	(6)	7

Other CGUs

The Group's value in use calculations are sensitive to a change in the key assumptions used. However, with the exception of the Group's Hino business in South America, a reasonably possible change in a key assumption would not cause a material impairment of goodwill or indefinite-life intangible assets in any of the other CGU groups. The value in use calculations for the Hino distribution agreement in South America exceeded the carrying value by 24% as at 31 December 2023. A 1.4% increase in the discount rate, a 3.1% reduction in the long-term growth rate, or an 18% reduction in volumes in the forecast period, while holding all other assumptions constant, would eliminate this headroom.

Classification of vehicle funding arrangements

The Group finances the purchase of vehicles using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. In assessing whether the liabilities arising under these arrangements should be classified within trade and other payables rather than as an additional component of the Group's net debt within borrowings, the Group considers a number of factors including whether the arrangement is a requirement of the relationship with the OEM, in relation to specific, separately identifiable vehicles held as inventory and the duration of the finance. Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables requires significant management judgement (see note 10f).

Adjusting items

The Directors believe that adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The operating profit before adjusting items and profit before tax and adjusting items measures are not recognised profit measures under IFRS and may not be directly comparable with such profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within the Group accounting policies and note 3 provides further details on current year adjusting items and their adherence to Group policy.

In the period, the Group has reported an aggregate pre-tax adjusting items expense of £31m (see note 3). The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying business performance and is used by management to facilitate internal performance analysis. Items that may be considered as adjusting items include gains or losses on the disposal of businesses, restructuring of businesses, acquisition and integration costs, asset impairments and the tax effects of these items. Any reversal of an amount previously recognised as an adjusting item would also be recognised as an adjusting item in a subsequent period.

Alternative performance measures (APMs)

The consolidated income statement presents only IFRS measures which is in line with the basis of preparation disclosed in this note. The alternative performance measures used by the Group are included in note 14. This includes further information on the definitions, purpose and reconciliation to IFRS measures.

2 SEGMENTAL ANALYSIS

The Group has three reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision-maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. Following the classification in the current period of the Group's retail operations in the UK as a discontinued operation, the Group's internal reporting has been updated to no longer distinguish between 'Distribution' and 'Retail'. As a result the Group's remaining retail operation in Europe has been combined with the Europe & Africa distribution business to form a single reportable segment.

The Group reports the performance of its reporting segments after the allocation of central costs. These represent costs of Group functions. Reporting segment performance for 2023 has been restated for the re-allocation of central costs following the classification of the UK retail operations as a discontinued operation.

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

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

Six months to 30 June 2024	APAC £m	Europe & Africa £m	Americas £m	Total £m
Revenue				
Total revenue	**1,495**	**1,622**	**1,608**	**4,725**
Results				
Adjusted operating profit from continuing operations	**116**	**85**	**98**	**299**
Operating adjusting items				**(23)**
Operating profit from continuing operations				**276**
Share of profits after tax of joint ventures and associates				**1**
Profit before finance and tax				**277**
Finance income				**22**
Finance costs				**(104)**
Profit before tax from continuing operations				**195**
Tax				**(71)**
Profit for the period from continuing operations				**124**

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

Six months to 30 June 2024	£m
Chile	**738**
Australia	**595**
Rest of the world	**3,392**
Group	**4,725**

NOTES (UNAUDITED)

2 SEGMENTAL ANALYSIS CONTINUED

Six months to 30 June 2023 (restated)	APAC £m	Europe & Africa £m	Americas £m	Total £m
Revenue				
Total revenue	1,255	1,397	1,911	4,563
Results				
Adjusted operating profit from continuing operations	86	70	139	295
Operating adjusting items				(21)
Operating profit from continuing operations				274
Share of losses after tax of joint ventures and associates				1
Profit before finance and tax				275
Finance income				24
Finance costs				(121)
Profit before tax from continuing operations				178
Tax				(65)
Profit for the period from continuing operations				113

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

Six months to 30 June 2023	£m
Chile	897
Australia	662
Rest of the world	3,004
Group	4,563

NOTES (UNAUDITED)

3 ADJUSTING ITEMS

From continuing operations	**Six months to 30 Jun 2024 £m**	Six months to 30 Jun 2023 £m
Acquisition and integration costs	**(23)**	(21)
Total adjusting items in operating profit	**(23)**	(21)
Adjusting items in finance costs:		
Net monetary loss on hyperinflation	**(8)**	(14)
Interest costs on deferred dividend payment	**—**	(10)
Total adjusting items before tax	**(31)**	(45)
Tax on adjusting items (note 5)	**3**	3
Total adjusting items	**(28)**	(42)

During the period, operating costs of £23m (2023: £21m) have been incurred in connection with the acquisition and integration of businesses. These costs have been reported as adjusting items to better reflect the underlying performance of the business. These primarily relate to the acquisition and integration of the Derco group. For more details on acquisitions, please refer to note 9.

