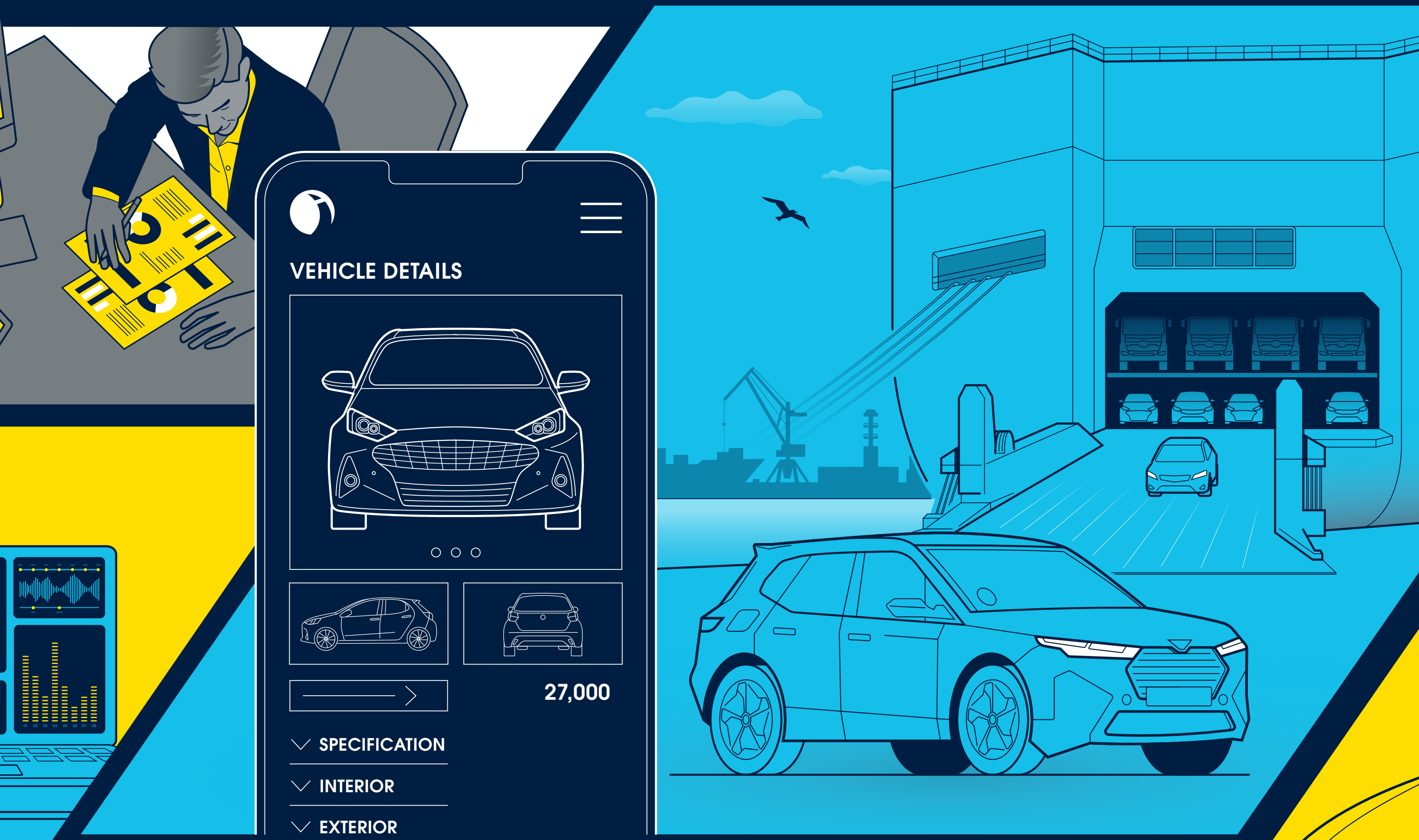
Inchcape

POWERING BETTER MOBILITY



Annual Report
2023

HIGHLIGHTS

Financial KPIs

Revenue
£11.4bn
2022: £8.1bn

Adjusted operating margin[1]
5.8%
2022: 5.1%

Profit before tax and adjusting items[1]
£502m
2022: £373m

Free cash flow[1]
£498m
2022: £380m

Return on capital employed[1]
26%
2022: 41%[2]

Non-financial KPIs

BEVs sold
2.4%
2022: 2.5%

Reduction in scope 1 and 2 greenhouse gas emissions[4]
31%

Reputation.com score
702
2022: 671

Women in Senior Leadership positions[3]
28%
2022: 22%

Statutory financial measures:

Operating Profit (continuing operations)
£619m
2022: £400m

Profit before tax (continuing operations)
£413m
2022: £333m

Total profit/(loss) for the period
£283m
2022: £(6)m

Our financial metrics

Metric	£m	Use of metric
Gross Profit	**1,939**	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Less: Segment operating expenses	(1,270)	
Adjusted operating profit[1]	**669**	Profit generated by the Group
Less: adjusting items in net operating expenses	(50)	
Operating Profit	**619**	Statutory measure of Operating Profit
Less: Net Finance Costs and JV losses	(206)	
Profit before tax	**413**	Statutory measure of profit after the costs of financing the Group
Add back: adjusting items in net operating expenses	50	
Add back: adjusting items in net finance costs	39	
Adjusted profit before tax[1]	**502**	

1. APM (alternative performance measure), see page 200.
2. Adjusted to remove capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during that year
3. Includes the Group Executive Team and its direct reports, see page 81.
4. Reduction against 2019 revised baseline.

POWERING BETTER MOBILITY

WE ACCELERATE THE PERFORMANCE OF OUR MOBILITY COMPANY PARTNERS, UNLOCKING OPPORTUNITIES THROUGH OUR PEOPLE AND TECHNOLOGY.

Delivering for our partners, our customers, and our people – so they can realise their ambitions in the new world of mobility.

STRATEGIC REPORT

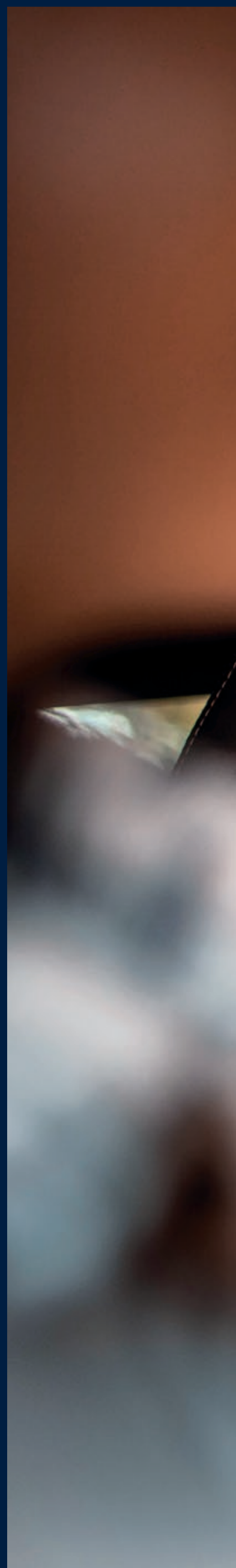
CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

OTHER INFORMATION

WWW.INCHCAPE.COM

BRINGING MOBILITY TO THE WORLD'S COMMUNITIES FOR TODAY, FOR TOMORROW AND FOR THE BETTER



Inchcape is the leading independent global automotive distributor. We are a business delivering sustainable growth and cash returns, with a diversified geographic presence in over 40+ markets.

We partner with our mobility companies, unlocking opportunities through our people and technology. We use our in-market expertise coupled with our advanced data analytics to deliver outstanding performance for our partners, and build stronger automotive brands.

AT A GLANCE

£11.4bn
Revenue

60
brand partners

175+
years of successful international trade

40+
markets worldwide

43
deals since 2016
(includes M&A and contract wins)

22,000
colleagues

OUR STRATEGIC PRIORITIES

VALUE PROPOSITION:

Accelerating the performance of our mobility company partners, unlocking opportunities through our people and technology.

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

We deliver for our partners, our customers, and our people – so they can realise their ambitions in the new world of mobility.

OUR BUSINESS MODEL IS DRIVEN BY FIVE KEY PILLARS

1 BUILDING SCALE

- We are the leading independent global automotive distributor of vehicles and parts with c.2% market share
- Diversified presence in a broad range of markets
- We build scale through market consolidation and organic growth
- We operate in high-growth markets and our competitive advantage supports our continued outperformance in our markets

2 CREATING VALUE FOR OUR CUSTOMERS

- We create value for our mobility partners and end consumers
- The combination of our local market knowledge and our global platforms, systems and processes provide us with unique insights, through our technology and data analytics, and best practices

3 LEADING WITH DIGITAL

- Our business is underpinned by our technology
- Digital Experience Platform (DXP) for customers
- Digital Analytics Platform (DAP) for predictive analytics and business intelligence driving market share gains

4 UNDERPINNED BY DOING BUSINESS RESPONSIBLY

We are a Responsible Business creating sustainable value for all our stakeholders. Our 'Driving What Matters' plan is central to our strategy, encompassing our Planet, People, Places and Practices.

5 DRIVES FINANCIAL PERFORMANCE AND SHAREHOLDER VALUE

We continue to drive strong revenue growth through organic growth and value accretive acquisitions, which are highly cash-generative and deliver attractive returns for our shareholders. We are focused on leveraging scale and are committed to our disciplined capital allocation policy.

OUR GLOBAL REACH

The geographic reach of our business has been driven by a deep understanding of our mobility partners and customers needs. This is coupled with our global expertise and local market knowledge.

c.80%
of revenues generated from Distribution

Our markets are characterised by low motorisation rates and high GDP growth rates. We understand our markets through our digital-led approach, using data analytics and business intelligence to grow market share in our regions. With our robust practices framework and our aim to being the lowest carbon route to market, we focus on delivering market share for our mobility partners. Our mobility partners can focus on operating in the major markets and their transition to electric vehicles.

AMERICAS £3.7bn (+153%[1])

Argentina
Barbados
Bolivia
Chile
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Honduras
Panama
Peru
Uruguay

13
markets

EUROPE & AFRICA £2.5bn (+23%[1])

Belgium
Bulgaria
Estonia
Finland
Greece
Latvia
Lithuania
Luxembourg
North Macedonia
Poland
Romania
Djibouti
Ethiopia
Tanzania
Kenya

15
markets

ASIA PACIFIC (APAC) £2.8bn (+21%[1])

Brunei
Guam
Hong Kong
Indonesia
Macau
Philippines
Saipan
Singapore
Thailand
Australia
New Zealand

11
markets

RETAIL £2.4bn (+4%[1])

Poland
UK

2
markets

1. Reported year-over-year revenue growth.

DELIVERING OUTSTANDING RESULTS FOR OUR MOBILITY COMPANY PARTNERS

Inchcape accelerates the performance of our mobility company partners, unlocking opportunities for them through our people and technology.

Inchcape's mobility company partnership began in the 1920s when we started working with Mack. Since then we have built and maintained close relationships with some of the world's leading automotive manufacturers, adding new partnerships as we have expanded, and bringing further long-standing relationships into our portfolio through acquisitions.

Inchcape's value proposition, built around our people and technology, continues to be compelling for our mobility company partners. In 2023, we signed 15 distribution agreements, with both new and existing partners, across the Americas, APAC, and Europe & Africa, providing more mobility company partners access to Inchcape's markets.

OUR MOBILITY COMPANY PARTNERSHIPS – IN NUMBERS

60
mobility company partnerships in place

3
new mobility partners added in 2023

12
Expanded with 12 mobility partner relationship in 2023 across all 3 regions

31
distribution contracts won since 2016

Brand partnerships page online: www.inchcape.com/our-approach/brand-partners/

A COMPELLING VALUE PROPOSITION

By combining our in-market expertise with our unique technology and advanced data analytics, we create innovative customer experiences that deliver outstanding performance for our partners – helping to build stronger automotive brands and creating sustainable growth for Inchcape and our partners in the markets where we work.

The world of mobility is changing. Vehicles are changing. The needs of mobility partners and consumers are changing – they are looking for better and more sustainable mobility and services.

To succeed, Western, Japanese and the emerging Chinese mobility companies need a partner like Inchcape, with deep insight into evolving consumer behaviours and markets, who can deploy their expertise, resources, and infrastructure to deliver in line with rising expectations. A partner with capabilities who can enable them to unlock new opportunities through an efficient and seamless way to operate in markets, whether mature or developing, and help them accelerate their ambitions.

Our longest-standing partnerships*, in years of relationship:

- **100** Mack
- **56** Toyota
- **53** Jaguar Land Rover
- **47** Suzuki
- **36** Mercedes-Benz
- **35** Volkswagen Group
- **34** BMW Group
- **31** Subaru Corporation

ACCELERATING OUR AMBITION

Transforming Inchcape to accelerate our growth through Distribution Excellence and Vehicle Lifecycle Services

We have developed two strategic pillars to leverage these growth opportunities: Distribution Excellence and Vehicle Lifecycle Services

OUR GROWTH DRIVERS:

DISTRIBUTION EXCELLENCE

VEHICLE LIFECYCLE SERVICES

OUR ENABLERS:

Culture and Capabilities

Culture and people, underpinned by our Responsible Business plan, 'Driving What Matters', more details on which are on pages 33 to 39.

Digital, Data & Analytics

Digital and data analytics expertise and technology stack, supporting our performance for our mobility partners.

Efficient Scale Operations

Core capabilities, product and service offerings, and market presence to expand and grow.

Scaled and diversified operations, with global processes and systems, which are tailored for local delivery and performance.

Responsible Business

OUR STRATEGIC PILLARS ARE DESIGNED TO ACCESS SIGNIFICANT GROWTH OPPORTUNITIES

As our world, our industry and our business continues to go through unprecedented change, Inchcape has a significant growth opportunity by:

Existing markets
Generating more value from existing markets and mobility partners

+

New markets
Expanding into new markets with new and existing mobility partners

+

Diversification
Broadening into new areas

=

Long-term growth
Being the leading independent global automotive distributor

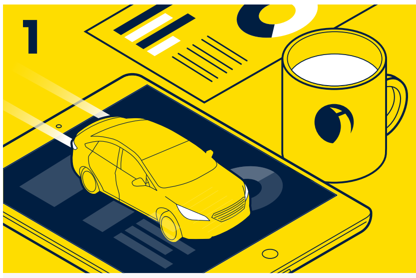
DISTRIBUTION EXCELLENCE

As the world's leading independent automotive distributor, Inchcape operates for mobility partners in smaller, more complex, and harder to reach markets, which tend to be higher growth with low motorisation rates. Inchcape has significantly expanded its footprint in these markets in recent years, but there is still a huge opportunity to capture more market share. Our current position is 2% market share of our total addressable markets.

This opportunity will be achieved by Inchcape by continuing to deliver Distribution Excellence for its mobility partners by driving market share gains. This will be achieved by:

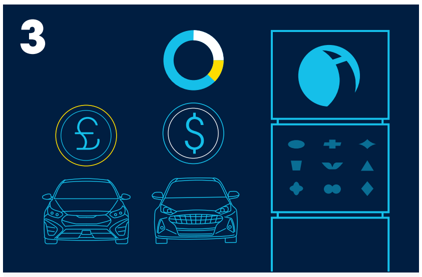
- organic growth: through new distribution contracts from mobility partners and by Inchcape's investment in its digital and data capabilities; and
- targeted acquisitions: by utilising Inchcape's strong financial position to develop its geographic footprint and mobility partner portfolio.

Our Distribution Excellence approach connects the products of our mobility partners with consumers, supported by insights from our data analytics platform, by providing our capabilities across the following value chain:



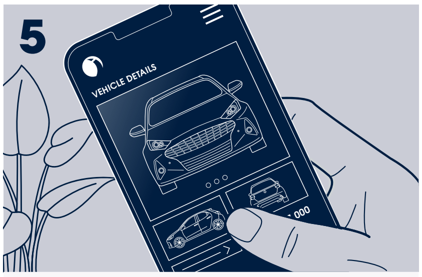
PRODUCT PLANNING
Using our local market expertise to inform certification and vehicle ordering decisions, around elements including model types and specification.

LOGISTICS
Delivering vehicles and parts in our markets.

