THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this Circular or the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent professional adviser.

If you sell or transfer or have sold or transferred all your Inchcape Shares, please send this Circular, together with the accompanying Form of Proxy (other than documents or personalised forms), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or transfer or have sold or transferred only part of your holding of Inchcape Shares please retain this Circular and the accompanying Form of Proxy and contact immediately the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

This Circular is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for any security, including in relation to any Consideration Shares to be issued in connection with the proposed Transaction.

Inchcape

Inchcape plc

(Incorporated and registered in England and Wales with registered number 609782)

Proposed Acquisition of Derco

Circular to Shareholders

and

Notice of General Meeting

This Circular should be read as a whole, in particular, the risk factors set out on pages 22 to 28 of this Circular. Your attention is drawn to the letter from your Chairman which is set out on pages 9 to 21 of this Circular and which contains the unanimous recommendation of the Directors that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of General Meeting of the Company to be held at 10:00 a.m. on 16 December 2022 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG is set out at the end of this Circular. A Form of Proxy for use at this General Meeting is enclosed. Whether or not you propose to attend the General Meeting, you are asked to complete and return the Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE, by post or (during normal business hours only) by hand or electronically by logging on to the Company registrar's website (www.eproxyappointment.com), in each case no later than 10:00 a.m. on 14 December 2022 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person, should you wish. Further details are given in the notes to the Notice of General Meeting set out in the Notice of General Meeting at the end of this Circular.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures set out in the notes to the Notice of General Meeting set out in the Notice of General Meeting at the end of this Circular, as soon as possible and in any event no later than 10:00 a.m. on 14 December 2022 (or in the case of an adjournment, not later than 48 hours, excluding non-working days, before the time fixed for the holding of the adjourned meeting).

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please see the notes to the Notice of General Meeting set out in the Notice of General Meeting at the end of this Circular. If you are using the Proxymity platform, your proxy must be lodged by 10:00 a.m. on 14 December 2022 in order to be considered valid.

If you have any questions about this Circular, the General Meeting or the completion and return of the Form of Proxy, please contact the Company's registrar, Computershare, between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays) on 0370 707 1076 (from the United Kingdom), or +44 (0)370 707 1076 (from outside the United Kingdom, international rates apply). Please note that calls may be monitored or recorded and the Company's registrar cannot provide financial, legal or tax advice on the merits of the Transaction.

Greenhill, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively as sponsor and financial adviser to the Company and for no one else in connection with the Transaction and will not regard any other person as a client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Greenhill or for providing advice in relation to the Transaction or any other transaction, arrangement or matter referred to in this Circular.

JP Morgan, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as financial adviser and joint corporate broker to the Company and for no one else in connection with the Transaction and will not regard any other person as a client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of JP Morgan or for providing advice in relation to the Transaction or any other transaction, arrangement or matter referred to in this Circular.

Jefferies, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company as financial adviser and joint corporate broker and for no one else in connection with the Transaction and will not be responsible to anyone other than the Company for providing the protection offered to clients of Jefferies nor for providing advice in relation to the Transaction or any other matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Greenhill, JP Morgan or Jefferies by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Greenhill, JP Morgan or Jefferies nor any of their respective subsidiaries, branches or affiliates, accept any duty, liability or responsibility whatsoever (whether direct or indirect) to any person for any acts or omissions of the Company in relation to the Transaction or makes any representation or warranty, express or implied, as to the contents of this Circular, including its accuracy, completeness, verification or sufficiency or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Transaction and nothing in this Circular will be relied upon as a promise or representation in this respect, whether or not as to the past or future. Greenhill, JP Morgan and Jefferies and their respective subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract, statute or otherwise (save as referred to above) in respect of this Circular or any such statement or otherwise.

Notice to all investors

This Circular is not intended to and does not constitute or form part of any offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Inchcape Shares or other securities, including the Consideration Shares, in any jurisdiction. This document is a circular relating to the Transaction which has been prepared in accordance with the Listing Rules solely for the purpose of considering the Resolution. Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the Resolution is prohibited.

No person has been authorised to give any information or make any representations other than those contained in this Circular or incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, Greenhill, JP Morgan or Jefferies. None of the above take any responsibility or liability for, and can provide no assurance as to the reliability of, other information that you may be given. Subject to the Listing Rules, the Disclosure Guidance and Transparency Rules, and MAR, the delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company or Derco since the date of this Circular or that the information in this Circular is correct as at any time after its date.

The contents of this Circular are not to be construed as legal, business or tax advice. Each Shareholder should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

The release, publication or distribution of this Circular by any recipient may be restricted or prohibited by law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Transaction disclaim any responsibility or liability for the violation of such requirements by any person.

Notice to overseas persons

This Circular is not an offer of securities for sale in the United States and there has been and will be no public offer of the securities discussed herein in the United States. The securities discussed herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, or transferred, directly or indirectly, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and otherwise in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Neither the Inchcape Shares nor the Consideration Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other US regulatory authority, nor have such authorities reviewed or passed upon the adequacy or accuracy of this Circular. Any representation to the contrary is a criminal offence in the United States.

This Circular is not an offer of securities for sale in the Republic of Chile and there will be no public offering of securities in the Republic of Chile. The Consideration Shares will be issued at Completion subject to Norma de Carácter General No. 336 of the Chilean Comisión para el Mercado Financiero ("**CMF**") and neither the Inchcape Shares nor the Consideration Shares will be registered in either the Registry of Securities of the CMF or in the Registry of Foreign Securities of the CMF. Accordingly, neither Inchcape nor any other person has any obligation to deliver any public information about the Inchcape Shares or the Consideration Shares in Chile and neither the Inchcape Shares nor the Consideration Shares may be publicly offered or sold in Chile unless they are duly registered in the correspondent registry of the CMF.

Information regarding forward-looking statements

This Circular contains (or may contain) statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements are based on current expectations and projections about future events and other matters that are not historical fact. These forward-looking statements are sometimes identified by the use of a date in the future or forward-looking terminology, including, but not limited to, the words "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect", "may", "target", "project", "will", "could" or "should" or, in each case, their negative or other variations or words of similar meaning. These forward-looking statements include matters that are not historical facts and include statements that reflect the Directors' intentions, beliefs and current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond Inchcape's control. They are not guarantees of future performance and are based on one or more assumptions.

Forward-looking statements contained in this Circular apply only as at the date of this Circular. Subject to any obligations under the Listing Rules, the Disclosure Guidance and Transparency Rules, MAR or any other applicable law or regulation, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Statements contained in this Circular regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Any forward-looking statements in this Circular reflect the Company's view with respect to future events as at the date of this Circular and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the conditions to the Transaction being satisfied, increased leverage as a result of the Transaction, the Company's ability to integrate the businesses and retention of key personnel, the successful realisation of the anticipated synergies and strategic benefits and an adequate return on its investment from the Transaction, consumer behaviour, maintenance of Derco's performance and momentum in its business throughout integration and the Company's operations, result of operations, financial condition, growth, strategy, the industry in which the Company operates, and the other risk factors highlighted in this Circular. No assurances can be given that the forward-looking statements in this Circular will be realised. The Company's actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders, the development of its financing strategies and the results or eventual success of the Transaction may differ materially from the impression created by the forward-looking statements contained in this Circular. In addition, even if the Company's actual performance, results of operations, financial condition, distributions to Shareholders and results of the Transaction are consistent with the forward-looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods. Nothing in this section seeks to qualify the working capital statement in paragraph 14 of Part VI *(Additional Information)* of this Circular.

Incorporation by reference

To the extent that any document or information incorporated by reference or attached to this Circular, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Circular, except where such information or documents are stated within this Circular as specifically being incorporated by reference or where this Circular is specifically defined as including such information. Capitalised terms have the meanings ascribed to them in Part VII *(Definitions)* of this Circular.

Websites

The contents of the Company's website, the websites of Derco, or any website directly or indirectly linked to any of those websites do not form part of this Circular and should not be relied upon, without prejudice to the documents incorporated by reference into this Circular.

This Circular is dated 28 November 2022.

CONTENTS

EXPECTED TIMETABLE OF EVENTS

All references to time in this Circular are to the time in London, United Kingdom unless otherwise stated. The times and dates in the table below and elsewhere in this Circular are given on the basis of the Directors' current expectations and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders via a Regulatory Information Service.

Date of Circular	28 November 2022
Latest time and date for receipt of Forms of Proxy from Shareholders	10:00 a.m. on 14 December 2022
Voting Record Time	6:30 p.m. on 14 December 2022(1)
General Meeting	**10:00 a.m. on 16 December 2022**
Completion of the Transaction	Currently expected to be at the end of 2022 or Q1 2023(2)
Issuance of the Consideration Shares	Currently expected to be at the end of 2022 or Q1 2023
Admission of, and commencement of dealings in, Consideration Shares on the London Stock Exchange	8 a.m. on the second Business Day following Completion
Crediting of the Consideration Shares in uncertified form to CREST accounts	Immediately following Admission
Long Stop Date for Completion of the Transaction	30 June 2023(3)

Notes:

(1) If the General Meeting is adjourned, the Voting Record Time for the adjourned General Meeting will be 6:30 p.m. (UK time) on the date which is not later than 48 hours, excluding non-working days, before the date set for the adjourned General Meeting.

(2) Subject to the satisfaction or (if capable of waiver) waiver of the Conditions.

(3) This is the date by which the Transaction must be completed, unless otherwise agreed in writing by the parties to the Transaction Agreement in accordance with its terms.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Nigel Stein	Chairman
	Duncan Tait	Chief Executive Officer
	Jerry Buhlmann	Senior Independent Director
	Alex Jensen	Non-Executive Director
	Jane Kingston	Non-Executive Director
	John Langston	Non-Executive Director
	Nayantara Bali	Non-Executive Director
	Sarah Kuijlaars	Non-Executive Director
Company Secretary	Tamsin Waterhouse	
Registered Office	22a St James's Square London SW1Y 5LP	
Financial Adviser & Sponsor	Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square London W1J 6ER	
Financial Adviser & Joint Corporate Broker	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) 25 Bank Street Canary Wharf London E14 5JP	
Financial Adviser & Joint Corporate Broker	Jefferies International Limited 100 Bishopsgate London EC2N 4JL	
Legal Adviser to the Company as to English law	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG	
Legal Adviser to the Sponsor	Simmons & Simmons LLP CityPoint 1 Ropemaker St London EC2Y 9SS	
Reporting Accountant	Deloitte LLP 1 New Street Square London EC4A 3HQ	
Registrar	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE	

GENERAL INFORMATION

Presentation of financial information

Unless otherwise stated:

(a) financial information relating to the Inchcape Group has been extracted without material adjustment from the audited consolidated financial statements of the Company for the year ended 31 December 2021 and from the unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2022;

(b) financial information relating to Derco has been extracted without material adjustment from the Historical Financial Information of Derco for the years ended 31 December 2021, 2020 and 2019 included in Section A of Part III (*Historical Financial Information relating to Derco*) of this Circular; and

(c) the financial information does not constitute statutory accounts within the meaning given in section 434 of the Companies Act 2006.

Unless otherwise indicated, the historical financial information in this Circular relating to the Inchcape Group and Derco has been prepared in accordance with IFRS and consistently with the accounting policies adopted by the Company in preparing its consolidated financial statements for the year ended 31 December 2021.

Non-IFRS measures of the Inchcape Group's and Derco's performance

Parts of this Circular contain information regarding alternative performance measures. Shareholders should not consider such items as alternatives to the applicable IFRS measures. In particular, Shareholders should not consider any such non-IFRS measures as a measurement of the Inchcape Group's or Derco's financial performance or liquidity under IFRS as an alternative to the Inchcape Group's or Derco's operating results or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of the Inchcape Group's or Derco's business activity. It may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit.

The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Inchcape Group's or the Enlarged Group's operating results as reported under IFRS. The Inchcape Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this Circular.

Definitions of these measures, along with reconciliations of these measures, as applicable, are set out in Part III (*Historical Financial Information relating to Derco*) of this Circular.

Market and industry data

Certain information in this Circular has been sourced from third parties. Where information in this Circular has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this Circular which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this Circular consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

Market and industry data and statistics are inherently speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets may be defined differently, (ii) the underlying information may be gathered by different methods and (iii) different assumptions may be applied in compiling the data. Accordingly, the market statistics included in this Circular should be viewed with caution.

Rounding

Certain data in the Circular, including financial, statistical and operating information, have been rounded. As a result of rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data. Percentages have also been rounded and accordingly may not add up to 100%.

Currency

All references to “pounds”, “pounds sterling”, “sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

All references to “dollars”, “US dollars”, “US$” and “$” are to the lawful currency of the United States.

No profit forecast or profit estimate

Other than as set out in paragraph 9 of Part I *(Letter from the Chairman of Inchcape plc)* and paragraph 15 of Part VI *(Additional Information)* of this Circular, no statement in this Circular is intended as a profit forecast or estimate for any period and no statement in this Circular should be interpreted to mean that earnings for the Inchcape Group or Derco, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for the Inchcape Group or Derco, as appropriate.

Pro forma financial information

In this Circular, any reference to “pro forma” financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part IV (*Unaudited Pro Forma Financial Information for the Enlarged Group*) of this Circular.

The unaudited pro forma financial information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Inchcape Group, Derco or the Enlarged Group.

Future results of operations may differ materially from those presented in the unaudited pro forma financial information due to various factors.

Part I

LETTER FROM THE CHAIRMAN OF INCHCAPE PLC

Directors

Nigel Stein	Chairman
Duncan Tait	Chief Executive Officer
Jerry Buhlmann	Senior Independent Director
Alex Jensen	Non-Executive Director
Jane Kingston	Non-Executive Director
John Langston	Non-Executive Director
Nayantara Bali	Non-Executive Director
Sarah Kuijlaars	Non-Executive Director

Registered office
22a St James's Square
London
SW1Y 5LP

28 November 2022

To: *Inchcape Shareholders*

Dear Shareholder,

Proposed Acquisition of Derco

1. Introduction

On 28 July 2022, the Company announced that the Inchcape Group had conditionally agreed to implement a business combination to acquire Derco, the largest independent automotive distributor in Latin America, for a cash and share consideration valuing Derco at approximately £1.3 billion, on a debt free and cash free basis. This valued Derco at 5.5x FY2021A EBITDA and approximately 6x EBITDA (pre-IFRS 16) based on normalised margins plus recurring synergies.

I am writing on behalf of your Board to give you further details of the Transaction, including the background to and reasons for it, to explain why your Board considers it to be in the best interests of Inchcape and the Shareholders as a whole and to seek your approval of the Transaction.

Owing to its size, the Transaction constitutes a class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of Shareholders. Accordingly, a General Meeting has been convened for 10:00 a.m. on 16 December 2022 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG. The notice convening the General Meeting is set out at the end of this Circular.

2. Background to and Reasons for the Transaction

Inchcape is the leading independent multi-brand global automotive distributor, operating in over 40 markets and territories with a portfolio of the world's leading automotive brands.

Inchcape entered the Americas in 1993, initially distributing BMW new vehicles and parts in Chile and Peru. The business has a strong track record of both organic and inorganic growth, catalysed by the acquisition of subsidiaries and affiliates of Indumotora in 2016, Grupo Rudelman in 2018, Mercedes-Benz distribution in 2020 and Ditec, ITC and Simpson Motors in 2022. Today, it distributes new vehicles and parts in 11 markets and territories across South and Central America, for OEMs including BMW, Mercedes-Benz and Daimler, Subaru, Suzuki, DFSK, Jaguar, Land Rover, Geely, and various commercial vehicle partners.

The Americas comprises highly attractive markets with strong growth potential due to low motorisation rates, attractive demographics, and strong GDP per capita growth prospects. The automotive distribution sector in the Americas is highly fragmented, with over 300 independent distributors operating across the region comprising of mostly small, multi-generation family-run businesses. Across these fragmented markets, Inchcape is the leading regional player in terms of the number of geographic markets in which it operates and the breadth of OEM brands that it represents.

It is with these attractive industry dynamics and Inchcape's differentiated proposition in mind that the Company has agreed the combination with Derco. The combination brings together Derco, Latin America's largest independent automotive distributor by volume, and Inchcape, the leading independent automotive distributor in terms of geographic reach and brand representation. The Board believes the Transaction to be in the best interests of Inchcape and the Shareholders as a whole for the following reasons:

- Brings together two leading automotive distributors in Latin America: Inchcape, with broad geographic reach and extensive brand representation, and Derco, the largest independent distributor by volume;
- Significantly expands Inchcape's position in highly attractive and fast growth markets within Latin America;
- Combines two best-in-class operators with attractive complementary market footprints and OEM brand portfolios, providing significant opportunities for customers, OEMs and employees of the Enlarged Group;
- Expected to deliver significant value creation through enhanced growth prospects and delivery of meaningful recurring synergies; and
- Derco is a well-managed company, strongly aligned culturally and strategically with the Inchcape Group. The Family Owners (together) will become substantial shareholders in the Company and collectively will be entitled to nominate one director to the Board following Completion.

Brings together two leading automotive distributors in Latin America: Inchcape, with broad geographic reach and extensive brand representation, and Derco, the largest independent distributor by volume

Derco is the largest independent distributor by volume in Latin America. It has a strong distribution platform with leading market positions across its four markets. Derco has a track record of market share gains (from 12% in 2014 to 18% in 2021 across its four markets in aggregate) largely underpinned by a portfolio of 11 brands well-tailored to its markets. It has long standing distribution partnerships with global automotive brands such as Suzuki, Mazda, Renault, Changan, JAC, Great Wall and Haval.

Within a short space of time Inchcape has developed a leading platform across the Americas region with a broad geographic reach, 11 markets, and extensive brand representation (25 in total).

The Transaction significantly expands the scale of Inchcape's distribution presence in the highly attractive and fast-growing Americas region, bolstering Inchcape's brand footprint in existing markets of Chile, Peru and Colombia, in addition to gaining entry into a new market, in Bolivia.

Significantly expands Inchcape's position in highly attractive and fast growth markets within Latin America

The Transaction combines Derco's distribution business with Inchcape's in the Americas. Inchcape's existing distribution business in the Americas generated revenue of £1.2 billion in FY2021 (after including the impact of FY2021 contributions from both Ditec and ITC/Simpson Motors). The Transaction will significantly expand Inchcape's existing Americas platform through the combination with Derco's distribution business, which generated £1.9 billion of revenue in FY2021.

The Americas region has long been attractive for Inchcape, benefiting from stronger macroeconomic dynamics compared to more developed markets. These dynamics have meant the region has been a focus for strategic growth, with the majority of acquisitions in Inchcape's recent history concentrated in the region.

Americas is home to over 200 million people (compared to 900 million across Inchcape's global footprint), and has strong economic growth fundamentals underpinned by a GDP per capita that is currently significantly lower than that of developed markets. Furthermore, as illustrated in the table below, the lower motorisation rates highlight how underpenetrated the car parc is across the Americas, and as the economies prosper this will gradually converge with more developed markets. The TIV index also shows how much upside there is for annual new car volumes in the region to recover to their 10 year average—the speed of recovery in the short term will be dictated by an improvement in vehicle supply. Another factor which will support growth in the Americas over the medium and long-term is the growth of private debt, which has significant headroom in the region. Lastly, EV adoption is a key topic across the industry. While the Americas is likely to lag behind more developed markets, the Company expects adoption of battery electric vehicles will gradually rise, and the Company is embracing this trend.

Data(1)	Inchcape Americas + Bolivia	Inchcape markets worldwide	Developed markets(2)
Population (total)	**218m**	**911m**	**—**
GDP / capita (average)	**US$10k (from US$3k to US$17k)**	**US$23k (from US$1k to US$72k)**	**US$50k (from US$39k to US$69k)**
Expected GDP growth (2021-26)	**3.3%**	**3.6%**	**1.8%**
Number of registered vehicles per 1000 people (average)	**193 (from 80 to 314)**	**446 (from 33 to 767)**	**700 (from 543 to 805)**
2021 TIV index 100 = 10 year average volume	**78**	**87**	**89**
Private debt % of GDP	**64%**	**115%**	**177%**
EV penetration 2030 forecast	**c. 8%**	**c. 25%**	**c. 50%**
Inflation (5 year average)	**5.8%**	**2.7%**	**1.6%**

(1) Sources for

- Population, GDP, GDP Growth, and inflation: International Monetary Fund, World Economic Outlook Database, April 2022
- Motorisation: Fitch
- TIV (Total Industry Volume): IHS markit
- Private debt % of debt: Fitch
- EV (including includes battery-electric (BEV) and, plug-in hybrid vehicles (PHEV) and mild hybrid electric vehicles (MHEV)) penetration: Bloomberg NEF

(2) Developed markets include USA, UK, France, Germany, and Japan

Combines two best-in-class operators with complementary market footprints and OEM brand portfolios, providing significant opportunities for customers, OEMs and employees of the Enlarged Group

Like Inchcape, Derco has several long-standing distribution partnerships with global brands, namely Suzuki (since 1976) and Mazda (since 1982). And like Inchcape, Derco has a track record of winning and introducing new brands into its markets: Chevrolet in 1999, Renault in 2000; Changan, Great Wall, JAC and Haval between 2006 and 2007, Citroen and DS in 2016, and Joylong in 2020.

Together, Inchcape and Derco have an attractive exposure to:

- A broad range of leading global and growing automotive brands;
- A cross-section of brands across the pyramid, from entry-level volume brands to luxury brands;
- Fast-growing segments of the market such as SUVs, pick-ups and electric-vehicles; and
- The full breadth of automotive segments, from passenger cars to commercial vehicles.

Derco's extensive brand portfolio broadens Inchcape's existing relationships with certain brands (e.g. adds Suzuki in Chile, Peru, Colombia, and Bolivia), and broadens Inchcape's brand footprint in its existing markets, with Mazda, Changan, JAC, Renault, Great Wall, Haval, Citroen and DS as summarised in the table below:

	Current Inchcape in-market relationships	Derco relationships: Broadening Inchcape's existing relationship	Derco relationships: New to Inchcape
Chile	BMW, BMW-Motorrad, Rolls Royce, Subaru, Hino, DFSK, MINI, Geely, Jaguar, Land Rover, Porsche and Volvo	Suzuki, Mazda, JAC, Changan, Great Wall	Renault, Haval
Peru	BMW, Subaru, DFSK, BYD, Hino, BMW-Motorrad, MINI	Suzuki, JAC, Changan, Citroen, Great Wall, Mazda	Haval, Renault
Colombia	Subaru, DFSK, Hino, Mack, Dieci, Doosan, Jaguar, Land Rover and Mercedes Benz	Suzuki, Citroen	DS Automobiles
Bolivia	—	Suzuki, Chevrolet, JAC, Changan, Mazda	Renault, Joylong

The combination of the two businesses will provide an enlarged platform offering significant benefits and opportunities for customers, OEMs and employees.

- For customers, they will benefit from Inchcape's digital platform, and the leading customer experience this provides.
- For OEMs, the enlarged scale will drive enhanced data analytics and insights, and a broader network to support growth.
- For employees, they will have an opportunity to develop careers in a bigger business, locally, regionally and globally.

Inchcape has a strong track record of acquiring and successfully integrating distribution businesses in new and existing markets globally and across Latin America, having added ten new businesses to the group since 2016.

Given the importance of the relationships with OEMs to both Inchcape and Derco, both companies have proactively engaged with their OEM partners to secure their support regarding the Transaction.

Expected to deliver significant value creation through enhanced growth prospects and delivery of meaningful recurring synergies

The Company expects that the Transaction will significantly enhance value for Shareholders, by adding Derco, which delivered revenue of £1.9 billion and operating profit of £240 million for FY2021, to the Enlarged Group. Furthermore, the Transaction is expected to accelerate growth and be margin accretive for Inchcape even before the benefit of synergies.

The Company believes that the Transaction presents an opportunity to deliver recurring pre-tax synergies of at least £40 million per annum. These comprise cost and cost-derived synergies that, for reporting purposes, will be reflected in the Enlarged Group's operating expenses, gross margin and revenue.

These recurring synergies primarily comprise organisational efficiencies, procurement savings, footprint optimisation and technology efficiencies by leveraging Inchcape's global and regional infrastructure. The Company expects approximately 30% of the recurring synergies can be realised within the first full year following Completion, as they depend on internal decisions and short-term contracts, with the remainder delivered in subsequent years. The Company expects to deliver the significant majority of recurring synergies by the end of the second financial year following Completion, with the full run-rate achieved by the end of the fourth full year following Completion.

In addition to the synergies quantified above, Inchcape believes that the combination with Derco will provide significant additional revenue synergy opportunities, through the ability to deploy Derco's commercial model to certain of Inchcape's other OEM brand relationships, harnessing Inchcape's data and digital capabilities, and leveraging the expanded OEM relationships, geographic footprints and best practices of both Derco and Inchcape. Examples include, improving aftersales retention rates and driving higher penetration of finance and insurance products. This will be supported by an accelerated roll out of Vehicle Lifecycle Services (an exciting opportunity and one of Inchcape's two key growth pillars) businesses such as *bravoauto* (the Inchcape Group's online, multi-brand used car platform). These have not been publicly quantified at this stage.

As a result, the Company expects that the Transaction will be more than 15% accretive to Inchcape's adjusted earnings per share (excluding implementation costs) in the first full financial year following Completion and more than 20% accretive to adjusted earnings per share from the second year onwards as synergies are delivered.

Furthermore, the Company expects the Return on Invested Capital (ROIC) for the Transaction to exceed the cost of capital in the third full financial year and exceeding Inchcape's cost of capital in the first full financial year following Completion.

Further detail on the expected synergies is set out in paragraph 12 of Part VI *(Additional Information)* of this Circular.

Derco is a well-managed company, strongly aligned culturally and strategically with the Inchcape Group. The Family Owners (together) will become shareholders in Inchcape

Derco is a highly complementary business to Inchcape, both in respect of its strategy for growth in automotive distribution, and the values with which it operates its businesses.

Derco has over 60 years of experience operating as an automotive distributor, since the Del Río family began importing automotive vehicles into Chile in 1959. Over time, Derco has developed long-term partnerships with a number of OEM brands.

Derco's strategy, and cultural focus as an organisation, is to focus on providing a superior experience to customers, maximise loyalty from all stakeholders (OEM partners, end-customers, employees, retail partners in its dealership network) and providing new digital opportunities to customers. In delivering against this strategy, it benefits from an experienced management team, with many decades of combined experience across Derco, automotive distribution, and global FMCG operations in Latin America.

Derco leverages its diversified portfolio (in terms of geographic presence across four markets, as well as a range of OEM partners), high quality distribution capabilities, and targeting marketing initiatives to enhance customer experience. Following its launch in 2003, Derco has achieved strong levels of brand equity and customer trust in its *DercoCenter* (Chile, Peru and Colombia) and *ImCruz* (Bolivia) customer-facing brands.