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 30 June 2023, three of the tranches had been paid and interest of £10m had been recognised. This interest expense was recognised within finance costs and reported as an adjusting item.

During 2022, Ethiopia was designated as a hyperinflationary economy as its three-year cumulative inflation rate exceeded 100%. The Group financial statements include adjustments for hyperinflation, following the application of IAS 29 Financial Reporting in Hyperinflationary Economies in relation to the Group's operations with a functional currency of Ethiopian Birr. The results and financial position of Ethiopia for the six months ended 30 June 2024 have been restated to include the effect of indexation and the resulting £8m net monetary loss on hyperinflation (2023: net monetary loss of £14m) has been recognised within net finance costs and reported as an adjusting item.

NOTES (UNAUDITED)

4 NET FINANCE COSTS

From continuing operations	**As at 30 Jun 2024 £m**	As at 30 Jun 2023 £m
Interest payable on bank borrowings	**30**	42
Interest payable on other borrowings	**22**	17
Lease finance costs	**9**	9
Interest on inventory financing	**26**	16
Net monetary loss on hyperinflation (note 3)	**8**	14
Interest on deferred dividend payment	**—**	10
Other finance costs	**9**	13
Finance costs	**104**	121
Bank and other interest receivable	**(18)**	(20)
Net interest income on post-retirement plan assets and liabilities	**(2)**	(2)
Other finance income	**(2)**	(2)
Finance income	**(22)**	(24)
Net finance costs	**82**	97
Analysed as:		
Net finance costs excluding adjusting finance costs	**74**	73
Finance costs reported as adjusting items	**8**	24
Net finance costs	**82**	97

5 TAX

From continuing operations		Six months to 30 Jun 2024 £m	Six months to 30 Jun 2023 £m
Current tax	– United Kingdom tax	**1**	—
	– Overseas tax	**67**	84
Adjustments to prior year liabilities	– United Kingdom tax	**—**	—
	– Overseas tax	**—**	(3)
Current tax		**68**	81
Deferred tax		**3**	(16)
Total tax charge		**71**	65
	– Tax charge on profit before adjusting items	**74**	68
	– Tax credit on adjusting items	**(3)**	(3)
Total tax charge		**71**	65

The tax charge for the 6 months ended 30 June 2024 has been calculated by applying the estimated average annual effective income tax rate for each jurisdiction in which Inchcape operates to the interim period pre-tax income of each jurisdiction as required by IAS 34 'Interim Financial Reporting'. Tax credited on adjusting items has been separately calculated and is disclosed above. Details of the adjusting items for the period can be found in note 3.

The effective tax rate for the period to 30 June 2024 is 36.4% compared to 36.5% for the same period last year. The effective tax rate on adjusted profit for the period is 32.7% compared to 30.5% for the same period last year.

From 1 January 2024, the Group is required to record a current tax expense in relation to the OECD Pillar Two model rules. Included within the total tax expense for the period to 30 June is a current tax expense in relation to Pillar Two of £2m, split between United Kingdom Pillar Two tax of £1m and Overseas Pillar Two tax of £1m. The Overseas Pillar Two tax expense element relates to markets where local domestic top-up tax legislation has been enacted. The United Kingdom Pillar Two tax expense element relates to overseas markets where local domestic top-up tax legislation has not been enacted, meaning the top-up tax is accrued and payable by Inchcape plc.

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

Factors affecting current and future tax charges
The Group's future tax charge, and effective tax rate, could be affected by several factors including; the resolution of audits and disputes, changes in tax laws or tax rates, repatriation of cash from overseas markets to the UK, the ability to utilise brought forward losses, 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 the recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, the Group's future tax expense and effective tax rate could be affected.