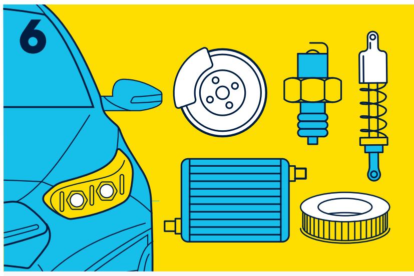


BRAND AND MARKETING
Brand proposition development, brand positioning, price setting, and marketing, aimed at maximising market share for our partners.

CHANNEL MANAGEMENT
Developing the optimal channels to reach consumers and businesses covering network management, digital, and omni-channel, including the selection and management of independent third party dealers, where appropriate.



DIGITAL RETAIL
Bringing our omni-channel platform to customers to deliver world-class, digital-first experiences for consumers through DXP, our Digital Experience Platform.



AFTERMARKET SERVICES
In particular, the distribution of vehicle parts.

VEHICLE LIFECYCLE SERVICES (VLS)

There is substantial untapped value, and potential profit pools, in the second and third phases of a vehicle's lifecycle. Inchcape is accessing this opportunity by leveraging our existing assets, relationships, and expertise.

VLS will drive enhancements to our core Distribution business and initiatives through capabilities which include our Digital Parts Platform, a used car channel for our independent dealers, further finance and insurance programmes and warranty management.

SUSTAINABLE GROWTH AND RETURNS

We have set ambitious targets to grow our business responsibly, seeking to create significant value for all of our stakeholders.

INVESTMENT PROPOSITION:
DRIVING SCALE AND DIVERSIFICATION

GLOBAL MARKET LEADERSHIP IN AUTOMOTIVE DISTRIBUTION:

with compelling offering for mobility company partners

60
mobility partner relationships

DIFFERENTIATED BUSINESS MODEL:

asset-light and digitally-enabled, with high barriers to entry

DXP DAP

ON-GOING INVESTMENT IN GROWTH OPPORTUNITIES:

organic investment and acquisitions

74%
FCF conversion[1]

TRACK RECORD OF DELIVERING HIGH LEVELS OF RETURNS AND FREE CASH FLOW:

enabling investment in compound growth

26%
ROCE[1]

UNDERPINNED BY CONSISTENT EXECUTION AGAINST CLEAR STRATEGIC OBJECTIVES

1. As at 31st December 2023.

WHY INVEST?
INCHCAPE IS THE GLOBAL LEADER, WITH AN AMBITION TO SUSTAINABLY GROW

GLOBAL MARKET LEADER

>40
markets covering six continents

The leading independent automotive distributor in a highly fragmented global market

- Presence across >40 markets; covering six continents
- We are the leader with c.2% share of the global distribution market
- Market consolidation is expected to accelerate

A RESPONSIBLE BUSINESS

31%
reduction in scope 1 & 2 greenhouse gas emissions vs 2019 baseline

Growth ambition underpinned by our ESG strategy: Responsible Business

- Responsible Business is integral to our Accelerate strategy
- Established four priority areas: People, Places, Planet, and Practices
- Due consideration for all stakeholders

DIGITAL & DATA LEADER

250+
machine-learning algorithms globally

Our digital and data capability is a significant competitive advantage

- Created a leading digital and analytical platform
- Global scale, and internal capability a key differentiator
- Our technological progress is impressing mobility company partner brands

In addition to our growth ambitions, the business is asset-light with a long history of disciplined capital allocation and delivering highly attractive returns to shareholders.

CAPITAL ALLOCATION POLICY:
A DISCIPLINED APPROACH

1
INVEST IN THE BUSINESS

Capex for organic growth and technological investment

2
DIVIDENDS

Policy: 40% annual payout of basic adjusted EPS

3
VALUE ACCRETIVE M&A

Disciplined approach to valuation

4
SHARE BUYBACKS

Consider appropriateness of share buybacks

NET DEBT TO ADJUSTED EBITDA LIMIT OF 1X (PRE IFRS16)

ATTRACTIVE FINANCIALS

26%
ROCE

Deliver value through organic growth, consolidation, and cash returns

- Distribution markets have higher growth prospects than average
- Leveraging our global scale to improve profitability

GROWING BRAND PRESENCE

60
mobility brands in our portfolio

Expanding the reach of our plug-and-play global distribution platform

- Well invested operating model a catalyst for further expansion
- Existing portfolio of >60 mobility company partner brands; continuing to add new partners
- Constantly sharing expertise across the Group

NEW OPPORTUNITIES

75%
of a vehicle's lifetime value in higher margin activities

Uniquely positioned to capture more of a vehicle's lifetime value

- Higher margin activities; accounts for 75% of the profit-pool of a vehicle's life
- Currently significantly underserved by Inchcape
- Clear opportunity to leverage our existing footprint

A YEAR OF IMPRESSIVE STRATEGIC PROGRESS

NIGEL STEIN
CHAIRMAN

DEAR SHAREHOLDERS AND STAKEHOLDERS

I will retire from the Board at the conclusion of the AGM in May 2024 after six years as Chair. I am delighted that Jerry Buhlmann will become Chair upon my departure and a Q&A with him is given on page 14.

I am pleased with the progress Inchcape has made in the last six years, delivering on its strategy; focusing on higher value-add distribution markets; growing organically through new contract wins with successful mobility company partners; and judicious acquisitions leading to a meaningful market presence.

Our wider market presence has not only brought a broader base to our sources of income, but enhanced our standing with current and potential mobility company partners. The Group is very well placed for future growth and success.

This has all been achieved through the hard work and dedication of the Inchcape team in all our markets. It has been a huge pleasure to be part of that and I thank them sincerely for all that they do.

Review of the year
Inchcape produced an excellent performance in 2023, as we continued to deliver on our purpose of bringing mobility to the world's communities. This pleasing result was against a backdrop of continued geo-political and economic uncertainty, including ongoing inflationary pressure. The strong financial and operational performance demonstrates the resilience of Inchcape's global business, the strength and focus of our Accelerate strategy and the quality of our leadership team.

We made good strategic progress, in particular with the integration of Derco, the major acquisition we completed last year, the execution of a number of bolt-on acquisitions across our APAC region and the achievement of a record number of distribution contracts with our mobility company partners.

Our continued focus on a sustainable future

The automotive industry continues to make progress towards its carbon neutral goals albeit at different speeds in different regions. The transition to electric vehicles (EVs) remains central to the industry's reduction in its CO_2 emissions globally.

During 2023, Inchcape made continued progress in building its position with leading EV manufacturers including adding partnerships with Chinese mobility companies who are EV leaders with more than half the worldwide sales of EVs in 2023. This makes Inchcape one of the largest distribution partners with Chinese mobility companies, adding to our other long-standing mobility partner relationships. Inchcape also supports mobility partners in meeting their own sustainability goals with our aim to be the lowest carbon route to market.

In that respect, Inchcape made excellent progress in 2023 with its own 'Driving What Matters' plan, including delivering ahead-of-plan reductions in its scope 1 and 2 greenhouse gas emissions. Our Group Chief Executive, Duncan Tait, discusses this in more detail in his review of the year, on page 15.

Further strengthening your Board

After the completion of the Derco acquisition, Juan Pablo Del Río Goudie joined the Board in January 2023, bringing a deep and long-standing knowledge of Latin American markets. Byron Grote also joined the Board in January, bringing a wealth of experience gained at several large multi-national organisations, where he held a number of senior executive and non-executive roles.

Following his promotion to Group Chief Financial Officer, Adrian Lewis joined the Board in May 2023. Adrian has brought extensive Inchcape experience to the Board having held several Finance leadership roles across our global business. Adrian's promotion is an excellent example of Inchcape's commitment to developing leadership talent from within the Company.

In July 2023, we also welcomed Stuart Rowley to the Board. Stuart has over 30 years' global experience at the Ford Motor Company and brings to the Board a deep understanding of the global automotive industry and extensive international experience.

And most recently in January 2024 Alison Platt joined the Board as a Non-Executive Director, adding further excellent listed company experience. Further details are given in the Nomination Committee Report on page 78.

I would like to personally thank my colleagues on the Board for their continued commitment and contribution during 2023.

Building a high-performance culture

Inchcape's culture of being an ambitious but responsible Company is a key enabler of our Accelerate strategy. We are pleased with the progress we continue to make in building and aligning our culture across our global business, particularly in our recently acquired businesses, where local teams have been implementing thorough change and communication plans to integrate them into our global organisation.

During the year, the Board participated in a number of engagement sessions with Inchcape colleagues, including a Reward Forum as well as an Engagement Forum held during our Board's visit to the Hong Kong business in October.

The Group continued to drive inclusion and diversity and we were pleased to see the strong results of Inchcape's 'Be Heard' colleague experience survey. It was pleasing to see Inchcape's inclusion score at upper quartile levels, reflecting the excellent progress made over the previous years. As a Board, we believe in the strong connection between a diverse and high-performance culture and strong business performance.

Delivering shareholder value

We have a clear and balanced capital allocation policy, based on four priority areas which the Board review regularly.

First is to invest in our business to support organic growth. Second, our policy is to pay out 40% of adjusted earnings in annual dividend payment to shareholders. Third, we target value accretive acquisitions where there is a strong strategic fit and, fourth we consider the appropriateness of returning excess capital to shareholders via share buybacks.

Based on this policy, and considering the strong performance of Inchcape in 2023, the Board recommends that the Company continues to pay a dividend of 40% of annual adjusted EPS. This payment would result in an overall dividend payment of 33.9p.

Inchcape is well positioned for sustainable growth

During 2023, Inchcape continued to develop a solid foundation for future growth. Despite muted demand and continuing challenging macro-economic conditions in some markets, our well-executed Accelerate strategy continues to drive outstanding performance for our mobility partners and, subsequently, for the Group.

The unique strengths of our business, in particular our high-quality people, diversified geographic spread of our operations and our industry-leading digital capabilities, ensures that we remain resilient and well positioned for sustainable growth in the future.

Your Board remains confident in Inchcape's ability to bring mobility to the world's communities, for today, for tomorrow and for the better.

NIGEL STEIN
CHAIRMAN

INTRODUCING OUR PROPOSED NEW CHAIR

JERRY BUHLMANN

Q&A WITH JERRY BUHLMANN

JERRY BUHLMANN
PROPOSED NEW CHAIR

Jerry Buhlmann, the Board's current Senior Independent Director, is nominated to succeed Nigel Stein as Chair following the conclusion of the Group's next Annual General Meeting (AGM) on 9 May 2024, subject to shareholder approval.

Jerry has been a member of the Inchcape Board since March 2017 and his appointment will help ensure seamless continuity of Board leadership to support the Group, as it continues to deliver on its Accelerate strategy.

Jerry has over 40 years' experience in the media and advertising industries and was formerly CEO of Aegis Group plc and Dentsu Aegis Network. Jerry is currently Chair of three private equity-owned digital marketing agencies: Dept, Croud Limited, and Hybrid. Jerry is also a member of the Supervisory Board of Serviceplan GmbH.

What do you see as the focus for the Inchcape Board in the coming years?
Looking ahead, the automotive sector will continue to experience rapid transformation and development. Customer preferences and buying habits will continue to evolve and the need for sustainable mobility solutions across more markets will increase. To that end, while the transition to electric vehicles (EVs) is underway, it is not without its complexities.

Inchcape has a real opportunity here, as we continue to support our mobility company partners across more markets, in a dynamic and increasingly complex industry. The Board has an important role to play in this, leading from the front, ensuring that the Group continues to develop and enhance its inclusive, collaborative, and innovative culture.

What do you think the major strategic opportunities will be for Inchcape in the automotive industry in the future?
The transformation of our industry presents compelling opportunities for Inchcape. I see three key themes where we can support our mobility company partners in a fast-moving environment: driving market consolidation; supporting them in the EV transition; and helping them to drive down the cost of complexity, by supporting them in smaller, more niche markets, where Inchcape will continue to drive market leadership.

Inchcape's unique experience, market insight, and digital platform therefore provides a compelling value proposition for our mobility company partners. This is reinforced by the tremendous number of new partnerships we achieved in 2023, with 15 new distribution contracts secured across a range of markets and partners.

Furthermore, Chinese mobility company partners will continue to play a central role in the transition to EVs and, in this regard, Inchcape has developed partnerships with several leading players in each of our regions, helping to ensure a wider range of high-quality new energy vehicles are available across our markets.

What do you believe are the key strengths of Inchcape?
I have been on the Inchcape Board for seven years and, in this time, I have been fortunate enough to meet a wide range of stakeholders. Based on these conversations, my view is that Inchcape's key differentiator is our unmatched ability to support our multiple mobility company partners across a wide and diverse range of markets. This is driven by our market-leading digital and data analytics capabilities, the calibre of our people, who have specialist expertise in the markets in which they operate, and our long track record of delivering for our partners on a regular and consistent basis. This provides a solid platform from which Inchcape will continue to deliver for our mobility company partners, to grow, and to lead the industry, thereby driving growth and value for our stakeholders.

A THANK YOU TO NIGEL STEIN

"ON BEHALF OF THE BOARD, I WOULD LIKE TO THANK NIGEL FOR HIS LEADERSHIP SINCE HE BECAME CHAIR IN 2018. NIGEL HAS LED A CONSISTENT ENHANCEMENT OF THE BOARD'S EXPERTISE AND SKILLSETS, AS WELL AS DRIVING DIVERSITY.

IN ADDITION, NIGEL HAS BUILT A STRONG COLLEGIATE CULTURE AROUND THE BOARD, AND I AIM TO CONTINUE TO BUILD ON HIS EXCELLENT WORK IN ALL THESE AREAS IN THE FUTURE.

JERRY BUHLMANN
PROPOSED NEW CHAIR

UNLOCKING OPPORTUNITIES THROUGH OUR PEOPLE AND TECHNOLOGY

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

What were Inchcape's key strategic achievements in 2023?
2023 was an excellent year for Inchcape. We produced further positive momentum in key markets and made strong progress in diversifying and scaling our business in our regions.

From a strategic perspective, we made progress in executing our Accelerate strategy. We successfully completed three bolt-on acquisitions in APAC, in the exciting growth markets of Philippines, Indonesia, as well as New Zealand, positioning us well for future growth there. We won 15 distribution contracts across all our regions with Asian and European mobility partners. We were also successful in integrating Derco in the Americas.

Our industry-leading digital and data analytics capabilities continue to support our growth prospects across our global business.

Can you give an overview of Inchcape's operational and financial performance during the year?
Despite a challenging environment in certain markets, Inchcape remained resilient and our global business performed strongly during 2023. I continue to be impressed by the commitment and performance of our global colleagues as they deliver solutions that accelerate the performance of our mobility partners.

During the year, Inchcape delivered a strong set of results, with growth in all regions, driven by consistently high levels of operational execution across our global business, which drove further growth in revenue, operating profit, and free cash flow generation.

Group revenue for the year was £11.4bn, an increase of 41% on 2022. We delivered adjusted profit before tax of £502m, an increase of 35% on 2022 driven by top line growth and improved operating margins. We also reported adjusted free cash flow of £498m, up 31% on last year, further strengthening our cash position.

What underpins the record number of contract wins you achieved during the year?
Inchcape has a winning distribution platform. Our success in winning 15 distribution contracts across our APAC, Americas and Europe & Africa regions highlights the high level of service we are delivering for our mobility partners and emphasises the trust and confidence they continue to place in Inchcape. These contract wins included BYD Commercial in Singapore and Benelux, Subaru in Bolivia, XCMG in Colombia and Peru and Changan in the Philippines and across a number of markets in Africa.

During 2023, we continued to build stronger partnerships with our Chinese mobility partners, including a global strategic partnership with Great Wall Motors. China is now the largest automotive exporter globally. Chinese mobility partners are changing the automotive landscape by playing a central role in the global long-term transition towards new energy vehicles, producing over 50% of the world's electric vehicles (EVs).

Building on the Chinese mobility partnerships through our acquisition of Derco, Inchcape now has more Chinese mobility partnerships than any other automotive distributor.

Can you discuss in more detail your progress on the integration of Derco during 2023?
We are really pleased with our progress on the integration of Derco, which is an outstanding business that has helped the Group to win more distribution contracts, not only in the Americas region but also in our other regions. Derco has therefore already made a substantial contribution in driving our market share in several markets.