Derco's strategy is consistent with Inchcape's *Accelerate* strategy, particularly with respect to leveraging a "relationship first" culture and efficient distribution operations as enablers to deliver Distribution Excellence. The addition of Inchcape's global scale and digital and data analytics capabilities to Derco's existing strategy is expected to support accelerated growth in the Americas region.

While Derco has remained a private, family-owned company over this period, it has been run with independent management since 1980s, and benefits from a financial control regime, which will be further strengthened under Inchcape's ownership in order to implement the systems and controls needed for a UK listed company environment.

As part of the Transaction, the Family Owners will receive 38,513,102 newly issued Inchcape Shares, which will result in the Family Owners owning approximately 9.3% of the enlarged share capital of the Company, and will be entitled to nominate one director to the Board from Admission. Pursuant to such entitlement, on 25 November 2022, Juan Pablo Del Rio was appointed to the Board as a non-executive Director with effect from Admission. Please also see paragraph 7 of Part VI *(Additional Information)* of this Circular.

3. Financial Effects of the Transaction

The Transaction will result in a step-change in the size of Inchcape's Distribution business, by adding Derco, which delivered revenue of £1.9 billion and operating profit of £240 million for FY2021, to the Enlarged Group. Based on this FY2021 revenue, the addition of Derco to Inchcape's existing platform is expected to increase the weight of Distribution to approximately 75% of the Enlarged Group's revenue, with an enlarged Americas & Africa segment representing approximately 35% of the Enlarged Group's revenue.

The Company expects that the Transaction will generate significant value for Shareholders, through enhanced growth prospects and delivery of meaningful synergies. The Company believes that the Transaction presents an opportunity to deliver recurring pre-tax synergies of at least £40 million per annum by the end of the fourth year following Completion. The Board expects to deliver the significant majority of the recurring pre-tax synergies by the end of second financial year following Completion. These comprise cost and cost-derived synergies that, for reporting purposes, will be reflected in the Enlarged Group's operating expenses, gross margin and revenue. Further detail on the expected synergies is set out in the paragraph headed "*Expected to deliver significant value creation through enhanced growth prospects and delivery of meaningful recurring synergies*" above and paragraph 12 of Part VI *(Additional Information)* of this Circular.

Furthermore, the Transaction is expected to accelerate growth and be margin accretive for Inchcape, even before the benefit of synergies.

As a result, the Transaction is expected to be more than 15% accretive to Inchcape's adjusted earnings per share (excluding implementation costs) in the first full financial year following Completion and more than 20% accretive to adjusted earnings per share from the second year onwards as synergies are delivered and generate a ROIC in excess of project cost of capital in the third full financial year following Completion.

Following Completion, Inchcape will retain a strong balance sheet with leverage of less than 1x Net Debt / EBITDA (pre-IFRS16), which is expected to reduce quickly given the highly cash generative nature of the business.

On a pro forma basis and assuming that the Transaction and the related financing had taken place on 30 June 2022, the Enlarged Group would have had net assets of £1.4 billion. Part IV *(Unaudited Pro Forma Financial Information for the Enlarged Group)* of this Circular contains an unaudited pro forma balance sheet for the Enlarged Group, which has been prepared on a basis that is consistent with the accounting policies of the Company.

Shareholders should read the whole of this Circular and not rely solely on the financial information summarised in this section.

4. Information on Derco

History of Derco

Derco's history dates back to 1959, when José Luis del Río Rondanelli first began importing automotive vehicles into Chile. Operating as a standalone "Derco" entity since 1970, the business commenced distribution of Suzuki vehicles in 1976, and over subsequent years continued to expand its OEM partnerships, including Mazda in 1982, Chevrolet in 1999, Renault in 2000, Changan, Great Wall, JAC and Haval between 2006 and 2007, Citroen and DS Automobiles in 2016 and Joylong in 2020.

Over this period and in conjunction with growing its portfolio of OEM relationships, Derco also successfully entered geographically adjacent markets of Bolivia (1990), Peru (1997), and Colombia (2009), as well as establishing distribution and rental operations for machinery and truck OEMs including Komatsu forklifts (1981), Massey Ferguson tractors (1984), Landini tractors (1984), JCB construction vehicles (1997), and several other brands spanning construction, material handling, transport and agricultural machinery.

In 2003 Derco launched DercoCenter having launched DercoMaq in 1999, its customer-facing dealerships for passenger vehicles and machinery / trucks respectively, as well as launching DercoMaq Rental as a machinery rental offering. In 2008 Derco launched AutoPlanet, a spare parts business targeting Derco customers in the later stages of their vehicle lifecycle journey.

Current operations

Today, Derco is the largest independent automotive distributor in Latin America in terms of volume, and it distributes vehicles for a broad range of OEM partners across its markets.

The passenger vehicle distribution business, which accounts for the vast majority of the business, includes the following brands:

Passenger vehicles	Chile	Peru	Colombia	Bolivia
Suzuki	✓	✓	✓	✓
Changan	✓	✓	—	✓
JAC	✓	✓	—	✓
Mazda	✓	✓	—	✓
Renault	✓	✓	—	✓
Great Wall	✓	✓	—	✓
Haval	✓	✓	—	—
Citroen and DS Automobiles	—	✓	✓	—
Chevrolet	—	—	—	✓
Joylong	—	—	—	✓

In each of the four markets, Derco distributes to a network of customer-facing dealerships that are operated either directly by Derco (as a vertically integrated model), or by independent third-party dealers. The majority of dealership sites in Chile, Peru and Colombia operate under DercoCenter (passenger vehicles), in which multiple brands are sold and serviced in a single integrated site. In Bolivia, where the business operates as ImCruz rather than Derco, these centres operate under the ImCruzCenter brand.

In addition, Derco engages in other businesses such as distribution of machinery and trucks, for brands such as JAC, Mack and Fuso, and an aftermarket spare parts and accessories business.

Derco's machinery and trucks distribution business operates in a similar manner to its passenger vehicles distribution business, with customer-facing and rental sites operating in an integrated multi-brand manner under the DercoMaq and DercoMaq Rental brands in Chile, Peru and Colombia, and ImCruz Maq and ImCruz Maq Rental brands in Bolivia.

Derco's parts retail business sells third party (non-OEM) parts and accessories to customers from approximately 90 retail sites across Chile, under the AutoPlanet brand for passenger vehicle parts, and SERGO brand for machinery parts.

Summary financial information on Derco

The table below shows Derco's financial performance in GBP for each of the past three years and, unless otherwise indicated, has been prepared in accordance with IFRS and consistently with the accounting policies adopted by Inchcape in preparing its consolidated financial statements for the year ended 31 December 2021:

GBP'm, y/e 31-Dec	*2021*	*2020*	*2019*
Revenue	**1,926.3**	**1,238.0**	**1,794.6**
Growth	55.6%	(31.0%)	
Adjusted operating profit	**236.8**	**54.0**	**90.3**
Adjusted profit before tax	**214.5**	**27.1**	**55.6**
Adj. EBITDA	**282.9**	**94.6**	**136.4**
Margin	14.7%	7.6%	7.6%
Adj. EBIT	**238.0**	**54.2**	**91.1**
Margin	12.4%	4.4%	5.1%

Over the longer term, Derco has demonstrated revenue and profit growth, driven by new vehicle volume growth, underpinned by low motorisation rates, market share gains, new contract wins and cost-discipline.

More recently, in 2019 and 2020, Derco saw a decline in revenue and operating profit margins due to geopolitical volatility in its markets and the pandemic, mitigated in part by overhead efficiencies. This was followed by strong revenue recovery and elevated margins in 2021.

Derco's performance in 2021 benefited from strong supply for many of its brands, coupled with pricing management and cost-control, which drove strong growth of profitability and margins.

Shareholders should read the whole of this Circular and not rely solely on the financial information in this section. Further financial information on Derco is contained in Part III *(Historical financial information relating to Derco)* of this Circular.

5. Integration and Management

Inchcape has a strong track record of acquiring and successfully integrating distribution businesses in new and existing markets across Latin America, including:

- Interamericana Trading Corporation and Simpson Motors (operating across 30 Caribbean territories) in 2022;
- Ditec (operating in Chile) in 2022;
- Mercedes-Benz distribution businesses in Colombia, El Salvador, and Guatemala in 2020;
- Autolider (operating in Uruguay and Ecuador) in 2019;
- Rudelman (operating in Costa Rica and Panama) in 2018; and
- Subsidiaries and affiliates of Indumotora (operating in Chile, Peru, Colombia and Argentina) in 2016.

As a result of these acquisitions and Inchcape's organic growth, its presence in the Americas has increased significantly with the business generating £1.2 billion of aggregate revenue in 2021, compared to £160 million in 2016.

From Admission, the Family Owners will be entitled to nominate one director for appointment to the Board. Pursuant to such entitlement, on 25 November 2022, Juan Pablo Del Rio was appointed to the Board as a non-executive Director with effect from Admission. The director nominated by the Family Owners will continue to be nominated and recommended for re-election at each annual general meeting held until and including at the Company's annual general meeting in 2026 subject to certain terms and conditions including the Family Owners and/or their associates maintaining at least a 7% shareholding in the Company. Inchcape will also establish an Americas Advisory Board on which two representatives of the Family Owners will sit alongside two senior executives from Inchcape. Inchcape's approach to integration has been to draw on the best of both businesses, and Inchcape looks to capitalise on talent from the businesses it has acquired to strengthen its own management capabilities: 7 out of 12 members of the Inchcape Americas current Executive Team joined Inchcape as a result of acquisitions.

Inchcape expects to balance the opportunity to streamline the Enlarged Group with the need to retain and invest in valuable talent in sales, distribution and operational functions. The objective will be to retain the best talent from both organisations to play an important role in driving the next phase of Inchcape's ambition in the Americas and globally.

During the integration and thereafter, the Enlarged Group will focus on operational rigour, quality and compliance as the foundations of a successful business.

6. Principal Terms and Conditions of the Transaction

Transaction Agreement

Under the terms of the Transaction Agreement, entered into between Inchcape, the Family Owners, Indigo Chile, IAC and Inchcape International Holdings, the Family Owners have conditionally agreed to sell 100% of Dercorp CL, the holding company of Derco's businesses in Chile, to IAC, a wholly-owned subsidiary of the Company, and to merge 100% of Dercorp EX, the Chilean holding company of Derco's and Imcruz's businesses in Bolivia, Colombia and Peru, into Indigo Chile, a wholly owned subsidiary of the Company.

The aggregate consideration is calculated based on an agreed enterprise value of £1.267 billion, on a debt free and cash free basis at Completion. The consideration for the sale of shares in Dercorp CL will be satisfied entirely in cash. The cash to be paid on Completion is subject to adjustment dependent on the levels of net debt and net working capital at Completion. The consideration for the merger of Dercorp EX with Indigo Chile will be satisfied entirely through the issue to the Family Owners of Indigo Chile Consideration Shares which will be subsequently contributed to the Company in exchange for 38,513,102 new Inchcape Shares (which are expected to represent 9.3% of the total issued Inchcape Shares immediately following Admission, assuming that no other Inchcape Shares are issued or repurchased by the Company between the date of this Circular and the date of Completion). Prior to Completion, application will be made by the Company to the FCA and the London Stock Exchange for Admission. At Completion, the Family Owners will receive only new shares in Indigo Chile as consideration for the merger with Dercorp EX under the Merger Agreement, which they will be required to contribute to the Company in exchange for the issue of the Consideration Shares.

Of the consideration, £19 million in cash and 10,225,658 Consideration Shares will be placed in escrow for a total period of up to two years in the event of any claims under the Transaction Agreement.

Completion of the Transaction is subject to customary Conditions, including:

- merger control approvals in Chile and Peru and a merger control filing in Colombia; and
- approval by the Shareholders of the Resolution.

A number of the Conditions to Completion under the Transaction Agreement have, as at the date ofthis Circular, been satisfied, including:

- completion of the requisite merger control filing in Colombia; and
- receipt of the requisite level of clearance from the Chilean competition regulator, the Fiscalia Nacional Economica, in relation to the Transaction.

A break fee of approximately £29 million, representing 1% of Inchcape's market capitalisation as at 27 July 2022, would be payable by Inchcape if the Transaction Agreement is terminated as a result of: (i) the Board qualifying, adversely modifying or withdrawing its recommendation of the Transaction in order to comply with the Board's statutory or fiduciary duties; or (ii) Inchcape failing to convene and hold the general meeting at which the Resolution will be proposed; or (iii) a recommendation is made or any further resolution is passed at any time following the General Meeting which invalidates, overturns or reverses the Resolution. The Transaction Agreement, which is governed by Chilean law, contains customary representations, warranties, indemnities (including a tax covenant), limitations on liability, and termination provisions. Inchcape International Holdings guarantees the performance of the obligations of IAC and Indigo Chile under the Transaction Agreement.

Relationship Agreement

As the Family Owners will hold approximately 9.3% of the Inchcape Shares following Completion, the Family Owners and the Company have agreed to enter into a Relationship Agreement which will govern their relationship following Completion.

The Relationship Agreement will entitle the Family Owners to nominate one director for appointment to the Board from Admission. In line with the UK Corporate Governance Code, the director will be subject to election or re-election annually at the Company's annual general meeting and the Company has agreed, subject to certain terms and conditions (including the Family Owners and/or their associates maintaining at least a 7% shareholding in the Company), that the director will continue to be nominated and recommended for re-election until and including at the Company's annual general meeting in 2026.

The Family Owners have agreed not to dispose of any of the Consideration Shares for a period of two years from Admission (subject to customary exceptions), and for one year thereafter to dispose of Inchcape Shares only after consultation with, and in accordance with the reasonable directions of, the Company and its brokers (each acting in good faith). For the duration of the Relationship Agreement, the Family Owners have also agreed a standstill whereby they and their affiliates will not acquire Inchcape Shares without the Company's prior consent if such acquisition would give them and/or their affiliates an aggregate shareholding in the Company of 10% or more.

In addition, Inchcape will establish an Americas Advisory Board on which two representatives of the Family Owners will sit alongside two senior executives from Inchcape.

The Relationship Agreement will terminate on the earlier of: (i) 31 December 2026; (ii) the Company's shares ceasing to be listed on the Official List; (iii) the Family Owners and their associates holding less than 3% of the Inchcape Shares; and (iv) the Family Owners and their associates holding less than 7% of the Inchcape Shares as a result of a dilution event, which the Family Owners fail to remedy during a 20 business day cure period, where Inchcape exercises its right to require the shareholder appointed director to resign from the Board.

A summary of the principal terms of the Transaction is set out in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular.

7. Financing the Transaction

The total consideration for the Transaction, including cash and Shares, is £1.267 billion on a debt free, cash free basis.

The consideration in respect of the merger of Dercorp EX will be satisfied, indirectly, through the issue of the Consideration Shares to the Family Owners and, the consideration in respect of the acquisition of Dercorp CL, by cash payable directly to the Family Owners. Inchcape will also assume or refinance Derco's outstanding debt.

The Company has agreed to issue 38,513,102 Inchcape Shares to the Family Owners on Completion pursuant to the terms of the Transaction Documents. Based on Inchcape's 20 day VWAP of 727 pence per share up to and including 26 July 2022, the Consideration Shares were valued at approximately £280 million. As a result of the Consideration Shares issuance, the Family Owners are expected to receive a holding of approximately 9.3% of Inchcape's issued and outstanding share capital at Completion.

The cash requirements for the Transaction will be funded from utilising approximately £400 million of Inchcape's existing cash on balance sheet and bank debt. The Company signed a facilities agreement with MUFG Bank, Ltd. and BNP Paribas (acting as underwriters, bookrunners and mandated lead arrangers) with respect to acquisition financing of £600 million, comprising a £350 million bridge facility and a £250 million term loan facility. The bridge facility will have an initial term of 12 months commencing from the date of Completion (or 26 April 2023, whichever is earlier), but the term is extendable at Inchcape's option by up to 12 months. The term loan will have a term of 2 years commencing from the date of Completion (or 26 April 2023, whichever is earlier). The facilities agreement largely mirrors the terms of the Company's existing syndicated revolving credit facility agreement. A summary of the principal terms of the Bridge and Term Facilities Agreement and Multicurrency Revolving Loan Facility Agreement is set out in paragraph 9 of Part VI *(Additional Information)* of this Circular.

8. Dividend policy

The Inchcape Group's dividend policy is for the dividend to represent 40% of its adjusted basic earnings per Share per annum.

Following the Transaction, and subject to the Enlarged Group's trading and prospects being satisfactory, the Company's dividend policy will remain unchanged.

9. Current trading, trends and prospects

Inchcape

In the period from 1 January 2022 to 30 June 2022, the Inchcape Group generated revenue of £3.9 billion, adjusted operating profit before adjusting items of £204 million and free cash flow of £224 million. Adjusted profit before tax (PBT) of £184 million reflected the strong improvement in revenue and operating profit.

On an organic basis, excluding currency effects and net M&A, revenue increased by 12% in this period, with the strongest performance in the Americas and in Europe, driven by a combination of continued (albeit still gradual) volume recovery and price-mix tailwinds. The growth rate was supported by the addition of four new distribution businesses over the 12 month period to 30 June 2022, including Geely (Chile), commercial vehicles in Guam and Micronesia, Ditec (Chile) and Simpson Motors (Caribbean).

The highly cash-generative nature of the Inchcape Group business model was evident with free cash flow generation of £224 million to 30 June 2022. In addition to the improvement in profitability, during the period to 30 June 2022, the Inchcape Group benefitted from a net working capital inflow of £80 million, arising primarily as a result of lower net inventories, and a low level of net capital expenditure.

In its trading update for the 3 months ended 30 September 2022, the Inchcape Group reported revenue of £2.1 billion. On an organic basis, year-on-year revenue increased by 16% in the third quarter, representing an increase of 13% year-on-year to 30 September. During the quarter, Distribution grew 18%, supported by strong growth in both new and used vehicles and in the aftermarket. Revenue in Asia and Australasia reached its highest quarterly level since early 2021 and the Americas posted another record quarter. In Retail, whilst new vehicle supply remained constrained, there was growth in used vehicles, with robust pricing and solid aftersales performance.

In addition, during the third quarter, the Inchcape Group further expanded its OEM footprint with electric vehicle brands, adding Great Wall's ORA in Hong Kong and Macau, and BYD in Belgium and Luxembourg.

In light of the strong performance to date and the Inchcape Group's expectation for the fourth quarter, the Inchcape Group now expects to deliver FY22 adjusted PBT from continuing operations towards the top end, or slightly above, the previously guided range (£350m-£370m) at prevailing foreign exchange rates.

Further details in relation to the above profit forecast of the Inchcape Group are set out in paragraph 15 of Part VI *(Additional Information)* of this Circular.

Derco

During the nine months ended 30 September 2022, Derco continued to deliver strong revenue growth underpinned by higher vehicle volumes. Derco's operating margin during the period remained above the top-end of a typical automotive distribution business (5-7%), albeit has somewhat reduced from the level reached in 2021 (12%).

The Board continues to expect that, once the ongoing vehicle supply constraints are resolved and the supply-demand situation rebalances, Derco's operating margin will trend towards the top-end of the range for a typical automotive distribution business (5-7%), before recurring synergies.

10. Settlement of, and listing and dealing in, the Consideration Shares

The Consideration Shares will be issued at Completion, under the Company's existing authority to allot shares which was granted at the annual general meeting in 2022, credited as fully paid and will rank *pari passu* in all respects with the Inchcape Shares, including the right to receive all dividends, distributions, or any return of capital declared, made or paid after Completion.

Applications will be made to the FCA and the London Stock Exchange for the Consideration Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the Consideration Shares will commence on the London Stock Exchange at 8.00 a.m. on the second Business Day following Completion.

The Consideration Shares will be issued in registered form and will be capable of being held in certificated or uncertificated form.

11. Dilution

Subject to Completion, 38,513,102 Inchcape Shares will be issued in connection with the Transaction. Following Completion, the existing Shareholders will therefore suffer an immediate dilution as a result of this issue, following which they are expected to hold in aggregate, approximately 90.7% of the total issued share capital of Inchcape (assuming that no other Inchcape Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of Admission).

12. Risk factors

For a discussion of certain risk factors which should be taken into account when considering whether or not to vote in favour of the Resolution, please see Part II *(Risk Factors)* of this Circular.

13. General Meeting

Set out on page 103 of this Circular is a notice convening a General Meeting to be held at 10:00 a.m. on 16 December 2022 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG at which the Resolution summarised below will be proposed.

The Resolution is required in order to enable the Company to implement the Transaction and, accordingly, the Transaction is conditional on the Resolution being passed. The full text of the Resolution is set out in the Notice of General Meeting.

The Resolution proposes that the Transaction be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary, expedient or desirable to implement the Transaction.

The Resolution will be proposed as an ordinary resolution. The Resolution must be approved by Shareholders who together represent a simple majority of the Inchcape Shares being voted (whether in person or by proxy) at the General Meeting.

14. Action to be taken

A Form of Proxy for use in relation to the General Meeting which covers the Resolution to be proposed at the General Meeting accompanies this Circular. Shareholders can also submit or register the appointment of their proxy electronically at www.eproxyappointment.com.

If you hold Inchcape Shares in CREST, you may instead appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Company's registrar, Computershare. Guidance notes to assist you in completing the Form of Proxy or to register the appointment of a proxy electronically or to complete and transmit a CREST Proxy Instruction are set out in the Notice of General Meeting at the end of this Circular.

Whether or not you intend to be present at the General Meeting, Shareholders are requested to complete and return the accompanying Form of Proxy in accordance with the instructions printed thereon or to register the appointment of a proxy electronically or, if you hold Inchcape Shares in CREST, to complete and transmit a CREST Proxy Instruction.

A completed Form of Proxy should be returned to the Company's registrar, Computershare, and any electronic proxy instruction or CREST Proxy Instruction should be made as soon as possible and, in any event, so as to be received no later than 10:00 a.m. on 14 December 2022 (or, in the case of an adjournment, not later than 48 hours, excluding non-working days, before the time fixed for the holding of the adjourned meeting).

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please see the notes to the Notice of General Meeting set out in the Notice of General Meeting at the end of this Circular. If you are using the Proxymity platform, your proxy must be lodged 10:00 a.m. on 14 December 2022 in order to be considered valid.

The completion and return of a Form of Proxy, the transmittal of an electronic proxy registration or CREST Proxy Instruction, or appointment of a Proxy via the Proximity platform will not prevent you from attending the General Meeting and voting in person if you wish to and are entitled to do so.

15. Further Information

Your attention is drawn to the additional information set out in Part II to Part VI of this Circular. You are advised to read the whole Circular and not rely solely on the key or summarised information in this letter, including the summarised financial information.

16. Financial advice

The Board has received financial advice from Greenhill, JP Morgan and Jefferies in relation to the Transaction. In giving their advice, each of Greenhill, JP Morgan and Jefferies has taken into account the Board's commercial assessment of the Transaction.

17. Recommendation

Your Board considers that the Transaction is in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommend that you vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings which amount in aggregate to 219,843 Inchcape Shares, representing approximately 0.059% of the issued ordinary share capital of the Company as at the Latest Practicable Date.

Yours sincerely

N M Stein

Nigel Stein
Chairman

Part II

RISK FACTORS

Prior to voting on the Resolution at the General Meeting, you should carefully consider, together with all other information contained in this Circular, the specific risks and uncertainties described below.

The Directors consider the following to be the material risk factors relating to the Transaction or material new risk factors arising as a result of the Transaction to which the Inchcape Group is and, following Completion, the Enlarged Group will be, exposed or existing material risk factors which will be impacted by the Transaction. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. If any or a combination of the following risks and uncertainties actually materialise, the Inchcape Group's and, following Completion, the Enlarged Group's business, financial condition, results of operations and/or prospects could be materially and adversely affected. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have a material adverse effect on the Inchcape Group's or, following Completion, the Enlarged Group's business, financial condition, results of operations and/or prospects if they materialise. In any such case, the price of the Inchcape Shares could decline and Shareholders may lose some or all of their investment.

RISKS RELATING TO THE TRANSACTION

1. *The Transaction is conditional and the Conditions may not be satisfied*

The implementation of the Transaction is subject to the satisfaction or waiver of various Conditions, including regulatory approvals and the passing of the Resolution, prior to the Long Stop Date. There is no guarantee that these Conditions will be satisfied. Failure to satisfy (or, where permitted, waive) any of these Conditions will result in the Transaction not being completed. In addition, satisfying the Conditions may take longer, and could cost more, than Inchcape expects. Any delay in completing the Transaction may adversely affect the synergies and other benefits that Inchcape expects to achieve if the Transaction and the integration of the respective businesses are completed within the expected timeframe.

If the Conditions are not satisfied (or, where permitted, waived), Inchcape would nonetheless be required to pay significant fees and other costs incurred in connection with the Transaction (including financing, financial advisory, legal and accounting fees and expenses), including a break fee in certain circumstances as set out in in Risk Factor 5 ("*A break fee may be payable in certain circumstances if the Transaction does not complete*") below. In addition, Inchcape's management would have spent significant time in connection with the Transaction, which could otherwise have been spent in connection with the other activities of the Inchcape Group.

As a condition to their clearance of the Transaction, regulatory authorities may impose requirements, limitations or costs or place restrictions on the conduct of the business of the Inchcape Group, or following Completion, the Enlarged Group. These requirements, limitations, costs or restrictions could jeopardise or delay the consummation of the Transaction or may reduce the anticipated benefits of the Transaction.

The aggregate consequences of a material delay in completing or failure to complete the Transaction may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Inchcape Group and, in the case of a delay only, the Enlarged Group.

2. *Inchcape may sustain losses in relation to the Transaction for which it may not be able to obtain compensation either due to the terms of the Transaction Agreement or as a result of difficulties in enforcing its claims against the counterparties*

The Family Owners have given certain representations, warranties, indemnities and covenants in favour of Indigo Chile and IAC under the terms of the Transaction Agreement. These representations, warranties, indemnities and covenants are subject to limitations, including in relation to amount and time. In particular, the maximum aggregate liability of the Family Owners for all claims under the Transaction Documents will not exceed an amount equal to approximately £934 million and the maximum aggregate liability of the Family Owners for all claims under the business warranties, all tax claims (other than special tax claims) and certain other claims under the Transaction Documents will not exceed an amount equal to approximately £187 million.

In the event that the Inchcape Group sustains losses as a result of the Transaction, the Inchcape Group may not be able to obtain compensation for such loss from the Family Owners as a result of such limitations.

In addition, as the Family Owners' are resident in Chile, this may result in international law challenges with Indigo Chile and/or IAC bringing a claim and enforcing any judgment in Chile against the Family Owners. Further, given that each of the Family Owners are holding companies for individuals, in the event that Indigo Chile or IAC sustain losses and a claim is successful, there is a risk that the Family Owners may not have readily available liquid funds, or an adequate quantum of funds at all, in respect of their liability.