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

NOTES (UNAUDITED)

6 EARNINGS PER SHARE

	Six months to 30 Jun 2024	Six months to 30 Jun 2023
	£m	£m
Profit for the period	**129**	139
Non-controlling interests	**(9)**	(7)
Basic earnings	**120**	132
Profit for the period from discontinued operations	**(5)**	(26)
Basic earnings from continuing operations attributable to owners of the parent	**115**	106
Adjusting items	**28**	42
Adjusted earnings from continuing operations attributable to owners of the parent	**143**	148

Basic earnings per share		
Basic earnings per share from continuing operations	**27.9p**	25.7p
Basic earnings per share from discontinued operations	**1.2**	6.3p
Total basic earnings per share	**29.1p**	32.0p
Diluted earnings per share		
Diluted earnings per share from continuing operations[1]	**27.5p**	25.4p
Diluted earnings per share from discontinued operations	**1.2p**	6.2p
Total diluted earnings per share	**28.7p**	31.6p
Adjusted earnings per share from continuing operations		
Basic Adjusted earnings per share from continuing operations	**34.7p**	35.9p
Diluted Adjusted earnings per share from continuing operations	**34.2p**	35.4p

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

	Six months to 30 Jun 2024	Six months to 30 Jun 2023
	number	number
Weighted average number of fully paid ordinary shares in issue during the period	**413,007,132**	412,365,247
Weighted average number of fully paid ordinary shares in issue during the period:		
– Held by the Inchcape Employee Trust	**(974,210)**	(487,899)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**412,032,922**	411,877,348
Dilutive effect of potential ordinary shares	**6,044,221**	6,152,343
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	**418,077,143**	418,029,691

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

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

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

6 EARNINGS PER SHARE CONTINUED

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

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

7 SHAREHOLDERS' EQUITY

A. Issue of ordinary shares

As at 30 June 2024, the issued share capital of the Company was 413,007,132 shares (June and December 2023: 413,007,132 shares). During the first half of 2023, the Company issued 38,513,102 ordinary shares of 10p each in connection with the acquisition of the Derco group.

During the period, the Group issued £nil (June 2023 – £nil, December 2023 – £nil) of ordinary shares exercised under the Group's share option schemes.

Share buyback programme

During the six months ended 30 June 2024, the Company repurchased none of its own shares (June 2023: none; December 2023: none).

B. Dividends

The following dividends were paid to equity holders of the parent:

	Six months to 30 Jun 2024	Six months to 30 Jun 2023	Year to 31 Dec 2023
	£m	£m	£m
Final dividend for the year ended 31 December 2023 of 24.3p per share (2022: 21.3p per share)	**100**	88	88
Interim dividend for the six months ended 30 June 2023 of 9.6p per share (2022: 7.5p per share)	—	—	40
	100	88	128

An interim dividend of 11.3p per share for the period ending 30 June 2024 was approved by the Board on 29 July 2024 and will be paid on 6 September 2024 to shareholders who are on the register at close of business on 9 August 2024. The Dividend Reinvestment Plan (DRIP) is available to ordinary shareholders and the final date for receipt of elections to participate in the DRIP is 15 August 2024.

8 NOTES TO THE STATEMENT OF CASH FLOWS

A. Reconciliation of cash generated from operations

	Six months to 30 Jun 2024 £m	Six months to 30 Jun 2023 £m
Cash flows from operating activities		
Operating profit – continuing operations	**276**	274
Operating profit – discontinued operations	**7**	32
Adjusting items	**23**	21
Amortisation including non-adjusting impairment charges	**5**	6
Depreciation of property, plant and equipment including non-adjusting impairment charges	**25**	24
Depreciation of right-of-use assets	**40**	40
Share-based payments charge	**9**	7
Decrease/(increase) in inventories	**330**	(196)
Increase in trade and other receivables	**(99)**	(43)
(Decrease)/increase in trade and other payables	**(142)**	274
(Decrease)/increase in provisions	**(6)**	7
Pension contributions more than pension charge for the period[1]	**—**	—
Increase in interest in leased vehicles	**(4)**	(1)
Payments in respect of operating adjusting items	**(21)**	(21)
Cash generated from operations	**443**	424