We were successful in accelerating cost and cost-related synergies from the acquisition of £21m in 2023, and now expect to deliver at least £50m in FY 2024 with one off integration cash costs of £70m over three years.

Our Americas management team also made progress in improving Derco's working capital position both in the alignment of supplier terms with Inchcape ways or working and reducing inventory.

Derco also delivered against our margin expectations, producing margins at the top end of the 5% to 7% range, pre-synergies, as expected.

Can you discuss the key market trends during the year?
Our markets continued to evolve and develop at different rates during the year, with supply normalising in many markets, while consumer demand is mixed.

One consistent theme in most of our markets is further demand from consumers for omni-channel experiences, with the initial product touchpoint for customers being through digital channels, particularly for new energy vehicles. There is also some growth in underlying consumer demand for EVs in many of our markets, albeit at different levels of pace of adoption and product penetration, which is fundamentally determined by the quality and reliability of EV infrastructure and government support in a market.

What makes Inchcape's approach to digital and data market-leading?
There are a number of factors supporting our market-leading digital and data position. DXP, our digital customer experience platform, is delivering value for our mobility partners, and DAP, our data analytics platform, is powering our business in several areas.

We have continued to develop and roll out DXP, as we provide more customers with a seamless experience, however they choose to interact with us and our mobility partners.

DAP, which provides advanced analytics and machine learning, leverages our data and driving smarter, faster and better business decisions. By the end of 2023, we had over 250 machine-learning algorithms globally.

These capabilities are supported by our digital delivery centres (DDCs), which operate in Colombia, the Philippines and following the acquisition of Derco, we now have a satellite DDC in Chile. By the end of 2023, we now have more than 1,400 digital experts providing 24/7 services and solutions, further enhancing our digital delivery and cybersecurity capability.

> **2023 WAS AN EXCELLENT YEAR FOR INCHCAPE. WE PRODUCED FURTHER POSITIVE MOMENTUM IN KEY MARKETS AND MADE STRONG PROGRESS IN DIVERSIFYING AND SCALING OUR BUSINESS.**

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

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

We intend to further reduce the scale of bravoauto to its profitable core, particularly given our continued strategic focus on reducing our retail-only footprint. This will ensure a more focused and tailored approach for bravoauto, as a value-added service for our Distribution business, with a moderated operational and geographic profile. Our investment in bravoauto since its inception continues to be disciplined. In light of our review of strategic options for the UK retail business, we are re-evaluating our ambitions for bravoauto as part of VLS. VLS remains a strategic opportunity for the Group but, particularly in light of reducing the scale of bravoauto to its profitable core, we are re-evaluating the phasing of our financial objectives for VLS.

Can you talk about developments on your approach to sustainability during the year?

Operating responsibly is central to our mobility partnerships and how we work globally. In 2021 we implemented our 'Driving What Matters' plan built around our four pillars of Planet, People, Places and Practices, and we continued to make good progress in 2023.

In the second half of 2023 we completed a sustainability materiality assessment of our business to improve our understanding of the sustainability priorities of our stakeholders. The results of the assessment will be communicated in our first Sustainability Report, to be released later this year.

Under the Planet pillar, we made good progress with our scope 1 and 2 greenhouse gas emissions targets, reducing emissions by 31%, ahead of our targets and on track to meeting our 2030 target of 46%. You can read more about our approach to climate change in our Task Force on Climate-related Financial Disclosures on pages 40 to 53.

I am pleased with the progress we are making with our People pillar as we continue to expand the delivery of our programmes to enhance inclusion and diversity across Inchcape. For example, women in senior leadership positions at Inchcape increased to 28%, up from 15% from 2020.

During the year we ran our global colleague experience survey 'Be Heard' and I was very pleased by the strong results. A record number of Inchcape colleagues – 88% – completed the survey, including our new Derco colleagues, with key engagement KPIs above global averages and our Inclusion score was upper quartile. These results reflect the excellent work of global leadership and People teams to drive colleague engagement and inclusion. The survey also identified areas of development across our business and our global teams have developed action plans to enhance engagement and improve the experience of our colleagues.

An integral part of our Responsible Business approach is being a good company and partner for the communities where we work. I have been delighted to see the passion and enthusiasm from our people on road safety education for local communities, charitable partnerships focused on diversity inclusion and internship programmes for underrepresented groups under the Places pillar.

Fundamental to our value proposition is our approach to high standards of ethical business under the Practices pillar. To support this, during 2023 and early 2024 we rolled out our enhanced Code of Conduct across our global business, including to our new colleagues from acquisitions in Indonesia, New Zealand, and the Philippines, as well as to more than 4,000 new colleagues in the Americas from the Derco acquisition.

What is your message to Inchcape's people, following our performance in 2023?

I was fortunate enough to visit many Inchcape markets during 2023, spending time with colleagues from across our global workforce. I continue to be impressed by the quality and commitment of our colleagues and I am grateful for their performance during the year. What we collectively deliver for our mobility company partners is outstanding and I am extremely grateful for the hard work and commitment of our people.

I would also like to thank and recognise my Executive team colleagues for their collaborative spirit, outstanding leadership, and delivery during the year. Developing leadership talent from within our organisation is a priority for Inchcape and I was delighted to see two colleagues promoted to the Executive team in the year with Adrian Lewis promoted to Group Chief Financial Officer in May and Phil Jenkins promoted to Chief M&A Officer in October. In addition, Liz Brown joined us from Diageo in February as Chief Strategy Officer.

How do you see the future for Inchcape?

I am really excited about the medium to long-term outlook of our business. Building on our cash generative and capital-light characteristics, I believe we will continue to lead the consolidation of a range of highly fragmented markets.

To that end, our focus for 2024 remains on further consolidating our global position as the leading independent automotive distributor, through leveraging our digital platform across our global footprint so that we can continue to operate at scale, build market share and accelerate the performance of our mobility partners.

Building on our performance in 2023, with our global market leadership position and our diversified and scaled business model, Inchcape remains well positioned for the future.

Directors' approval of the Strategic Report

The 2023 Strategic Report, from pages 2 to 64, were reviewed and approved by the Board of Directors on 4 March 2024

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

EMBRACING CHANGES TO OUR INDUSTRY

CHANGING MACRO TRENDS

Geopolitical uncertainties
Geopolitical tensions increasing global uncertainty

Higher for longer interest rates
Impacting consumer confidence and supplier-related financing

Risk of low economic growth and/or 'soft' recession
Weakening demand, consumer spending erosion, pressure on pricing

CHANGING AUTOMOTIVE INDUSTRY

CASE* trends
Growing EV penetration, but uneven subject to market dynamics

Generative AI
Opportunity and need to leverage technology

Route to market
Helping mobility company partners get even closer to customers and new markets

CHANGING CONSUMER DYNAMICS

Consumer habits
Catering to different vehicle ownership models and buying-decision criteria

Retail trends
Expectations for a personalised digitally integrated experience through omni-channel platforms

Consumer confidence
Higher interest rates and lower disposal income impacts discretionary spend

FOCUS ON ENVIRONMENT & SOCIETY

Emissions
Low emission vehicles and corporate greenhouse gas reductions expected

Circular economy
Resource scarcity and waste prevention key considerations

Colleague expectations
Workforce looking for purpose-driven employers

How is Inchcape responding?

Changing macro trends	Changing automotive industry	Changing consumer dynamics	Focus on environment & society
Scaled business model and a diversified mobility company partner portfolio has proven resilient in turbulent times	We provide mobility company partners with a solution in lower volume and high growth potential emerging markets	Our digital and data capabilities allow us to better understand consumers and cater to their needs, optimising their experience	Solid Responsible Business agenda implemented across our markets
Geographically diverse footprint means we are well placed to navigate the current macro-economic climate	Developing innovative solutions and collaborating with tech leader to bring value to consumers and mobility company partners	Our expertise supports customers throughout the buying journey and their ownership lifecycle	We are a forward-thinking purpose-driven employer, leveraging our global scale to develop talent

Our purpose is to bring mobility to the world's communities – for today, for tomorrow and for the better.

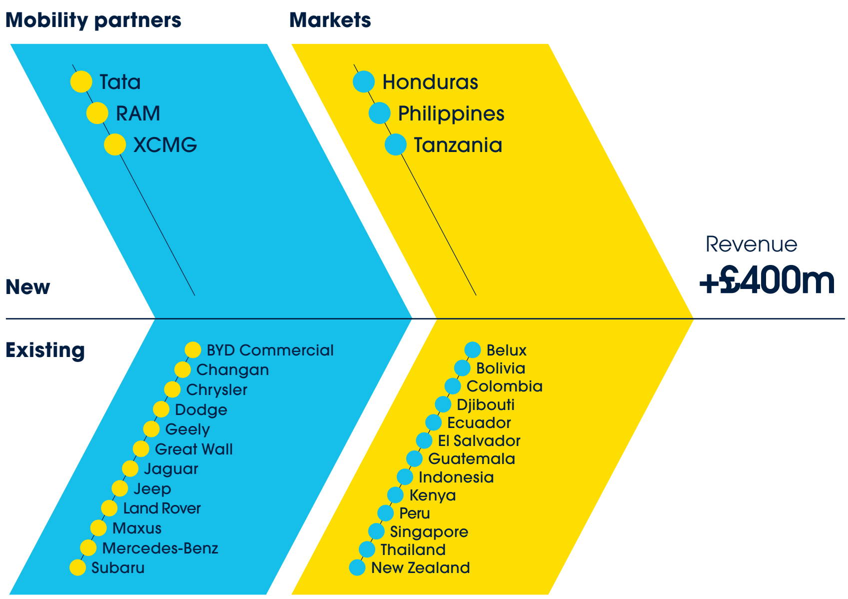
* Connected, autonomous, smart, electric vehicles.

OPTIMISING OUR PORTFOLIO

Inchcape's focus on building and maintaining close and long-standing mobility company partnerships provides the foundation for our ability to execute strategic and accretive growth through acquisition.

Inchcape has accelerated industry consolidation since focusing on distribution expansion in 2016. Since then, we have been developing a plug and play distribution platform. This will support scale acquisitions and important bolt-on deals, adding new partnerships, markets, and significant revenue to the business, while optimising our retail footprint through select disposals. Our ambition is for Inchcape to become the undisputed number one distribution partner of choice for automotive manufacturers, many of which are looking for consolidation and proven integration capabilities in their partnerships. Key factors in achieving this include: our track record of successful integration; investment in technology and digital capabilities that can be deployed at scale; our people's capabilities and approach to retaining key management; and the firepower we have available to execute deals through a strong balance sheet and disciplined approach to capital allocation.

A NUMBER OF EXCITING CONTRACT ADDITIONS IN 2023



OUR M&A FRAMEWORK:

Strategic
- Additive to existing brand footprint
- Broadens geographic reach
- Enhanced by Inchcape's distribution platform

Financial
- Focus on markets with higher growth prospects
- Take a considered approach to valuing targets
- ROIC > project WACC targeted in year 3

Organisational
- Focus on retaining and nurturing talent
- 'Responsible Business' programme
- Opportunity to professionalise processes

REBALANCING OUR PORTFOLIO IN FAVOUR OF DISTRIBUTION SINCE 2016

31
distribution contracts won since 2016

12
M&A deals since 2016 with c.£4bn of annualised revenue added

17
new markets and 18 new OEMs since 2016

FORGING STRONG RELATIONSHIPS

STAKEHOLDER

MOBILITY COMPANY PARTNERS

CUSTOMERS

HOW WE CREATE VALUE

Mobility company partners: We provide our mobility company partners with professional and efficient routes to market for the post-factory automotive chain.

Customers: We provide access to automotive ownership and support services throughout the customer journey and aim to deliver the best experiences globally for customers in our industry.

INTERESTS

Mobility company partners:

- Strategy
- Long-term commercial sustainability and business viability
- Trusted partnerships
- Brand protection
- Health, safety, and environment (HSE)
- Environment, social, and governance (ESG)

Customers:

- Access to vehicle products and services
- World renowned automotive brands
- Specialist product and service knowledge
- Customer service
- Aftersales
- Safe facilities
- Tailored experiences both on- and offline
- Business viability (for long-term contracts, e.g. fleet management)

HOW WE ENGAGE

Mobility company partners:

Management

- Top-to-top relationship building with new partners acquired through mergers and acquisitions (M&A)
- Regular top-to-top executive management meetings
- Market level operational meetings
- Pan-market brand development

Board

- Major mobility company partner deep dive review annually
- Regular feedback from Group Chief Executive

Customers:

Management

- Reporting of customer and dealer satisfaction scores on reputation.com
- Best practices shared with dealer network
- Engaging regional teams with training on reputation.com to drive focus on performance
- Provide advice and knowledge to customers and dealer network

Board

- Update on the customer satisfaction analytics from reputation.com at each meeting

OUTCOMES

Mobility company partners:

- Three strategic acquisitions in the APAC region and 15 new distribution contract wins globally
- All new mobility partners acquired via acquisitions retained

Customers:

- Customer omni-channel platform is live in 42 markets with 15 mobility company partners (2022: 36 markets, 13 mobility company partners)
- Reputation.com: 98,000 total reviews across 1,070 locations in 2023 (2022: 84,400 reviews). 4.7/5 average rating from customers

New mobility partner expansion

BYD	CHANGAN	GWM
Singapore	Philippines	Indonesia

Reputation.com average rating

2021	2022	2023
4.7/5	4.7/5	4.7/5

Inchcape's success is dependent on the continued trust and support of all its stakeholders; strong relationships that allow us to work with our key stakeholders are therefore fundamental to the long-term success of the Group.

READ MORE by visiting www.inchcape.com

COLLEAGUES

We aim to enable every colleague to achieve their personal goals at each stage of the colleague journey; to recognise and develop talent; and to foster a socially conscious culture based on inclusion, empowerment, and optimised potential through learning.

- Strategy
- Inclusion & Diversity (I&D), reward, and training and development
- Strong approach to HSE – duty of care
- Company purpose and values
- Long-term commercial sustainability
- Security of employment stemming from business viability
- Responsible employer

Management

- Launch of updated Code of Conduct
- Colleague experience survey
- One Inchcape performance management framework
- Global and regional leadership and development programmes
- Colleague engagement forums

Board

- Colleague experience surveys and action plans
- Designated Non-Executive Director
- Annual Board site visit
- Regular updates to CSR Committee and an annual update to the Board

- Colleague experience event in Hong Kong facilitated by the designated Non-Executive Director
- Virtual Reward Forum held for Europe & Africa region
- 16,964 colleagues across 18 languages completed the inaugural annual Be Heard survey

Colleague survey participation

2019	2021	2023
79%	81%	88%

SHAREHOLDERS

Our objective is to deliver outstanding returns on long-term investment based on a sustainable platform for growth, disciplined approach to capital allocation, and cash returns through dividends and share buybacks.

- Strategy
- Company purpose and values
- Financial performance and strength of balance sheet
- Capital allocation
- Responsible Business/ESG
- Long-term commercial sustainability and business viability
- Key developments in the business and issues we are facing

Management

- Regular dialogue with institutional investors (roadshows and conferences)
- Investor webinars and financial results presentations
- Annual Report and Company website

Board

- Annual general meeting (AGM)
- Chairman's periodic one-to-one meetings
- Committee members interaction

- Held over 200 investor meetings during 2023
- Deep dive session on Derco with the CEO Americas during the 2023 half-year interim results
- Optimised the capital structure through issuing a new five year bond

Number of individual investors met

2023	c.370
2022	c.260

COMMUNITIES

We have a balanced approach to engagement with the communities in which we operate, empowering ownership at local level with structural support from the Group.