3. *Existing Shareholders will own a smaller percentage of the Company following Completion than they currently own*

Following Completion, existing Shareholders will own a smaller percentage of the Company than they currently own. Existing Shareholders will, following Completion, own approximately 90.7% of the Inchcape Shares. As a consequence, existing Shareholders will be able to exercise a lower percentage of voting rights and therefore the influence that may be exerted by them in respect of the Enlarged Group will be reduced.

4. *The Family Owners will hold a large shareholding in the Company following Completion*

Following Completion and the allotment of the Consideration Shares to the Family Owners, the Family Owners will hold a large shareholding in the Company, owning approximately 9.3% of the Inchcape Shares. On expiry of the lock-up and subsequent orderly market provisions relating to the Consideration Shares contained in the Relationship Agreement, the price of the Inchcape Shares could be negatively impacted by the sale of substantial amounts of the Consideration Shares within a short time period by the Family Owners.

5. *A break fee may be payable in certain circumstances if the Transaction does not complete*

Inchcape will be required to pay a break fee of approximately £29 million (representing 1% of Inchcape's market capitalisation as at 27 July 2022) if the Transaction Agreement is terminated as a result of: (i) the Board qualifying, adversely modifying or withdrawing its recommendation of the Transaction in order to comply with the Board's statutory or fiduciary duties; or (ii) Inchcape failing to convene and hold the general meeting at which the Resolution will be proposed; or (iii) a recommendation is made or any further resolution is passed at any time following the General Meeting which invalidates, overturns or reverses the Resolution.

RISKS RELATING TO INCHCAPE, DERCO AND THE ENLARGED GROUP WHICH RESULT FROM THE TRANSACTION

1. *Derco may not perform in line with expectations and its business is, amongst other things, influenced by the levels of gross domestic product and disposable income in the jurisdictions in which it operate*

If the financial results and cash flows generated by Derco and its future prospects are not in line with Inchcape's expectations, a write-down may be required against the carrying value of Indigo Chile's and IAC's investments in Derco and/or accounting goodwill and other intangible assets generated upon acquisition. Such a write-down may affect the Enlarged Group and its business, financial condition, results of operations and/or prospects, and may also reduce the Company's ability to generate distributable reserves by the extent of the write-down and consequently affect its ability to pay dividends.

In particular, the sales and profitability of Derco are correlated to consumer discretionary spending in Chile, Peru, Colombia and Bolivia. The prevailing global, regional and local economic conditions, including high global rates of inflation, currency exchange fluctuations and the risk of recession, can all have an adverse impact on customer spending decisions.

2. ***The Enlarged Group may experience difficulties in integrating Derco with the Inchcape Group and the Enlarged Group may not realise, or it might take the Enlarged Group longer than expected to realise, certain or all of the anticipated benefits of the Transaction***

The Inchcape Group and Derco operate and, until Completion, will continue to operate as two separate and independent businesses. The Transaction will require the integration of Derco with the existing businesses carried on by Inchcape and the success of the Enlarged Group will depend, in part, on the effectiveness of the integration process and the ability of the Enlarged Group to realise the anticipated benefits and synergies from combining the respective businesses.

In particular, some of the key integration challenges of combining the businesses include consolidation and co-ordinating services and operations, retaining key contracts, maintaining relationships with customers and suppliers, harmonising business cultures, consolidating infrastructure, procedures, processes, facilities, systems and policies and compensation structures, realising synergies, and retaining key employees of the Enlarged Group. If the Enlarged Group does not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of resources in the Enlarged Group.

While Inchcape believes that the business growth opportunities, cost savings and synergies expected to arise from the Transaction have been reasonably estimated, unanticipated events or liabilities may arise which result in a delay or reduction in the benefits derived from the Transaction, or in costs significantly in excess of those estimated, including as a result of any additional and unexpected challenges and/or costs associated with integrating Derco into the Inchcape Group. Such challenges and/or costs could arise from the redeployment of resources in different areas of operations to improve efficiency; the diversion of management attention from ongoing business concerns to the Derco businesses (and their integration within the existing Inchcape Group); and addressing possible differences between the Inchcape Group's business culture, processes, controls, procedures and systems and those of Derco.

Under any of these circumstances, the business growth opportunities, cost savings and other synergies anticipated by Inchcape to result from the Transaction may not be achieved as expected or may be delayed materially. To the extent that the Enlarged Group incurs higher integration costs or achieves lower synergy benefits than expected, the Enlarged Group's business, financial condition, results of operations and/or prospects may be adversely affected.

3. ***The Enlarged Group may not realise the desired synergy benefits from the Transaction***

Inchcape is targeting synergies from the Transaction and the financial planning for the Enlarged Group is based, in part, on realising these synergies, which include pre-tax recurring synergies of at least £40 million per annum. These comprise cost and cost-derived synergies that, for reporting purposes, will be reflected in the Enlarged Group's operating expenses, gross margin and revenue.

Realisation of these synergies will depend partly on the rapid and efficient management and co-ordination of the activities of the Enlarged Group's businesses post-Completion. There is a risk that synergy benefits from the Transaction may fail to materialise, or they may be materially lower than has been estimated. In addition, the cost of achieving these synergies may exceed the expected cash costs of up to £60 million in aggregate over two years. Such eventualities could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

4. ***Third parties, including OEMs, may seek to terminate or alter existing contracts with Derco or the Inchcape Group as a result of the Transaction***

Certain contracts to which members of Derco are party, including key OEM contracts, contain "change of control" or similar clauses that allow the counterparty to terminate or change the terms of their contract following Completion, or may otherwise allow the counterparty to exert leverage to renegotiate the terms of the existing contract following Completion. The Inchcape Group and Derco will seek to obtain consents from certain of these counterparties to the continuance of the contract after the change of control, and may renegotiate terms with others. There can be no assurance that the Enlarged Group will be able to contract on the same terms as

Derco or the Inchcape Group does prior to Completion. If third party consents cannot be obtained, or terms that are renegotiated are unfavourable when compared with the current contracts, there may be a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

5. *The Enlarged Group may be unable to maintain good commercial relationships with third parties, including OEMs, following the Transaction*

In addition to the contractual provisions referred to in Risk Factor 4 ("*Third parties, including OEMs, may seek to terminate or alter existing contracts with Derco or the Inchcape Group as a result of the Transaction*") above, certain material contractual agreements, including in particular distribution agreements with OEMs, are heavily relationship-based and moreover, in some cases, there are no formal written contracts with the third parties, or the contracts with the third parties will be short form. Even where there is a formal written contract in place between Derco or the Inchcape Group and the third party, these are generally terminable on a period of notice of 12 months or less. Accordingly, if the Enlarged Group is unable to maintain good commercial relationships with its third parties, including its OEM partners, the third parties may elect to terminate the current arrangements, and there may be a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

6. *As a result of the Transaction, the Enlarged Group would have greater reliance on certain commercial counterparties, including certain OEMs with which the Company has no existing trading relationships*

In FY2021, Derco generated approximately one third of its sales from Suzuki. The Company has a strong existing relationship with Suzuki and, as a result of the Transaction, the Enlarged Group will have increased reliance on the strength of the Suzuki product portfolio and the continuation of that strong relationship. Derco also currently contracts with a number of OEMs with which the Inchcape Group has not previously had commercial relationships. These include Haval, Renault and Joylong, which together represented approximately 10% of Derco's sales in FY2021. Accordingly, if the Enlarged Group is unable to meet the ongoing requirements of these OEMs, and there may be a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

7. *As a result of the Transaction, the indebtedness and financial leverage of the Enlarged Group will increase*

In connection with the Transaction, the Inchcape Group has entered into a Bridge and Term Facilities Agreement and intends on drawing down the full £600 million available thereunder to fund part of the cash consideration payable under the Transaction Agreement. As a result, the Transaction will increase the overall indebtedness and financial leverage of the Enlarged Group as compared to the indebtedness and financial leverage of the Inchcape Group immediately prior to Completion, which will result in increased repayment commitments and borrowing costs. This could limit the Enlarged Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put to the potential detriment of its business or other stakeholders.

In the longer term, this increased level of debt could have the effect, among other things, of reducing the Enlarged Group's flexibility to respond to changing business and economic conditions. In addition, the amount of cash required to service the Enlarged Group's increased debt levels and increased aggregate dividends following Completion and thus the demands on the Enlarged Group's cash resources will be greater than the amount of cash flows required to service the Inchcape Group's debt and pay dividends prior to the Transaction. The increased levels of debt and dividends following Completion could, in the longer term, also reduce funds available for the Enlarged Group's investments in capital expenditure, further M&A activities, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies with lower debt levels.

8. *The Inchcape Group, Derco, and following Completion, the Enlarged Group, may fail to retain key personnel and other employees*

The calibre and performance of management personnel and other employees, taken together, is important to the success of both the Inchcape Group and Derco, prior to Completion, and to the

Enlarged Group, following Completion, and, while plans are, or will be, put in place for the retention of management personnel and other key employees following Completion, there can be no assurance that, prior to Completion, neither the Inchcape Group nor Derco will lose key personnel (or a significant number of personnel) or that the Transaction will not result in the departure of management personnel and/or employees from the Enlarged Group. The departure of key or of a significant number of management personnel or employees could adversely affect Inchcape's ability to realise the benefits and synergies of the Transaction. Such departures could also adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses, which could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

EXISTING RISKS TO THE INCHCAPE GROUP WHICH WILL BE IMPACTED BY THE TRANSACTION

1. Following Completion, the Enlarged Group will have greater dependency on its operations in Chile and Latin America for a significant portion of its revenues, profits and free cash flows

Derco generates all of its revenues and profits in Latin America, the majority in Chile. As a result, following Completion, the Enlarged Group will face greater exposure to risks in Chile and Latin America for a significant portion of its revenues, profits and free cash flows.

Following Completion the Enlarged Group will face greater exposure to macro-economic conditions and changes in consumer behaviour across Latin America and, in particular, Chile. If, for example, economic conditions in Chile or Latin America generally decline, customers may choose to reduce their spending, including on new vehicles. This may, in turn, have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

2. Following Completion, the Enlarged Group will have greater exposure to jurisdictions that are subject to material political, economic, supply chain, legal, regulatory, tax and social uncertainties

Derco's business is entirely situated in Chile, Colombia, Peru and Bolivia. As a result, following Completion, the Enlarged Group's operations will face greater exposure to material political, economic, supply chain, legal, regulatory, tax and social risks arising in some or all of these Latin American jurisdictions. These risks potentially include:

a. instability in political, constitutional, economic or financial systems;

b. uncertainty arising around rapidly changing legal, regulatory and tax systems;

c. nationalisation of property;

d. bribery and corruption;

e. civil strife, war, hostilities and armed conflict;

f. capital controls or price controls;

g. currency exchange restrictions or currency devaluation;

h. foreign ownership limitations; and

i. restrictions or the imposition of tariffs or duties on imports of certain goods or exchange controls.

It may be difficult or impossible to obtain insurance coverage to protect against civil strife, outbreaks of infectious disease, acts of war, labour unrest, armed conflict and other security incidents and as a result, the Enlarged Group's insurance programmes may generally exclude this coverage. Consequently, such risks could have a material adverse impact on the Enlarged Group's business, financial condition, results of operations and/or prospects.

Any of the above or other factors could restrict the ability of the Enlarged Group to conduct its businesses (through an inability to execute business operations and strategies effectively) and reduce the value of those businesses, which could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Enlarged Group.

3. ***Any significant changes to emissions regimes, or imposition of restrictions or quotas on sales of all or some ICE vehicles, in Latin America could have a greater impact on the Enlarged Group's performance***

Changes in regulation in the markets in Latin America in which Derco and the Inchcape Group operate could have a material adverse effect on the Enlarged Group as a result of the Transaction. The regulatory environment in which the Enlarged Group will operate in Latin America is evolving. Regulatory changes, such as changes to emissions regimes, the imposition of restrictions or quotas on sales of all or some internal combustion engine vehicles, or the imposition of restrictions on the way in which vehicles are financed and insured, that affect sales of vehicles in Latin America will have a greater effect on sales of the Enlarged Group following Completion as a result of the Enlarged Group's increased exposure to markets in Latin America. A substantial change in these and other laws and regulations governing the automotive industry in Latin America could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and/or prospects. In addition, any changes in the laws and regulations governing the automotive sector or adverse outcomes of regulatory reviews of the Enlarged Group could increase the costs of compliance with regulation, which would decrease the Enlarged Group's revenues and profitability.

4. ***Any significant changes to the incentives regimes for the importation, sale and use of electric, including hybrid, vehicles in Latin America could have a greater impact on the Enlarged Group's performance depending on the speed at which the Enlarged Group is able to respond to such changes***

The regulatory environment for electric and hybrid vehicles in Latin America is evolving. Regulatory changes that restrict, affect or influence sales of such vehicles in Latin America, such as the withdrawal of subsidies and changes to the way in which such vehicles are classified for taxes and customs duties, may have a greater effect on the sales of the Enlarged Group following Completion as a result of the Enlarged Group's increased exposure to markets in Latin America. A substantial change in these and other laws and regulations governing the importation, sale and use of electric, including hybrid, vehicles in Latin America could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and/or prospects in the event that the Enlarged Group is unable to respond or react to such changes. In addition, any changes in such laws and regulations could increase costs, which would decrease the Enlarged Group's revenues and profitability.

5. ***Following Completion, the Enlarged Group will have greater exposure to foreign exchange volatility via increased exposure to local currencies***

Derco carries out a large number of transactions in local currencies such as Chilean pesos, Colombian pesos, Boliviano and Sol rather than US Dollars or Pounds Sterling, subjecting, following Completion, the Enlarged Group to greater risks where there are currency fluctuations between the local currencies, Pounds Sterling and US Dollars as a result of the Transaction. If the proportion of payments received from counterparties in local currencies substantially increases going forward, Derco and, following Completion, the Enlarged Group, may receive more local currency than it needs to fund its operating expenses in the relevant jurisdiction, causing a decline in the US Dollar value and Pounds Sterling value of its Latin American revenues upon translation, and contributing to increased exposure to the value of the relevant local currency. Furthermore, in the event of any constrained global foreign exchange market for Chilean pesos, Colombian pesos, Boliviano or Sol, Derco and, following Completion, the Enlarged Group, may be unable to convert certain quantities of local currency to US Dollars or Pounds Sterling going forward, which could limit Derco's and, following Completion, the Enlarged Group's, ability to distribute cash to other jurisdictions within Derco and, following Completion, the Enlarged Group, as the case may be. If receivables from counterparties are settled in a currency other than the US Dollar or Pounds Sterling, Derco and, following Completion, the Enlarged Group may be required to impair or discount certain of its existing past due receivables, resulting in an impairment charge on Derco's or, following Completion, the Enlarged Group's, as applicable, consolidated income statement which would reduce or eliminate, as applicable, Derco's or, following Completion, the

Enlarged Group's net profits for the period in which the impairment was recognised. Any of the above could have a material adverse effect on Derco's and, following Completion, the Enlarged Group's business, financial condition, results of operations and/or prospects as a result of the Transaction.

6. *Following Completion, the Enlarged Group will have greater exposure to jurisdictions with inherent risks relating to fraud, bribery and corruption*

Derco conducts business in a number of jurisdictions that have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it inherent risks associated with fraud, bribery and corruption, with such risks increasing as a result of the Transaction as a result of the Enlarged Group's increased exposure to jurisdictions in Latin America.

Fraud, bribery and corruption are more common in some jurisdictions than in others. Whilst Derco and the Inchcape Group maintain anti-corruption training programmes, codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible to detect or prevent every instance of fraud, bribery or corruption in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. Derco and, following Completion, the Enlarged Group may therefore be subject to civil and criminal penalties and to reputational damage.

Instances of fraud, bribery and corruption, and violations of laws and regulations (including the UK Bribery Act 2010) in the jurisdictions in which the Inchcape Group operates and, following Completion, the Enlarged Group will operate could have a material adverse effect on its business, financial condition, results of operations and/or prospects.

Part III

HISTORICAL FINANCIAL INFORMATION RELATING TO DERCO

Introduction

This Part III contains:

- in Part A, combined historical financial information relating to Derco for the three financial years ended 31 December 2021;
- in Part B, an accountant's report prepared by Deloitte LLP on the combined historical financial information relating to Derco and various subsidiaries for the three financial years ended 31 December 2021.

Unless otherwise indicated, the Historical Financial Information relating to Derco in this Part III has been prepared in accordance with IFRS and using accounting policies consistent with those used to prepare the latest audited consolidated financial statements of the Inchcape Group.

Part A: Historical financial information relating to Derco

Combined Income Statement

For the year ended 31 December

	Note	2021	2020	2019
		£m	£m	£m
Revenue	**5**	**1,926.3**	**1,238.0**	**1,794.6**
Cost of sales		(1,415.4)	(958.1)	(1,396.5)
Gross profit		**510.9**	**279.9**	**398.1**
Net operating expenses	*5*	(271.0)	(221.4)	(322.1)
Operating profit		**239.9**	**58.5**	**76.0**
Share of profit after tax of equity accounted investees	*15*	1.2	0.2	0.8
Profit before finance and tax		**241.1**	**58.7**	**76.8**
Finance income	*8*	1.4	2.6	2.1
Finance costs	*9*	(24.9)	(29.7)	(37.6)
Profit before tax		**217.6**	**31.6**	**41.3**
Tax	*10*	(51.6)	(12.5)	(14.0)
Profit for the year		**166.0**	**19.1**	**27.3**
Profit attributable to:				
Owners of the parent		163.5	17.9	24.9
Non-controlling interests	*29*	2.5	1.2	2.4
Total		**166.0**	**19.1**	**27.3**

Alternative performance measures

For the year ended 31 December

	Note	2021	2020	2019
		£m	£m	£m
Operating profit		**239.9**	**58.5**	**76.0**
Adjusted for:				
Restructuring costs	*4*	—	6.6	—
Impairment charges / (reversals of impairment charges)	*4*	(3.1)	(11.1)	14.3
Adjusted operating profit		**236.8**	**54.0**	**90.3**
Share of profit after tax of equity accounted investees	*15*	1.2	0.2	0.8
Finance income	*8*	1.4	2.6	2.1
Finance costs	*9*	(24.9)	(29.7)	(37.6)
Adjusted profit before tax		**214.5**	**27.1**	**55.6**
Tax on adjusted profit	*10*	(50.8)	(11.4)	(18.1)
Adjusted profit after tax		**163.7**	**15.7**	**37.5**

The accompanying notes are an integral part of these combined financial statements.

Combined Statement of Comprehensive Income

For the year ended 31 December

	Note	2021 £m	2020 £m	2019 £m
Profit for the year		**166.0**	**19.1**	**27.3**
Other comprehensive income				
Items that will not be reclassified to the combined income statement:				
Defined benefit pension scheme remeasurements	7	—	(0.1)	(0.1)
Share in other comprehensive income of equity accounted investees	15	2.2	(0.5)	0.8
		2.2	**(0.6)**	**0.7**
Items that will be reclassified to the combined income statement:				
Exchange differences on translation of foreign operations		(49.7)	(3.5)	(29.5)
		(49.7)	**(3.5)**	**(29.5)**
Other comprehensive loss for the year, net of tax		**(47.5)**	**(4.1)**	**(28.8)**
Total comprehensive income/(loss) for the year		**118.5**	**15.0**	**(1.5)**
Total comprehensive income/(loss) attributable to:				
Owners of the parent		115.8	13.0	(2.2)
Non-controlling interests		2.7	2.0	0.7
Total comprehensive income/(loss) for the year		**118.5**	**15.0**	**(1.5)**

The accompanying notes are an integral part of these combined financial statements.

Combined Statement of Financial Position

As at 31 December

	Note	2021 £m	2020 £m	2019 £m
Non-current assets				
Intangible assets	*12*	17.3	24.7	25.4
Property, plant and equipment	*13*	104.7	111.9	99.7
Right-of-use assets	*14*	107.6	76.1	85.9
Investments in equity accounted investees	*15*	4.1	5.0	5.1
Other financial assets at fair value	23	0.1	0.1	1.5
Trade and other receivables	*16*	9.0	3.8	1.6
Deferred tax assets	*17*	22.5	23.9	26.7
Total non-current assets		**265.3**	**245.5**	**245.9**
Current assets				
Inventories	*18*	415.3	256.9	485.7
Trade and other receivables	*16*	350.4	215.2	238.2
Derivative financial instruments	23	3.8	0.2	—
Current tax assets		10.3	22.9	37.9
Cash and cash equivalents	*19*	119.0	195.4	37.5
Total current assets		**898.8**	**690.6**	**799.3**
Total assets		**1,164.1**	**936.1**	**1,045.2**
Current liabilities				
Trade and other payables	*20*	(250.1)	(133.0)	(171.4)
Derivative financial instruments	23	—	(9.3)	(2.6)
Current tax liabilities		(28.5)	(4.1)	(16.4)
Provisions	*21*	(7.4)	(6.1)	(6.8)
Lease liabilities	*14*	(19.9)	(16.5)	(20.6)
Retirement benefit liabilities	*7*	(0.1)	(0.3)	(0.1)
Borrowings	*22*	(268.1)	(307.6)	(299.1)
Total current liabilities		**(574.1)**	**(476.9)**	**(517.0)**
Non-current liabilities				
Deferred tax liabilities	*17*	(2.4)	(2.5)	(2.7)
Lease liabilities	*14*	(98.7)	(71.2)	(79.0)
Borrowings	*22*	(128.8)	(73.5)	(149.7)
Retirement benefit liabilities	*7*	(3.6)	(3.8)	(3.6)
Total non-current liabilities		**(233.5)**	**(151.0)**	**(235.0)**
Total liabilities		**(807.6)**	**(627.9)**	**(752.0)**
Net assets		**356.5**	**308.2**	**293.2**
Equity				
Invested equity	*24*	73.6	73.6	73.6
Retained earnings		351.4	255.0	236.8
Other reserves		(75.3)	(27.6)	(22.4)
Invested equity attributable to Parent		**349.7**	**301.0**	**288.0**
Non-controlling interests	*29*	6.8	7.2	5.2
Total equity		**356.5**	**308.2**	**293.2**

The accompanying notes are an integral part of these combined financial statements

Combined Statement of Changes in Equity

	Invested equity	Retained earnings	Other reserves	Invested equity attributable to parent	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2019	**73.6**	**243.2**	**4.6**	**321.4**	**7.0**	**328.4**
Profit for the year	—	24.9	—	24.9	2.4	27.3
Other comprehensive income for the year		(0.1)	(27.0)	(27.1)	(1.7)	(28.8)
Total comprehensive income / (expense)	**—**	**24.8**	**(27.0)**	**(2.2)**	**0.7**	**(1.5)**
Dividends paid	—	(31.2)	—	(31.2)	(2.5)	(33.7)
Total equity at 31 December 2019	**73.6**	**236.8**	**(22.4)**	**288.0**	**5.2**	**293.2**
Profit for the year	—	17.9	—	17.9	1.2	19.1
Other comprehensive income for the year		0.3	(5.2)	(4.9)	0.8	(4.1)
Total comprehensive income / (expense)	**—**	**18.2**	**(5.2)**	**13.0**	**2.0**	**15.0**
Total equity at 31 December 2020	**73.6**	**255.0**	**(27.6)**	**301.0**	**7.2**	**308.2**
Profit for the year	—	163.5	—	163.5	2.5	166.0
Other comprehensive income for the year		—	(47.7)	(47.7)	0.2	(47.5)
Total comprehensive income / (expense)	**—**	**163.5**	**(47.7)**	**115.8**	**2.7**	**118.5**
Dividends paid	—	(67.1)	—	(67.1)	(3.1)	(70.2)
Total equity at 31 December 2021	**73.6**	**351.4**	**(75.3)**	**349.7**	**6.8**	**356.5**

The accompanying notes are an integral part of these combined financial statements

Combined Statement of Cash Flows

For the year ended 31 December

	Note	2021 £m	2020 £m	2019 £m
Cash generated from operating activities				
Cash generated from operations	*25a*	42.2	279.2	206.5
Tax (paid)/ refund received		(17.5)	5.2	(23.0)
Interest received		0.7	1.7	2.1
Interest paid		(20.6)	(29.4)	(37.2)
Net cash generated from operating activities		**4.8**	**256.7**	**148.4**
Cash flows from investing activities				
Purchase of property, plant and equipment		(24.8)	(29.6)	(40.9)
Purchase of intangible assets		(0.1)	(1.7)	—
Proceeds from disposal of property, plant and equipment		8.2	6.6	6.3
Equity dividends received		1.3	0.3	1.8
Net cash inflow/(outflow) from loans to related parties		0.5	(0.4)	(0.2)
Purchase of non-controlling interests		(0.4)	(0.4)	—
Net cash generated from investing activities		**(15.3)**	**(25.2)**	**(33.0)**
Cash flows from financing activities				
Cash inflow from borrowings	*22*	361.3	234.4	244.8
Cash outflow on repayment of borrowings	*22*	(301.4)	(291.7)	(334.2)
Payment of capital element of lease liabilities	*14c*	(18.3)	(19.3)	(20.9)
Payment of interest element of lease liabilities	*14c*	(3.7)	(2.8)	(3.4)
Equity dividends paid	*11*	(67.1)	—	(31.2)
Dividends paid to non-controlling interests	*11*	(3.1)	—	(2.5)
Net cash used in financing activities		**(32.3)**	**(79.4)**	**(147.4)**
Net (decrease) increase in cash and cash equivalents		(42.8)	152.1	(32.0)
Cash and cash equivalents at beginning of the period		195.4	37.5	74.0
Effect of foreign exchange rate changes		(33.6)	5.8	(4.5)
Cash and cash equivalents at the end of the year		**119.0**	**195.4**	**37.5**
Cash and cash equivalents consist of:				
Cash at bank and cash equivalents	*19*	111.8	111.8	35.7
Short-term mutual funds	*19*	5.5	15.3	1.8
Short-term deposits	*19*	1.7	68.3	—
Total		**119.0**	**195.4**	**37.5**

The accompanying notes are an integral part of these combined financial statements

Notes

1. Background and basis of preparation

1.1 Background and purposes of the combined historical financial information

Derco is engaged in automobile distribution and integrated retail in Latin America and represents a combination of standalone legal entities which do not represent a group of statutory entities in accordance with consolidation requirements.

On 27 July 2022, Inchcape Plc ("Inchcape") and the owners of Derco Group entered into a conditional agreement for the business combination with Derco, which comprises of two independent groups of operating entities under common control by the ultimate owners ("Related Companies", "Derco Group" or the "Group") as set out below:

- Inversiones Derco Internacional, SpA and its subsidiaries ("IDISPA") which operate in Peru, Colombia and Bolivia; and
- Derco Inversiones, SpA and its subsidiaries ("DISPA") which operate in Chile.

IDISPA and DISPA are ultimately controlled by Dercorp Ex SpA and Dercorp Cl SpA. These companies together have been referred to as "Holding Companies" for the purposes of these historical combined financial statements.