1. Includes additional payments of £nil (30 June 2023: – £nil).

B. Net debt reconciliation

	Liabilities from financing activities			**Assets**	
	Borrowings £m	**Leases £m**	**Sub-total £m**	**Cash/bank overdrafts £m**	**Total net debt £m**
Net (debt)/funds at 1 January 2023	(1,428)	(499)	(1,927)	1,050	(877)
Cash flows	432	46	478	(561)	(83)
Period adjustments	(7)	—	(7)	(4)	(11)
New lease liabilities	—	(34)	(34)	—	(34)
Other non-cash movements	(3)	(2)	(5)	—	(5)
Foreign exchange adjustments	(8)	9	1	(35)	(34)
Net (debt)/funds at 30 June 2023	(1,014)	(480)	(1,494)	450	(1,044)
Cash flows	(20)	41	21	161	182
Acquisitions	(23)	(11)	(34)	(146)	(180)
Period adjustments	—	(1)	(1)	13	12
Disposals	—	—	—	1	1
New lease liabilities	—	(3)	(3)	—	(3)
Other non-cash movements	(3)	2	(1)	—	(1)
Foreign exchange adjustments	19	12	31	(39)	(8)
Net (debt)/funds at 1 January 2024	**(1,041)**	**(440)**	**(1,481)**	**440**	**(1,041)**
Cash flows	**130**	**43**	**173**	**(36)**	**137**
New lease liabilities	**—**	**(40)**	**(40)**	**—**	**(40)**
Transferred to assets/liabilities held for sale	**—**	**60**	**60**	**—**	**60**
Other non-cash movements	**(3)**	**(1)**	**(4)**	**—**	**(4)**
Foreign exchange adjustments	**4**	**11**	**15**	**(18)**	**(3)**
Net (debt)/funds at 30 June 2024	**(910)**	**(367)**	**(1,277)**	**386**	**(891)**

8 NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

Net debt is analysed as follows:

	As at 30 Jun 2024 £m	As at 31 Dec 2023 £m	As at 30 Jun 2023 £m
Cash at bank and short term deposits as per the statement of financial position	**647**	689	571
Cash and cash equivalents included in disposal groups held for sale	**6**	—	—
Borrowings – disclosed as current liabilities	**(559)**	(652)	(251)
Add back: amounts treated as debt financing (see below)	**292**	403	130
Cash and cash equivalents as per the statement of cash flows	**386**	440	450
Debt financing			
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	**(292)**	(403)	(130)
Borrowings – disclosed as non-current liabilities	**(618)**	(638)	(884)
Lease liabilities	**(367)**	(440)	(480)
Debt financing	**(1,277)**	(1,481)	(1,494)
Net debt	**(891)**	(1,041)	(1,044)
Add back: lease liabilities	**367**	440	480
Adjusted net debt	**(524)**	(601)	(564)

Borrowings disclosed as current liabilities include the £250m Term Loan due in December 2024 and bank overdrafts held in cash pooling arrangements which have not been offset in the consolidated statement of financial position. Bank overdrafts are included within cash and cash equivalents in the consolidated statement of cash flows.

	As at 30 Jun 2024 £m	As at 31 Dec 2023 £m	As at 30 Jun 2023 £m
Cash at bank	**560**	610	496
Short-term deposits	**87**	79	75
Bank overdrafts	**(267)**	(249)	(121)
Cash and cash equivalents included in disposal groups held for sale	**6**	—	—
	386	440	450

£94m (31 December 2023: £95m; 30 June 2023: £94m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

9 ACQUISITIONS AND DISPOSALS

a. Acquisitions

During the period, measurement period adjustments were made in respect of acquisitions which completed in the second half of 2023 which resulted in an increase in goodwill of £5m.

Disposals and discontinued operations

During the period the Group announced that, following a review of strategic options announced in January 2024, it had agreed to sell its UK Retail operations to Group 1 Automotive UK Limited, a wholly-owned subsidiary of Group 1 Automotive, Inc. for a cash consideration of approximately £346m. The sale is expected to complete in Q3 2024. The UK Retail operation is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are for the six months ended 30 June 2024 and for the six months to 30 June 2023.

	Six months to 30 Jun 2024	Six months to 30 Jun 2023
	£m	£m
Revenue	**1,032**	1,065
Expenses[1]	**(1,025)**	(1,033)
Operating profit	**7**	32
Finance costs	**(8)**	(6)
Profit before tax	**(1)**	26
Tax	**6**	—
Profit after tax of discontinued operations	**5**	26
Net cash inflow from operating activities	**7**	28
Net cash outflow from investing activities	**(9)**	(10)
Net cash outflow from financing activities	**(3)**	(4)
Net (decrease)/increase from cash generated from discontinued operations	**(5)**	14

1. Transaction and separation costs of £10m were incurred in the period in relation to the planned disposal of the UK Retail business. The costs relate to legal fees, bankers' fees and other professional fees.