- Local employment
- HSE, including local environmental concerns, e.g. waste disposal
- Community activities, e.g. support of local charities
- Local road safety campaigns
- Responsible approach to local law and regulations

Management

- Market-specific activity co-ordinated at local level
- Group-level support for extraordinary events affecting our market communities

Board

- Updates on Places pillar of the Responsible Business framework at each CSR meeting and to the Board annually

- Strong levels of local community involvement including road safety campaigns and inclusive mobility
- 6,500 people enrolled across 88 inclusive, safe, and social mobility initiatives in 2023
- 40,000+ people positively affected

Number of inclusive, safe, and social mobility initiatives undertaken in 2023

88

(2022: 46)

STAKEHOLDER ENGAGEMENT IN 2023

	Stakeholders	Engagement	Matters raised	Subsequent feedback/engagement
Q1	Colleagues	• Inchcape Enabled webinar • International Women's Day	• Non-visible disabilities, communication, and language	• Accessibility Project rolled out in Australia and the United Kingdom, with audits complete across 118 sites
	Shareholders	• 2022 results presentation with Q&A • Investor roadshow and conferences	• 2022 performance and final dividend • Completion of the Derco acquisition and updated guidance	• Key areas of focus: the integration of Derco including potential cost and revenue synergies, working capital dynamics, and interest costs
Q2	Colleagues	• I&D e-learning roll out • Cultural Diversity Day • Pride Month • World Mental Health Day		• e-learning completed by c.8,800 colleagues
	Shareholders	• AGM held in May 2023 • Q1 trading update with Q&A • Investor conferences	• Trading update during the first quarter of 2023 • Update on Derco integration and progress on working capital	• Strong support for all resolutions at the AGM • Key areas of focus: Derco integration and working capital progress, regional performance, supply, demand and price dynamics, and updates on M&A progress
Q3	Colleagues	• Be Heard survey • Europe & Africa Reward Forum	• Communication of change, reward and benefits, career development, and wellbeing • Equal pay, I&D, and sustainability	• All leaders record top three actions to drive improvements for their teams in the dashboard. Regional and functional teams discussed results and developed action plans to tackle issues • Feedback on matters raised presented to the Board along with management plans to address specific issues
	Mobility partners	• Management meetings with Hino, Mazda, Subaru, Suzuki, and Toyota in Japan	• Global relationships, DAP/DXP, energy transition, consolidation, and future trends and industry challenges	• Regular top-to-top meetings scheduled throughout 2024
	Shareholders	• Interim results and presentation with Q&A • Investor roadshow and conferences	• 2023 interim performance and interim dividend • Update on progress of Derco integration • Strategic update including contract wins and acquisitions • Update to our FY 2023 outlook	• Key areas of focus: Derco working capital and integration progress, balance sheet position, and free cash flow performance. • Strategic progress, including M&A updates, contract win momentum, and the growing relationships with Chinese mobility company partners
	Various	• Materiality assessment	• Sustainable mobility, colleague health, safety and wellbeing, cybersecurity, and reduction of greenhouse gas emissions	• Matrix will support future considerations around sustainability issues and how to mitigate and capitalise key risks and opportunities
Q4	Colleagues	• Designated Non-Executive Director engagement session in Hong Kong	• I&D, approach to ESG, and role of regional business in electric vehicle transition	• Feedback on issues discussed presented to the Board with management action plans to address specific issues
	Mobility partners	• Meeting with Mercedes-Benz	• Sustainability in relation to retail and distribution networks	• Follow up meeting with sustainability experts to share learnings and best practice
	Shareholders	• Q3 trading update with Q&A • Investor roadshow	• Trading update on the third quarter of 2023 • Completion of three acquisitions in APAC • Capital Allocation Policy • Update on Derco cost synergies • Proposed appointment of new Chairman	• Key areas of focus: regional performance, and update on Derco working capital performance and integration progress • Progress on Accelerate strategy

SECTION 172(1) STATEMENT

The Directors have exercised their duties under the Companies Act 2006 throughout the year, including the duty to promote the success of the Company while having regard for the factors under Sections 172(1)(a) to (f). These and other factors are taken into consideration by the Directors when making decisions in their role as the Board of Inchcape plc.

How the Board considered stakeholders during the year

The Board is responsible for the long-term success of the Group and understands that operating across six continents can affect many stakeholders. The Board's understanding of stakeholder interests is at the heart of its responsibilities and stakeholder engagement takes place in a variety of ways and through various channels.

The considerations surrounding our key stakeholders including engagement methods, decision making, their importance to our operating model, together with the Board's oversight, are cross referenced in the table.

The Board also takes the opportunity to engage with stakeholders as appropriate. Pages 20 to 22 as well as the pages referenced in the table form part of this statement and provide examples of how key stakeholders have been engaged.

The importance of stakeholders

Our colleagues are crucial to the success of the Group, therefore a comprehensive engagement programme is in place to understand their view. Along with the communities, environment, and a strong ethical mind-set, they form the cornerstone of our Responsible Business framework.

Shareholders are the owners of the business and it is important to understand how they feel about performance, governance, and risk to ensure we meet their expectations.

Customers and suppliers are critical to the business model, and being aware of their interests helps us achieve our strategic goals and deliver the Accelerate strategy.

Section 172(1) matter	Impact
(a) Likely consequences of any decision in the long-term **Strategy** – pages 8 to 9 **TCFD** – pages 40 to 53 **Risk management** – pages 56 to 64 **Principal decisions** – page 76	When making decisions, the Board considers: what value will be created for shareholders; if appropriate resources are available; impact on current and future colleagues, customers, partners, and suppliers; the impacts these decisions will have on communities and the environment in which Inchcape operates; and the impact on the Group's reputation.
(b) Interests of colleagues **Chief Executive's review** – page 15 **Responsible Business** – pages 33 to 39 **Principal risks** – page 57 **Corporate Governance** – page 66 **Directors' Report** – pages 115 to 118	Members of the Board participate in workforce engagement sessions enabling two-way dialogue. For M&A transactions, a comprehensive change management plan is put in place including a series of townhalls to explain the process, an on-boarding programme, and providing an opportunity for colleagues to express their views.
(c) Fostering business relationships **Our business model** – page 4 **Chairman's welcome** – page 12 **Chief Executive's review** – page 15 **Principal risks** – page 57	Our mobility company partner relationships are of paramount importance to the achievement of the Accelerate strategy and the length of these relationships is testament to their strength. When considering acquisitions and new partnerships, the Board considers whether this will be a good strategic and cultural fit.
(d) Impact of operations on communities and the environment **Our business model** – pages 4 to 7 **Responsible Business** – pages 33 to 39 **TCFD** – pages 40 to 53 **NFSI statement** – pages 54 to 55	A materiality assessment was undertaken to improve our understanding of the sustainability priorities of our stakeholders. The Planet pillar assesses the impact the automotive industry has on the environment and the impact of climate change upon our business by focusing on understanding the Group's climate-related risks and opportunities and greenhouse gas emissions.
(e) High standards of business conduct **Chief Executive's review** – page 15 **NFSI statement** – pages 54 to 55 **Corporate Governance** – page 66 **Directors' Report** – pages 115 to 118	Maintaining a reputation for high standards of business conduct is taken into account by the Board when making material decisions, i.e. acquisitions, joint ventures, and remuneration outcomes. This can include due diligence findings, management and external advisor reports, and understanding local reputation.
(f) Act fairly as between shareholders **Shareholder engagement** – page 21 **Remuneration Report** – pages 92 to 114 **Directors' Report** – pages 115 to 118	Engagement is a key tool for taking into account the views of shareholders. Feedback received from investors provide valuable input. Before the Directors' Remuneration Policy was approved by shareholders at the 2023 AGM, the Remuneration Committee Chair and the Chairman carried out a consultation with shareholders seeking their views on the Company's position on remuneration.

Link to strategy

Remuneration – see pages 92 to 114 for performance measures

MEASURING PROGRESS

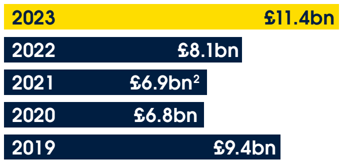
Key performance indicators (KPIs) provide insight into how the Board and Group Executive Team monitor the Group's strategic and financial performance, as well as directly linking to the key measures for Executive remuneration. KPIs are stated in actual rates of exchange and pages 200 to 202 provide definitions of KPIs and other alternative performance measures.

FINANCIAL KPIs

Revenue

£11.4bn

2022: £8.1bn



Definition
Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales-related taxes.

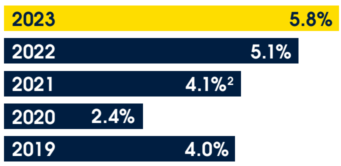
Why we measure
Top-line growth is a key financial measure of success.

2023 performance
The Group delivered £11.4bn of revenue, up 12% organically (excluding currency effects and net M&A) and up 41% reported versus prior year. This was driven by volume growth as supply continued to normalise, with some positive pricing impact, and contribution of M&A.

Adjusted operating margin[1]

5.8%

2022: 5.1%



Definition
Operating profit from continuing operations (before adjusting items) divided by sales.

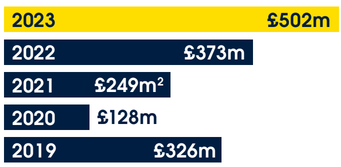
Why we measure
A key metric of operational efficiency, ensuring we are leveraging our scale to translate sales growth into profit.

2023 performance
Operating margin is 5.8%, up 70bps versus 2022. This is owing to organic topline growth, the contribution of M&A, Derco synergies and some operating leverage. One off items include a net benefit of property profit of £14m.

Profit before tax and adjusting items[1]

£502m

2022: £373m



Definition
Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged.

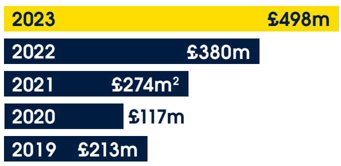
Why we measure
A key driver of delivering sustainable growth and growing earnings to shareholders.

2023 performance
In 2023 this increased 35% to £502m, reflecting the contribution from acquisitions, strong improvement in revenue and operating profit.

Free cash flow[1]

£498m

2022: £380m



Definition
Net cash flows from operating activities, before adjusting cash flows, less net capital expenditure and dividends paid to non-controlling interests.

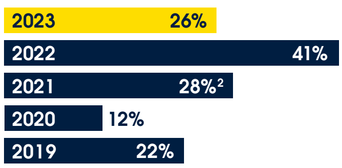
Why we measure
A key driver of the Group's ability to fund inorganic growth and to make distributions to shareholders.

2023 performance
The Group delivered free cash flow (FCF) of £498m, an increase of 31% on 2022 and representing a conversion of operating profit of 74%.

Return on capital employed[1]

26%

2022: 41%[3]



Definition
Operating profit (before adjusting items) divided by the average of opening and closing capital employed where capital employed is defined as net assets add net debt/less net funds.

Why we measure
Adjusted ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.

2023 performance
Adjusted ROCE for the period was 26%, compared to 41% in 2022, with the decrease driven by the dilutionary effect of acquisitions, and is aligned with our historic guidance of approximately 25%.

1. Alternative performance measure, see page 200. 2. Represented for Russia disposal. 3. Adjusted to remove capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during that year.

Link to strategy
- Distribution
- People
- Planet

We have a number of non-financial KPIs which align to our business model as part of our **Accelerate** strategy and '**Driving What Matters'** plan. Our focus on the customer whilst operating responsibly is at the heart of our business model. This is a fundamental to our strategy, and maps the way Inchcape creates sustainable value for all our stakeholders.

NON-FINANCIAL KPIs

BEVs sold

2.4%

2022: 2.5%

2023	2.4%
2022	2.5%

Definition
% volumes of battery electric vehicles (BEVs) sold*. BEVs are fully battery powered and run on electric power.

* Outputs of models and processed data are likely to be affected by the quality of underlying data which include a number of judgements and assumptions. 2022 restated based on refreshed data set

Why we measure
This has been a KPI since 2022. A core element of our strategy is the deployment of BEVs, which underpins our core business model and is fundamental to the long-term sustainability of the business.

2023 performance
We continue to make progress on the number of BEVs sold. In 2023, the overall percentage as a Group reduced given the acquisition of Derco had a dilutionary impact.

As part of our Responsible Business Plan, we will continue to see growth in this trend, particularly in our developed markets.

Reduction in scope 1 and 2 greenhouse gas emissions

31%

2023	31%

Definition
Aggregate scope 1 and 2 greenhouse gas emissions in 2023 vs 2019 baseline.*

Further information can be found in the Task Force on Climate-related Financial Disclosures on pages 40 to 53.

* 2019 figures have been restated to reflect relevant disposals, acquisitions, and data rectification.

Why we measure
This KPI was created in 2022. Reducing the emissions over which we have the greatest degree of control is a key sustainability priority for the Group. We have set targets for scopes 1 and 2 using Science Based Targets methodology with the aim of reducing our emissions by 46% by 2030 and achieving net zero by 2040.

2023 Performance
Scope 1 and 2 emissions were reduced by 21,000 tonnes measured on a market basis and by over 17,000 tonnes on a location basis against the 2019 revised baseline. Greenhouse gas emission (GHG) reductions is a strategic element of the Group Chief Executive's bonus – please see page 107 for further details.

Reputation.com Score

702

2022: 671

2023	702
2022	671
2021	642
2020	566
2019	522

Definition
A measure of the end customer experience in our dealerships (both distribution and retail), using Google Business Profile star ratings among other metrics. Score up to 1,000.

Why we measure
Customer reputation score is a measure we introduced in 2018 which provides a commercially relevant customer experience measure using Google Business Profile and monitors customer sentiment.

2023 Performance
Adoption of Reputation is at an all-time high and we see this through our continued performance increase in 2023. We have been focusing on improving our management of the platform, ensuring data accuracy, promoting positive, timely responses to our customers, with our focus on offering a high level of service in our dealerships around the world.

Women in Senior Leadership positions

28%

2022: 22%

2023	28%
2022	22%
2021	18%

Definition
Percentage of women in senior leadership, which includes the Group Executive Team and its direct reports.

Please see page 81 for more information, including a complete breakdown of the gender diversity within the Group.

Why we measure
We created a new KPI in 2022 to increase the proportion of women in senior positions from 18% to 30% by the end of 2025. The Women into Leadership programme also aims to target no less than 90% progression to a new role (at the same level or promoted) within 24 months of programme completion.

2023 Performance
We have made significant improvements in the percentage of women in senior leadership, increasing by 6% to 28% this year. Since the programme inception, eight cohorts of the Women into Leadership Programme have launched covering all geographic regions. Currently, over 100 women have completed the programme and we continue to track their progression. In 2024, we will launch a programme focused on junior female talent development to strengthen our pipeline of women into leadership roles.

A SOLID OPERATIONAL AND FINANCIAL PERFORMANCE

ADRIAN LEWIS
GROUP CHIEF FINANCIAL OFFICER

2023 was another excellent year for Inchcape, during which we delivered another strong set of financial results, coupled with excellent strategic progress, despite challenges in certain markets.

During the year, I was proud to have been formally appointed by the Board as Chief Financial Officer and it is a great honour and privilege to be part of the leadership of the Group at such an exciting time. Our business is the global market leader with a long track record of success across a diversified range of markets and I am confident that we have a very bright future, continuing to deliver value for all of our stakeholders.

Overview of 2023 performance
Supported by a normalisation of supply in many of our markets, we delivered a strong performance across each of our regions, with growth both organically and supported by acquisitions. This helped the Group to generate a record level of free cash flow, which enabled further strategic investments during the year and a continuation of value generation for shareholders.

Our businesses in APAC produced excellent momentum, with growth across the region, further accelerated by three acquisitions completed during the year.

Europe & Africa also performed well, supported by an improvement in supply, in comparison to a constrained 2022, leading to an unwinding of our order bank, against a backdrop of muted new consumer demand.

The Americas produced growth in many markets, with Derco delivering against all metrics, despite macro challenges in a number of markets. Despite these pressures, we continued to take market share across the region during the year.

Continued strategic progress

As Duncan highlighted on page 15, we made significant strategic progress during the year, with a record number of distribution deals. This helped us to build a foundation for a more diversified business, to drive on-going organic growth in the future.

The transformational acquisition of Derco, completed at the end of 2022, has seen the Group deliver record levels of financial performance and has helped to drive new revenue opportunities across the group.

During the year, Derco delivered margins in line with our expectations, despite the challenging backdrop in certain markets. In this context, I am particularly pleased with the progress we have made in normalising the excess inventory in Derco, which contributed to a positive working capital inflow during the year.