The list of entities forming part of Derco Group are set out subsequently in this note.

Given that Derco Group represents a group of standalone legal entities rather than a group of statutory entities in accordance with consolidation requirements for the historical period of three years ended 31 December 2021, this combined historical financial information has been prepared on a combined basis by aggregating the assets, liabilities, equity, income and expenses as set out in the separated consolidated financial statements of IDISPA and DISPA but do not include the results of the Holding Companies.

As Derco Group does not constitute a group as defined by International Financial Reporting Standard ('IFRS') 10 Consolidated Financial Statements, this combined historical financial information is not consolidated financial information. However, the combined financial information has been prepared in accordance with the relevant principles of IFRS 10 to the extent applicable.

This combined historical financial information is included in this Circular for the purposes of assisting Inchcape shareholders in their assessment of the financial position and performance of Derco Group. The financial positions are included as at 31 December 2021, 31 December 2020, 31 December 2019 and the financial performance is presented for the three years ended 31 December 2021.

1.2 Entities included within Derco Group

The financial position and financial performance of the following entities are included as part of this combined financial information:

Dercorp Ex SpA	Derco SpA
Dercorp Cl SpA	Dercolatina SpA
Vitacura Dos Cl SpA	Promac, SpA
Vitacura Dos Ex SpA	Sociedad Comercial de Repuestos SpA
Inversiones Derco Internacional, SpA	Dercomaq SpA
Corporacion de Inversiones Anta SA	Dercocenter SpA
Derco Perú, S.A.	Derco Chile Repuestos SpA
Dercocenter Perú, S.A.	Importadora y Distribuidora Alameda SpA
Corporation de Inversiones Imcruz Corp SA	Servicies Operacionales, Comerciales y Admisnistrativos SpA
Imcruz Comercial S.A.	Sociedad Corredora de Seguros Derco SpA
Inversiones Pirai, S.R.L.	Sociedad Inmobiliaria SCR SpA
Comesa S.A	Sergo Chile SpA
Derco Colombia, S.A.S.	Sociedad Comercial e Inmobiliaria Autoshopping S.A [(1)]
Corporation Andina de Negocios SA	Sociedad Comercial Ecovalor S.A [(1)]
Derco Inversiones, SpA	Sociedad de Créditos Automotrices S.A. [(1)]

(1) Joint venture with 50% ownership

1.3 Basis of preparation of the combined financial information

This historical combined financial information has been prepared in accordance with the applicable requirements of the Prospectus Directive Regulation, the basis of preparation set out here and follows the recognition, measurement and disclosure principles of IFRS, except for the departure from the requirements of IFRS 10, see note 1.1 and below. The accounting policies adopted are consistent with those adopted by Inchcape except the transition approach to IFRS 16 *Leases*. Derco Group applied IFRS 16 using the modified retrospective approach whereas Inchcape applied IFRS 16 on a fully retrospective basis; this has not been aligned for the purposes of this historical combined financial information.

IFRS does not provide for the preparation of combined historical financial information and accordingly in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 *Investment Reporting Standards applicable to Public Reporting Engagements on Historical Financial Information* as issued by the Financial Reporting Council in March 2020, have been applied.

This historical combined financial information has been prepared on a combined basis by aggregating the assets, liabilities, equity share capital, income and expenses as set out in the consolidated financial statements of IDISPA and DISPA. All intra-group transactions and balances have been eliminated in full including unrealised gains and losses as per the principles of consolidation as set out in IFRS 10. The investments in joint ventures have been consolidated in accordance with the principles of equity method as per IAS 28 *Investments in Associates and Joint Ventures*. In line with paragraph 61 of Standards for Investment reporting 2000 (Revised), SIR 2000, the historical combined financial information is presented in millions sterling ("£"), which is the functional and presentation currency of Inchcape adopted in its last financial statements.

This combined historical financial information may not be indicative of Derco Group's future performance and does not necessarily reflect what its combined results of operations, financial position and cash flows would have been had it operated as a group rather than separate independent businesses during the periods presented.

Accordingly, this combined financial information does not constitute a set of consolidated financial statements within the context of IFRS as Derco Group does not represent a "group" for accounting purposes.

No separate share capital or other similar equity reserves have been shown on the basis that Derco does not represent a group. The net investment into Derco is presented as 'Invested equity attributable to parent' in the combined historical financial information. Refer to note 24 for details.

The combined financial information has been prepared under the historical cost convention, except for certain financial instruments (including derivative instruments) which are measured at fair value through profit or loss or other comprehensive income and any fair values attributable to business combinations.

1.4 Going concern

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will operate within the level of its facilities for the foreseeable future.

In assessing whether the Group is a going concern, the ongoing implications of Covid-19 have been considered together with measures taken to mitigate its impact on the Group. In making this assessment, the Group has considered available liquidity in relation to debt including inventory financing committed and uncommitted facilities, the Group's latest forecasts for 2023 and 2024 cash flows, together with a range of sensitivities. The Group finances working capital through short-term committed facilities and the going concern assessment assumes that these facilities are renewed when required. The forecasts reflect the latest view on the global economic impact of Covid-19 and other macro events on the markets in which the Group operates, with a key emphasis on the latest Group forecasts for 2023 and 2024.

A range of sensitivities has been applied to the forecasts to test liquidity scenarios over the forecast period. These sensitivities included:

- an economic downturn scenario reducing revenue and earnings in 2023 with all other assumptions remaining the same;
- further periods of Covid-19 restrictions similar in nature and impact to those seen both in the second half of 2020 and the first half of 2021, impacting half of the Group's markets simultaneously for a period of time in 2023;
- a reduction in new and used vehicle sales due to a short-term shortage of semi-conductor chips, reducing gross profit during 2023; combined with;
- availability of debt sensitivities to model the impact of short-term facilities not being renewed when required.

The forecasts, based on reasonable assumptions, indicate that the Group will be able to operate within the level of its currently available and committed facilities, assuming that those facilities are renewed when required, and has sufficient cash reserves to enable it to meet its obligations as they fall due, for a period of at least 12 months from the date of approval of this circular.

Based on the above considerations, Derco Group has adopted the going concern basis in preparing this historical combined financial information.

1.5 Adoption of new IFRSs and effective date

The following new standards and amendments issued during the periods included within this combined financial information have been adopted in accordance with the effective date prescribed. No material impacts were identified from the adoption of each of the standards other than IFRS 16 *Leases* and the IFRIC agenda decision on configuration and customisation costs in a cloud computing arrangement, both of which have been applied from 1 January 2019 as detailed in notes 2.10 and 2.8 respectively.

Effective from 1 January 2019

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax treatments*
- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IAS 28 *Long term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRSs—2015—2017 Cycle
- Amendments to IAS 19 *Employee Benefits*

Effective from 1 January 2020

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—Definition of Material;
- Amendments to IFRS 3 *Business Combinations*—Definition of a Business;
- Amendments to IFRS 9 IAS 39 and IFRS 7 *Financial Instruments: Disclosures*— Interest Rate Benchmark Reform
- Amendments to IFRS 16 *Leases* in relation to Covid-19 Related Rent Concessions until June 30, 2020

Effective from 1 January 2021

- Covid-19 related rent concessions beyond June 30, 2021 (Amendments to IFRS 16 *Leases*)
- Interest rate benchmark reform (Amendments to IFRS 9 *Financial Instruments* and other related standards)
- IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement

1.6 Accounting standards that are not yet mandatory and have not been applied

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 Derco Group, and will be applied for financial years commencing on or after 1 January 2022:

- Annual improvements to IFRS 2018-2021;
- Amendments to IAS 16—*Property, Plant and Equipment*—Proceeds before Intended Use;
- Amendments to IAS 37—*Onerous Contracts*—Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020)—Reference to the Conceptual Framework;
- IFRS 17—Insurance Contracts;
- Amendments to IAS 1—Classification of Liabilities;
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates; and
- Amendments to IAS 12 Income taxes, Changes in deferred tax related to assets and liabilities arising from single transaction.

Based on the information existing at the reporting date, management do not expect that the adoption of the standards listed above will have a significant impact on the financial statements of Derco Group.

1.7 Related party balances

Related parties are individuals or entities:

- under the control, joint control or significant influence of Derco Group; and
- which control or exercise joint control or significant influence over Derco Group.

In addition, key management personnel of Derco Group are related parties for this combined financial information.

1.8 Alternative Performance Measures and adjusting items

In this historical combined financial information, Derco Group has elected to provide further disclosures and performance measures, reported as 'adjusting items', in order to present its financial results in a way that demonstrates its performance. These measures are not defined by IFRS and therefore may not be directly comparable with the Alternative Performance Measures ("APMs") of other companies or those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. The key APMs as below:

Performance measure	Definition	Why it is measured
Adjusted operating profit	Operating profit before exceptional items. Refer to the combined income statement and note 4	A key metric of the Group's business performance.
Adjusted profit before tax	Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged. Refer to combined income statement and note 4.	A key driver of delivering sustainable and growing earnings to shareholders.
Adjusted Earnings Before Interest and Tax ("Adjusted EBIT")	Earnings before interest, tax and adjusting items. Refer to the note 31.	A key metric of the Group's business performance including share of profit from the equity accounted investees.

Performance measure	Definition	Why it is measured
Adjusted Earnings Before Interest Tax Depreciation and Amortisation ("Adjusted EBITDA")	Earnings before interest, tax, depreciation, amortisation and adjusting items. Refer to note 31.	A key driver or the Group's cash generated from operation.
Net funds / (debt)	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 and before the incremental impact of IFRS16 lease liabilities. Refer to note 25b.	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.
Return on capital employed ("ROCE")	Adjusted operating profit 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 note 25h.	ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.

Adjusting items reported as an APM, are items of financial performance which Derco Group believes should be separately identified on the face of the combined income statement to assist in understanding the underlying financial performance achieved by it and the extent to which results are influenced by material unusual and/or non-recurring items. The directors consider these 'adjusted' measures to be an informative additional measure of the ongoing trading performance of Derco Group as they provide useful information on the underlying trends, performance and position of the Group. APMs are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

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. Accordingly, the tax effects of adjusted items are considered to hinder the comparison of the Group's performance on a period-to-period basis and therefore, the effective tax rate post the adjusting items has been disclosed separately in note 10. Refer to note 4 for details of adjusting items.

2. Accounting policies applied in preparing the combined financial information

2.1 Foreign currency translation

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

In the individual entities, transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the combined income statement.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the end of the reporting period. The income statements of Derco Group are translated into sterling at the average rates of exchange for the period. Exchange differences for the historical period commencing 1 January 2019, arising on account of such translation are recognised as a separate component of shareholders' equity. On disposal of a foreign operation, any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

2.2 Revenue and other income

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

- Revenue from the sale of goods is recognised when the obligation to transfer the goods to the customer has been satisfied and the revenue can reliably be measured. The obligation to transfer goods to the customer is considered to have been satisfied when the vehicles or parts are invoiced and physically dispatched or collected.
- Revenue from the rendering of services to the customer is considered to have been satisfied when the service has been undertaken.

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

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

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

2.3 Cost of sales

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

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

2.4 Share-based payments

Derco Group operates a long-term incentive plan which is classified as a cash-settled share-based award. The fair value at the date at which the share-based awards are granted is recognised in the combined income statement (together with a corresponding recognition of a liability) on a straight-line basis over the vesting period, based on an estimated amount expected to be paid eventually. At the end of each reporting period, the estimate of the amount expected to be paid is revised. Remeasurements during the vesting period are recognised immediately to the extent that they relate to past services, and recognition is spread over the remaining vesting period to the extent that they relate to future services.

2.5 Finance costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.6 Income tax

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

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

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

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

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

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

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

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

2.7 Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method (at the point the Group gains control over a business as defined by IFRS 3). The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

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

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable net assets of the business acquired at the date of acquisition. Goodwill is initially recognised at cost and is held in the functional currency of the acquired entity and revalued at the closing exchange rate at the end of each reporting period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested at least annually for impairment.

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

2.8 Other intangible assets

Intangible assets, when acquired separately from a business, are carried at cost their revalued amount less accumulated amortisation and impairment losses. Cost comprises the purchase price from third parties as well as internally generated development costs where relevant. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life. Amortisation is recognised in the combined income statement within 'net operating expenses'. Software customisation and configuration costs relating to software not controlled by Derco Group are expensed over the period of services received if they are considered to be distinct. Where this is not the case, the customisation and configuration costs are expensed over the contract term.

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

The significant categories have been set out below along with the useful lives used for amortisation:

Computer software	4-6 years
Distribution agreements	Indefinite useful life

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost their revalued amount less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset and includes, where relevant, capitalised borrowing costs. Depreciation is based on cost less estimated residual value and is included within 'net operating expenses' in the combined income statement. Depreciation is recognised on a straight-line basis over the estimated useful life of the asset, except for freehold land which is not depreciated. The significant categories have been set out below along with the annual rates used for depreciation:

Freehold buildings and long leasehold buildings	2.0%-2.5%
Short leasehold buildings	shorter of lease term or useful life
Plant, machinery and equipment	5.0%-50.0%
Interest in leased vehicles	over the lease term

The residual values and useful lives of all assets are reviewed at least at the end of each reporting period and adjusted if necessary, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in combined income statement.

2.10 Leases

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

Derco Group as a lessee

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

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

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

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

The incremental borrowing rates for each country of operation are determined centrally and appropriately consider the lease term.

Lease liabilities are re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether a purchase, lease-term extension or termination option will be exercised. When lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

Derco Group as a lessor

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

2.11 Impairment of non-financial assets

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

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

Non-financial assets, other than goodwill, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

2.12 Inventories

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

The cost for spare parts is determined using the weighted average method whereas that for units is the specific price of the units.

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

2.13 Trade receivables

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

Derco sells trade receivables to financial institutions with cash proceeds. The sale is without recourse, consequently, the trade receivables are derecognised from the statement of financial position as the risk and rewards have substantially been transferred to the bank.

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

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

2.14 Trade payables

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

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

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

2.15 Borrowings

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

2.16 Pension, other long-term employee and post-retirement benefits

Derco Group operates a number of employee benefit schemes such as staff holidays, seniority awards, years of service indemnity and pension plans. The accounting policy in relation to these has been set out below.

The seniority awards are classified as other long-term employee benefit plans and the years of service indemnity is classified as defined benefit plans. The years of service indemnity scheme is for employees hired prior to 1990 and is closed to new entrants. It entitles the eligible employees to a compensation in the event of termination of the employment or retirement and the amount payable is determined on the basis of the employee’s age, years of service and final compensation received at the time of termination / retirement. The cost of providing benefits under these plans is determined separately for each plan using the projected unit credit actuarial valuation method.

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

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

Derco Group’s contribution to defined contributions plans are charged to the combined income statement in the period to which the contributions relate.

2.17 Provisions

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

Product warranty provision

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

Leasehold property provision

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

Litigation provision

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

Restructuring provision

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

2.18 Segmental reporting

Operating segments are components of an enterprise for which discrete financial information is evaluated by the chief operating decision maker ("CODM") for purposes of making decisions regarding resource allocation and assessing performance. As Derco Group's acquisition is expected to be an addition to Inchcape's business in Latin America which is classified as an operating segment, CODM would evaluate revenues and profitability of Derco Group in aggregate. Accordingly, the results are reported on a consolidated basis for the purposes of segment reporting.

2.19 Joint arrangements

Joint arrangements

A joint arrangement is an arrangement over which Derco Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby Derco Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby Derco Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Application of the equity method to joint ventures

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. Derco Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. This combined financial information includes Derco Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When Derco Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Derco Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Joint operations

Derco Group recognises its share of the assets, liabilities, revenue and expenses incurred jointly in relation to joint operations. Derco Group's share of these assets, liabilities, revenue and expenses are included in the equivalent items for Derco Group in this combined financial information and are accounted for in accordance with the joint operation's accounting policies.

2.20 Financial instruments

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

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

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

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

2.21 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand, time deposits, fixed-income mutual fund investments, short-term investments and cash and cash equivalents.

Short-term investments, time deposits and fixed-income mutual fund investments have a maturity of less than three months from the date at which the investment is acquired.

In the combined statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts (if any) where they form an integral part of Derco Group's cash management.

2.22 Offsetting

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

2.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value through the income statement.

2.24 Invested equity

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

2.25 Dividends

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

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

3. Key sources of estimation uncertainty and critical accounting judgements

The preparation of the combined historical financial information 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 Derco Group's accounting policies as set out below:

Key sources of estimation uncertainty

No key sources of estimation uncertainty have been identified for the purposes of this combined historical financial information.

Critical accounting judgements

Right-of-use assets and lease liabilities—extension and termination options

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

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer to note 14 for additional disclosures relating to leases.

Adjusting items

The Directors believe that adjusted profit 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 Inchcape's 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.

During the historical period, management has exercised judgement in respect of the treatment of restructuring costs in accordance with Inchcape's policy for such items as outlined as part of the accounting policies.

Classification of vehicle funding arrangements

Derco Group finances the purchase of vehicles using vehicle funding facilities provided by various external banks and financial institutions. 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, Derco Group considers a number of factors including whether the arrangement is a requirement of the relationship with the OEM, in relation to specific, separately identifiable vehicles held as inventory and whether payment terms are the shorter of the agreed terms of the arrangement or until the specific vehicle being funded is sold to the end customer. Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables requires significant management judgement.

4. Adjusting items

	2021	2020	2019
	£m	£m	£m
Operating profit	**239.9**	**58.5**	**76.0**
Adjusted for:			
Restructuring costs	—	6.6	—
Impairment charges/(reversals of impairment charges) (note 13)	(3.1)	(11.1)	14.3
Adjusted operating profit	**236.8**	**54.0**	**90.3**
Share of profit after tax of equity accounted investees (note 15)	1.2	0.2	0.8
Finance income (note 8)	1.4	2.6	2.1
Finance costs (note 9)	(24.9)	(29.7)	(37.6)
Adjusted profit before tax	**214.5**	**27.1**	**55.6**
Tax on adjusted profit (note 10)	(50.8)	(11.4)	(18.1)
Adjusted profit after tax	**163.7**	**15.7**	**37.5**

The restructuring costs have been incurred in relation to severance compensation paid under a restructuring program undertaken by Derco Group in Peru and Chile with the help of an external advisor which resulted in 461 positions being removed (308 in Chile and 153 in Peru). These positions were primarily related to middle management and salesmen. The impairments relate to Property plant and equipment as well as Right-of-use assets as set out in note 13 and 14 respectively excluding the reversal of impairment charges made prior to 1 January 2019. The restructuring costs have been recognised as part of personnel costs and the impairment charges/(reversals of impairment charges) have been accounted for as set out below:

	2021	2020	2019
	£m	£m	£m
Impairment charges/(reversals of impairment charges)			
Cost of sales	(2.4)	(8.6)	11.0
Net operating expenses	(0.7)	(2.5)	3.3
	(3.1)	**(11.1)**	**14.3**
Restructuring costs			
Net operating expenses	—	6.6	—
	—	**6.6**	—
Total adjusting items before tax	**(3.1)**	**(4.5)**	**14.3**

Refer to note 31 for other APMs,

5. Revenue & Expenses

a. Revenue

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

	2021	2020	2019
	£m	£m	£m
Sale of goods	1,769.1	1,114.2	1,571.1
Provision of services	96.9	78.8	110.8
Other operating revenue	60.3	45.0	112.7
	1,926.3	**1,238.0**	**1,794.6**

Sale of goods includes the sale of new and used vehicles and the sale of parts where they are sold directly to the customer. Provision of services includes financial services, as well as labour and parts provided in servicing vehicles. Revenue earned from financial services amounted to £27.6m (2020-£11.1m, 2019—£13.0m). Revenue attributable to Derco Group's operations in Chile amounted to £1,210.3m (2020—£711.7m, 2019—£1,032.2m).

As set out in note 2.18, Derco Group's operations would be an addition to Inchcape's business in Latin America. Accordingly, for the purposes of disclosure of revenue earned by the origin and destination of sales, Inchcape would categorise Derco Group's revenue as part of "Rest of the World".

b. Analysis of net operating expenses

	2021	2020	2019
	£m	£m	£m
Distribution costs	29.3	20.3	24.4
Administrative expenses	240.6	201.5	298.9
Other operating expenses/(income)	1.1	(0.4)	(1.2)
	271.0	**221.4**	**322.1**

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

	2021	2020	2019
	£m	£m	£m
Depreciation of:			
—Property, plant and equipment (note 13)	19.0	17.1	18.9
—Right-of-use assets (note 14)	21.0	21.3	24.2
Amortisation of intangible assets (note 12)	4.9	2.0	2.2
Impairment charges/(reversals of impairment charges) of:			
—Goodwill (note 12)	—	1.7	—
—Property, plant and equipment (note 13)	(2.1)	(9.2)	8.1
—Right-of-use assets (note 14)	(1.6)	(4.9)	3.9
(Reversal of impairment charges)/Impairment charge of trade receivables	(0.5)	(1.2)	0.6
(Profit) / loss on sale of property, plant and equipment	(0.5)	0.9	(0.7)

d. Staff costs:

	2021	2020	2019
	£m	£m	£m
Wages and salaries	62.9	49.2	60.3
Social security costs	34.4	26.0	30.9
Other employee benefits	36.6	30.5	33.5
Share-based payment charge (note 6)	0.2	—	—
	134.1	**105.7**	**124.7**

6. Share based payments

Derco Group granted a 10-year Long Term Incentive Plan ("LTIP") to the Chief Executive Officer ("CEO") in 2015 and to certain senior executives in 2016. Under the LTIP, eligible employees are entitled to receive annual cash payments in December each year commencing FY21 subject to the employment not being terminated on the date when the cash payment is due. The amount of cash payable annually is determined on the basis of changes in the market price of the equity shares of IDISPA and DISPA. The market price of the equity shares is determined by the Valuation Committee with the assistance of an external valuer.

The LTIP has been classified as a cash-settled share-based plan under IFRS 2 *Share-based payments*.

The charge arising from the LTIP was £0.2m (£Nil for 2020 and 2019).

7. Pensions and other post retirement employee benefits

Derco Group operates certain employee benefit plans for its employees, details of which have been summarised below:

Defined benefit plans

Compensation for years of service

This benefit relates to the length of service award that is payable to the employees in Chile hired prior to 1990. It entitles the eligible employees to compensation in the event of termination of employment or retirement and the amount payable is determined on the basis of the employee's age, years of service and final compensation received at the time of termination / retirement.

The liability recognised in the balance sheet with respect to severance pay for the years of service is the present value of the obligation for defined benefits at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries according to the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows at interest rates of instruments denominated in the currency in which the benefits will be paid and with maturities similar to those of the corresponding obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial hypotheses are charged to or credited into equity in the period in which they occur. The following were the principal actuarial assumptions applied during the historic reporting period:

- Economic and Financial Assumptions
  - — Annual Real Discount Rate: Discount rate used corresponds to the DRV vector published in Circular Official Letter No. 1187 by the CMF.
  - — Long-term inflation rate, reported by the Chilean Central Bank at the valuation date, (3% annual real).
  - — An annual salary increase of 0.9% has been considered for FY21 (FY20 and FY19—3%).
- Demographic Assumptions: The Mortality Table RV-2014: Table of the Superintendency of Pension Fund Managers and the Financial Market Commission was used for the calculation of scheduled withdrawals by the Pension Fund Administrators, of the additional contributions and of the technical reserves by insurers that maintain obligations for the contracting of life annuity insurance.
- Normal Retirement Age: The retirement ages to make the payment projections correspond to the minimum ages for the scheduled retirement in Chile (DL.3500), ages that are generally used in the market, except when the reality of the company indicates otherwise, in this case the Derco Group estimates that they correspond to 65 years for men and 60 years for women, which are considered reasonable under the guidelines established in IAS 19 and professional practices applied to valuations of similar characteristics

	2021 £m		2020 £m		2019 £m	
	Current	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**
Provision of defined benefit plans	0.1	3.6	0.3	3.8	0.1	3.6
Total	0.1	3.6	0.3	3.8	0.1	3.6

8. Finance income

	2021 £m	2020 £m	2019 £m
Interest earned and other finance income	1.4	***2.6***	***2.1***
Total	**1.4**	***2.6***	***2.1***

9. Finance costs

	2021 £m	2020 £m	2019 £m
Interest payable on bank borrowings	18.3	21.6	28.6
Finance costs on lease liabilities	4.1	3.7	4.3
Bank charges and other finance costs	2.5	4.4	4.7
Total	**24.9**	**29.7**	**37.6**

10. Tax

	2021 £m	2020 £m	2019 £m
Current tax expense	53.3	7.6	21.2
Adjustment to current tax for previous period	0.9	1.2	1.3
Total current tax	**54.2**	**8.8**	**22.5**
(Income)/expense from taxes related to the origination and reversal of temporary differences	(2.6)	3.7	(8.5)
Deferred tax (see note 17)	**(2.6)**	**3.7**	**(8.5)**
Total tax charge	**51.6**	**12.5**	**14.0**
The total tax charge is analysed as follows:			
Tax charge on profit	50.8	11.4	18.1
Tax charge/(credit) on adjusting items	0.8	1.1	(4.1)
Total tax charge	**51.6**	**12.5**	**14.0**

Details of the adjusting items for the year can be found in note 4. Not all of the adjusting items will be taxable/ allowable for tax purposes. Therefore, the tax charge on adjusting items represents the total of the current and deferred tax on only those elements that are assessed as taxable/allowable.

The current income tax has been calculated at the rate as per the tax legislation for each country where Derco Group operates.

The effective tax rate for the year is 24% (2020—40%, 2019—34%). The effective tax rate before the impact of adjusting items is 24% (2020—42%, 2019—33%). The weighted average tax rate is 27% (2020—27%, 2019—27%). The weighted average tax rate comprises the average statutory rates across Derco Group, weighted in proportion to accounting profits and losses.

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

	2021 £m	2020 £m	2019 £m
Profit before tax	**217.6**	**31.6**	**41.3**
Profit before tax multiplied by the weighted average tax rate of 27% (2020—27%, 2019—27%)	58.8	8.6	11.2
Permanent differences	(1.7)	0.7	0.1
Prior year items	0.9	1.2	1.3
Tax effect of rates in other jurisdictions	(2.4)	3.0	4.3
Other items (tax rate differentials and changes)	(4.0)	(1.0)	(2.9)
Total adjustments to tax charge at the legal rate	**(7.2)**	**3.9**	**2.8**
Total tax charge	**51.6**	**12.5**	**14.0**

Derco 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, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact Derco Group's future tax expense.

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, Derco Group's future tax expense and effective tax rate could be affected. Information about Derco Group's tax losses and deferred tax assets can be found in note 17.

11. Dividends

Derco Group distributes dividends only when adequate distributable reserves are available and subject to approval by the Board of Directors at the General Meeting. Distribution of dividends are assessed for each individual legal entity. Profits earned during a period are first adjusted against the accumulated losses.