Assets and liabilities of disposal groups classified as held for sale

The disposal groups relate to the assets and liabilities attributable to the agreed disposal of the UK Retail business.

	Total 30 June 2024
	£m
Intangible assets	**2**
Property, plant & equipment	**262**
Right of use assets	**54**
Deferred tax assets	**7**
Inventories	**296**
Trade and other receivables	**83**
Cash and cash equivalents	**6**
Total assets of disposal groups held for sale	**710**
Trade and other payables	**(408)**
Provisions	**(2)**
Lease Liabilities	**(60)**
Total liabilities of disposal groups held for sale	**(470)**

9 ACQUISITIONS AND DISPOSALS CONTINUED

Assets classified as held for sale

	31 December 2023
	£m
Assets classified as held for sale	14

Assets held for sale related to surplus properties in the United Kingdom which were actively marketed with a view to sale.

10 FINANCIAL RISK MANAGEMENT

a. Financial risk factors

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

During the six months to 30 June 2024, the Group has continued to apply the financial risk management process and policies as detailed in the Group's principal risks and risk management process included in the Annual Report and Accounts 2023. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in note 23 of the Annual Report and Accounts 2023.

b. Foreign currency risk

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

Transaction exposure hedging

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

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

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

c. Interest rate risk

The Group's interest rate policy has the objective of minimising net interest expense and protecting the Group from material adverse movements in interest rates. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate interest payable on the Group's bank borrowings, supplier-related finance and the returns available on surplus cash. Excluding the Revolving Credit Facility, 66% of the Group's corporate debt is at fixed rates of interest and is not due to be repaid for at least three years.

d. Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations leading to a financial loss for the Group. Credit risk arises from cash and cash equivalents, trade receivables and other financial assets. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy of limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk. Group policy is to deposit cash and use financial instruments with counterparties with a long-term credit rating of A or better, where available. The concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base across a number of geographic regions and the historically low default loss percentage incurred by the Group.

10 FINANCIAL RISK MANAGEMENT CONTINUED

e. Liquidity risk

As at 30 June 2024, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £900m (31 December 2023: £900m), sterling Private Placement Loan Notes totalling £140m (31 December 2023: £210m), a five-year bond of £350m (31 December 2023: £350m), and a term loan facility of £250m due to mature in December 2024 (31 December 2023: £250m). As at 30 June 2024, £130m of the £900m syndicated revolving credit facility was drawn (31 December 2023: £150m).

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

In December 2023, the Group's syndicated revolving credit facility was amended, increasing the facility to £900m and extending the maturity to December 2028.

Private Placement Loan Notes of £70m were repaid in May 2024, reducing the total from £210m to £140m.

The Term Loan and Private Placement borrowings are subject to the same interest cover covenant based on an adjusted EBITA measure to interest on consolidated borrowings measured on a trailing 12-month basis at June and December. The Group is required to maintain a ratio of not less than three to one and was compliant with this covenant as at 30 June 2024

f. Vehicle funding arrangements

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally are uncommitted facilities and have a maturity of 180 days or less. Amounts due under these vehicle funding arrangements are included within trade and other payables in the consolidated statement of financial position. Related cash flows are reported within cash flows from operating activities in the consolidated statement of cash flows. As at 30 June 2024, the total amount outstanding under such arrangements was £1,434m (31 December 2023: £1,877m).

Vehicle funding facilities are subject to SONIA (or similar) interest rates. The interest incurred under these arrangements is included within finance costs in the consolidated income statement and reported as interest on inventory financing (see note 4). Related cash flows are reported as interest paid in the consolidated statement of cash flows.

g. Fair value measurements

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

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

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

	As at 30 June 2024				As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets								
Derivatives used for hedging	**—**	**40**	**—**	**40**	—	39	—	39
Financial assets at fair value through other comprehensive income	**—**	**—**	**1**	**1**	—	—	1	1
	—	**40**	**1**	**41**	—	39	1	40
Liabilities								
Derivatives used for hedging	**—**	**(153)**	**—**	**(153)**	—	(97)	—	(97)
	—	**(153)**	**—**	**(153)**	—	(97)	—	(97)

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

10 FINANCIAL RISK MANAGEMENT CONTINUED

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

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

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange and prevailing forward interest rates at 30 June 2024.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	As at 30 Jun 2024	As at 31 Dec 2023	**As at 30 Jun 2024**	As at 31 Dec 2023
	£m	£m	**£m**	£m
Forward foreign exchange contracts	**40**	39	**(153)**	(97)
	40	39	**(153)**	(97)

11 OTHER DISCLOSURES

a. Related Parties

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2023.