The integration programme is well on track, with cost synergies of £21m delivered during the year. We now expect to deliver at least £50m by the end of FY 2024, with one-off integration cash costs of £70m over 3 years, as we take more time to integrate physical facilities and systems.

Financial performance and balance sheet in 2023

The Group performed well against all financial metrics, including revenue, profit, and margins. In addition, we delivered a record level of free cash flow of £498m, a 74% conversion rate of adjusted operating profit, which is a testament to the fundamental qualities of our business model.

The Group's net debt position closed the year at £601m, with leverage at 0.8x, which remains below our internally-mandated limit of 1x. Over the medium term, we expect to continue to generate strong free cashflow which we will deploy in-line with our capital allocation policy.

HIGHLIGHTS

Revenue

£11.4bn

2022: £8.1bn

Free cash flow[1]

£498m

2022: £380m

Adjusted operating margin[1]

5.8%

2022: 5.1%

Return on capital employed[1]

26%

2022: 41%[2]

Profit before tax and adjusting items[1]

£502m

2022: £373m

Dividend per share

33.9p

2022: 28.8p

1. These measures are Alternative Performance Measures, see pages 200 to 202.
2. Adjusted to remove capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during that year.

During the year, our capital structure was further optimised to provide stability and certainty in the medium term, with 70% of our debt fixed and over 50% has a maturity of at least three years.

During the year, we successfully issued a £350m public bond and renewed our syndicated revolving credit facility, increasing it to £900m and extending its maturity to December 2028.

Driving value for shareholders

We remain committed to delivering value to shareholders through a capital allocation policy which has four key elements:

- to invest in the business to strongly position it for the future;
- to make dividend payments;
- to conduct value-accretive M&A; and
- in the absence of inorganic opportunities, to consider share buybacks, as appropriate.

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

Outlook

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

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

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

ADRIAN LEWIS
GROUP CHIEF FINANCIAL OFFICER

PERFORMANCE REVIEW

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

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

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

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

This profit performance more than offset the increase in **adjusted net interest expense** to £168m (2022: £38m). This increase is primarily due to the shift in the Group's capital structure from Net Cash to a Net Debt profile over the last 12 months, following the acquisition of Derco, and a higher interest rate environment.

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

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

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

In June 2023, the Group successfully issued a £350m public bond, with 6.5% coupon and a five-year maturity. The proceeds from the bond were used to re-finance the bridge facility put in place to fund the acquisition of Derco, the initial term for which was due to expire at the end of FY 2023. Additionally, in December 2023, the Group's syndicated revolving credit facility was renewed and increased to £900m, extending the maturity to December 2028.

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

Update on Derco – delivering against key metrics
We made further progress on the **integration** of Derco during the year, with all mobility company partner relationships maintained or extended, key personnel retained and the technology integration on track.

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

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

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

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

DISTRIBUTION

The Distribution segment reported revenue of £9.1bn increasing 55% year-on-year, with **all regions growing versus the prior year.**

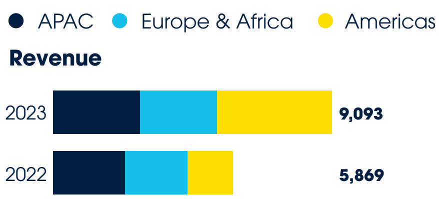
Distribution reported revenue of £9.1bn, increasing 55% year-on-year on a reported basis, reflecting the contribution of acquisition as well as organic growth, which was up 16%. The combination of an excellent revenue performance and margin expansion of 70bps drove adjusted operating profit[1] of £629m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

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

Europe & Africa revenue was up 23% year-on-year with adjusted operating profit[1] rising 47%, with elevated levels of adjusted operating margin at 5.2%. In Europe, accelerated supply and an order bank unwind helped to drive top-line growth and margin performance. During the year, there were particularly strong performances from Belux, Greece and Romania. The region's elevated order bank reduced during the course of 2023, and new consumer demand remains muted in a number of markets. Africa continues to be an exciting long-term growth prospect for the Group and has performed well, supported by a resilient aftermarket capability.

Americas revenue grew 153% year-on-year, driven by the contribution from Derco and organic growth of 7%. Adjusted operating profit[1] grew 138%, with adjusted operating margin of 7.0%. Despite challenges across the year in certain markets, and further slowdown in a number of markets in Q4 2023, we continued to gain market share and drive growth in many markets across the region, supported by the benefit of diversification. Our businesses in Peru, Bolivia, Uruguay, Ecuador, across Central America and in the Caribbean performed well during the year, with market share gains in a number of these markets. Industry volumes in Chile and Colombia were significantly reduced from the prior year but our businesses in those markets remain resilient, with strong market share. We remain confident about our prospects in the Americas over the medium to long-term, with our highly diversified geographic footprint and product portfolio, and supported by the region's high GDP growth and low motorisation rates.

DISTRIBUTION REGIONAL BREAKDOWN



Adjusted operating margin[1]

2023	2022
6.9%	6.2%

1. Operating profit and operating margin stated pre-adjusting items.

RETAIL

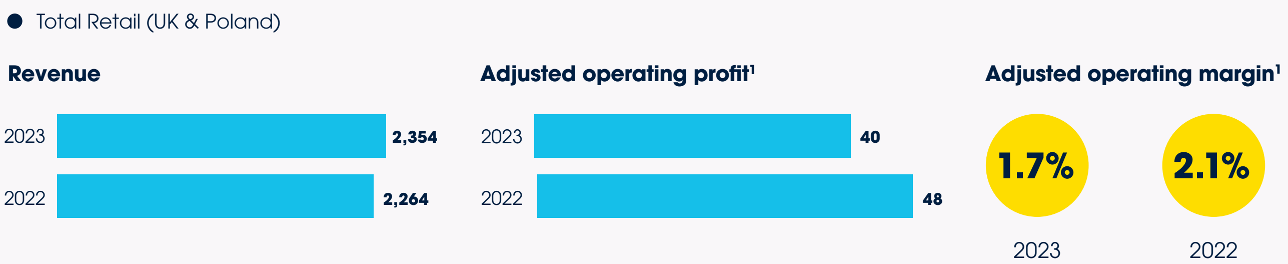
Our Retail segment includes the results of our UK and Poland franchise dealerships and our bravoauto business in these markets.

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

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

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

RETAIL PERFORMANCE



1. Operating profit and operating margin stated pre adjusting items.

OTHER FINANCIAL ITEMS

Adjusting items: In the year, we have reported a pre-tax charge of £89m (2022: £40m) in respect of adjusting items. This was primarily driven by acquisition and integration costs (£50m), the finance component of the deferred dividend payment (£10m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting relating to Ethiopia (£29m).

Net financing costs: Adjusted net finance costs increased to £168m (2022: £38m), primarily due to the shift in the Group's capital structure from Net Cash to a Net Debt profile over the last 12 months, following the acquisition of Derco, and a higher interest rate environment. Reported net finance costs were £207m (2022: £67m), as they included the finance component of the deferred dividend payment (£10m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting relating to Ethiopia (£29m).

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

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

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

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

Financing: As at 31 December 2023, the funding structure of the Group is comprised of a committed syndicated revolving credit facility of £900m (2022: £700m), sterling Private Placement Loan Notes totalling £210m (2022: £210m), a 5-year bond of £350m, at a fixed coupon of 6.5%, a term facility of £250m (2022: £250m) and debt remaining outstanding from acquisitions (including prior year acquisitions) of £80m (2022: £617m). As at 31 December 2023, £150m of the syndicated revolving credit facility was drawn (2022: undrawn). For our corporate debt, excluding our Revolving Credit Facility, around 70% is at fixed rates and over 50% has a maturity of at least 3 years. The Group remains well within its debt covenants.

Pensions: As at 31 December 2023, the IAS 19 net post-retirement surplus was £67m (2022: £93m), with the decrease driven largely by lower than expected returns on scheme assets and movements in corporate bond yields affecting the discount rate assumption used to determine the value of scheme liabilities. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes of £2m (2022: £3m). In addition, the Group acquired post-retirement liabilities of £11m as a result of the acquisitions in the year.

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

VALUE DRIVERS

We provide disclosure on the value drivers behind the Group's gross profit. This includes:

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

Vehicles

Aftersales

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

REGIONAL BUSINESS MODELS

DISTRIBUTION

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

Americas

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

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

APAC

Country	Brands
Brunei	Lexus, Toyota
Guam[2]	BMW, Chevrolet, Lexus, Toyota, Morrico heavy equipment[3]
Hong Kong	Hino, Jaguar, Land Rover, Lexus, Maxus, ORA, Toyota
Indonesia	Great Wall, Harley-Davidson, Jaguar, Land Rover, Mercedes-Benz
Macau	Hino, Jaguar, Land Rover, Lexus, ORA, Toyota
Saipan	Toyota, Lexus
Singapore	BYD commercial vehicles, Hino, Lexus, Suzuki, Toyota
Philippines	Changan, Harley Davidson, Jaguar, Land Rover, Mazda, Mercedes-Benz, Ram
Thailand	Jaguar, Land Rover, Tata Motors
Australia	Citroen, Peugeot, Subaru
New Zealand	Maxus, Subaru

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

Europe & Africa

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

RETAIL

Sale of New and Used Vehicles, together with associated Aftersales activities of service, body shop repairs and parts sales in the UK and Europe.

Country	Brands
Australia[4]	Isuzu Ute, Jeep, Kia, Mitsubishi, Volkswagen
Poland	BMW, BMW Motorrad, MINI
UK	Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI, Porsche, Smart, Toyota, Volkswagen

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

DRIVING WHAT MATTERS

Being a responsible business is reflective of our purpose and a fundamental part of our strategy, mapping the way Inchcape creates sustainable value for all our stakeholders.

Being a responsible business provides measurable benefits to society as a whole and to Inchcape: it makes Inchcape a more rewarding and safer place to work; it helps us recruit, engage, and retain the best talent; and it ensures we remain a trusted business to the mobility company partners with whom we work. All are fundamental to the successful delivery of our Accelerate strategy and to ensuring Inchcape's sustainability for the long-term.

For Inchcape, being a responsible business extends into other key areas of our operations where we seek to make a positive difference for our stakeholders:

- by improving inclusion and diversity in our businesses;
- by providing full accessibility for our customers;
- by ensuring the safety and supporting the health and wellbeing of our colleagues; and
- in supporting mobility and economic development in the communities in which we operate.

Being a responsible business is reflective of our purpose and a fundamental part of our strategy. To deliver this, our 'Driving What Matters' plan has been designed collaboratively with our markets, for ownership and delivery by our teams locally. The plan concentrates on our four pillars of Responsible Business – Planet, People, Places, and Practices.

Mindful of the need to reflect the different laws, regulations, and cultures where we operate, we have designed a global framework with workstream charters that local markets use to respond to what is important to meet the needs of their local stakeholders.

ENGAGING STAKEHOLDERS IN 4 STEPS

- STEP 1 — STAKEHOLDER EXPLORATION
- STEP 2 — STAKEHOLDER ANALYSIS & MAPPING
- STEP 3 — STAKEHOLDER COMMUNICATION STRATEGY
- STEP 4 — INSPECT AND ADAPT

MATERIALITY ASSESSMENT

Prioritising sustainability issues

In 2023, we undertook a materiality assessment in order to determine the sustainability issues that matter most to our business and stakeholders. As a global business, Inchcape impacts, and is impacted by, a wide range of potential environmental, social, and governance-related issues. Assessing, prioritising, and understanding our role in addressing these issues is important to the ongoing success of our business, and is essential to guiding our Responsible Business strategy.

The assessment allowed us to capture the views of our stakeholders, their expectations of us as an organisation, and how their requirements and concerns have evolved. The outcomes of the assessment will help ensure that we are taking action on issues most important to our business and stakeholders.

Our process

Conducted with the support of an external sustainability partner, we undertook a robust evaluation process in line with the standards of the Global Reporting Initiative (GRI). The GRI is a leading, internationally recognised framework that guides disclosures around the inward and outward impacts of an organisation that will become financially material over time.

We began by assessing sustainability standards, benchmarking against peer organisations, and researching current and emerging sustainability issues in order to create a shortlist of 14 key issues that are potentially material to our business. We then mapped these issues to the GRI and Sustainability Accounting Standards Board frameworks in order to align with best practice for reporting.

To build on and contextualise this work, we undertook an extensive programme of surveys and interviews with key internal and external stakeholders, in order to gather qualitative and quantitative insights on the importance of these topics to Inchcape's global colleagues and stakeholders. We included five key stakeholder groups in the materiality process, tailoring our approach to Inchcape senior leadership, colleagues, mobility company partners, investors, and industry bodies.

We asked survey respondents to give both absolute and relative importance, risk, and opportunity scores for key issues across our four Responsible Business pillars. We also asked qualitative questions about each stakeholder's perception of our current performance on each issue, as well as its strategic importance to our business.

We conducted 33 interviews with a representative sample of key stakeholders to contextualise and further review the findings of our survey. Additionally, we conducted focus groups with customers in Australia and Chile focusing on automotive sustainability, including perspectives on electric vehicles (EVs), which fed into our positioning.

Our materiality surveys received nearly 1,300 total responses, representing 34 countries in which we have a presence. After gathering and analysing all of our assessment data, we mapped the findings onto several matrices to inform decisions and action – most notably our double materiality matrix, presented below. Double materiality considers both inward and outward impacts on and of our business over time. We discussed and reviewed the findings in workshops with senior leaders from within the business and finalised the matrix with the Board and Group Executive Team.

We also built a prioritisation matrix, which mapped issues by their importance to our stakeholders and our ability to influence. This will support future considerations around which sustainability issues we prioritise through our Responsible Business strategy, and how we allocate time and resources. This matrix will also be used to inform how we mitigate or capitalise on our key risks and opportunities.

Our stakeholders

Inchcape engages with internal and external stakeholders to inform our Responsible Business framework. We engage with stakeholders both at a Group level and in our markets. The long-term success of the business and the effectiveness of our engagement on sustainability issues are dependent on the continued trust and support of all our stakeholders. Further information on stakeholder engagement can be found on pages 20 to 22.

The materiality assessment involved:

1,271
survey respondents

4
Inchcape regions

34
countries

33
interviews conducted

Results: Materiality Matrix

People

1 Wellbeing, health, and safety
6 Learning and development
12 Inclusion, diversity, and equity

Places

2 Direct community impact
4 Road safety
9 Shared value systems
14 Indirect community impact

Practices

3 Cybersecurity
7 Responsible governance
8 Partners' ESG performance

Planet

5 Sustainable mobility
10 Circularity
11 GHG emissions (direct)
13 GHG emissions (indirect)

PEOPLE

Our colleagues are at the heart of the People pillar of our 'Driving What Matters' plan, which aims to ensure we have a safe operating environment with an inclusive and diverse culture as well as the best talent and skills to deliver our future success. The People pillar encompasses the three main themes: Inclusion & Diversity; safety, health, and wellbeing; and talent & skills.

A breakdown of the Group's gender diversity can be found on page 81

650+ leaders engaged in the Inclusive Leadership Programme

118 sites completed the Accessibility Analysis

8 cohorts of the Women into Leadership Programme

808 colleagues on an Early Careers Programme

Inclusion & Diversity (I&D)

In our ongoing commitment to I&D, our Inclusive Leadership Programme has successfully engaged over 650 colleagues globally since 2021, which includes all senior leaders. Plans are underway for the next phase of the programme with our senior leaders which will involve a practical learning session focused on navigating non-inclusive behaviour and an action planning session to create their I&D plans for 2024 and beyond.

In 2023, we globally launched our first I&D e-learning module, which has been completed by c.8,800 colleagues, with implementation ongoing into 2024. Additionally, an Inclusive Hiring Training Programme was created, with pilot workshops involving 100+ colleagues and managers across all regions laying the foundation for a global rollout in 2024.

Our disability inclusion group, Inchcape Enabled, hosted impactful webinars with 4,000 participants and rolled out the Accessibility Project across Australia and the United Kingdom, completing audits at all 118 sites. The project aims to understand and review the experience for colleagues and customers with disabilities across our sites. Recommendations for site accessibility are being formulated for 2024, with further audits planned in additional markets.