During the historical period, Derco Group declared and paid dividends of £70.2m and £33.7m for the financial years ended 31 December 2021 and 2019 respectively. No dividend was declared for the year ended 31 December 2020.

12. Intangible assets

	Goodwill	Computer Software	Distribution Agreements	Total
	£m	£m	£m	£m
Cost				
At 1 January 2019	7.1	23.1	3.8	34.0
Reclassification from property, plant and equipment[1]	—	9.6	—	9.6
Effect of foreign exchange rate changes	(0.8)	(3.6)	(0.2)	(4.6)
At 31 December 2019	**6.3**	**29.1**	**3.6**	**39.0**
Additions	—	1.7	—	1.7
Disposals	—	—	(0.7)	(0.7)
Reclassification from property, plant and equipment[1]	—	1.5	—	1.5
Effect of foreign exchange rate changes	0.3	0.5	(0.2)	0.6
At 31 December 2020	**6.6**	**32.8**	**2.7**	**42.1**
Additions	0.1	—	—	0.1
Disposals	—	(2.6)	—	(2.6)
Reclassification from property, plant and equipment[1]	—	0.8	—	0.8
Effect of foreign exchange rate changes	(1.1)	(4.4)	(0.4)	(5.9)
At 31 December 2021	**5.6**	**26.6**	**2.3**	**34.5**
Accumulated amortisation and impairment				
At 1 January 2019	**—**	**(12.4)**	**(0.6)**	**(13.0)**
Amortisation charge for the year	—	(1.8)	(0.4)	(2.2)
Effect of foreign exchange rate changes	—	1.5	0.1	1.6
At 31 December 2019	**—**	**(12.7)**	**(0.9)**	**(13.6)**
Amortisation charge for the year	—	(1.7)	(0.3)	(2.0)
Impairment charge for the year	(1.7)	—	—	(1.7)
Effect of foreign exchange rate changes	(0.1)	—	—	(0.1)
At 31 December 2020	**(1.8)**	**(14.4)**	**(1.2)**	**(17.4)**
Amortisation charge for the year	—	(4.1)	(0.8)	(4.9)
Disposals	—	2.6	—	2.6
Effect of foreign exchange rate changes	0.3	1.9	0.3	2.5
At 31 December 2021	**(1.5)**	**(14.0)**	**(1.7)**	**(17.2)**
Net book value at 31 December 2021	**4.1**	**12.6**	**0.6**	**17.3**
Net book value at 31 December 2020	**4.8**	**18.4**	**1.5**	**24.7**
Net book value at 31 December 2019	**6.3**	**16.4**	**2.7**	**25.4**
Net book value at 1 January 2019	**7.1**	**10.7**	**3.2**	**21.0**

(1) Reclassifications from PPE are net of the costs incurred in relation to cloud computing arrangements amounting to £0.2m (2020—£0.7m and 2019—£7.9m); which have been adjusted in line with the IFRIC agenda decision and expensed through the combined income statement.

13. Property, plant and equipment

	Land and Buildings	Plant, machinery and equipment	Interest in leased vehicles and equipment	Total
	£m	£m	£m	£m
Cost				
At 1 January 2019	**75.1**	**47.4**	**47.8**	**170.3**
Additions	18.8	4.4	25.6	48.8
Disposals	(3.0)	(7.7)	(6.1)	(16.8)
Reclassifications within PPE	(2.3)	3.0	(0.7)	—
Reclassifications to inventory(1)	—	(0.4)	—	(0.4)
Reclassifications to intangible assets(2)	(17.5)	—	—	(17.5)
Effect of foreign exchange rate changes	(5.6)	(3.5)	(6.0)	(15.1)
At 31 December 2019	**65.5**	**43.2**	**60.6**	**169.3**
Additions	8.1	1.9	20.5	30.5
Disposals	(2.3)	(7.0)	(7.5)	(16.8)
Reclassifications within PPE	(1.3)	1.3	—	—
Reclassifications to inventory(1)	—	(0.2)	—	(0.2)
Reclassifications to intangible assets(2)	(2.2)	—	—	(2.2)
Effect of foreign exchange rate changes	0.6	(0.8)	(0.5)	(0.7)
At 31 December 2020	**68.4**	**38.4**	**73.1**	**179.9**
Additions	4.0	4.0	18.0	26.0
Disposals	(1.4)	(6.6)	(11.9)	(19.9)
Reclassifications within PPE	(1.8)	1.8	—	—
Reclassifications to inventory(1)	—	(0.5)	—	(0.5)
Reclassifications to intangible assets(2)	(1.0)	—	—	(1.0)
Effect of foreign exchange rate changes	(4.0)	(2.4)	(7.0)	(13.4)
At 31 December 2021	**64.2**	**34.7**	**72.2**	**171.1**
Accumulated depreciation and impairment				
At 1 January 2019	**(14.7)**	**(29.5)**	**(14.3)**	**(58.5)**
Depreciation charge for the year	(3.9)	(7.0)	(8.0)	(18.9)
Disposals	1.3	5.6	3.3	10.2
Net impairment (charge)/ reversal for the year	(2.9)	(2.0)	(3.2)	(8.1)
Effect of foreign exchange rate changes	1.5	2.4	1.8	5.7
At 31 December 2019	**(18.7)**	**(30.5)**	**(20.4)**	**(69.6)**
Depreciation charge for the year	(2.7)	(5.4)	(9.0)	(17.1)
Disposals	0.7	4.9	4.5	10.1
Net impairment (charge)/ reversal for the year	3.6	2.0	3.6	9.2
Effect of foreign exchange rate changes	(0.3)	0.1	(0.4)	(0.6)
At 31 December 2020	**(17.4)**	**(28.9)**	**(21.7)**	**(68.0)**
Depreciation charge for the year	(3.1)	(5.0)	(10.9)	(19.0)
Disposals	1.1	4.7	6.0	11.8
Net impairment (charge)/ reversal for the year	0.6	1.0	0.5	2.1
Effect of foreign exchange rate changes	1.9	2.3	2.5	6.7
At 31 December 2021	**(16.9)**	**(25.9)**	**(23.6)**	**(66.4)**
Net book value at 31 December 2021	47.3	8.8	48.6	104.7
Net book value at 31 December 2020	51.0	9.5	51.4	111.9
Net book value at 31 December 2019	46.8	12.7	40.2	99.7
Net book value at 1 January 2019	60.4	17.9	33.5	111.8

(1) Represents the reclassification of test drive vehicles to inventory of finished goods and merchandise.

(2) Reclassifications to intangible assets are inclusive of the costs incurred in relation to cloud computing arrangements amounting to £0.2m (2020—£0.7m and 2019—£7.9m); which have been adjusted in line with the IFRIC agenda decision and expensed through the combined income statement.

The book value of land and buildings is analysed between:

	2021	2020	2019
	£m	£m	£m
Freehold	18.9	21.7	17.4
Leasehold improvements	28.4	29.3	29.4
Total	**47.3**	**51.0**	**46.8**

The land and buildings category includes £1.3m (2020: £7.7m, 2019: £6.4m) relating to construction work in progress which is recognised at cost and not depreciated as it is not ready for its intended use by management.

In accordance with the Group's accounting policy, Property, plant and equipment and right of use assets are tested for impairment annually or if the events or circumstances indicate that the carrying value may not be recoverable. Impairment tests were performed for all the CGUs as at 1 January 2019 and for the three years ended 31 December 2021.

For the purposes of impairment testing, each dealership within the retail business has been considered to be a CGU. Similarly, the distribution and machinery businesses in each country have also been considered to be separate CGUs. These represent the smallest group of assets for which there are separately identifiable cash flows with the Derco Group.

The recoverable amounts of all the CGUs were determined based on the higher of the fair value less costs to sell and value in use calculations. The recoverable amount is determined firstly through value in use calculations. Where this is insufficient to cover the carrying value of the relevant asset being tested, fair value less costs to sell is also determined. If the carrying amount of a CGU or CGU group exceeds its recoverable amount, an impairment loss is recognised and allocated between the assets of the unit to reduce the carrying amount. This allocation is initially applied to any site-based assets within a CGU based on the results of impairment testing performed over individual site CGUs.

The value in use calculations for the historical period except FY21 are performed based on the forecasted post-tax earnings before interest, amortisation and depreciation for the CGU for the following financial year extrapolated over the estimated useful life of the assets. For FY21 the forecasted post-tax earnings before interest, amortisation and depreciation for the CGU for the following three financial years have been used to determine the value in use. The key assumptions for these forecasts are those relating to volumes, revenue, gross margins, discount rates, long-term growth rate and useful life of the assets.

The assumptions used in the value in use calculations reflect management's best estimates and are based on past experience, recent trading and forecasts of operational performance in the relevant markets including the impact of Covid-19 where relevant. They key assumptions in relation to the discount rates and long-term growth rates considered by the management are set out below:

Key assumptions

1 January 2019	Retail				Distribution & Machinery			
	Chile	Peru	Colombia	Bolivia	Chile	Peru	Colombia	Bolivia
Pre-tax discount rate (%)	12.5%	15.2%	13.1%	14.9%	12.0%	15.2%	13.1%	14.9%
Long-term growth rates (%)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

2019	Retail				Distribution & Machinery			
	Chile	Peru	Colombia	Bolivia	Chile	Peru	Colombia	Bolivia
Pre-tax discount rate (%)	11.8%	14.3%	12.5%	19.0%	11.8%	14.3%	12.5%	19.0%
Long-term growth rates (%)	2.5%	2.0%	2.0%	2.5%	2.5%	2.0%	2.0%	2.5%

2020	Retail				Distribution & Machinery			
	Chile	Peru	Colombia	Bolivia	Chile	Peru	Colombia	Bolivia
Pre-tax discount rate (%)	10.8%	11.1%	11.9%	15.9%	10.5%	11.1%	11.9%	15.9%
Long-term growth rates (%)	3.0%	2.0%	2.0%	3.5%	3.0%	2.0%	2.0%	3.5%

2021	Retail				Distribution & Machinery			
	Chile	**Peru**	**Colombia**	**Bolivia**	**Chile**	**Peru**	**Colombia**	**Bolivia**
Pre-tax discount rate (%)	11.1%	11.8%	11.8%	16.4%	11.3%	12.1%	12.2%	16.4%
Long-term growth rates (%)	3.0%	2.0%	2.0%	4.1%	3.0%	2.0%	2.0%	4.1%

The long-term growth rates set out in the table above represent the averages considered by the management for impairment testing. These have been adjusted based on specific forecasts available where relevant.

Impairment recognised

Based on the impairment testing performed during the historical period and as summarised earlier, the table below summarises the amount of the total impairment charge / (reversals of impairments) recognised in the combined historical financial information in relation to property plant and equipment (see above), right-of-use assets (note 14) and goodwill (note 12):

	£m
Impairment at 1 January 19	**12.3**
Net impairment charges / (reversals of impairment charges)[1]	10.6
Accumulated impairment at 31 December 19	**22.9**
Net impairment charges / (reversals of impairment charges)[1]	(11.8)
Accumulated impairment at 31 December 20	**11.1**
Net impairment charges / (reversals of impairment charges)[1]	(5.2)
Accumulated impairment at 31 December 21	**5.9**

(1) Inclusive of the foreign currency translation loss / (gain) of (£1.5m) in 2021 (2020—£0.6m and 2019—(£1.4m)).

14. Right-of-use assets and lease liabilities

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

Amounts recognised on the balance sheet

	Right-of-use assets
	£m
Cost	
At 1 January 2019	93.6
Additions	29.8
Remeasurements[1]	1.8
Effect of foreign exchange rate changes	(13.4)
At December 2019	**111.8**
Additions	5.1
Disposals	(10.8)
Remeasurements[1]	2.1
Modifications	3.5
Effect of foreign exchange rate changes	(1.3)
At December 2020	**110.4**
Additions	0.8
Disposals	(1.7)
Remeasurements[1]	64.0
Effect of foreign exchange rate changes	(17.7)
At 31 December 2021	**155.8**
Accumulated depreciation and impairment	
At 1 January 2019	—
Depreciation charge for the year	(24.2)
Impairment for the year	(3.9)
Effect of foreign exchange rate changes	2.2
At December 2019	**(25.9)**
Depreciation charge for the year	(21.3)
Disposals	8.8
Impairment for the year	4.9
Effect of foreign exchange rate changes	(0.8)
At December 2020	**(34.3)**
Depreciation charge for the year	(21.0)
Disposals	0.7
Impairment for the year	1.6
Effect of foreign exchange rate changes	4.8
At December 2021	**(48.2)**
Net book value at 31 December 2021	**107.6**
Net book value at 31 December 2020	**76.1**
Net book value at 31 December 2019	**85.9**
Net book value at 1 January 2019	**93.6**

(1) Remeasurements represent changes due to judgments in determining lease term.

The impairment charges are net of reversals as set out in note 13.

a) Lease liabilities

	2021	2020	2019
	£m	£m	£m
Lease liabilities			
Current	19.9	16.5	20.6
Non-current	98.7	71.2	79.0
At 31 December	**118.6**	**87.7**	**99.6**

b) *Amounts recognised in the combined income statement*

	2021 £m	2020 £m	2019 £m
Depreciation on ROU assets	21.0	21.3	24.2
Finance costs on lease liabilities (note 9)	4.1	3.7	4.3
Impairment / (reversals of impairment) on ROU assets	(1.6)	(4.9)	3.9
Variable lease payments	4.8	(0.2)	3.3

c) *Amounts recognised in the combined statement of cash flows*

	2021 £m	2020 £m	2019 £m
Lease interest paid	3.7	2.8	3.4
Payment of capital element of lease liabilities	18.3	19.3	20.9
Total	**22.0**	**22.1**	**24.3**

15. Investments in joint ventures

Derco Group owns a 50% equity stake in the following entities which are incorporated in Chile and have been classified as joint ventures in accordance with principles of IFRS 11 *Joint arrangements.*

The breakdown of investments are as follows:

Investments as at 31 December 2021

Name of the investee	Relationship	Country of origin	% Equity held
Soc. Commercial and Inmobiliaria Autoshopping S.A	Joint Venture	Chile	50%
Soc. Comercial Ecovalor S.A	Joint Venture	Chile	50%
Soc. de Creditos Automotrices S.A	Joint Venture	Chile	50%

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

Net assets of joint ventures	2021 £m	2020 £m	2019 £m
Current assets	25.6	18.3	15.8
Non-current assets	3.0	4.7	4.7
Total assets	**28.6**	**23.0**	**20.5**
Current liabilities	20.3	12.8	10.0
Non-current liabilities	0.1	0.2	0.3
Total liabilities	**20.4**	**13.0**	**10.3**
Net assets	**8.2**	**10.0**	**10.2**

Results of joint ventures	2021 £m	2020 £m	2019 £m
Revenue	86.0	46.1	72.0
Expenses	(82.5)	(45.0)	(69.5)
Profit before tax	**3.5**	**1.1**	**2.5**
Tax	(1.1)	(0.7)	(0.9)
Profit after tax of joint ventures	**2.4**	**0.4**	**1.6**

Summarised financial information of joint ventures	2021	2020	2019
	£m	£m	£m
Opening net assets at 1 January	10.0	10.2	13.4
Profit for the year	2.4	0.4	1.6
Other variations including share in OCI	(4.2)	(0.6)	(4.8)
Closing net assets at 31 December	**8.2**	**10.0**	**10.2**
Proportionate net assets attributable to Derco Group	**4.1**	**5.0**	**5.1**
Proportionate profit for the year attributable to Derco Group	**1.2**	**0.2**	**0.8**

As at 31 December 2021, no guarantees were provided in respect of joint ventures' borrowings (2020—none, 2019—none).

16. Trade and other receivables

	Current			Non-current		
	2021	2020	2019	2021	2020	2019
	£m	£m	£m	£m	£m	£m
Trade receivables	132.0	102.3	135.4	2.3	1.7	1.8
Less: allowance for expected credit losses	(4.3)	(4.8)	(5.9)	(1.7)	(1.7)	(1.8)
Prepayments	4.8	3.2	6.3	—	—	—
Supplier advances	157.5	82.7	44.1	—	—	—
Receivables from related parties (note 27(a))	8.3	4.2	2.8	—	—	—
Other receivables	52.1	27.6	55.5	8.4	3.8	1.6
Net trade receivables	**350.4**	**215.2**	**238.2**	**9.0**	**3.8**	**1.6**

Supplier advances represent the advances paid to the suppliers in accordance with the agreed commercial terms.

Other current receivables consist of indirect tax credits in relation to VAT amounting to £38.4m (2020—£14.2m and 2019—£23.6m). It also includes loans granted to executives of £4.2m (2020—£4.4m and 2019—£5.5m). Non-current other receivables relate to lease deposits.

At 31 December, the analysis of current and non-current trade receivables and receivables from related parties is as follows

2021	Total	0—30 days	30—90 days	> 90 days
	£m	£m	£m	£m
Gross current and non-current trade receivables and receivables from related parties	142.6	92.0	31.8	18.8
Expected credit loss allowance	(6.0)	(0.2)	(0.2)	(5.6)
Net carrying amount	**136.6**	**91.8**	**31.6**	**13.2**

2020	Total	0—30 days	30—90 days	> 90 days
	£m	£m	£m	£m
Gross current and non-current trade receivables and receivables from related parties	108.2	78.1	14.6	15.5
Expected credit loss allowance	(6.5)	(0.2)	(0.1)	(6.2)
Net carrying amount	**101.7**	**77.9**	**14.5**	**9.3**

2019	Total	0—30 days	30—90 days	> 90 days
	£m	£m	£m	£m
Gross current and non-current trade receivables and receivables from related parties	140.0	114.0	13.6	12.4
Expected credit loss allowance	(7.7)	(1.0)	(0.5)	(6.2)
Net carrying amount	**132.3**	**113.0**	**13.1**	**6.2**

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

	2021 £m	2020 £m	2019 £m
At 1 January	6.5	7.7	7.1
Charge for the year	0.1	0.3	1.2
Amounts written off	(0.5)	(0.9)	(0.2)
Effect of foreign exchange rate changes	(0.1)	(0.6)	(0.4)
At 31 December	**6.0**	**6.5**	**7.7**

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

The concentration of credit risk with respect to trade receivables is very limited due to Derco Group's broad customer base across a number of geographic regions in Latin America and level of customer defaults has ordinarily been low even if there have been significant changes in economic conditions experienced in markets in which Derco Group operates. Trade receivables include amounts due from a number of finance houses in respect of the vehicles sold to customers on finance arranged through the Derco Group.

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

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

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

17. Deferred tax assets and liabilities

	Post-retirement benefits	Depreciation and amortisation	Provisions and other accruals	IFRS 16	Tax losses and credits	Others	Total
	£m	£m	£m	£m	£m	£m	£
As at 1 January 2019	**0.9**	**(4.6)**	**9.2**	**1.8**	**7.4**	**2.9**	**17.6**
Credited/(charged) to the combined income Statement	0.1	7.6	0.1	0.1	0.2	0.4	8.5
Effect of foreign exchange rate changes	(0.1)	(0.1)	(0.5)	(0.2)	(0.8)	(0.4)	(2.1)
At 31 December 2019	**0.9**	**2.9**	**8.8**	**1.7**	**6.8**	**2.9**	**24.0**
Credited/(charged) to the combined income Statement	(0.4)	(5.3)	(1.8)	0.3	5.2	(1.7)	(3.7)
Effect of foreign exchange rate changes	—	(0.9)	(0.2)	—	0.4	1.8	1.1
At 31 December 2020	**0.5**	**(3.3)**	**6.8**	**2.0**	**12.4**	**3.0**	**21.4**
Credited/(charged) to the combined income Statement	0.3	(2.3)	0.2	0.5	(1.4)	5.3	2.6
Effect of foreign exchange rate changes	(0.1)	(0.2)	(0.3)	(0.2)	(1.5)	(1.6)	(3.9)
At 31 December 2021	**0.7**	**(5.8)**	**6.7**	**2.3**	**9.5**	**6.7**	**20.1**

Analysed as:

	2021	2020	2019
	£m	£m	£m
Deferred tax assets	22.5	23.9	26.7
Deferred tax liabilities	(2.4)	(2.5)	(2.7)
	20.1	**21.4**	**24.0**

The deferred tax asset recognised on tax trading losses and credits of £9.6m (2020—£12.4m, 2019—£6.8m) relates to territories and entities where future taxable profits are considered probable. As at 31 December 2021, there were no unrecognised deferred tax assets on trading losses (2020—£nil, 2019—£nil).

18. Inventories

	2021	2020	2019
	£m	£m	£m
Finished goods and merchandise	415.3	256.9	485.7
Total	**415.3**	**256.9**	**485.7**

An amount of £16.1m (2020—£18.7m, 2019—£17.4m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £1,364.4m (2020—£895.6m, 2019—£1,281.3m). The write-down of inventory to net realisable value recognised as an expense during the year was £7.7m (2020—£6.5m, 2019—£8.3m). All these items have been included within 'cost of sales' in the combined income statement.

The carrying value of inventories pledged as securities for borrowings is £43.1m (2020—£46.6m, 2019—£65.1m).

19. Cash and cash equivalents

	2021	2020	2019
	£m	£m	£m
Cash on hand and at bank	111.8	111.8	35.7
Short-term mutual funds	5.5	15.3	1.8
Short-term deposits	1.7	68.3	—
Total	**119.0**	**195.4**	**37.5**

Cash at bank comprises of money held at banks with no restrictions in relation to its availability.

Short-term deposits and mutual funds consist of balances with a maturity of less than 3 months.

20. Trade and other payables

	Current		
	2021	2020	2019
	£m	£m	£m
Trade payables	120.0	62.4	94.7
Other taxation and social security payable	34.2	12.3	14.0
Accruals	24.4	16.0	21.7
Deferred revenue	55.8	29.9	34.5
Customer advances	15.5	11.8	6.1
Payables to related parties	0.2	0.6	0.4
Total	**250.1**	**133.0**	**171.4**

Customer advances represent refundable advances received from the customers.

Management considers the carrying amount of trade and other payables to approximate to their fair value.

The balance of deferred revenue at each year end is generally recognised as revenue in the following year.

Extended warranties and maintenance programs

Certain jurisdictions provide extended warranties to the customers over and above those provided by the manufacturer or required by the local regulations. Such warranty covers the period beyond the standard warranty of three years i.e; the fourth and the fifth years. Certain Group companies also provide maintenance programs which entitle the customers to a free check-up of the vehicle at the end of the specified mileage. A proportion of revenue attributable to the extended warranty as well as the maintenance programs is deferred to the balance sheet. The deferred revenue is subsequently recognised on a straight-line basis over the warranty period along with the costs incurred in fulfilling any warranty obligations. Refer to note 21 for details of provisions in relation to manufacturer backed warranties.

21. Provisions

	Product warranty	Litigation	Other	Total
	£m	£m	£m	£m
At 1 January 2019	3.2	0.8	0.1	4.1
Additional provisions	7.2	0.8	3.0	11.0
Utilised during the year	(6.8)	—	(0.6)	(7.4)
Effect of foreign exchange rate changes	(0.3)	(0.3)	(0.3)	(0.9)
At 31 December 2019	**3.3**	**1.3**	**2.2**	**6.8**
Additional provisions	3.6	1.0	1.3	5.9
Utilised during the year	(4.0)	(0.8)	(1.3)	(6.1)
Effect of foreign exchange rate changes	—	0.2	(0.7)	(0.5)
At 31 December 2020	**2.9**	**1.7**	**1.5**	**6.1**
Additional provisions	5.9	0.9	3.9	10.7
Utilised during the year	(5.7)	(1.0)	(1.2)	(7.9)
Effect of foreign exchange rate changes	(0.3)	(0.2)	(1.0)	(1.5)
At 31 December 2021	**2.8**	**1.4**	**3.2**	**7.4**

Product warranty

Derco Group provides manufacturer-backed warranties as part of the sale of a vehicle which are not considered to be separate performance obligations under IFRS 15. In certain countries such warranties also include warranties provided in accordance with the local regulations. The warranty period generally extends up to three years as specified in the agreement. Whilst Derco Group is entitled to a reimbursement of the costs incurred on manufacturer warranties, in certain instances there is a shortfall in such reimbursements which is to be borne by Derco Group. A provision is determined considering the expected amount of reimbursements on the historical experience and expected future trends. These assumptions are reviewed annually.

Litigation

This includes a number of litigation provisions in respect of claims that have been brought against various Group companies. These are expected to be settled within one year from the reporting date.

22. Borrowings

The borrowings for Derco Group carry a fixed as well as floating rate of interest. The details have been set out below:

31 December 2021	Weighted average effective interest rate	Fixed rate	Weighted average effective interest rate	Floating rate	2021 Total
	%	£m	%	£m	£m
Bank loans—current	3.5%	221.8	4.9%	46.3	**268.1**
Bank loans—non-current	3.7%	80.2	5.3%	48.6	**128.8**
Total borrowings	**3.6%**	**302.0**	**5.1%**	**94.9**	**396.9**

31 December 2020	Weighted average effective interest rate	Fixed rate	Weighted average effective interest rate	Floating rate	2020 Total
	%	£m	%	£m	£m
Bank loans—current	3.2%	204.1	3.1%	103.5	**307.6**
Bank loans—non-current	5.5%	41.7	1.4%	31.8	**73.5**
Total borrowings	**3.6%**	**245.8**	**2.7%**	**135.3**	**381.1**

31 December 2019	Weighted average effective interest rate	Fixed rate	Weighted average effective interest rate	Floating rate	2019 Total
	%	£m	%	£m	£m
Bank loans—current	4.0%	236.5	3.6%	62.6	**299.1**
Bank loans—non-current	6.3%	24.1	3.9%	125.6	**149.7**
Total borrowings	**4.2%**	**260.6**	**3.8%**	**188.2**	**448.8**

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

The fair values of Derco Group's borrowings are not considered to be materially different from their book value.

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

31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total interest-bearing borrowings
	£m	£m	£m	£m
Bank loans	268.1	35.4	93.4	396.9
Total borrowings	**268.1**	**35.4**	**93.4**	**396.9**

31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total interest-bearing borrowings
	£m	£m	£m	£m
Bank loans	307.6	17.7	55.8	381.1
Total borrowings	**307.6**	**17.7**	**55.8**	**381.1**

31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total interest-bearing borrowings
	£m	£m	£m	£m
Bank loans	299.1	87.3	62.4	448.8
Total borrowings	**299.1**	**87.3**	**62.4**	**448.8**

	2021	2020	2019
	£m	£m	£m
Letters of credit (to finance OEM purchases)	**1.5**	**0.3**	**1.4**
Loans (through promissory notes)	**395.4**	**380.8**	**447.4**
Total bank debt	**396.9**	**381.1**	**448.8**

23. Financial instruments

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

Derco Group's derivative transactions include forward and currency swap contracts to hedge the risk associated with exchange rate fluctuations in financial obligations to banks and/or foreign currency exposures.