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

There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2024.

b. Contingencies

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HMRC in the Franked Investment Income Group Litigation Order ("FII GLO"). As at 30 June 2024, there were 16 corporate groups in the FII GLO. As previously reported, the High Court held in February 2024, that for claims for a refund of the unlawfully paid tax to cover the entire period of claims they must have been submitted before 6 June 2006. Inchcape submitted a claim on 25 November 2003 and the High Court's judgment means that Inchcape's claim is within time to cover the entire period of its claim. However, the Court of Appeal has granted HMRC leave to appeal the High Court's decision and a date for this hearing is being scheduled.

In view of the significant uncertainty about the eventual outcome of the appeals process, Inchcape has not recognised any amount in respect of its claim to a refund of this tax.

FCA review of Motor Finance commission

Prior to 2021 the Group, along with other automotive dealers, brokered financing for UK customers under which the Group received a variable level of commission from lenders. Following recent decisions by the Financial Ombudsman relating to complaints raised by consumers regarding such commission arrangements, the Financial Conduct Authority (FCA) has initiated a review into motor finance commission arrangements and sales across several lending firms. If the FCA finds that there has been widespread misconduct, and that consumers have lost out, it will identify how best to ensure that such consumers are appropriately compensated. The FCA's review is due to conclude later this year. Given the inherent uncertainties regarding the outcome of the review and, if applicable, the nature, scope, timing of and responsibility for any compensation arrangements, it is not practicable to estimate the timing and extent, if any, of the potential financial impact on the Group.

12 FOREIGN CURRENCY TRANSLATION

The exchange rates used for translation purposes are as follows:

	Average rates			Period end rates		
	30 Jun 2024	30 Jun 2023	31 Dec 2023	**30 Jun 2024**	30 Jun 2023	31 Dec 2023
Australian dollar	**1.92**	1.84	1.88	**1.89**	1.91	1.87
Chilean peso	**1,196.99**	1,000.41	1,044.70	**1,193.29**	1,016.96	1,130.41
Ethiopian birr[1]	**72.81**	69.60	71.84	**72.81**	69.60	71.84
Euro	**1.17**	1.14	1.15	**1.18**	1.16	1.15
Hong Kong dollar	**9.91**	9.68	9.75	**9.87**	9.95	9.98
Singapore dollar	**1.71**	1.65	1.67	**1.71**	1.72	1.68
US dollar	**1.27**	1.23	1.25	**1.26**	1.27	1.28

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

13 EVENTS AFTER THE REPORTING PERIOD

The Group notes that on 25 July 2024, the Court of Appeal upheld the decision in the case involving Virgin Media Limited and NTL Pension Trustees II Limited relating to the validity of certain historical pension changes which could potentially lead to additional liabilities for some pension schemes and sponsors. The Group is assessing whether there is any potential impact on the Group. Although there is currently no cause to conclude that there will be any additional liabilities in the Group's defined benefit pension scheme, no conclusion has been reached and therefore no quantification of the potential financial impact, if any, has been determined.

On 28 July 2024, the Ethiopian government announced that its currency, the Ethiopian Birr, would transition from a managed floating to a floating exchange rate system. This change could have a significant impact on the official Birr exchange rate. A future change in the official Birr exchange rate will impact the reported net assets and profits of our Ethiopian subsidiary, when translated into the Group's presentational currency of sterling, in future periods. As at 30 June 2024, the Group's consolidated net assets included £155m in relation to the Ethiopian subsidiary.

On 29 July 2024, the Board approved a £150m share buyback programme which will commence on 1 August 2024 and is expected to complete during Q1 2025. On 29 July 2024, the FCA gave its approval of the sale of the Group's UK Retail operations to Group 1 Automotive UK Limited and the transaction is expected to complete on 1 August 2024.