Safety, health, and wellbeing

We have prioritised colleagues' safety, health, and wellbeing by establishing global minimum standards, encompassing our colleague assistance programme, flexible working, life insurance, and parental leave. These standards, alongside health and wellbeing roadmaps, are being rolled out across markets to cater to the diverse needs of our communities.

The launch of the health and safety culture survey in 2024 is a proactive measure to continue cultivating a workplace culture and collective sense of responsibility for everyone's safety and wellbeing. The findings will provide valuable insights and improvements to enhance existing protocols, ensuring continuous improvement in our overall health and safety practices.

Talent & skills

We are tracking and refocusing our Early Careers Programmes to align with future strategic skills. Currently 808 colleagues are on an Early Careers Programme and the structured feedback process we are introducing will enhance their experience and amplify their voices.

Through the launch of eight cohorts of the Women into Leadership Programme since 2021, we have had over 100 female colleagues at Inchcape graduate from the programme and we continue to track their progression in the business. Our Non-Executive Directors and senior leaders of all genders have actively contributed as speakers, providing invaluable personal insights and mentorship within this transformative initiative.

Feedback from the Women into Leadership Programme participants demonstrates how important this development is for early on in women's careers. Therefore, we are in the process of building the Aspire Women Programme focused on the careers of our junior female talent.

DRIVING BRILLIANT COLLEAGUE ENGAGEMENT

Be Heard 2023 colleague experience survey

Be Heard

In 2023, Inchcape launched its new global colleague experience survey – Be Heard.

The survey approach was developed on an industry-leading platform and methodology. Members of the global People team collaboratively designed it to measure colleague views and sentiment, as well as support the behaviours needed to deliver our Accelerate strategy.

Over 16,000 colleagues completed the survey, including the colleagues who joined the business in January 2023 from the Derco acquisition.

Across the business, the results have been shared and discussed openly and teams are now focused on the development and delivery of action plans. These plans, designed by leaders in partnership with colleagues, prioritise the actions needed to enhance colleague experience and support better business performance.

The survey will run annually from 2023 onwards.

Global areas of focus:

- **Our strengths**
  Strong levels of engagement and high levels of advocacy and confidence in the future. Core elements of Inclusion are at high performing levels.
- **Our areas of development**
  Enhancing communication of change, build understanding of reward and benefits, and improve line manager capabilities around career development and wellbeing.

Be Heard 2023 in numbers

88%
of colleagues completed the survey

72%
of colleagues intend to stay for three years or more

89%
would recommend Inchcape products or services to people they know

82%
Inclusion score – a standout strength and industry-leading performance

81%
would recommend Inchcape as a place to work

3%
above external benchmarks for confidence in senior leadership to make the right decisions for Inchcape

PLACES

At Inchcape we want to make a positive contribution to our communities. The Places pillar focuses on improving mobility and quality of life in the communities in which we operate by working in three areas: Safe Mobility, Inclusive Mobility, and Social Mobility.

88
initiatives across Safe Mobility, Inclusive Mobility, and Social Mobility

6,500+
colleagues enrolled in supporting Places initiatives locally

40,000+
members of our communities positively impacted through educational programmes, volunteering, and donations

Safe Mobility

We have implemented 21 safe mobility initiatives across all regions, collaborating with our brand partners and collectively influencing thousands of lives within our communities. These range from toolkits on safe driving in poor conditions in the UK, rolling out safety mobility training across Europe & Africa, promotion of safe driving online in the Americas, and safe driving pledges in APAC.

Inclusive Mobility

We proudly support and sponsor initiatives across various markets, aimed at enhancing physical mobility and fostering better access for individuals living with disabilities. In our Americas region, our prosthetics programme has not only supported our environmental efforts but has also resulted in tangible benefits for our local communities. Through these innovative recycling practices, we have repurposed materials to provide 156 prosthetic donations to members of the community with disabilities, offering them a renewed sense of independence and inclusivity. Accessibility audits were also completed across all of our Australia and United Kingdom sites.

Social Mobility

We have undertaken more than 20 initiatives globally, fostering partnerships with educational institutions, collaborating with local industries to uplift underprivileged and underrepresented groups, and actively participating in recycling projects across vulnerable communities. Our collective projects have reached over 40,000 members of the community and further increases social inclusivity and the promotion of upward mobility for all.

PRACTICES

As a global business we have huge opportunities, but also a great sense of our responsibilities. Being an ethical organisation depends on everyone, and at Inchcape we will continue to update and strengthen our practices to ensure our colleagues always do what is right.

95%
completion of Code of Conduct training by colleagues

25
policy summaries contained within the launched Global Policy Statement Handbook

Success
in integration & onboarding

Code of Conduct

Training for our Code of Conduct has seen good progress, with 95% completion achieved. In 2023, we reviewed and updated our Code of Conduct to include additional guidance on our Planet commitments and outline our evolved responsibilities in addressing climate change and energy efficiency management to ensure we can meet our climate change targets. The updated Code of Conduct was cascaded to all colleagues.

Global Policy Statement Handbook

We launched our Global Policy Statement Handbook which provides the highest standards of governance to help strengthen the decisions we make and so that our colleagues, mobility company partners, customers, shareholders, suppliers, and communities in which we operate are clear on our values and how they underpin the company we want to be. The handbook provides summary statements of all our global policies, training requirements, and where to go for more information.

Integration and onboarding

The success of our integration and onboarding processes for our newly acquired businesses and joint ventures reflects our collaborative and inclusive culture at Inchcape. Our approach empowers our new colleagues to excel in their roles from the beginning. It incorporates activities on our One Inchcape Values and Behaviours, Q&A sessions with senior leaders, tailored training modules, and opportunities for personal development. This includes fundamental learning on our Code of Conduct and Speak Up processes, maintaining the highest standards, and ensuring alignment with our ethical principles across the business.

PLANET

Understanding the impact our industry has upon the environment and also the likely impact of climate change upon our business means that we can be well prepared for the future challenges. Our journey to become the lowest carbon route to market is underway supported in three areas: understanding, reporting and acting upon climate-related risks and opportunities; reducing our scope 1 and 2 emissions; and, addressing our value chain emissions.

Further information on pages 40 to 53

32%
sites covered by renewable tariffs

21,000
CO_2 tonnes reduced against 2019 revised baseline on a market-basis

22%
of vehicles sold are new energy vehicles

Understanding, reporting, and acting upon climate change risks and opportunities

We undertake Group-wide exercises to understand our climate change risks and opportunities. This includes hotspot analysis in each market, which helps determine direction on where to focus efforts as regions develop costed five-year plans. Quantifying the potential impacts of the most important risks are then incorporated into the Group's financial planning.

Scope 1 and 2 emissions

We have set science-based targets for scope one and two emissions with the aim of halving emissions by 2030 and achieving net zero by 2040. The key programmes to achieve this include reducing energy usage, electrification of new sites, onsite generation of solar panels, and switching to green tariffs at the first opportunity. Toolkits and training are provided to markets, including on energy management and sub-metering guidance.

Addressing our value chain emissions

The Group has mapped its value chain emissions which provides the baseline to address scope 3 emissions, using the Group's influence, where possible, to help to reduce them. The Group continues to work on identifying the routes to market where Inchcape really has control over emissions and has a realistic chance of making meaningful reductions.

OUR APPROACH TO CLIMATE CHANGE

The automotive sector is a significant contributor to global greenhouse gas emissions. Man-made climate change, and the actions that societies and policy makers are taking to seek to minimise its effects, will have material impacts upon our business. We incorporate consideration of those impacts into the development of our strategy and into our risk analysis. We set relevant and appropriate metrics and targets and operate within a robust governance framework.

The climate-related financial disclosures made by Inchcape plc comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

This year, our disclosure is consistent with the TCFD recommendations except for the disclosure of an Internal Carbon Price (ICP), which we explain in the metrics and targets section on page 52. We have also not quantified the potential financial impact for Risk 4 and Opportunities 1 and 2 in this disclosure because the data is not yet sufficiently robust. We have therefore concluded that such analysis would not lead to better informed decision making at this stage, but we expect to build on these strong foundations in future disclosures.

TCFD Index

TCFD Disclosure	Description of progress	Page reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 41 to 42 ✔
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Page 43 to 44 ✔
Risk Management	a) Describe the organisation's process for identifying and assessing climate risk. b) Describe the organisations processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 44 to 49 ✔
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose scope 1, 2, and, if appropriate, scope 3 greenhouse gas emissions and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 50 to 52 ✔

Aligned

✔ aligned ⁄ partially aligned ✘ unaligned

GOVERNANCE

a) Board's oversight of climate-related risks and opportunities

Inchcape considers climate change to be a critical strategic issue and it is considered by the Board during its discussions on strategy, risk management, remuneration, financial performance, and ESG matters. The Board is also responsible for approving and monitoring strategic programmes and expenditure. Further information on the Board's consideration of climate change in relation to strategy is given on page 43.

At the beginning of the year the Board considered the work undertaken to quantify the Group's principal climate-related risks and opportunities (CROs) and the Group's scope 3 emissions including the degree of control that the Company has over those emissions. The Board followed a three-step approach to assess the potential to set scope 3 emissions targets. The Board considered the level of control the Company has in relation to different scope 3 categories and the assessment of emissions trajectories to 2030 under different scenarios. The Board determined that the Company would not be able to set emissions targets in line with the requirements of the Science Based Targets Initiative that it would have a realistic prospect of being able to achieve. Recognising, however, the need to address its scope 3 emissions, the Board undertook to:

- do everything in our control to reduce scope 3 emissions, at the fastest pace possible;
- take into account scope 3 emissions in the context of its choices about mobility company partners and portfolio considerations; and
- support customers, teams, and mobility company partners in the transition.

Whilst the Board has responsibility for overseeing strategic climate-related matters, other climate-related matters, such as reviewing progress against climate-related reduction targets, are delegated to other Board and management committees.

The CSR Committee is responsible for ensuring the 'Driving What Matters' plan (Plan) is fit for purpose and appropriate metrics and targets are in place and reported upon. The Plan consists of four pillars: People, Places, Practices and Planet. It is the Planet pillar that has responsibility for considering the impact the industry has on the environment, and the likely impact of climate change upon the business. The Planet pillar remit includes:

- understanding, reporting, and acting upon climate change risks and opportunities;
- reducing the Group's controllable emissions; and
- defining our approach towards value chain emissions.

The CSR Committee meets three times a year and reviews progress of the Planet pillar against its action plans and emissions reduction targets. Further information on the activities of the CSR Committee are given on pages 90 and 91, and the Planet pillar is given on page 39.

The Audit Committee is responsible for reviewing the Group's principal and emerging risks, including those impacted by climate change and provides advice to the Board to enable it to carry out its annual review of the Group's risk profile. The Audit Committee also considers the impact of climate change when assessing significant accounting judgements and the ongoing viability of the Group. The Audit Committee meets four times a year, with risks being considered at every meeting and significant accounting judgements considered twice a year. Further information on the activities of the Audit Committee is given on pages 82 to 89.

The Remuneration Committee has responsibility for considering the inclusion of climate-related metrics in the Group's incentive plans. Scope 1 and 2 emissions reduction targets were included in the 2023 bonus plan for the Group Chief Executive (CEO), and the Committee reviewed progress against targets when approving outcomes for the year. Further information is given in the Directors' Report on Remuneration on pages 107.

b) Management's role in assessing and managing climate-related risks and opportunities

The Group Executive Team (GET) has primary responsibility for assessing and monitoring climate related risks and opportunities as part of the:

- development, and implementation of the Accelerate Strategy; and
- implementation of the Group's enterprise risk management (ERM) framework.

In developing the Accelerate strategy, the OEM Pipeline Committee considers entering into relationships with new mobility company partners taking into account the risk of misalignment between our product portfolio in a given market and the pace of EV adoption in that market.

Detailed ERM plans to mitigate short-term climate-related risks are developed by each region with approval and oversight on progress by the GET. In addition, the members of the GET are responsible for identifying and managing risks in their own business areas and the GET as a whole determines the Group's principal risks at both the half year and year end following a comprehensive risk management review process.

Regional scope 1 and 2 emissions reduction plans are regularly assessed by the CEO, Group Chief Financial Officer (CFO), and Chief Sustainability Officer, while the Investment Committee approves any material capital expenditure required to help to achieve the targets.

The Sustainability Reporting and Disclosure Committee (formerly the TCFD Working Group) consists of the CFO, Group General Counsel & Chief Sustainability Officer, Chief Strategy Officer, Head of Internal Audit, and Group Company Secretary. The Group meets quarterly to monitor the main climate-related risks and opportunities, in the context of strategy, governance and financial performance. Functional leaders from Finance, Legal, Strategy, Risk, and the Planet pillar, monitor:

- GHG emissions – progress against scope 1 and 2 reduction targets, and assessment of scope 3 footprint;
- impact on impairment;
- existing and emerging climate-related regulatory requirements;
- integration of climate-related risks into ERM framework; and
- implementation of policies, tools, and best practices throughout the Group.

Please see the Governance Framework on page 42 for further information

GOVERNANCE FRAMEWORK

THE BOARD

The Board has ultimate responsibility for overseeing strategic climate-related matters and oversight of the Group's strategy, which includes consideration of climate-related risks and opportunities and the impact on the long-term sustainable success of the Group.

The Board's responsibilities include:

- Overseeing the Group's strategy.
- Ensuring maintenance of effective risk management and internal control system, including approval of the Group's Principal Risks.
- Approving risk appetite and risk policy.
- Approving the Group's emissions reduction targets for scopes 1 and 2, considering scope 3 emissions, and the implications on strategy.
- Approving TCFD disclosure and other sustainability related disclosures.

CSR COMMITTEE

- Oversight of the Planet pillar of the Responsible Business framework.
- Agrees emission reduction targets and monitors progress against plans for each region.
- Reviews TCFD disclosure.

AUDIT COMMITTEE

- Oversight of risks management and internal control frameworks, including CROs.
- Ensures CROs are effectively managed, and emerging climate risks are identified and monitored.
- Reviews impact of CROs on significant accounting judgements such as impairment.

REMUNERATION COMMITTEE

- Ensures alignment of the Group's remuneration policies and procedures to achieve sustainability related goals.
- Reviews and approves level of emissions reduction targets in CEO and CFO bonuses.
- Consideration of climate-related target for long-term incentives schemes.

GROUP EXECUTIVE COMMITTEE

Responsibilities include:

- Design of strategy – considering strategic choices through a climate change lens.
- Implementation of risk management framework – related oversight of how climate-related risks are being continually assessed at regional level.
- Financial performance – impact of climate on future cash flows and impairment.
- Business development – assessment of current and future mobility partners, and market infrastructure.
- Customers – consideration of changing consumer preferences in relation to new energy vehicles (NEVs).

SUSTAINABILITY REPORTING AND DISCLOSURE COMMITTEE

(previously TCFD working group)

- Engage with functional teams in developing KPIs, risk assessment and management, data collection, and climate-related disclosures.
- Led the quantification of the CROs and oversees an annual review to ensure the assessments remain appropriate.

OEM PIPELINE COMMITTEE

- The committee consists of all members of the GET.
- Considers new mobility partners and business development, taking into account misalignment risk analysis and mitigations against this.

INVESTMENT COMMITTEE

- The committee consists of the Group Chief Executive, Group Chief Financial Officer, and the Group General Counsel and Chief Sustainability Officer.
- Approves capital expenditure in relation to climate-related projects, such as the purchase of solar panels.
- Reviews energy efficiency designs of new sites and refurbishments.

FINANCE

- The Group-wide emissions reporting framework.
- Consideration of the financial impact of climate change on impairment assessment.

STRATEGY

- Monitor changing EV environment in terms of mobility partners, customers, and infrastructure in the markets in which the Group operates.

RISK

- Integration of CROs into the Group's ERM framework.
- Monitor and escalate principal and emerging climate risks.

LEGAL

- Review existing & emerging regulatory requirements.
- Consideration of mobility company partners approach to climate-change risks and opportunities.

SUSTAINABILITY

- Review progress against scope 1 and 2 targets for each region.
- Monitoring the implementation of policies, tools, and best practice.