The main risks arising from Derco Group's financial instruments are interest rate risk, credit risk and liquidity risk. Each of these have been discussed in turn below.

a. Classification of financial instruments

At 31 December 2021	Measured at amortised cost	Measured at fair value through profit or loss	Total
	£m	£m	£m
Financial assets			
Current and non-current trade receivables and receivables from related parties	136.6	—	136.6
Cash and cash equivalents	119.0	—	119.0
Derivative financial instruments	—	3.8	3.8
Other financial assets	—	0.1	0.1
Total financial assets	**255.6**	**3.9**	**259.5**
Financial liabilities			
Current and non-current borrowings	(396.9)	—	(396.9)
Trade and other payables and customer advances	(135.7)	—	(135.7)
Lease liabilities	(118.6)	—	(118.6)
Total financial liabilities	**(651.2)**	**—**	**(651.2)**
	(395.6)	**3.9**	**(391.7)**

At 31 December 2020	Measured at amortised cost	Measured at fair value through profit or loss	Total
	£m	£m	£m
Financial assets			
Current and non-current trade receivables and receivables from related parties	101.7	—	101.7
Cash and cash equivalents	195.4	—	195.4
Derivative financial instruments	—	0.2	0.2
Other financial assets	—	0.1	0.1
Total financial assets	**297.1**	**0.3**	**297.4**
Financial liabilities			
Current and non-current borrowings	(381.1)	—	(381.1)
Trade and other payables and customer advances	(74.8)	—	(74.8)
Lease liabilities	(87.7)	—	(87.7)
Derivative financial instruments	—	(9.3)	(9.3)
Total financial liabilities	**(543.6)**	**(9.3)**	**(552.9)**
	(246.5)	**(9.0)**	**(255.5)**

At 31 December 2019	Measured at amortised cost	Measured at fair value through profit or loss	Total
	£m	£m	£m
Financial assets			
Current and non-current trade receivables and receivables from related parties	132.3	—	132.3
Cash and cash equivalents	37.5	—	37.5
Other financial assets	1.4	0.1	1.5
Total financial assets	**171.2**	**0.1**	**171.3**
Financial liabilities			
Current and non-current borrowings	(448.8)	—	(448.8)
Trade and other payables and customer advances	(101.2)	—	(101.2)
Lease liabilities	(99.6)	—	(99.6)
Derivative financial instruments	—	(2.6)	(2.6)
Total financial liabilities	**649.6**	**(2.6)**	**(652.2)**
	(478.4)	**(2.5)**	**(480.9)**

b. Market risk and sensitivity analysis

Financial instruments affected by market risk include borrowings and derivative financial instruments. Derco Group is not exposed to commodity price risk. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity to changes in market variables, being primarily interest rates in Latin America and changes in the exchange rates for US Dollars, Japanese Yen and Chinese Yuan.

c. Interest rate risk and sensitivity analysis

Derco Group's interest rate policy has the objective of minimising net interest expense and protecting the Group from material adverse movements in interest rates. Given that Derco's business cycle is less than one year in all cases, the management has opted for a financing structure that comprises majorly of short-term loans. A significant portion of borrowings carries a fixed rate of interest as set out in note 22.

Interest rate risk table

The following table summarises the sensitivity of Derco Group's profit after tax to a reasonably possible change in interest rates on bank borrowings as at the end of each year through the historical period, with all other variables held constant.

	Increase/ Decrease in basis points	Effect on profit after tax / equity £m		
		2021	2020	2019
CLP Loans	-100bps	0.4	0.7	1.1
CLP Loans	+100bps	(0.4)	(0.7)	(1.1)
US$ Dollars Loans	-100bps	0.4	0.3	0.3
US$ Dollars Loans	+100bps	(0.4)	(0.3)	(0.3)

d. Foreign currency risk

Derco Group's functional currency is Chilean pesos. This combined historical financial information has been prepared in sterling which is the functional and presentation currency of Inchcape as set out in note 1. Derco Group faces currency risk from the translation of its earnings and net assets which are in currencies other than Chilean pesos.

Transaction exposure hedging

Derco Group has transactional currency exposures, where sales or purchases by an operating unit are in currencies other than in that unit's functional currency. For Derco Group, the foreign currency exposure primarily relates to the purchases of vehicles which are denominated in US Dollars and Chinese Yuan. The foreign currency risk arising from these transactions is hedged using forward foreign currency exchange contracts which are accounted for at fair value with the resultant gains / (losses) being recognised through the combined income statement. Refer to note 23g for details.

Foreign currency risk table

The following table shows the Group sensitivity to a reasonably possible change in its US Dollar, Euro and Chinese Yuan denominated financial instruments, alongside certain other foreign currencies. In this table, financial instruments are only considered sensitive to foreign exchange rates when they are not in the functional currency of the entity that holds them.

	Increase/(decrease) in exchange rate	Effect on equity £m 31 December 2021	31 December 2020	31 December 2019
USD	10%	18.7	10.5	4,4
USD	(10%)	(18.7)	(10.5)	(4.4)
Yen	10%	5.0	2.7	3.3
Yen	(10%)	(5.0)	(2.7)	(3.3)
Euro	10%	1.6	0.5	1.6
Euro	(10%)	(1.6)	(0.5)	(1.6)
Yuan	10%	12.8	2.8	4.3
Yuan	(10%)	(12.8)	(2.8)	(4.3)
Dollar/Pen	10%	(8.3)	4.4	(7.2)
Dollar/Pen	(10%)	8.3	(4.4)	7.2
Dollar/BS	10%	9.9	(27.1)	(7.8)
Dollar/BS	(10%)	(9.9)	27.1	7.8

e. **Credit risk**

The amount due from counterparties arising from cash deposits and the use of financial instruments creates credit risk. Credit risks are assumed based on credit policies for each business, which are periodically reviewed and updated by the Credit Committee. Derco Group monitors its credit exposure to its counterparties through its policy of limiting its exposure to any one party to ensure that they are within the approved limits and that there are no significant concentrations of credit risk. The credit period granted to the customers usually does not exceed 90 days.

The policy is to deposit cash and use financial instruments with counterparties with a good long-term credit rating.

f. Liquidity risk

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

To mitigate the liquidity risk, Derco Group maintains lines of credit with the banks for at least 25% of the current bank borrowings. The projected liquidity needs for each period are estimated alongside forecasts for the amounts of cash inflow expected from customers, dividends, etc and cash outflow expected from settlement of financial liabilities.

The table below summarises the maturity profile of Derco Group's financial assets and liabilities as at the end of each year through the historical period based on contractual expected undiscounted cash flows:

31 December 2021	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
	£m	£m	£m	£m	£m
Financial assets					
Cash and cash equivalents	119.0	—	—	—	**119.0**
Current and non-current trade receivables and receivables from related parties	136.0	0.6	—	—	**136.6**
Other financial assets	—	—	0.1	—	**0.1**
Derivative financial instruments	3.8	—	—	—	**3.8**
Financial liabilities					
Current and non-current borrowings	(268.1)	(35.4)	(93.4)	—	**(396.9)**
Lease liabilities	(19.9)	(20.4)	(54.9)	(23.4)	**(118.6)**
Trade and other payables and customer advances	(135.7)	—	—	—	**(135.7)**
Net outflows	**(164.9)**	**(55.2)**	**(148.2)**	**(23.4)**	**(391.7)**

31 December 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
	£m	£m	£m	£m	£m
Financial assets					
Cash and cash equivalents	195.4	—	—	—	**195.4**
Current and non-current trade receivables and receivables from related parties	101.7	—	—	—	**101.7**
Other financial assets	—	—	0.1		**0.1**
Derivative financial instruments	0.2	—	—	—	**0.2**
Financial liabilities					
Current and non-current borrowings	(307.6)	(17.7)	(55.8)	—	**(381.1)**
Lease liabilities	(16.5)	(18.7)	(49.4)	(3.1)	**(87.7)**
Trade and other payables and customer advances	(74.8)	—	—	—	**(74.8)**
Derivative financial instruments	(9.3)	—	—	—	**(9.3)**
Net outflows	**(110.9)**	**(36.4)**	**(105.1)**	**(3.1)**	**(255.5)**

31 December 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
	£m	£m	£m	£m	£m
Financial assets					
Cash and cash equivalents	37.5	—	—	—	**37.5**
Current and non-current trade receivables and receivables from related parties	132.3	—	—	—	**132.3**
Other financial assets	—	1.4	0.1	—	**1.5**
Financial liabilities					
Current and non-current borrowings	(299.1)	(87.3)	(62.4)	—	**(448.8)**
Lease liabilities	(20.6)	(26.9)	(52.1)	—	**(99.6)**
Trade and other payables and customer advances	(101.2)	—	—	—	**(101.2)**
Derivative financial instruments	(2.6)	—	—	—	**(2.6)**
Net outflows	**(253.7)**	**(112.8)**	**(114.4)**	**—**	**(480.9)**

g. Fair value measurement

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:

- Level 1 represents the fair value of financial instruments that are traded in active markets and is based on quoted markets price at the end of the reporting period.
- The fair value of financial instruments that are not traded in an active market (level 2) is determined by using valuation techniques which include the present value of estimated future cash flows. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.
- Level 3 primarily represents the equity investments made by the Group. Fair value is based on discounted free cash flows, using the projection of annual income and expenses mainly based on historical financial figures.

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

	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivative financial instruments	—	3.8	—	**3.8**	—	0.2	—	**0.2**
Financial assets at fair value through profit or loss	—	0.1	—	**0.1**	—	0.1	—	**0.1**
Liabilities								
Derivative financial instruments	—	—	—	**—**	—	(9.3)	—	**(9.3)**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Assets				
Financial assets at fair value through profit or loss	—	0.1	—	**0.1**
Liabilities				
Derivatives financial instruments	—	(2.6)	—	**(2.6)**

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and interest rate swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated at 31 December 2021. The forward contracts are measured at FV at each reporting date with the resulting gains / (losses) being recognised through the combined income statement.

The Group's derivative financial instruments comprise the following:

	Assets			Liabilities		
	2021	2020	2019	2021	2020	2019
	£m	£m	£m	£m	£m	£m
Forward foreign exchange contracts	3.0	—	—	—	(9.3)	(2.6)
Swap contracts	0.8	0.2	—	—	—	—
Total	**3.8**	**0.2**	**—**	**—**	**(9.3)**	**(2.6)**

h. Capital management

The Group uses ROCE as a measure of its ability to drive better returns on the capital invested in Derco Group's operations. Derco Group's management seeks to maintain a strong capital base in order to preserve investor, creditor and market confidence and support future business development. Derco Group's Board of Directors monitors the return of capital on a monthly basis. Refer to note 1 for a definition of the adjusted ROCE as part of the alternative performance measures and note 4 for details of adjusted operating profit.

	2021	2020	2019
	£m	£m	£m
Adjusting operating profit (note 4)	236.8	54.0	90.3
Net assets	**356.5**	**308.2**	**293.2**
Add: Net debt (note 25)	396.5	273.4	510.9
Capital employed	**753.0**	**581.6**	**804.1**
Average capital employed	**667.3**	**692.9**	**873.8**
Return on capital employed (%)	**31.4%**	**9.3%**	**11.2%**

24. Invested Equity

	2021	2020	2019
	£m	£m	£m
Invested equity	73.6	73.6	73.6

The invested equity represents the aggregate of issued share capital of IDISPA and DISPA since Derco Group does not represent a group for the purposes of statutory reporting as defined under IFRS.

25. Notes to the combined statement of cash flows

a) Reconciliation of cash generated from operations

	Note	2021	2020	2019
		£m	£m	£m
Cash generated from operating activities				
Operating profit		239.9	58.5	76.0
Depreciation on property, plant and equipment	*13*	18.9	17.1	19.0
Depreciation on right of use asset	*14*	21.0	21.3	24.2
Amortisation on intangible assets	*12*	4.9	2.0	2.2
Impairment of non-current assets		(3.7)	(12.4)	12.0
Unrealised (gain)/loss on derivative financial instruments		(9.5)	6.1	6.1
Unrealised foreign exchange (gain)/loss		6.0	3.2	5.3
(Profit)/loss on sale of property, plant and equipment		(0.5)	0.9	(0.7)
Working capital adjustments				
(Increase)/ Decrease in trade and other receivables[(1)]		(190.3)	11.4	9.7
(Increase)/ Decrease in inventory		(203.7)	214.1	61.1
Increase/ (Decrease) in trade and other payables		158.8	(42.6)	(8.6)
Increase/ (Decrease) in retirement benefit liability		0.4	(0.4)	(0.2)
Cash generated from operations		**42.2**	**279.2**	**206.5**

(1) The movement in trade and other receivables includes supplier advances and the balance of such is included in note 16 to this historical combined financial information.

b) Net debt

Net debt represents the 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. It is used as a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. Details of the Group's net debt are set out in the table below.

	Liabilities from financing activities			Assets	
	Borrowings	Leases	Sub-total	Cash	Total net debt
	£m	£m	£m	£m	£m
Net debt at 1 January 2019	**(583.3)**	**(105.7)**	**(689.0)**	**74.0**	**(615.0)**
Cash flows	89.4	20.9	110.3	(32.0)	78.3
New lease liabilities	—	(31.6)	(31.6)	—	(31.6)
Foreign exchange adjustments	45.1	16.8	61.9	(4.5)	57.4
Net debt at 31 December 2019	**(448.8)**	**(99.6)**	**(548.4)**	**37.5**	**(510.9)**
Cash flows	57.3	19.3	76.6	152.1	228.7
Disposals	—	10.8	10.8	—	10.8
New lease liabilities	—	(10.7)	(10.7)	—	(10.7)
Foreign exchange adjustments	10.4	(7.5)	2.9	5.8	8.7
Net debt at 31 December 2020	**(381.1)**	**(87.7)**	**(468.8)**	**195.4**	**(273.4)**
Cash flows	(59.9)	18.3	(41.6)	(42.8)	(84.4)
Disposals	—	1.7	1.7	—	1.7
New lease liabilities[(1)]	—	(64.8)	(64.8)	—	(64.8)
Foreign exchange adjustments	44.1	13.9	58.0	(33.6)	24.4
Net debt at 31 December 2021	**(396.9)**	**(118.6)**	**(515.5)**	**119.0**	**(396.5)**

(1) Represents increase in lease liabilities from remeasurements

26. Guarantees and contingencies

	2021	2020	2019
	£m	£m	£m
Guarantees	141.1	88.4	62.9
Letters of credit	21.9	17.7	66.1
Contingent liabilities	1.7	1.4	0.9
	164.7	**107.5**	**129.9**

Contingent liabilities relate to litigations in Peru. The outflow of resources in relation to these litigations depends on the eventual outcomes of the litigations, which are uncertain as on the reporting date.

27. Related parties

a) Transaction Detail

Intra-group transactions are eliminated on consolidation and therefore, have not been disclosed in this note. The transactions in the table below arise in the ordinary course of business and are on an arm's length basis. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties.

Transaction details

			Transaction amounts £m		
Name of the related party	**Nature of the relationship**	**Transaction description**	**2021**	**2020**	**2019**
Soc. de Creditos Automotrices S.A	Joint venture	Other operating income	20.2	6.2	9.7
		Collection from trade receivables	15.0	7.4	7.4
Sociedad Comercial e Inmobiliaria Autoshoping S.A	Joint venture	Collection of loans granted	0.3	0.3	0.1
Sociedad Comercial Ecovalor S.A	Joint venture	Collection from trade receivables	—	0.1	—
Club de campo Goudie	Common shareholder	Collection of loans granted	0.1	—	—
Sociedad de Rentas Falabella S.A	Common shareholder	Payment of lease rentals	0.2	0.3	0.8
Auto Plaza S.A	Common shareholder	Payment of lease rentals	0.3	1.7	2.9
Sociedad de Rentas Commerciales S.A	Common shareholder	Payment of lease rentals	3.6	4.6	6.7
		Collection from trade receivables	—	—	0.9
Dercop S.A	Common shareholder	Loans granted	—	—	0.1

Other operating income represents the impact to revenue. The other transactions represent settlement of assets and liabilities recognised by Derco.

Amounts outstanding

Name of the related party	Nature of the relationship	Amount receivable / (payable) £m 31 December 2021	31 December 2020	31 December 2019
Corporación Club de Campo Carmen Goudie	Common shareholder	—	0.1	0.1
Dercorp S.A	Parent	—	—	0.2
Sociedad Comercial Ecovalor S.A	Joint venture	0.2	0.3	0.1
Sociedad Comercial Inmobiliaria Autoshoping S.A	Joint venture	—	0.3	0.1
Sociedad de Creditos Automotrices S.A	Joint venture	8.1	3.5	2.3
Auto Plaza S.A	Common shareholder	(0.1)	(0.6)	(0.1)
Sociedad de Rentas Commerciales S.A	Common shareholder	(0.1)	—	(0.3)
Net receivable from / (payable to) related parties		**8.1**	**3.6**	**2.4**

b) Guarantees constituted in favour of the directors

There are no guarantees constituted in favour of the directors.

c) Guarantees constituted by Derco Group and Group of Related Companies in favour of management

There are no guarantees constituted in favour of management.

28. Foreign currency translation

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

	Average rates			Year-end rates		
	2021	2020	2019	2021	2020	2019
Chilean Pesos	1,043.50	1,024.20	908.00	1,152.90	973.00	996.60
US Dollars	1.37	1.29	1.29	1.36	1.37	1.33
Unidad de Fomento	28.56	28.00	30.68	26.88	29.88	28.41
Colombian Dollars	5,141.07	4,773.22	4,235.83	5,462.87	4,681.62	4,354.85
Peruvian Soles	5.33	4.52	4.31	5.44	4.96	4.41

29. Non-controlling interest

The non-controlling interest is primarily attributable to the 14.53% equity stake of Imcruz Corp S.A, a subsidiary incorporated in Bolivia as part of the IDISPA Group. The following table summarises the financial information in relation to this:

	31 December 2021	31 December 2020	31 December 2019
Non-current assets	66.8	71.5	56.9
Current assets	0.5	0.8	0.8
Non-current liabilities	(8.7)	—	—
Current liabilities	(12.1)	(22.9)	(23.9)
Net assets	**46.5**	**49.4**	**33.8**
Net assets attributable to NCI	**6.8**	**7.2**	**4.9**
Revenue	—	—	—
Profit	17.4	8.1	13.0
OCI	(0.2)	6.4	—
Total comprehensive income	17.2	14.5	13.0
Profit allocated to NCI	**2.5**	**1.2**	**1.9**
OCI allocated to NCI	**—**	**0.9**	—
Cash flow from operating activities	(0.3)	0.1	—
Cash flow from investing activities	18.8	—	7.1
Cash flows from financial activities (dividends to NCI)	(18.7)	—	(7.0)
Net increase (decrease) in cash and cash equivalents	(0.2)	0.1	0.1

Net assets attributable to NCI in relation to other subsidiaries as at 31 December 2021 was £Nil (2020—£Nil and 2019—£0.3m).

Profit allocated to NCI in relation to other subsidiaries for the year ended 31 December 2021 was £Nil (2020—£Nil and 2019—£0.5m).

Loss recognised in OCI in relation to other subsidiaries for the year ended 31 December 2021 was £0.2m (2020—£0.1m and 2019—£1.7m).

30. Events after the reporting period

On 31 January 2022 the company Imcruz Corredores de Seguros S.R.L. was created, the owners of which will be in equal parts Imcruz Corp S.A. and Imcruz Comercial S.A.

On 4 March 2022 a merger was made by absorption between Derco Peru S.A. and Corporacion de Inversiones Anta S.A., with the latter being absorbed by Derco Peru S.A.

On 6 March 2022, Derco Group declared and paid a dividend of £39.3m.

On 28 July 2022 it was announced that Inchcape agreed to acquire Derco for a cash and share consideration valuing Derco at £1.3bn.

31. Alternative performance measures

As set out in note 4, the Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS. These provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, and provide useful information on the trends, performance and position of the Group. Reconciliation of the APMs in relation to the combined income statement are set out below:

	2021	2020	2019
	£m	£m	£m
Operating profit	**239.9**	**58.5**	**76.0**
Add:			
Share in profit after tax of equity accounted investees (note 15)	1.2	0.2	0.8
EBIT	**241.1**	**58.7**	**76.8**
Add back:			
Depreciation on property plant and equipment (note 13)	19.0	17.1	18.9
Depreciation on right-of-use and amortisation of intangible assets (notes 12 & 14)	25.9	23.3	26.4
EBITDA	**286.0**	**99.1**	**122.1**
Adjusted for:			
Restructuring costs	—	6.6	—
Impairments / (reversals of impairments) (note 4)	(3.1)	(11.1)	14.3
Adjusted EBITDA	**282.9**	**94.6**	**136.4**
Less:			
Depreciation on property plant and equipment (note 13)	(19.0)	(17.1)	(18.9)
Depreciation on right-of-use and amortisation of intangible assets (notes 12 & 14)	(25.9)	(23.3)	(26.4)
Adjusted EBIT	**238.0**	**54.2**	**91.1**

Part B: Accountant's Report on the Historical Financial Information on Derco

The Board of Directors
on behalf of Inchcape plc
22a St James's Square
London
SW1Y 5LP

Greenhill & Co. International LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

28 November 2022

Dear Sirs/Mesdames

Derco Ex SpA and Derco CL SpA and their respective subsidiaries (together, the "Target Group")

We report on the financial information of the Target Group for the three years ended 31 December 2021 set out in Part III of the Class 1 Circular relating to the acquisition of the Target Group by Inchcape plc (the "Company") (the "Circular"). This report is required by Annex 1 item 18.3.1 of the UK version of the Commission Delegated Regulation (EU) No 2019/980 (the "Prospectus Delegated Regulation) as applied by Listing Rule 13.5.21R and is given for the purpose of complying with that requirement and for no other purpose.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target Group as at 31 December 2019, 31 December 2020 and 31 December 2021 and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

Basis of preparation

This financial information has been prepared for inclusion in the Class 1 circular on the basis of the accounting policies set out in note 1 to the financial information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council ("FRC") in the United Kingdom. We are independent of the Company and Target Group in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions Relating to Going Concern

In performing this engagement on the financial information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial information is appropriate. Based on the work we have performed, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on the Target Group's ability to continue as a going concern for a period of at least twelve months from the date of this Circular.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.

Part IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

Introduction

This Part IV contains:

- in Part A, unaudited pro forma financial information for the Enlarged Group;
- in Part B, a report by Deloitte LLP on the pro forma financial information for the Enlarged Group.

Part A: Unaudited pro forma financial information for the Enlarged Group

The unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Transaction and the related financing on the net assets of the Inchcape Group as at 30 June 2022 as if it had taken place on 30 June 2022.

The unaudited pro forma financial information for the Enlarged Group has been prepared in a manner consistent with the accounting policies to be adopted by the Company in preparing its consolidated financial statements for the year ending 31 December 2022, on the basis of the notes set out below and in accordance with Listing Rule 13.3.3R.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Inchcape Group's actual financial position or what the Enlarged Group's actual financial position would have been if the Transaction and related financing had been completed on the date indicated, nor does it purport to represent the financial position at any future date.

The unaudited pro forma financial information should be read together with the historical financial information of the Inchcape Group, as incorporated by reference in Part VI *(Additional Information)* of this Circular, and the Derco Group, as laid out in Part III (*Historical financial information relating to Derco*) of this Circular. The unaudited pro forma financial information has been prepared in a manner consistent with the accounting policies applied in their preparation, the basis set out in the notes below and the requirements of Annex 20, sections one and two of the UK version of the Commission Delegated Regulation (EU) 2019/980.

The unaudited pro forma financial information does not reflect the effect of anticipated synergies and efficiencies or the related costs of achieving these synergies that may result from the Transaction. The unaudited pro forma financial information has been prepared on the basis set out in the notes below.

The unaudited pro forma financial information set out in this Part IV does not constitute statutory accounts within the meaning given in section 434 of the Companies Act 2006. Shareholders should read the whole of this Circular and not rely solely on the unaudited pro forma financial information contained in this Part IV.

Unaudited pro forma statement of net assets

	Inchcape Group as at 30 June 2022	Derco as at 31 December 2021	Adjustments: Financing for the acquisition	Adjustments: Transaction costs of acquisition	Adjustments: Acquisition of the Derco Group	Pro Forma
	Note 1 £m	Note 2 £m	Note 3 £m	Note 4 £m	Note 5 £m	£m
Non-current assets						
Intangible assets including Goodwill	469.0	17.3	—	—	577.3	1,063.6
Property, plant and equipment	532.0	104.7	—	—	—	636.7
Right-of-use assets	272.9	107.6	—	—	—	380.5
Investments in joint ventures and associates	8.0	4.1	—	—	—	12.1
Financial assets at fair value through other comprehensive income	5.1	0.1	—	—	—	5.2
Derivative financial instruments	4.1	—	—	—	—	4.1
Trade and other receivables	50.9	9.0	—	—	—	59.9
Deferred tax assets	91.6	22.5	—	—	—	114.1
Retirement benefit asset	171.8	—	—	—	—	171.8
Total non-current assets	**1,605.4**	**265.3**	—	—	**577.3**	**2,448.0**
Current assets						
Inventories	1,275.3	415.3	—	—	—	1,690.6
Trade and other receivables	452.9	350.4	—	—	—	803.3
Financial assets at fair value through other comprehensive income	0.2	—	—	—	—	0.2
Derivative financial instruments	40.1	3.8	—	—	—	43.9
Current tax assets	8.9	10.3	—	—	—	19.2
Cash and cash equivalents	654.6	119.0	600.0	(33.8)	(653.7)	686.1
Total current assets	**2,432.0**	**898.8**	**600.0**	(33.8)	**(653.7)**	**3,243.3**
Assets held for sale and disposal group	5.4	—	—	—	—	5.4
Total assets	**4,042.8**	**1,164.1**	**600.0**	(33.8)	**(76.4)**	**5,696.7**
Current liabilities						
Trade and other payables	(1,952.9)	(250.1)	—	2.4	—	(2,200.6)
Derivative financial instruments	(70.6)	—	—	—	—	(70.6)
Current tax liabilities	(63.0)	(28.5)	—	—	—	(91.5)
Provisions	(41.6)	(7.4)	—	—	—	(49.0)
Retirement benefit liabilities	—	(0.1)	—	—	—	(0.1)
Lease liabilities	(59.6)	(19.9)	—	—	—	(79.5)
Borrowings	(5.8)	(268.1)	—	—	—	(273.9)
Total current liabilities	**(2,193.5)**	**(574.1)**	—	**2.4**	—	**(2,765.2)**
Non-current liabilities						
Trade and other payables	(77.8)	—	—	—	—	(77.8)
Provisions	(29.3)	—	—	—	—	(29.3)
Derivative financial instruments	(19.2)	—	—	—	—	(19.2)
Deferred tax liabilities	(75.4)	(2.4)	—	—	—	(77.8)
Lease liabilities	(281.6)	(98.7)	—	—	—	(380.3)
Borrowings	(210.0)	(128.8)	(600.0)	—	—	(938.8)
Retirement benefit liabilities	(18.6)	(3.6)	—	—	—	(22.2)
Total non-current liabilities	**(711.9)**	**(233.5)**	**(600.0)**	—	—	**(1,545.4)**
Total liabilities	**(2,905.4)**	**(807.6)**	**(600.0)**	**2.4**	—	**(4,310.6)**
Net assets	**1,137.4**	**356.5**	—	**(31.4)**	**(76.4)**	**1,386.1**

Notes

1. The financial information of the Inchcape Group as at 30 June 2022 has been extracted without adjustment from its unaudited financial statements for the six month period ended 30 June 2022, which has been incorporated by reference as described in Part VI of this document.
2. The financial information of Derco as at 31 December 2021 has been extracted without adjustment from the Historical financial information relating to Derco as at 31 December 2021 as set out in Part III (Historical financial information relating to Derco) relating to Derco of this document.