NOTES (UNAUDITED)

14 ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Constant currency

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

Performance Measure	Definition	Why we measure it
Adjusted gross profit	Gross profit before adjusting items.	A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales)
Adjusted operating profit	Operating profit before adjusting items.	A key metric of the Group's underlying business performance.
Operating margin	Adjusted operating profit divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth to profit.
Ratio of adjusted overheads to revenue	Adjusted net operating expenses divided by revenue.	A measure of the operational efficiency of the Group.
Adjusted profit before tax	Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.
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/or non-recurring in nature. Refer to note 3.	The separate reporting of adjusting items helps provide additional useful information regarding the Group's underlying business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Adjusted earnings per share	Represents earnings per share excluding the impact of adjusting items.	A measure useful to shareholders and investors to understand the earnings attributable to shareholders excluding the impact of adjusting items.
Net capital expenditure	Cash outflows from the purchase of property, plant, equipment and intangible assets less the proceeds from the disposal of property, plant, equipment and intangible assets. Refer to page 36.	A measure of the net amount invested in operational facilities in the period.
Free cash flow	Net cash flows from operating activities, before adjusting cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests. Refer to page 38.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.

14 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Performance Measure	Definition	Why we measure it
Return on capital employed (ROCE)	Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/ less net funds. Refer to page 36.	ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.
Net (debt)/funds	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 8b.	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. Refer to note 8b.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Constant currency percentage change	Presentation of reported results compared to prior period translated using current year constant rates of exchange.	A measure of underlying business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

APMs: Reconciliation of statement of comprehensive income measures

	As at 30 Jun 2024	As at 30 Jun 2023
Continuing operations	**£m**	£m
Gross Profit	**814**	817
Add back: Adjusting items charged to gross profit	**—**	—
Adjusted Gross Profit from continuing operations	**814**	817
Less: Segment operating expenses	**(515)**	(522)
Adjusted Operating Profit from continuing operations	**299**	295
(Less)/add: Adjusting items in operating expenses	**(23)**	(21)
Operating Profit	**276**	274
Less: Net Finance Costs and JV profits/losses	**(81)**	(96)
Profit Before Tax	**195**	178
Add/(less): Total adjusting Items	**31**	45
Adjusted profit before tax from continuing operations	**226**	223

Revenue	**4,725**	4,563
Adjusted net operating expenses	**515**	522
Ratio of adjusted net operating expenses to revenue	**10.9 %**	11.4 %

NOTES (UNAUDITED)

14 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

APMs: Reconciliation of statement of cash flows measures

	As at 30 Jun 2024 £m	**As at 30 Jun 2024 £m**	As at 30 Jun 2023 £m	As at 30 Jun 2023 £m
Net cash generated from total operating activities		**283**		265
Add back: Payments in respect of adjusting items		**21**		21
Net cash generated from operating activities, before adjusting items		**304**		286
Purchase of property, plant and equipment	**(34)**		(32)	
Purchase of intangible assets	**(2)**		(3)	
Proceeds from disposal of property, plant and equipment	**4**		1	
Net capital expenditure		**(32)**		(34)
Net payment in relation to leases		**(42)**		(45)
Dividends paid to non-controlling interests		**(9)**		(4)
Free cash flow		**221**		203
Less: Free cash flow from discontinued operations		**5**		(14)
Free cash flow from continuing operations		**226**		189

APMs: Reconciliation of statement of financial position measures

	As at 30 Jun 2024 £m	As at 30 Jun 2023 £m
Adjusted operating profit	**299**	295
Adjusted operating profit for the previous 6 month period	**325**	180
Adjusted operating profit on a 12 month basis	**624**	475
Net assets	**1,503**	1,512
Less: Net assets from discontinued operations	**(240)**	(220)
Net assets from continuing operations	**1,263**	1,292
Add: net debt/less (net funds)	**891**	1,044
Add: net funds/(net debt) from discontinued operations	**6**	(65)
Capital employed - continuing operations	**2,160**	2,271
Effect of averaging	**56**	(761)
Average capital employed	**2,216**	1,510
Return on capital employed	**28.2 %**	31.5 %

	As at 30 Jun 2024 £m	As at 31 Dec 2023 £m
Net debt	**(891)**	(1,041)
Add back: lease liabilities	**367**	440
Adjusted net debt	**(524)**	(601)

INDEPENDENT REVIEW REPORT TO INCHCAPE PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months to 30 June 2024 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months to 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Deloitte LLP

Statutory Auditor

London, England

29 July 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors and positions held during the period were as published in the Annual Report and Accounts 2023. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

On behalf of the Board

Duncan Tait

GROUP CHIEF EXECUTIVE

29 July 2024