STRATEGY

a) Climate-related risks and opportunities over the short, medium, and long term

The impacts of man-made climate change are material and are being felt today by the customers and communities that we serve. Those impacts will only grow over time. The automotive sector recognises this and is on a journey to decarbonise. This journey will bring risks and opportunities for our business; consideration of those risks and opportunities is therefore an integral part of the process to define and execute our strategy.

Transition and physical risks can manifest over different time horizons. We have evaluated the implications of climate risks and opportunities over the following time periods:

- Short term (up to 2026): a three-year period aligns with our viability assessment and incorporates the actions needed to achieve our short-term targets;
- Medium term (up to 2030): this time period aligns with our interim climate-related targets; and
- Long-term (2030 to 2050): this time period aligns with our long-term climate-related targets.

To identify our climate-related risks, we have looked at transition and physical risks. Transition risks are risks associated with changes to the way markets operate that may result from regulation or consumer habits as we transition to a low carbon economy. Physical risks are the exposure of our assets or value chain to physical hazards caused by the effects of climate change.

Transition risks bring the most material climate-related impacts to our business. We identify these risks and opportunities through:

- regulatory horizon scanning. Senior leadership and their teams are accountable for identifying regulatory risk and incorporating these into the existing risk register; and
- assessment of key external forces such as market, technology, and political and social trends that could affect the business or our reputation. Our Strategy team specifically recognises climate change as an external force linked to market and technology risks.

Our exposure to physical risk is identified and monitored through our scenario analysis. We assess the impact of six different acute hazards against our assets out to 2050. We screen our sites for insured value, stock value and exposure to physical hazards using climate models.

b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

The most material climate-related risks to the Group's business, strategy, and financial planning are given in the table on page 48. Impacts include loss of market share in the markets in which we operate, reduction in aftersales revenue, pressure on distributor margins and financial loss due to damage caused by extreme weather events.

To reduce the potential impacts of climate risks and take advantage of opportunities, the Board considers:

- the misalignment risk analysis is used to inform mobility partner participation and consolidation strategy;
- new aftersales revenue streams to develop aftersales strategy;
- identification and development of alternative value pools to offset margin risk; and
- incorporation of transition and physical risk considerations in acquisitions and future growth plans.

During the Strategy Day in May, the Board carried out a deep dive into the following areas in addition to its broader discussion on strategy:

Powertrain	Impact of BEV adoption on global emissions Alternative EV powertrains Regional EV adoption EV batteries
Market	Regulation Impact of subsidies EV adoption forecasts
Mobility company partners	Mobility company partner landscape Mobility company partner commitments
Key risk	Misalignment

The Board also considered portfolio choices in the context of climate change which considers the Group's participation strategy through the lens of sustainability and guiding principles on businesses we own today and businesses that we may acquire in the future.

This has led to a considered approach to M&A as evidenced by the recent acquisition of Great Lake Motor Distributors (GLM) in New Zealand. The New Zealand automotive market is going through a dramatic shift away from internal combustion engine (ICE) vehicles towards electric vehicles (EVs), driven by Government legislation and supported by a strong charging network and consumer appetite. The Group's mobility company partner in the market prior to the acquisition of GLM consisted of an ICE product line-up only with EV models not likely to be available for some time.

The acquisition of GLM gives the business access to commercial battery electric vehicle (BEV) product in a market where EV penetration is increasing at pace. The addition of LDV (MAXUS, the commercial arm of SAIC) and SsangYong strengthens Inchcape's product portfolio across several key segments, including electric vehicles, light commercial vehicles, and SUVs, ensuring Inchcape is poised to offer mobility solutions to meet the full range of customer requirements in New Zealand.

The Board and the Group Executive Team review climate change factors that could impact the business plan in the short, medium, and long term, and the scenario analysis around the potential impacts of climate change, such as expectation of the pace of change, and how transition to BEVs will impact the operations carrying out servicing or repairs. Key steps undertaken in financial planning is to ensure that the base case forward cashflow assumptions remain appropriate in light of the scenario analysis and to ensure that the sensitivity analysis performed covers all the reasonably probable outcomes identified through the scenario analysis. Further information is given in the Financial Statements on pages 165 to 166.

c) Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In order to limit global warming to less than 2°C above pre-industrialised levels, there would need to be an acceleration in the energy transition, including faster adoption of battery electric vehicles (BEVs). Our mobility company partners are developing their BEV offerings at pace and we play an important role in helping them to understand the speed and characteristics of the transition in the markets in which we operate. This ensures we have a resilient strategy by ensuring that we have the right product available for our customers at the right time and in the right place.

Chinese mobility partners are likely to play an increasingly important role in the global automotive market, not least as a result of their leading position in BEV technology. We are continuing to develop our relationships with Chinese mobility company partners, in particular those that have a strong BEV offering. This includes BYD, SAIC, Changan, and Great Wall Motors.

As a result of our approach, breadth of mobility partner relationships and flexible business model, we believe that we have a high degree of resilience to a range of different climate-related scenarios and are well placed to respond to the risks and take advantage of the opportunities.

RISK MANAGEMENT

Further information on identifying and managing risks can be found in Risk management section on pages 56 to 63.

a) Describe the process for identifying and assessing climate risk

On a quarterly basis our risk management team holds a risk review with each market to understand their risks, monitor movements and determine if risks are pervasive across markets, which may require aggregation of risk impacts. We then overlay how climate change will affect the risk. Our risk thresholds are defined by geography (market, region, and Group) or strategic importance (project, programme, and portfolio). Risks are categorised dependent on their impact, considering more than just financial risk and each criteria overlaps so risks are escalated/demoted accordingly. The Group defines risk appetites as risk-averse, risk tolerant and risk seeking. The appetite for each specific risk is decided by the Group.

b) Describe the process for managing climate-related risks

Our organisation manages and monitors climate related risks and opportunities (CROs) through both a top-down and bottom-up process. For each risk, our markets consider the impact and risk appetite to determine the target risk level. To monitor and manage risks, each risk is assigned to a risk owner and action owners. This risk owner is accountable for the risk and holds action owners to account for progressing action that move the risk to its target level.

c) Describe how processes for identifying and managing climate-related risks are integrated into overall risk management

During the year, all markets and regions provided more detail on the specific climate-related risks and opportunities in their market (the CRO assessments), which were then added to the risk register to be monitored. Consideration was given to the factors which may influence the level of EV transition risk in each market. These factors include government legislation, market EV infrastructure, mobility company partner ambitions, and the level of competition. Additional information was provided in 'timing' to indicate the earliest year when the risk might materialise.

The CRO assessments identified the key risks as EV transition; freight costs; tax and regulatory change and extreme weather as main (downside) risks. The key opportunities are favourable tax incentives and regulation; new mobility partnerships; new revenue streams and energy efficiency.

The Market and Regional Risk Committees used the outputs from the CRO assessments to develop mitigation action plans, which included more explicit incorporation of an assessment of carbon tax risk. The CRO assessments will be updated in 2024, ensuring close alignment of business risk analysis with strategy-setting, GET action-planning, and external scenario analysis. Outputs from CRO assessments will also provide inputs to strategic planning activity.

The key CROs are linked to several of our principal risks:

- EV transition – remains a moderate risk to the Group as we continue to seek alignment between supply of EVs and changing market conditions (Principal Risk B – page 58;
- HSE – physical risks – extreme weather events, wildfires, typhoons, flood (Principal Risk E – page 59); and
- Business interruption – our ability to recover (page 60).

In addition, several emerging climate-related risks have been identified and are monitored on the watchlist.

Risk title	Definition
Climate activism	Impact of climate activism such as potential litigation, protests, or digital disruption.
Climate reporting	Increasing demands of external regulation relating to CO_2 reduction targets and other aspects of climate change.
EV: battery supply shortage	Shortage of rare earth materials disrupts the supply of EV batteries, leading to a shortage of available EV vehicles.
Government action to reduce car ownership	Government legislation discouraging car ownerships/use.
Extreme weather – property damage	Increased frequency and intensity of property damage and business interruption arising from flooding, wildfires, and hailstorms.

RISK IDENTIFICATION AND ASSESSMENT PROCESS

192 POTENTIAL CROS IDENTIFIED

10 CROS CONTINUED

5 CROS SHORTLISTED

In 2021 we undertook a full value chain analysis at a business unit level and from 2022 all markets complete a risk questionnaire every six months, which considers new legislation, mobility company partner ambitions, competitor capabilities, and the market EV status.

Key exposures were reviewed and assessed by conducting workshops and interviews with a range of stakeholders across strategy, finance and risk management.

Using the outputs of our assessment we reviewed the long list of CROs to develop a short list of key CROs for the business. Each risk and opportunity is qualitatively rated for likelihood, velocity, and potential impact (see below).

In 2022, we carried out a quantified scenario analysis on the key CROs identified. This process concluded that some CROs have a low financial impact and others can be combined with adjacent risks.

COMPARATIVE IMPORTANCE OF RISKS

Likelihood
To assess the likelihood of a CRO, we considered the alignment between the outcome under a 1.5°C scenario, 4°C scenario and an intermediate scenario in which temperatures are more likely than not to exceed 2°C. Each risk is then categorised as very high, high, medium, or low.

Velocity
Our assessment at the time in which the exposure to each CRO is expected. The purpose of this measure is to assess how fast external pressures are changing. Velocity was assessed across the defined short, medium, and long-term horizons.

Potential impact
The potential impact was determined which qualitatively categorised CROs and considered technology trends, supply/demand projections, impact to revenue and impact to our cost base.

RISK ASSESSMENT APPROACH

SCENARIOS	**CLIMATE CHANGE SCENARIOS**		
CROs: CLIMATE RISK & OPPORTUNITIES	**TRANSITION RISKS** Tax, legal, regulatory, EV market transition, supply chain, reputational risks.	**PHYSICAL RISKS** Flooding, heat, cyclones, wildfire, rising sea levels, drought.	**OPPORTUNITIES** New markets, products, services, income streams, lower operating costs, access to finance.
ASSESSMENT METHOD	Integrated into **existing enterprise risk management assessments.** Supplementary analysis for EV transition risks (supply & demand).	Centralised, **natural catastrophe modelling** using property values and insurance data at Group.	Evaluate opportunities: use risk register criteria or existing investment appraisal procedures.

SCENARIO ANALYSIS

Climate scenario analysis was carried out in 2022 to help us understand the potential financial impacts to our business, in its current state, from our short-listed CROs under two scenarios.

Our 1.5°C scenario is characterised by accelerated intervention and is used to assess our exposure to higher impacts from a transition to a low carbon economy. Our 4°C scenario assumes greater impacts from physical risks. Combining the outputs of both will inform the key areas where our response must focus. Please see the below table which outlines our scenario assumptions.

SCENARIOS			
IPCC RCP 2.6	**IEA NZE**	**NGFS NET ZERO**	**IPCC RCP 8.5**
1.5°C aligned • Higher transition risk • Lower physical risks • Strong government intervention	**1.5°C aligned** • Additionally to RCP 2.6, includes a granular accelerated EV transition	**1.5°C aligned** • Additionally to RCP 2.6, includes disorderly and orderly carbon price assumptions	**4°C aligned** • Low government intervention • BAU emission increases • Lower transition risks • Higher physical risks

Key: IEA NZE: International Energy Agency Net Zero, NGFS Net Zero: Network for greening the financial system, IPCC: Intergovernmental Panel on Climate Change
RPC: Representative Concentration Pathway

Representative Concentration Pathways (RCP) were chosen because they are defined emissions pathways which can be input into global climate models to derive the physical climate futures. The IEA NZE scenario was selected due to the additional detail specific to the transport sector. This granularity is critical because the transition from ICE to EVs is significant to our business. The NGFS Net Zero scenario was used to assess our exposure to carbon taxes because it includes regional carbon prices which vary significantly across our markets. It enables comparison between orderly and disorderly scenarios using the same sources, and there is transparency over the key policy changes that drive modelling assumptions. Further details of the NGFS Net Zero scenarios are publicly available.

Scope of analysis

Transition risks

To scope markets for our analysis we set a financial threshold for coverage. We included the markets with a significant contribution to our operating profit until we had coverage which was >70% of overall operating profit. This helped us filter markets and compare the relativity of these financial impacts.

CROs were assessed at either:

- a market-level and aggregated up to determine the financial exposure; or
- due to data constraints, we assessed the risk exposure at a global level.

We are taking steps to enable detailed quantification in future reporting.

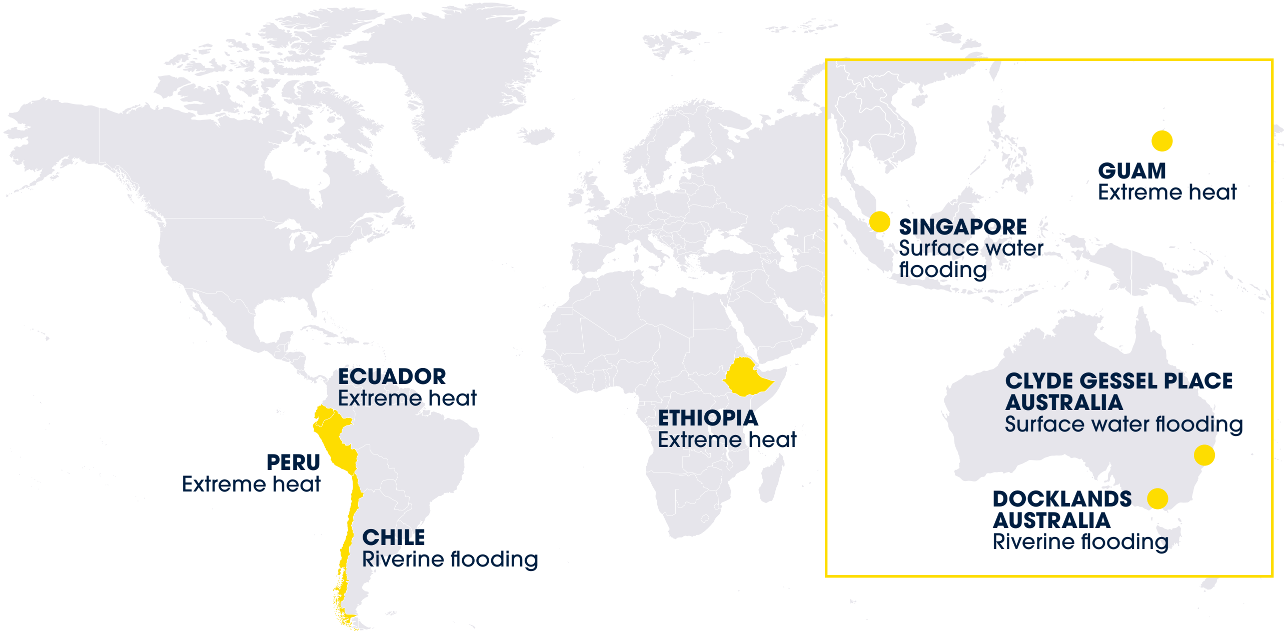
Climate risk	Level of granularity	Markets included
Misalignment	Market-level (>10% of operating profit by market coverage in scope)	Australia, Belgium, Chile, Hong Kong, Luxembourg, Singapore, and UK
Aftersales	Global level	A shift from conventional ICE to BEV could potentially develop new aftersales services specifically targeted for BEV. Despite uncertainty over how new revenue streams could evolve over time, our analysis showed potential cashflows are expected to be more significant for BEV than for ICE vehicles due to additional weight and cost of electric components, albeit less regular in occurrence.
Carbon tax	Market-level	All markets
Margin pressure	Analysis of potential impacts performed on a qualitative basis	

BEV (battery electric vehicles).
ICE (internal combustion engine).

Physical risks

Physical risk analysis considered the impact of six key acute hazards, including coastal inundation, surface water flooding, riverine flooding, extreme wind, forest fire and extreme heat. A screening of 590 sites by hazard type, insured value, stock value and gross profit was completed to determine those sites that are financially significant. The screening filtered the sites down to 23. For these sites we investigated the likelihood and severity of each hazard to provide an overview of the potential asset and stock value at risk, and the impact on operations.

The map below identifies the most material sites and the relative exposure under the RCP 8.5 pathway, which represents a high emissions scenario, exceeding 4°C.