3. The adjustment relates to the changes from the debt facility utilised by Inchcape Group to finance the Transaction. £600.0m will be drawn down by the Inchcape Group from its borrowing facilities to finance the transaction. The debt facility is accounted for in accordance with the principles of IFRS 9 *Financial instruments*.

4. The adjustment reflects the costs of the Transaction. In accordance with IFRS 3, the costs of the Transaction have been expensed. Total expected transaction costs for the Transaction are £36.0m excluding VAT. £4.6m of these costs had been incurred as of 30 June 2022, of which £2.2m were cash settled in the period, with a further £2.4m accrued for and presented in current trade and other payables as at 30 June 2022.

5. a) Goodwill

   The goodwill recognised because of the Transaction has been calculated as the difference between the fair value of: i) the purchase price consideration expected to be transferred and ii) the carrying value of net identifiable assets acquired as follows:

Consideration transferred	**£933.8m**
Net identifiable assets acquired	£356.5m
Pro forma Goodwill	**£577.3m**

   A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (*Revised*) Business combinations, has not yet been performed. Following completion of the fair value assessment, goodwill on the Transaction will be reassessed.

   No further adjustments have been made to reflect the consolidated trading results of the Inchcape Group or Derco Group since 30 June 2022 and 31 December 2021 respectively or of any other changes in their financials position in these periods.

   b) Estimated Consideration

   Estimated consideration to be transferred is £933.8m based on the agreed enterprise value of £1.267 billion, assumed levels of net debt and working capital at Completion. The total consideration is estimated to be in the form of £653.7m in cash and a further £280.1m in equity shares. The consideration in equity shares is calculated on 38,513,102 Inchcape Shares based on a share price of £7.274 per share being the Company's 20 day VWAP prior to 27 July 2022.

   Of the total consideration value, £19.0m cash and 10,225,658 shares will be placed in escrow for a total period of up to two years in the event of any claims under the Transaction Agreement as set out in paragraph 4 of Part V (Summary of the principal terms of the Transaction) of this Circular.

Part B: Report by Deloitte LLP on unaudited pro forma financial information for the Enlarged Group

The Board of Directors
on behalf of Inchcape plc
22a St James's Square
London
SW1Y 5LP

Greenhill & Co. International LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

28 November 2022

Dear Sirs/Mesdames,

Inchcape plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part IV of the class 1 circular of the Company dated 28 November 2022 (the "Investment Circular"). This report is required by Annex 20, section 3 of the UK version of the Commission Delegated Regulation (EU) 2019/980 (the "Prospectus Delegated Regulation") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that regulation and for no other purpose.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Basis of preparation

The Pro forma financial information has been prepared on the basis described in notes 1-5, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 31 December 2022.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company and Derco (as defined in the Investment Circular) in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Yours faithfully

Deloitte LLP

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Part V

SUMMARY OF THE PRINCIPAL TERMS OF THE TRANSACTION

TRANSACTION AGREEMENT

Under the terms of the Transaction Agreement dated 27 July 2022 and entered into between Inchcape, the Family Owners, Indigo Chile, IAC and Inchcape International Holdings, the Family Owners have conditionally agreed to sell 100% of the shares of Dercorp CL, the holding company Derco's businesses in Chile, to IAC, a wholly-owned subsidiary of the Company, and to merge Dercorp EX, the Chilean holding company of Derco's and Imcruz's businesses in Bolivia, Colombia and Peru, with Indigo Chile, a wholly owned subsidiary of the Company and to contribute the shares received in the merger in exchange for the issuance of the Consideration Shares to the Family Owners. Inchcape International Holdings guarantees the performance of the obligations of IAC and Indigo Chile under the Transaction Agreement. The governing law of the Transaction Agreement is the laws of Chile and any dispute relating to the Transaction Agreement will be settled in Miami, under the Rules of Arbitration of the International Chamber of Commerce.

1 Purchase Price and Consideration

The aggregate consideration is calculated based on an agreed enterprise value of £1.267 billion[2], on a debt free and cash free basis at Completion. The consideration for the sale of shares in Dercorp CL which will be satisfied entirely in cash.

The consideration for the merger of Dercorp EX with Indigo Chile will be satisfied, indirectly, entirely through the issue to the Family Owners of the Indigo Chile Consideration Shares which will be subsequently contributed to the Company in exchange for the issuance of Consideration Shares (which are expected to represent 9.3% of the total issued Inchcape Shares immediately following Admission, assuming that no other Inchcape Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of Admission).

The Consideration Shares will be issued at Completion, credited as fully paid and will rank *pari passu* in all respects with the Inchcape Shares, including the right to receive all dividends, distributions or any return of capital declared, made or paid after Completion.

The cash consideration is subject to adjustment dependent on the levels of net debt and net working capital shown in the Completion accounts to be drawn up following Completion as at the Completion Date.

2 Conditions

Completion is conditional upon satisfaction of certain Conditions prior to the Long Stop Date, including:

a) the relevant approval of the Transaction under Chilean and Peruvian merger control laws having been obtained;

b) the relevant notification of the Transaction under Colombian merger control laws having been made; and

c) the passing of the Resolution.

A number of the Conditions to Completion under the Transaction Agreement have, as at the date of this Circular, been satisfied, including:

- completion of the requisite merger control filing in Colombia; and
- receipt of the requisite level of clearance from the Chilean competition regulator, the Fiscalia Nacional Economica, in relation to the Transaction.

3 Representations, Warranties and Indemnities

The Family Owners are providing representations and warranties, customary for a transaction of this nature, including with regards to title, authority, accounts, material contracts, real property, intellectual

2 Equivalent to a local currency EV of CLP1,449 billion converted to GBP at a 20-day average FX rate (up to and including) 26 July 2022 of 1,144

property rights, employment and pensions, tax and litigation. The representations and warranties are in most cases being given on an indemnity basis in line with market practice in Chile.

The warranties were given at signing of the Transaction Agreement and will be repeated at Completion by reference to the facts and circumstances then subsisting.

A tax covenant is also being given by the Family Owners, affording customary pre-Completion tax protections for a six year period following Completion.

The Transaction Agreement also obliges the Family Owners to indemnify Indigo Chile, IAC and/or any member of Derco for certain identified risks.

The Family Owners' liability under the representations and warranties is subject to the disclosures made at signing (and, in respect of the repeated representations and warranties, supplemental disclosure at Completion) as well as a *de minimis* of £100,000 per claim and a claims threshold of approximately £9.3 million, above which threshold the Family Owners are liable for the whole amount claimed. The maximum aggregate liability of the Family Owners for all claims under the Transaction Documents will not exceed approximately £934 million and the maximum aggregate liability of the Family Owners for all claims under the business warranties and all tax claims (other than special tax claims) and certain other claims will not exceed approximately £187 million.

The Family Owners' liability is also limited in time: notice of claims regarding fundamental representations and warranties and special tax claims should be given before the expiration of the applicable statutes of limitations; notice of tax claims and indemnity claims should be given within 6 years following the date of Completion, and notice of other claims should be given within 20 months following Completion.

The Inchcape Group are providing certain limited representations and warranties to the Family Owners on an indemnity basis.

4 Recourse for claims

Of the consideration, £19 million in cash and 10,225,658 of the Consideration Shares will be placed in escrow for a total period of up to two years in the event of any claims under the Transaction Agreement. Subject to a retention mechanism for any ongoing claims:

- following finalisation of the Completion accounts, the £19 million in cash will be released to the Family Owners;
- on the first anniversary of Completion, the balance of the number of Consideration Shares held in escrow that exceeds 6,418,850 will be released to the Family Owners; and
- on the second anniversary of Completion, the remaining Consideration Shares in escrow will be released to the Family Owners.

5 Break fee

The Company is required to pay the Family Owners the sum of £29,435,000 (inclusive of any VAT), representing 1% of Inchcape's market capitalisation as at 27 July 2022, if the Transaction Agreement is terminated as a result of: (i) the Board qualifying, adversely modifying or withdrawing its recommendation of the Transaction in order to comply with the Board's statutory or fiduciary duties; or (ii) Inchcape failing to convene and hold the general meeting at which the Resolution will be proposed; or (iii) a recommendation is made or any further resolution is passed at any time following the General Meeting which invalidates, overturns or reverses the Resolution.

6 Pre-completion undertakings

The Transaction Agreement includes customary pre-completion conduct of business undertakings given by the Family Owners to procure that Derco is operated in the ordinary and usual course of business, materially consistent with past practice, between the signing of the Transaction Agreement and Completion. Inchcape has also agreed to use best efforts to procure Admission and to take steps to achieve that.

7 Non-compete and non-solicitation undertakings

The Transaction Agreement contains customary non-compete and non-solicitation undertakings given by each of the Family Owners. Under these undertakings, for a period of two years from Completion, the Family Owners will not hold interests, be engaged or be interested in any business competing with Derco, save for certain limited and customary exceptions. For a two-year period from Completion, the Family Owners will not solicit any customers, suppliers or employees of Derco.

8 Termination

The Transaction Agreement includes customary termination provisions, including termination rights for Indigo Chile and IAC in the event that there is a material adverse change in Derco before Completion and for the Family Owners in the event that there is a significant disruption in the price of the Inchcape Shares before Completion.

MERGER AGREEMENT

Under the terms of the Merger Agreement dated 27 July 2022 and entered into between Indigo Chile, Inchcape International Holdings, Dercorp EX and the Family Owners, the parties agreed that Indigo Chile will merge with Dercorp EX in a form that absorbs Dercorp EX automatically without winding up at Completion. As a result of the merger, Indigo Chile will become the owner of all the liabilities and assets, including the subsidiaries, which were owned by Dercorp EX. As consideration for the merger, Indigo Chile will issue the Indigo Chile Consideration Shares to the Family Owners. Completion of the merger is conditional upon the Transaction Agreement having become unconditional as a result of the satisfaction or waiver of the Conditions in the Transaction Agreement. The merger will take place on the same day as Completion. The governing law of the Merger Agreement is the laws of Chile and any dispute relating to the Merger Agreement will be settled in Miami, under the Rules of Arbitration of the International Chamber of Commerce.

CONTRIBUTION AND SUBSCRIPTION AGREEMENT

Under the terms of the Contribution and Subscription Agreement dated 27 July 2022 and entered into between the Company and the Family Owners, the Family Owners have agreed to make a non-cash capital contribution to the Company of the Indigo Chile Consideration Shares at their existing tax base cost for Chilean tax purposes. The Company has agreed to keep a record of such tax base costs exclusively for Chilean tax purposes. As consideration for the contribution, the Company will allot and issue to the Family Owners, and the Family Owners will subscribe for, the Consideration Shares. The Company is obliged to pass resolutions approving: (i) that the capital increase of Inchcape (through the issuance of the Consideration Shares) will be paid for by the Family Owners contributing the Indigo Chile Consideration Shares; and (ii) that the contribution of the Indigo Chile Consideration Shares will be performed at the existing tax base cost of each of the Family Owners. Completion of the contribution and subscription is conditional upon the Transaction Agreement having become unconditional as a result of the satisfaction or waiver of the Conditions in the Transaction Agreement. The contribution and subscription will take place on the same day as Completion. The governing law of the Contribution and Subscription Agreement is the laws of Chile and any dispute relating to the Contribution and Subscription Agreement will be settled in Miami, under the Rules of Arbitration of the International Chamber of Commerce.

RELATIONSHIP AGREEMENT

The Relationship Agreement will be entered into at Completion and will govern the relationship between the Company and the Family Owners until the earlier of: (i) 31 December 2026, (ii) the Inchcape Shares ceasing to be listed on the Official List, (iii) the Family Owners and their associates holding less than 3% of the Inchcape Shares and (iv) the Family Owners holding less than 7% of the Inchcape Shares as a result of a dilution event, which the Family Owners fail to remedy during a 20 business day cure period, where Inchcape exercises its right to require the shareholder appointed director to resign from the Board. The governing law of the Relationship Agreement is English law and any dispute relating to the Relationship Agreement will be settled in the courts of England.

1 Lock-in arrangements

Under the Relationship Agreement, each of the Family Owners will undertake that it will not during the 24-month period following Admission, dispose of any legal or beneficial interest in the Consideration Shares held by them, subject to customary exceptions, including with the prior written consent of the Company or pursuant to the escrow arrangements.

2 Orderly market provisions

The Relationship Agreement contains customary orderly market provisions, whereby for the 12-month period following the expiry of the lock-in period described above, the Family Owners will only dispose of Inchcape Shares after consultation with, and in accordance with the reasonable directions of, the Company and its brokers (each acting in good faith), with a view to maintaining an orderly market in the Inchcape Shares.

3 Standstill

Under the Relationship Agreement, each Family Owner will undertake that it will not, without the prior written consent of the Company, directly or indirectly acquire any interest, including any ownership or voting rights, in any Inchcape Shares, or any derivatives referenced to such Inchcape Shares, if that would result in the Family Owners (or their affiliates) collectively having the beneficial ownership, either directly or indirectly, of 10% or more of the Inchcape Shares.

4 Board representation

Under the Relationship Agreement, the Family Owners will be entitled to nominate for appointment one non-executive director of the Company with effect from Admission. In line with the UK Corporate Governance Code, the director will be subject to election or re-election annually at the Company's annual general meeting and the Company has agreed, subject to certain terms and conditions, including the Family Owners maintaining at least a 7% shareholding in the Company, that the director (or any replacement director that the Family Owners may nominate in his place) will continue to be nominated and recommended for reappointment at each annual general meeting until and including at the Company's annual general meeting in 2026. Further details on the Board representation of the Family Owners is set out in paragraph 7 of Part VI *(Additional Information)* of this Circular.

5 Americas Advisory Board

Under the terms of the Relationship Agreement, the Company will constitute an Americas Advisory Board following Admission, which will comprise of two individuals nominated by the Company and two individuals nominated by the Family Owners. The Americas Advisory Board will act as an advisory board to provide a senior forum for discussion of issues and insights of regional importance in the Americas in the context of the Enlarged Group's business therein.

Part VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear in paragraph 4 of this Part VI, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. COMPANY INFORMATION

The Company is a public company limited by shares and is domiciled in the United Kingdom. The principal laws and legislation under which the Company operates are the Companies Act 2006 and the regulations made thereunder. The Company's registered office is at 22a St James's Square London SW1Y 5LP and its telephone number is +44 (0)20 7546 0022.

3. INFORMATION ABOUT THE ORDINARY SHARES

The Consideration Shares to be issued pursuant to the Transaction will be ordinary shares of Inchcape in registered form and may be held in certificated form or in uncertificated form, and title to such Inchcape Shares may be transferred by means of a relevant system (as defined in the Regulations). Where Inchcape Shares are held in certificated form, share certificates will be sent to the registered members within two months of Admission. Where Inchcape Shares are held in paperless form, the Company's registrar, Computershare, will transfer the Inchcape Shares through the CREST system. Where the registered member is resident overseas the Inchcape Shares are transferred through the CREST system to the beneficial owner's CREST appointed partner and from there they can be transferred to the beneficial owner's preferred holding vehicle.

4. DIRECTORS

The Directors of the Company as at the date of this Circular and their functions are as follows:

Director	Position
Nigel Stein	Chairman
Duncan Tait	Chief Executive Officer
Jerry Buhlmann	Senior Independent Director
Alex Jensen	Non-Executive Director
Jane Kingston	Non-Executive Director
John Langston	Non-Executive Director
Nayantara Bali	Non-Executive Director
Sarah Kuijlaars	Non-Executive Director

On 28 November 2022, the Company made the following regulatory announcement:

"Inchcape plc

Chief Financial Officer update

Inchcape plc ("Inchcape" or the "Group") today announces that Gijsbert de Zoeten, Group Chief Financial Officer, has voluntarily tendered his resignation, and will be standing down from the Board with immediate effect. This follows an incident at a recent event where, through a lapse in judgement, he displayed personal behaviour falling short of the high standards expected of the leadership of the Group. His decision is unrelated to the company's financial performance or strategic direction, including the Derco acquisition. The Class 1 Circular to shareholders is expected to be published later today, and will reaffirm the Group's 2022 outlook and the expected timetable to completion of the Derco transaction, as detailed in our announcement on 27 October 2022.

In keeping with the company's succession planning, Adrian Lewis, currently Group Financial Controller, has been appointed Acting Group Chief Financial Officer. A process to identify a permanent successor is being initiated.

-Ends-

Notes for editors

Details of outstanding remuneration payments due to Mr de Zoeten will be available on www.inchcape.com in accordance with section 430(2B) of the Companies Act 2006. He will not receive any payment for loss of office.

Adrian Lewis, Acting Chief Financial Officer

Adrian Lewis joined Inchcape in 2015, initially as CFO for the Emerging Markets region where he played a leading role the Indumotora acquisition and integration, at the time Inchcape's most significant acquisition for many years. Adrian subsequently moved to Singapore as CFO for the Asia Pacific region, Inchcape's most profitable region. In October 2020, Adrian returned to the UK to lead the finance function as Group Financial Controller. Prior to Inchcape Adrian held various senior finance roles at Tesco.

Adrian is a CIMA qualified chartered accountant."

5. DIRECTORS' INTERESTS

The interests of the Directors of the Company as at 25 November 2022 (being the Latest Practicable Date), are as follows:

(a) Directors' shareholdings:

Director	Number of Inchcape Shares	Percentage of voting Share Capital
Duncan Tait	114,845	0.031%
Nigel Stein	66,834	0.018%
Jerry Buhlmann	15,233	0.004%
Alex Jensen	1,034	0.000%
Jane Kingston	3,500	0.001%
Sarah Kuijlaars	8,000	0.002%
John Langston	10,397	0.003%
Nayantara Bali	0	0.000%

Assuming that between the Latest Practicable Date and Completion there are no changes other than the issue and Admission of the Consideration Shares, the Directors' shareholdings following Completion will be as follows:

Director	Number of Inchcape Shares	Percentage of voting Share Capital
Duncan Tait	114,845	0.028%
Nigel Stein	66,834	0.016%
Jerry Buhlmann	15,233	0.004%
Alex Jensen	1,034	0.000%
Jane Kingston	3,500	0.001%
Sarah Kuijlaars	8,000	0.002%
John Langston	10,397	0.003%
Nayantara Bali	0	0.000%

(b) Director interests under share awards:

Director	Subject to performance conditions	Subject to deferral
Duncan Tait	1,013,515	0

(c) Director interests under options:

Director	Subject to performance conditions	Subject to deferral
Duncan Tait	0	4,774

6. DIRECTORS' SERVICE AGREEMENTS

Save as set out in this paragraph 6, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Inchcape Group.

Executive Director Details of Appointment

Director	Date of contract	Notice Period	Unexpired term
Duncan Tait	1 June 2020	12 months	To retirement

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. The Company may terminate an Executive Director's contract by paying a sum equal to base salary, and, in certain circumstances, benefits including pension and life assurance, company car and entitlement to holiday pay for the 12-month period. Executive directors' service contracts are available to view at the Company's registered office.

Executive Director service contract

The Executive Director's service contract is available to view at the Company's registered office.

Duncan Tait was appointed as Chief Executive Officer on 1 June 2020. The appointment of the Executive Director may be terminated by either party giving to the other 12 months' written notice. The Company reserves the right to make a payment in lieu of notice equivalent of 12 months' basic salary (and, in certain circumstances, benefits including pension and life assurance, company car and entitlement to holiday pay for the 12-month period).

In line with the UK Corporate Governance Code, the Executive Director is subject to annual re-election as a director of the Company at the Company's annual general meeting.

Benefits

It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for the existing Executive Director. The Remuneration Committee of the Board retains the discretion to approve a higher cost in exceptional circumstances, such as relocation.

The Executive Director will be reimbursed for all reasonable expenses properly incurred in the course of his duties. The Executive Director also has the benefit of an indemnity which is a qualifying third-party indemnity provision, as permitted by the Company's articles of association and sections 232 and 234 of the Companies Act 2006, under which the Company undertakes to indemnify the Director against liability to third parties (excluding criminal and regulatory penalties) and to pay the Director's costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director.

Bonuses

The annual bonus for the Executive Director is based on annual financial measures and strategic objectives. The measures are selected to incentivise sustainable growth and the financial measures, based on a matrix of revenue and profit before tax, are designed to provide a balanced approach. The strategic objectives are selected each year to reinforce the Inchcape Group's strategic priorities and include personal objectives linked to the delivery of the strategy.

In 2021, the maximum opportunity for the Executive Director was 150% of salary, which is payable for exceeding performance against all measures. Duncan Tait received a bonus of 147% of salary.

The maximum annual bonus opportunity in 2022 remains unchanged from previous years and will be 150% of salary. For the Executive Directors, 80% of the bonus will be based on a financial performance matrix, linked to revenue and profit before tax, and 20% of the bonus will be based on specific, measurable objectives that relate to the Inchcape Group's strategy. For target performance, the pay-out will be 50% of the maximum bonus opportunity.

Pensions

The Executive Director is entitled to a pension supplement of up to 10% of salary.

Non-Executive Directors' Details of Appointment

Director	Date of appointment	Notice Period
Nigel Stein	8 October 2015	Six months
Jerry Buhlmann	1 March 2017	One month
Alex Jensen	29 January 2020	One month
Jane Kingston	25 July 2018	One month
John Langston	1 August 2013	One month
Nayantara Bali	27 May 2017	One month
Sarah Kuijlaars	21 January 2022	One month

Non-Executive Directors' terms of service

Non-Executive Directors are appointed for an initial term of three years, unless otherwise terminated earlier by and at the discretion of either party by written notice, and may be invited to serve subsequent terms. Prior to seeking re-election at the end of their initial term by shareholders, the Nomination Committee meets to consider whether his or her performance continues to be effective and whether he or she demonstrates a commitment to the role. In line with the UK Corporate Governance Code, all Directors including Non-Executive Directors are subject to re-election annually at the Company's annual general meeting.

The Non-Executive Directors will be reimbursed for all reasonable expenses properly incurred in the course of their duties. The Non-Executive Directors also have the benefit of an indemnity which is a qualifying third-party indemnity provision, as permitted by the Company's articles of association and sections 232 and 234 of the Companies Act 2006, under which the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director.

7. BOARD REPRESENTATION OF FAMILY OWNERS

As explained in Part I *(Letter from the Chairman of Inchcape plc)* of this Circular, on 25 November 2022, Juan Pablo Del Rio was appointed to the Board as a non-executive Director with effect from Admission. Juan Pablo is an existing director of both Dercorp CL and Dercorp EX and is also on the board of several subsidiaries within the Derco group. In addition, Juan Pablo is currently a member of the board of directors of Cruzados S.A.D.P. (a company with shares listed on the Santiago Stock Exchange) and is chairman of Sodimac S.A, a position he has held since 1986. He was a member of the board of directors of Falabella S.A., a company with shares listed on the Santiago Stock Exchange, between 2015 and 2020 and has held a number of senior leadership roles across a range of companies within the automotive, retail and real estate sectors in Latin America.

The Company does not propose to treat Juan Pablo Del Rio as independent for the purposes of the UK Corporate Governance Code due to his connection with the Family Owners as substantial shareholders of the Company following Completion.

There is no other information in relation to Juan Pablo Del Rio that is required to be disclosed under Listing Rule 9.6.13.

Juan Pablo Del Rio will receive a standard director's letter of appointment from the Company and will be appointed on the standard Inchcape terms of service for a non-executive director as set out in paragraph 6 of this Part VI. He will receive the usual non-executive directors' fee of £65,774 per annum (subject to any changes made to the non-executive directors' fee by the Board's remuneration committee during his period of appointment).

8. SUBSTANTIAL SHAREHOLDINGS

As at 25 November 2022 (being the Latest Practicable Date) so far as the Directors are aware, no person other than those persons listed below was interested, directly or indirectly, in 3% or more of the voting rights attaching to shares in the Company:

Name	Number of Inchcape Shares	Percentage of Voting Share Capital
BlackRock	31,904,645	8.52%
Bailie Gifford	21,997,536	5.87%
Capita	21,653,932	5.78%
Polaris	17,905,688	4.78%
Vanguard	17,007,824	4.54%
JP Morgan	15,414,788	4.12%
Union Motors	15,258,133	4.07%
abrdn plc	13,066,522	3.49%
Marathon	12,275,534	3.28%

Assuming that between the Latest Practicable Date and Completion there are no changes other than the issue and Admission of the Consideration Shares, the persons listed below will be interested, directly or directly, in 3% or more of the voting rights attaching to the shares in the Company following Completion:

Name	Number of Inchcape Shares	Percentage of Voting Share Capital
BlackRock	31,904,645	7.72%
Bailie Gifford	21,997,536	5.33%
Capita	21,653,932	5.24%
Polaris	17,905,688	4.34%
Vanguard	17,007,824	4.12%
JP Morgan	15,414,788	3.73%
Union Motors	15,258,133	3.69%
abrdn plc	13,066,522	3.16%

Save as disclosed above, the Directors are not aware of any interest which will represent an interest in the Company's share capital or voting rights which is notifiable under the Disclosure Guidance and Transparency Rules following Completion.

9. MATERIAL CONTRACTS

(a) Inchcape

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Inchcape Group is a party, for the two years immediately preceding the date of publication of this Circular and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Inchcape Group which contains any provision under which any member of the Inchcape Group has any obligation or entitlement which is material to the Inchcape Group as at the date of this Circular:

Transaction Agreement

Please see Part V *(Summary of the Principal Terms of the Transaction)* of this Circular for a summary of the principal terms and conditions of the Transaction Agreement.

Relationship Agreement

Please see Part V *(Summary of the Principal Terms of the Transaction)* of this Circular for a summary of the principal terms and conditions of the Relationship Agreement.

Contribution and Subscription Agreement

Please see Part V *(Summary of the Principal Terms of the Transaction)* of this Circular for a summary of the principal terms and conditions of the Contribution and Subscription Agreement.

Merger Agreement

Please see Part V *(Summary of the Principal Terms of the Transaction)* of this Circular for a summary of the principal terms and conditions of the Merger Agreement.

Bridge and Term Facilities Agreement

On 28 July 2022, the Company and Inchcape Finance plc, each as original borrower and original guarantor, entered into a bridge and term facilities agreement (the "**Bridge and Term Facilities Agreement**") with, amongst others, BNP Paribas and MUFG Bank, Ltd. as mandated lead arrangers, underwriters, bookrunners and coordinators, and MUFG Bank, Ltd. as the facility agent. Under the Bridge and Term Facilities Agreement, the Company, Inchcape Finance plc or other additional borrowers can borrow up to £600,000,000 (the "**Total Commitments**"), comprising a £350,000,000 bridge facility (the "**Bridge Facility**") and a £250,000,000 term facility (the "**Term Facility**" and together with the Bridge Facility, the "**Facilities**").

The Facilities are unsecured but are otherwise guaranteed by the guarantors listed above and any other additional guarantors which may accede to the Bridge and Term Facilities Agreement.

The Facilities are available to be applied for the following purposes: (1) payment of the consideration for the Transaction; (2) payment of fees, costs, taxes and expenses in relation to the Transaction; (3) refinancing of the existing indebtedness of Derco (including payment of any breakage costs and other fees payable in connection with such refinancing or funding any cash collateral required in connection with indebtedness of Derco); and (4) refinancing of any indebtedness incurred by the Company or its subsidiaries for the purposes of the Transaction.

Provided certain conditions have been met, each Facility is available for drawing in sterling from the date of the Bridge and Term Facilities Agreement to the last day of the "Certain Funds Period" (as defined in the Bridge and Term Facilities Agreement). The last day of the Certain Funds period is the earlier of: (1) 31 July 2023; (2) one week after the date of Completion; (3) the date upon which the Company notifies the facility agent that the Transaction Agreement has been terminated or that the Transaction will not proceed; and (4) the date on which the Facilities are utilised in full.

The Bridge Facility matures on the date falling on the first anniversary of the earlier of (the **"Step-up Date"**): (a) the date which is 9 months after the date of the Bridge and Term Facilities Agreement; and (b) the first Utilisation Date under either Facility, subject to two extension options of 6 months each at the discretion of the Company. The Term Facility matures on the date falling on the second anniversary of the Step-up Date.

The Facilities are provided on a certain funds basis (to the extent that they are used for the purposes listed in (1) to (3) above). This means that, provided certain key conditions have been satisfied, the lenders are obligated to participate in loans requested during the Certain Funds Period unless: (1) there is a "Major Default" (as defined in the Bridge and Term Facilities Agreement), which includes non-payment, misrepresentation of a major representation(which includes representations with respect to status, binding obligations, non-conflict with other obligations), breach of negative pledge, disposal or acquisitions restrictions, insolvency and certain other major defaults) continuing or which would result from the proposed utilisation, (2) a change of control of the Company occurs and a lender gives notice of cancellation, following which that lender's commitments shall be cancelled and the lender's participation in outstanding loans shall become repayable or (3) it becomes unlawful for a lender to make the loan under the Bridge and Term Facilities Agreement, in which case that lender's commitments shall be cancelled and the lender's participation in outstanding loans shall become repayable.

The Bridge and Term Facilities Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The Bridge and Term Facilities Agreement is governed by English law. The financial covenant under the Bridge and Term Facilities Agreement is an interest cover test, whereby the ratio of EBITA to Net Interest for each Measurement Period (each as defined in the Bridge and Term Facilities Agreement) must not be less than 3 to 1.

The Facilities may be prepaid without premium or penalty subject to a minimum prepayment of £5,000,000 and a maximum of three voluntary prepayments per Facility in any 12-month period.

The interest rate on loans made under the Facilities will be equal to the aggregate of the applicable margin and the applicable benchmark rate. The margin ratchet for the Bridge Facility is between 0.45% per annum and 2.05% per annum (subject to an adjustment based on the credit rating of the Company) and is determined based on the period of time for which the Bridge Facility remains outstanding. The margin ratchet for the Term Facility is between 0.70% per annum and 1.30% per annum and is determined based on the credit rating of the Company.

Certain fees are payable to the finance parties in connection with the Facilities, including an agency fee, a commitment fee, an upfront fee and an underwriting fee. To the extent that the Company has exercised an extension option in relation to the Bridge Facility, the Company will be required pay an extension fee.

Multicurrency Revolving Loan Facility Agreement

On 18 November 2021, the Company and Inchcape Finance plc, entered into a second amendment and restatement agreement with Barclays Bank PLC as facility agent (the "**Second Amendment and Restatement Agreement**") relating to a multicurrency revolving loan facility agreement originally dated 21 January 2015 and amended and restated on 28 February 2019 made between, among others, the Company, Inchcape Finance plc and Barclays Bank PLC as facility agent (the "**Original Facility Agreement**", and as amended and restated by the Second Amendment and Restatement Agreement, the "**Restated Facility Agreement**"), pursuant to which the lenders made available to the Company, Inchcape Finance plc and any other additional borrowers a multicurrency revolving credit facility of up to £700,000,000 (the "**Revolving Facility**").

The Revolving Facility is unsecured but is guaranteed by the Company, Inchcape Finance plc and an additional guarantor which may accede to the Restated Facility Agreement.

The Revolving Facility is available to be applied for the following purposes: (1) the refinancing of indebtedness of the Company and/or its subsidiaries; and (2) for its or their general corporate purposes.

The Revolving Facility had an initial expiry date of February 2024 and options, at lender discretion, to extend until 2026. Lenders approved the first extension option in February 2020 resulting in the £700 million commitment extending to 2025. Lenders with total commitments of £620 million approved the second extension option in February 2021, resulting in £620 million of commitments being further extended to 2026. The Revolving Facility is available for drawings in sterling, euros, US dollars and other currencies (subject to certain conditions) and is available for drawing until the date falling one month prior to its maturity date. As at the Latest Practicable Date, the Revolving Facility is undrawn.

The Restated Facility Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The Restated Facility Agreement is governed by English law. The financial covenant under the Restated Facility Agreement is an interest cover test, whereby the ratio of EBITDA to Net Interest for each Measurement Period (each as defined in the Restated Facility Agreement) must not be less than 3 to 1.

The Revolving Facility may be prepaid without premium or penalty subject to a minimum prepayment of £5,000,000 and a maximum of three voluntary prepayments in any 12-month period in respect of loans in certain currencies.

The interest rate on loans made under the Revolving Facility is equal to the aggregate of the applicable margin and the applicable benchmark rate. The margin ratchet for the Revolving Facility is between 0.40% per annum and 0.95% per annum and is determined based on, subject to certain exceptions, the total leverage of the Company and its subsidiaries.

Certain fees are payable to the finance parties in connection with the Revolving Facility, including an agency fee, a commitment fee and a utilisation fee.

Sponsor Agreement

On 28 November 2022, the Company and Greenhill entered into the Sponsor Agreement, pursuant to which the Company appointed Greenhill as sponsor in connection with the Transaction and the publication of this Circular (and any supplementary circular). Under the Sponsor Agreement, the Company has given certain customary indemnities, undertakings, representations and warranties in favour of Greenhill. In addition, Greenhill may terminate the Sponsor Agreement and its role as sponsor in certain customary circumstances.

(b) Derco

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Derco or any member of Derco is a party, for the two years immediately preceding the date of publication of this Circular and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of Derco which contains any provision under which any member of Derco has any obligation or entitlement which is material to Derco as at the date of this Circular:

Merger Agreement

Please see Part V (*Summary of the Principal Terms of the Transaction*) of this Circular for a summary of the principal terms and conditions of the Merger Agreement.

10. LITIGATION

(a) Inchcape

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months preceding the date of this Circular which may have, or have had in the recent past significant effects on the Company and/or the Inchcape Group's financial position or profitability.

(b) Derco

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months preceding the date of this Circular which may have, or have had in the recent past significant effects on the financial position or profitability of Derco.

11. RELATED PARTY TRANSACTIONS

Save as disclosed in the information incorporated by reference into this Circular referred to below, the Company entered into no transactions with related parties during the years ended 31 December 2021, 2020 and 2019.

- Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2021 which can be found on page 184 of the Inchcape Annual Report 2021.
- Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2020 which can be found on page 175 of the Inchcape Annual Report 2020.
- Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2019 which can be found on page 174 of the Inchcape Annual Report 2019.

For the period from and including 1 January 2022 to the Latest Practicable Date, there were no related party transactions entered into by the Company.

12. SYNERGIES

The Company believes that the Transaction presents an opportunity to deliver recurring pre-tax synergies of at least £40 million per annum. These comprise cost and cost-derived synergies that, for reporting purposes, will be reflected in the Enlarged Group's operating expenses, gross margin and revenue.

The Board expects these recurring pre-tax synergies to originate from the cost bases of both the Inchcape Group and Derco and to be achieved in the following main areas:

- General and administrative corporate functions (including finance, HR and marketing) and field labour (including sales and showroom staff), representing approximately 34% of the identified recurring synergies;

- Non-direct procurement, assumed to arise from alignment of procurement spend based on efficiency ratios for key areas of spend, representing approximately 16% of the identified recurring synergies;
- F&I and dealer margin, representing approximately 11% of the identified recurring synergies, the benefit of which will, for reporting purposes, be reflected in the Enlarged Group's revenue; and
- Real estate and other synergies, representing the remaining 39% of the identified recurring synergies.

The Board expects approximately 30% of the recurring pre-tax synergies can be realised within the first full year following Completion, as they depend on internal decisions and short-term contracts, with the remainder delivered in subsequent years. The Board expects to deliver the significant majority of the recurring pre-tax synergies by the end of second financial year following Completion, with the full run-rate achieved by the end of the fourth full year following Completion.

The one-off integration cash costs of realising the recurring pre-tax synergies are expected to total approximately £60 million. The Board anticipates that the majority of these costs will be incurred in the second year following Completion.

In addition to the synergies quantified above, Inchcape believes that the combination with Derco will provide significant additional revenue synergy opportunities, through the ability to deploy Derco's commercial model to certain of Inchcape's other OEM brand relationships, harnessing Inchcape's data and digital capabilities, and leveraging the expanded OEM relationships, geographic footprints and best practices of both Derco and Inchcape. Examples include, improving aftersales retention rates and driving higher penetration of finance and insurance products. This will be supported by an accelerated roll out of Vehicle Lifecycle Services (a key growth pillar and exciting opportunity) businesses such as *bravoauto* (the Inchcape Group's online, multi-brand used car platform). These have not been publicly quantified at this stage.

The Board confirms that the recurring pre-tax synergies, and the anticipated one-off expenditure reflect both the beneficial elements and the relevant costs of achieving these synergies. The Board does not expect material dis-synergies to arise in connection with the Transaction.

These statements of identified synergies and estimated savings relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. These anticipated recurring pre-tax synergies are contingent on completion of the Transaction and could not be achieved independently of the Transaction.

13. SIGNIFICANT CHANGE

Save as disclosed at paragraph 9 of Part I (*Letter from the Chairman of Inchcape plc*), there has been no significant change in the financial position or financial performance of the Inchcape Group since 30 June 2022, the date to which the Company's last interim financial statements have been published.

Save as disclosed at paragraph 9 of Part I (*Letter from the Chairman of Inchcape plc*), there has been no significant change in the financial position or financial performance of Derco since 31 December 2021, being the end of the last financial period for which financial information in relation to Derco, as set out in Part III *(Historical financial information relating to Derco)* of the Circular, has been published.

14. WORKING CAPITAL

The Company is of the opinion that, taking into account available bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this Circular.

15. PROFIT FORECAST OF THE INCHCAPE GROUP

On 27 October 2022, the Company published its trading update for the third quarter ended 30 September 2022 and included therein the following statement:

"[….] we now expect to deliver FY22 adjusted PBT from continuing operations towards the top end, or slightly above, the previously guided range (£350m-£370m) at prevailing foreign exchange rates."

Prevailing exchange rates means that the forecast has been prepared based on an average of actual foreign exchange rates for the nine months to 30 September 2022 and assuming forecast foreign exchange rates equivalent to the average foreign exchange rates observed in the month of September 2022.

Continuing operations means Inchcape Group excluding any contribution from Russia and Derco.

The above updated statement (the "**Profit Forecast**") represents a profit forecast under the Listing Rules. The Directors have considered and confirm that the Profit Forecast continues to be valid at the date of this Circular on the basis of the assumptions below.

Basis of preparation

The Profit Forecast has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of the Inchcape Group adopted in its financial statements for the year ended 31 December 2021, and which are those expected to be applicable for the year ending 31 December 2022.

The Directors have prepared, considered and confirmed the Profit Forecast to be valid at the date of this Circular on the basis of: (i) the audited financial statements of Inchcape Group for the 12 months ended 31 December 2021; (ii) the unaudited interim financial statements of Inchcape Group for the six months ended 30 June 2022; (iii) the unaudited management accounts for the nine months ended 30 September 2022; and (iv) the projected financial performance of Inchcape Group for the remaining three months of the year ending 31 December 2022.

Use of* Adjusted *Profit Before Tax rather than Profit Before Tax for the Profit Forecast

Inchcape Group provides forecast guidance on the basis of adjusted results which can evolve from one financial period to the next depending on the nature of adjusting items.

The Profit Forecast is expressed in terms of Adjusted PBT rather than PBT, as the Directors believe this metric is more useful to investors for the following reasons: (i) this is consistent with how financial performance is measured by the Board and Executive Committee; and (ii) it provides useful information on the trends, performance and position of the Inchcape Group.

Adjusted PBT is defined as profit before tax calculated under IFRS, adjusted to exclude: (i) goodwill and distribution agreement impairments; (ii) other asset write-offs and impairments; (iii) inventory and other provisions; (iv) disposal of businesses; (v) restructuring costs; (vi) acquisition of businesses; (vii) accelerated amortisation; and (viii) other operating exceptional items.

Assumptions

The Profit Forecast has been prepared on the basis of the following principal assumptions:

Factors outside the influence or control of the Directors:

- There will be no further changes to the supply chain including disruptions or over delivery during the remainder of the year which would materially impact the Profit Forecast;
- There will be no material change to the existing prevailing macroeconomic or political conditions that would materially impact the Inchcape Group;
- There will be no significant business disruption in Inchcape Group's key markets customers, and suppliers as a result of any acts of terrorism, war, civil unrest, pandemic, epidemic or other disease, natural disaster, or widespread technology disruption;
- There will be no material movements in the foreign currency exchange rates compared with the foreign currency exchange rates applied in the Profit Forecast;
- There will be no material change in inflation rates, taxation rates or interest rates which could impact the Profit Forecast;
- There will be no material change in legislation or regulatory requirements that impact the Inchcape Group's operations or its accounting policies;

- There will be no change in labour costs, including pension or other post-retirement benefits compared with Inchcape Group's estimates which are material in the context of the Profit Forecast; and
- There will be no litigation, contractual dispute, regulatory action or investigation costs for Inchcape Group that are material in the context of the Profit Forecast (save for those already recognised or for which provisions have been made).

Factors within the influence and control of the Directors:

- There will be no deterioration of Inchcape Group's OEM relationships which is material in the context of the Profit Forecast;
- There will be no material change to Inchcape Group's existing operational structure and strategy;
- There will be no material change in the current key management of Inchcape Group;
- The Profit Forecast excludes the impact of any future acquisitions and disposals; and
- The Profit Forecast excludes the impact of any material strategic investments over and above those currently planned by Inchcape Group.

16. CONSENTS

Greenhill has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

JP Morgan has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Jefferies has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Circular of its reports, set out in Part III *(Historical financial information relating to Derco)* and Part IV *(Unaudited Pro Forma Financial Information for the Enlarged Group)* of this Circular, in the form and context in which it is included.

17. INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been filed with or notified to the FCA and are available for inspection in accordance with paragraph 18 of this Part VI of this Circular, contain information about the Company which is relevant to this Circular:

- Inchcape's interim financial information for the six months ended 30 June 2022;
- Inchcape's audited consolidated financial statements for the year ended 31 December 2021;
- Inchcape's audited consolidated financial statements for the year ended 31 December 2020; and
- Inchcape's audited consolidated financial statements for the year ended 31 December 2019.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Circular, and only the parts of the documents identified in the table below are incorporated by reference, and form part of, this Circular. The parts of the documents which are not incorporated by reference are either not relevant for the purposes of making a properly informed decision as to how to vote on the Resolution or are covered elsewhere in this Circular. Where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this Circular for any purpose.

Reference	Sections incorporated by reference	Page number(s)
Interim Results	Consolidated statement of financial position as at 30 June 2022	13
Annual Report 2021 .	Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2021	184
Annual Report 2020 .	Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2020	175

Reference	Sections incorporated by reference	Page number(s)
Annual Report 2019 .	Note 32 of the notes to the audited consolidated financial statements for Inchcape for the year ended 31 December 2019	174

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection on the Company's website at www.inchcape.com (other than the Transaction Agreement) and during normal business hours on any Business Day at 22a St James's Square, London, SW1Y 5LP, the Company's registered office, from the date of the Circular up to and including the date of the General Meeting and for the duration of the General Meeting:

(a) the Company's articles of association;

(b) the Company's interim financial information for the six months ended 30 June 2022;

(c) the Company's 2019 Annual Report, 2020 Annual Report and 2021 Annual Report;

(d) the Transaction Agreement;

(e) the consent letters referred to in paragraph 16 of this Part VI;

(f) the reports of Deloitte LLP set out in Part III (Historical financial information relating to Derco) and Part IV (Unaudited Pro Forma Financial Information for the Enlarged Group) of this Circular; and

(g) this Circular and the Form of Proxy.

Part VII

DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

"£" or "GBP"	the lawful currency of the UK
"Admission"	the admission of the Consideration Shares to (i) the premium listing segment of the Official List; and (ii) trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards of the London Stock Exchange (as amended from time to time)
"Board" or "Directors"	the directors of the Company whose names appear in Part I *(Letter from the Chairman of Inchcape plc)* of this Circular
"Bridge and Term Facilities Agreement"	the agreement described in paragraph 9 of Part VI (*Additional Information*) of this Circular
"Business Day"	a day (other than a Saturday or Sunday) on which banks are open for general business in London, England
"Circular"	this circular to Shareholders, of which the Notice of General Meeting forms a part
"CMF"	Comisión para el Mercado Financiero
"Completion"	completion of the Transaction pursuant to the Transaction Agreement and the other Transaction Documents
"Computershare"	Computershare Investor Services PLC
"Conditions"	the conditions to Completion under the Transaction Agreement, and as further described in Part V *(Summary of the Principal Terms of the Transaction)*
"Consideration Shares"	the 38,513,102 new Inchcape Shares to be issued by the Company to the Family Owners at Completion pursuant to the Transaction Documents
"Contribution & Subscription Agreement"	the agreement described in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular
"CREST"	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations)
"CREST Manual"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
"CREST Proxy Instruction"	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
"Dercorp CL"	Dercorp CL SpA, a holding company for Derco's businesses in Chile
"Dercorp EX"	Dercorp Ex SpA, a holding company for Derco's businesses in Bolivia, Colombia and Peru
"Derco"	Dercorp CL and Dercorp EX and their respective subsidiaries

"Disclosure Guidance and Transparency Rules"	the disclosure guidance and transparency rules made by the FCA under Section 73A of the FSMA, as amended from time to time
"Enlarged Group"	the Inchcape Group following Completion including Derco
"Euroclear"	Euroclear UK & International Limited
"Family Owners"	Cerro Mayo SpA, DT Huillinco SpA and Peňuelas Corp. SpA, each of which are holding companies of the Del Río family
"FCA"	the Financial Conduct Authority of the UK
"Form of Proxy"	the form of proxy accompanying this Circular for use by Shareholders in connection with the General Meeting
"FSMA"	the Financial Services and Markets Act 2000, as amended from time to time
"General Meeting" or "GM"	the general meeting of the Company to be held at 10:00 a.m. on 16 December 2022, or any adjournment thereof, to consider and, if thought fit, approve the Resolution
"Greenhill" or "Sponsor"	Greenhill & Co. International LLP
"IAC"	Inchcape Automotriz Chile S.A., the Company's existing wholly-owned subsidiary in Chile
"IFRS"	UK-adopted international accounting standards in accordance with International Financial Reporting Standards
"Imcruz"	Imcruz Comercial S.A.
"Inchcape" or "Company"	Inchcape plc
"Inchcape Group"	the Company and its subsidiary undertakings
"Inchcape International Holdings"	Inchcape International Holdings Limited, the Company's existing wholly-owned subsidiary
"Inchcape Shares" or "Shares"	ordinary shares of nominal value of £0.10 each in the capital of the Company, including, if the context requires, the Consideration Shares
"Indigo Chile"	Indigo Chile Holdings SpA, Inchcape's existing wholly-owned subsidiary in Chile
"Indigo Chile Consideration Shares"	762 shares in the capital of Indigo Chile to be allotted and issued to the Family Owners pursuant to the Merger Agreement and the Transaction Agreement
"Jefferies"	Jefferies International Limited
"JP Morgan"	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove)
"Latest Practicable Date"	25 November 2022, being the latest practicable date prior to the publication of this Circular
"Listing Rules"	the listing rules made by the FCA under section 73A of the FSMA, as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"Long Stop Date"	30 June 2023 (or such later date as the parties to the Transaction Agreement may agree)
"MAR"	the UK version of the EU Market Abuse Regulation (2014/596), and its various retained implementing and delegated regulations, which is part

	of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented
"Merger Agreement"	the agreement described in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular
"Multicurrency Revolving Loan Facility Agreement"	the agreement described in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular
"Notice of General Meeting"	the notice of the General Meeting included at the end of this Circular
"Official List"	the official list of the FCA
"Regulations"	the Uncertified Securities Regulations 2001 of the United Kingdom
"Relationship Agreement"	the agreement between the Family Owners and the Company, which will take effect from Admission, and govern the relationship between the parties whilst the Family Owners remain a substantial shareholder in the Company, as described in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular
"Resolution"	the ordinary resolution to approve the Transaction to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting at the end of this Circular
"Shareholder"	a holder of Inchcape Shares, and "Shareholders" shall be construed accordingly
"TIV"	Total Industry Volumes
"Transaction"	the proposed business combination, consisting of the acquisition of Dercorp CL by IAC and the proposed merger between Indigo Chile and Dercorp EX
"Transaction Agreement"	the agreement between the Company, the Family Owners, IAC, Indigo Chile and Inchcape International Holdings in relation to the Transaction, as described in Part V *(Summary of the Principal Terms of the Transaction)* of this Circular
"Transaction Documents"	the Transaction Agreement and the other agreements, including the Relationship Agreement, the Merger Agreement and the Contribution and Subscription Agreement, which give effect to the Transaction
"US Dollar" or "US$"	the lawful currency of the United States of America from time to time
"Voting Record Time"	6:30 p.m. on 14 December 2022 (or, if the General Meeting is adjourned, 6:30 p.m. (UK time) on the date which is not later than 48 hours, excluding non-working days, before the date set for the adjourned General Meeting)
"VWAP"	volume weighted average price

NOTICE OF GENERAL MEETING

Inchcape plc

Notice of General Meeting

Notice is given that a General Meeting (the "**General Meeting**") of Inchcape plc (the "**Company**") will be held at 10:00 a.m. on 16 December 2022 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG in order to consider and, if thought fit, to pass the following resolution (the "**Resolution**").

Capitalised terms used in this Notice of General Meeting which are not defined shall have the meaning ascribed to them in the circular to Shareholders dated 28 November 2022 (the "**Circular**") of which this Notice forms part.

The Resolution will be proposed as an ordinary resolution.

ORDINARY RESOLUTION

THAT, the proposed Transaction between Inchcape plc, Indigo Chile Holdings SpA, Inchcape Automotriz Chile S.A., Inchcape International Holdings Limited, Cerro Mayo SpA, DT Huillinco SpA and Penuelas Corp. SpA pursuant to the Transaction Agreement (as defined in the Circular), substantially in the manner and on the terms and conditions of the Transaction Agreement, together with all other agreements and ancillary agreements contemplated by the Transaction Agreement, be and is hereby approved and that the Directors (or any duly authorised committee thereof) be and are hereby authorised to take all such steps and do all such things as they consider may be necessary, appropriate or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions, amendments or extensions (providing such modifications, variations or amendment are not of a material nature) as they shall deem necessary, appropriate or desirable, including, without limitation, the waiver of any conditions to the Transaction Agreement.

BY ORDER OF THE BOARD

Tamsin Waterhouse
Company Secretary

22a St James's Square, London SW1Y 5LP
Registered in England & Wales
Company No. 00609782

28 November 2022

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the GM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. Your proxy must vote as instructed and must attend the meeting for your vote to be counted. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC (the "**Registrar**"), on +44 (0)370 707 1076. Lines are open between 8.30 a.m. and 5.30 p.m.
2. To be valid any Form of Proxy or other instrument appointing a proxy must be received: (i) by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE; or (ii) electronically by logging on to the Registrar's website (www.eproxyappointment.com), in each case no later than 10:00 a.m. on 14 December 2022 (or, in the case of an adjournment, not later than 48 hours, excluding non-working days, before the time fixed for the holding of the adjourned meeting).
3. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company, an attorney for the company or any other person authorised to sign it.
4. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
5. If a member appoints more than one proxy and the Forms of Proxy appointing those proxies would give those proxies the apparent rights to exercise votes on behalf of the member over more shares than are held by the member, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the GM.
6. The return of a completed Form of Proxy, other such instrument or any CREST Proxy Instruction (as described in paragraph 12) will not prevent a shareholder attending the GM and voting in person if he/she wishes to do so.

7. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the GM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or the Registrar.
8. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
9. To be entitled to attend and vote at the GM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.30 p.m. on 14 December 2022 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the register of members shall be entitled to attend and vote at the GM in respect of the number of shares registered in their name at that time. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. As at 25 November 2022 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital consists of 374,494,030 ordinary shares, carrying one vote each. The Company does not hold any ordinary shares in treasury.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 14 December 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
15. Proxymity voting—if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on 14 December 2022 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
16. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
18. Any member attending the GM has the right to ask questions and participate in the GM. The Company must cause to be answered any such question relating to the business being dealt with at the GM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the GM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the GM that the question be answered.
19. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.inchcape.com.
20. The Resolution will be put to a vote on a poll at the GM. The voting results, which will include all votes cast for and against the resolution, and all proxies lodged prior to the GM, will be announced at the GM and published on the Company's website as soon as practicable after the GM. The Company will also disclose the number of votes withheld at the GM and on its website. This practice provides shareholders present with sufficient information regarding the level of support and opposition to the resolution, and ensures all votes cast either at the GM or through proxies are included in the result.
21. Except as provided above, members who have general queries about the GM should call the shareholder helpline on +44 (0)370 707 1076 (no other methods of communication will be accepted).