RISKS

Risk Description	Summary	Scenario	Financial impact Short	Financial impact Med	Financial impact Long	Strategic response and resiliency	Measurement
1 Misalignment between mobility company partners and markets on BEVs leads to market share decline	Misalignment between the speed at which our mobility company partners transition their model line-up to BEVs and the pace of adoption in the markets in which we operate. This misalignment may mean that we lose market share. Analysis showed the risk of misalignment is greatest in the short to medium term in the APAC region but is expected to disappear by 2050.	IEA NZE 1.5°C	Med	High	N/A	• As part of our broader strategy, our ambition is to form new partnerships with pure EV entrants to expand our mobility company partner portfolio. We have taken proactive steps to achieve this by joining with mobility company partners such as BYD and Ora. This will help offset any potential misalignment identified with our current portfolio. • We are actively taking measures to facilitate the EV transition through: – providing consumers with the option of a BEV alternative for every ICE model; – facilitating EV charging through product packages to enable customers to switch to EVs; and – providing consumers knowledge of quantified carbon footprint savings for choosing BEV.	Metric: NEV sales as a % of new vehicle sales Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	Low	Low			
2 Reduction in aftersales revenue for BEVs	Due to a reduced number of moving parts in a BEV compared to an ICE vehicle, we may experience a reduction in revenue generated from the existing aftersales services we offer around repair, maintenance, and replacement of parts. Our analysis indicated this may affect our retail businesses more than our distribution businesses.	IEA NZE 1.5°C	Low	Low	N/A	The low-impact outcome from this risk is largely driven by the relatively low global BEV volume in comparison to ICE in 2030 in a 1.5°C scenario. However, this exposure may affect us in the long term as global BEV volumes increase. Therefore, we are considering an expansion of our proposition for aftersales services to include new BEV-specific services. Potential services could include battery diagnostics and transportation for end-of-life (EoL) batteries. These additional services could help offset any potential impact to revenue reduction from aftersales services.	Metric: % of AFS revenue attributable to NEV Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	Low	Low			
3 Carbon tax costs	Governments are likely to use carbon taxation as a mechanism to decarbonise the economy. Despite expected variation in carbon tax policy across countries we anticipate carbon taxation will affect all markets. We analysed this risk across our scope 1 and 2 emissions.	NGFS 1.5°C orderly	Low	Med	High	Our analysis considers our targets and presents reduced impact if we take action. Based on these findings we are actively implementing decarbonisation levers across scope 1 and 2 to ensure we meet our interim target of 46% reduction by 2030 and net zero by 2040 (please see pages 50 and 51). This includes switching to renewable electricity supply and installation of solar panels at our larger sites. Our strategy acknowledges a faster decarbonisation can help avoid the risk of high carbon tax costs.	Metric: Scope 1 and 2 absolute Sensitivity: % Revenue CAGR % Gross margin
		NGFS 1.5°C dis-orderly	Med	High	High		
		4°C	Low	Low	Low		
4 Transition to BEVs leads to pressure on distributor margins	An accelerated EV transition could affect certain cost drivers for our mobility company partners until cost parity is reached between BEVs and ICE vehicles, which in turn could lead to potential downwards pressure. on distributor margins. However, where there is the potential for current prices to be maintained for BEV vehicles, the impact on gross margins can be mitigated or maintained.	IEA NZE 1.5°C	N/A	N/A	N/A	Our analysis indicates that the impacts of margin pressure may be offset due to the disparity of price between BEVs and ICE vehicles. We actively monitor margins at the market level and our Accelerate Strategy is designed to address this risk by providing a compelling offering to our mobility company partners (Distribution Excellence), capturing additional vehicle profit pools (Vehicle Lifecycle Services) and enabling expansion into new, margin-accretive markets through M&A. We have not quantified the potential impact as the data is not sufficiently robust, and therefore we concluded that such analysis would not lead to better informed decision making.	Metric: Gross margin Sensitivity: % Average gross margin
		4°C	N/A	N/A	N/A		
5 Physical risk – direct impact to property and inventories from extreme weather events	Exposure to climate-related physical risks can expose our property and inventory to potential damage. It can also lead to business interruption at our sites causing lost revenue. Our 590 sites were screened against six acute physical hazards. We then calculated our exposure for our 23 most material sites.	RCP 2.6 1.5°C	Low	Low	Low	Our analysis showed low impacts across our physical assets with the highest risk exposure from surface water floods in Singapore. However, this resulted in low impact due to the low financial significance and existing insurance policies in place to mitigate the risk. To mitigate risk for future sites from new acquisitions. We will include physical risk assessments in our consideration of organic and inorganic growth opportunities.	Metric: % sites at risk from physical hazards Sensitivity: % Revenue CAGR
		4°C	Low	Low	Low		

OPPORTUNITIES

Opportunity Description	Summary	Scenario	Financial impact			Strategic response and resiliency	Measurements
			Short	Med	Long		
1 Alignment between mobility company partners and markets on EVs leads to market share increase	In markets where there is a rapid shift towards EVs, there is potential to capture market share where supply of EVs from our mobility company partners keeps pace with BEV adoption rates. In a 1.5°C scenario, the accelerated EV transition increases this potential opportunity, with our analysis showing this opportunity is most significant in the near-term where the disparity between different levels of EV supply from mobility company partners is greatest.	IEA NZE 1.5°C	N/A	N/A	N/A	As part of our broader strategy, our ambition is to consider forming new partnerships with pure EV entrants to add to our mobility company partner portfolio. We have not quantified the overall opportunity from alignment due to a lack of robust data, however we assess the financial opportunity presented from new mobility company partners within specific markets on a case-by-case basis.	Metric: NEV sales as a % of new vehicle sales Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	N/A	N/A			
2 Increase in aftersales revenue for BEV	A shift from conventional ICE to BEV could potentially develop new aftersales services specifically targeted for BEV. Despite uncertainty over how new revenue streams could evolve over time, our analysis showed potential cash flows are expected to be more significant for BEV than for ICE vehicles due to additional weight and cost of electric components, albeit less regular in occurrence.	IEA NZE 1.5°C	N/A	N/A	N/A	We are facilitating the choice of a BEV among consumers in our retail business by increasing consumer knowledge of the benefits of BEVs and expanding our aftersales services to facilitate BEV adoption for the customer. The potential size of opportunity has not been quantified due to a lack of robust data and significant uncertainties in how the aftersales market could evolve. However work is ongoing to consider how we can expand our aftersales proposition with new BEV-specific services and we will continue to monitor changes to aftersales market dynamics.	Metric: % of AFS revenue attributable to NEV Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	N/A	N/A			

The sensitivities applicable to each of the risks and opportunities can be found on pages 165 and 166 (note 10) of the financial statements.

Key:
- Distribution Excellence
- Vehicle Lifecycle Services

Financial impact key:

Low impact:	impact to revenue <£100m
Medium impact:	impact to revenue £100m – £200m
High impact:	impact to revenue >£200m

Time Horizon key:

Short term (up to 2026):	three-year period aligns with viability assessment
Medium term (up to 2030):	aligns with interim climate-related targets
Long term (2030 to 2050):	aligns with long-term climate-related targets

We have disclosed the financial impact, up to 2030, of our CROs as low, medium, and high impact, which is aligned to our risk rating criteria as defined by our risk management framework. We have not specifically quantified the long-term impacts of EV transition due to the inherent uncertainty of the extent of the CRO. In comparison, data sets and assumptions for carbon taxes and physical risks are more readily available so have been disclosed to 2050.

Estimates for the potential financial impact of climate risks are indicative at this stage, with significant uncertainties in their underlying assumptions. We aim to build on this analysis going forward, improving on the robustness of data and assumptions where available. The likelihood of all risks manifesting concurrently is very low, so the aggregation of potential impacts would represent an extremely unlikely scenario.

There have been no material changes to the structure of our markets which would indicate a change to the profile of the key climate-related risks, therefore further analysis was not carried out in 2023. The misalignment risk analysis is used to inform the judgement on impairment, further details can be found in the financial statements on pages 165 to 166.

HOW WE ARE DRIVING ACTION TO REDUCE EMISSIONS

During the year we developed a plan to reduce emissions supported by short, medium, and long-term actions. The plan is commensurate with the Accelerate strategy and demonstrates how we will continue to grow a sustainable and climate resilient business.

EFFICIENCY MANAGEMENT

77% of our scope 1 and 2 emissions come from our buildings (location-based): our dealerships, our warehouses, our offices, and our call centres. Reducing the amount of energy that we use in our premises is therefore a key element of our decarbonisation programme. As well as reducing our carbon footprint, this also reduces cost and mitigates the impact of future energy price rises.

Achievements to date:
- LED upgrades in 20 markets across the four regions
- HVAC systems upgrades
- Metering & sub-metering in the UK, saving an average of 10% per site
- Energy audits undertaken in Australia, Ethiopia, Guam, Kenya, and Singapore
- Colleague awareness programmes in every region

ELECTRIFICATION

National grids are steadily decarbonising as they become increasingly reliant upon renewable sources of electricity. Using electricity rather than fossil fuels therefore helps us to reduce our emissions footprint.

Achievements to date:
- Switch to air source heat pumps in Oxford, UK
- Electric paint booth retrofit in Chile and Latvia
- Doubled EV vehicles in proportion of UK demo stock
- 42% of pool cars in Singapore are either EV or hybrid

ONSITE GENERATION

Onsite generation enables an immediate reduction of site CO_2 emissions. The benefits include the production of CO_2 free electricity, reduction in electricity costs and moderates impact of future electricity price rises. Onsite generation also provides security of supply.

Generating renewable electricity at our premises means that we do not need to draw electricity from the grid. It reduces our carbon footprint, saves us money, and provides energy security for the future.

Achievements to date:
- Solar panels installed across markets in all four regions
- Across a full year of operating, the solar panels are forecasted to avoid 3,000 tonnes of CO_2 emissions per year, reducing emissions and utility costs
- Future installations being investigated

GREEN TARIFFS

Buying electricity on green tariffs contributes to a reduction in carbon emissions.

Achievements to date:
- 32% of all sites are on green tariffs

MINIMUM REQUIREMENTS FOR ALL INCHCAPE BUSINESSES

ENERGY EFFICIENCY

- Identifying opportunities to reduce energy consumption through efficient running of our buildings and investing in energy efficiency

GREEN TARIFFS

- To maintain and extend our green tariff procurement programme
- Identify other opportunities for renewable electricity procurements, such as Power Purchase Agreements

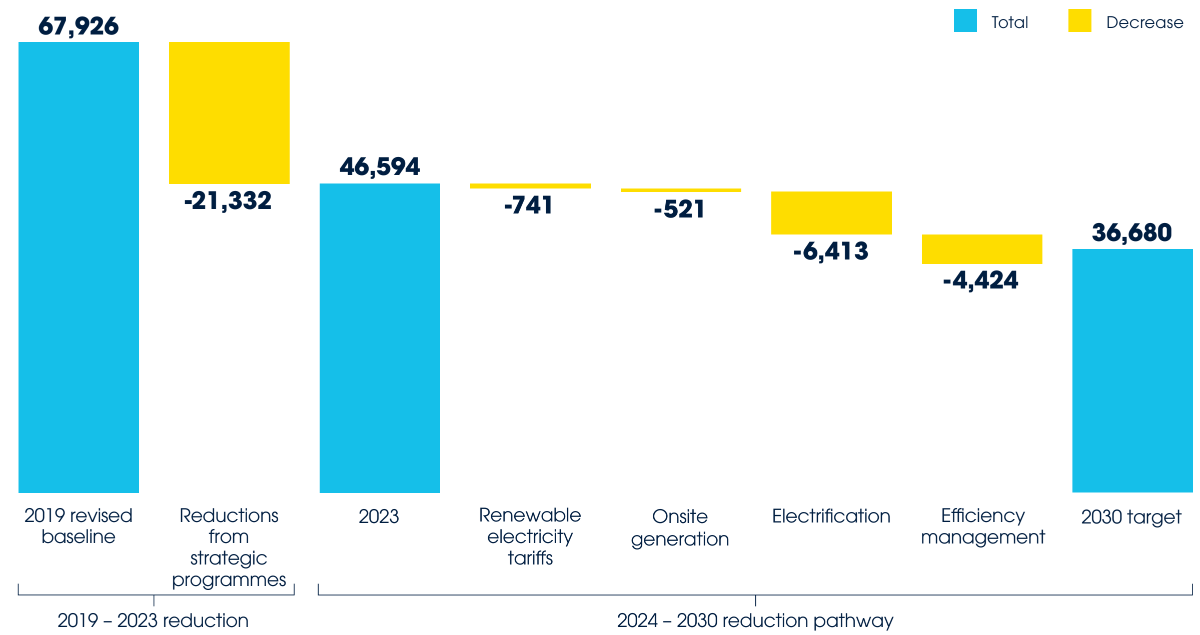
ELECTRIFICATION

- To plan for our locations to be all electric with the removal of fossil fuels, in normal operations
- To move our company car fleet to new energy vehicles

ONSITE GENERATION

- To identify more opportunities to install solar panels as well as identify other onsite renewable technologies, such as ground source systems where possible

PATHWAY TO 2030 SCOPE 1 AND 2 TARGET (MARKET-BASED)



METRICS AND TARGETS

The Group uses a variety of metrics to measure the current and potential impact of our climate-related risks and opportunities, including greenhouse gas (GHG) emissions and business specific metrics. Our metrics are laid out across the seven cross-industry metric categories defined by the TCFD.

In 2021, we established our GHG reduction target to reduce our scope 1 and scope 2 emissions by 46% by 2030 and in the longer term we are committed to reaching net zero by 2040. The GHG emissions, capital deployment and remuneration metrics are used to measure our progress to net zero. Pages 50 to 51 sets out the actions being taken across the Group to reduce emissions. We measure the number of new energy vehicles (NEVs) sold to monitor the impact of misalignment risk and misalignment opportunity.

During the year the GET assessed the appropriateness of using an internal carbon price within the business. This analysis is still being reviewed and a further update will be given next year.

Key metrics used to measure progress

Metric category	Status	Metric	2023 actual	Objective
GHG emissions		Scope 1 and 2 emissions (tCO_2e)	46,594	To track the reduction in our emissions, improvements in our energy efficiency and generation of our own renewable power.
		% of sites at 100% renewable electricity	32%	
		Energy intensity by revenue (tCO_2e/£m)	3.7	
Physical risk		We do not have physical risk metric in place		
Capital deployment		% of capex towards climate initiatives	6.6%	To demonstrate the level of investment we are committing towards climate to achieve our strategy
Remuneration		Scope 1 and 2 emissions (tCO_2e)	46,594	Incentivising leadership to deliver emissions reductions. Included in the short-term incentives
Transition risk		% of NEV sold	22.26%	-% of NEV sold
Opportunities		% of NEV sold	22.26%	-% of NEV sold
Internal carbon pricing		We do not have an internal carbon pricing in place		

Key ■ Metric in place ■ No metric in place

All data is market-based.

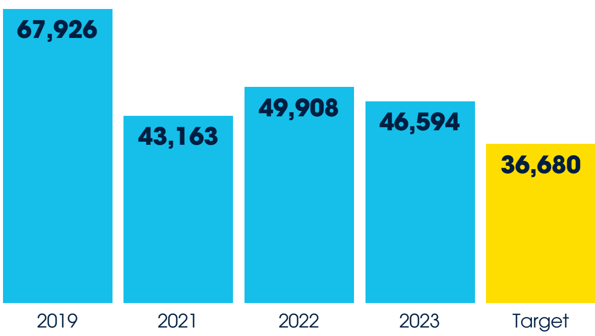
Greenhouse gas (GHG) emissions

Direct GHG emissions are from our operations through combustion of fuels (scope 1). We also purchase energy from the grid (Scope 2) and have indirect GHG emissions throughout the value chain mainly because of our purchase of goods, consumer use of vehicles, and transportation, which together make up more than 95% of our total scope 3 emissions. We are acting across all three scopes and working closely with our partners to reduce GHG emissions for our business, our customers, and our value chain. We report our greenhouse gas emissions according to the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development, and the World Resources Institute. Please see page 53 for our Streamline Energy and Carbon Emission reporting (SECR).

SCOPE 1 AND 2 EMISSIONS (tCO_2e)

The target is to reduce scope 1 and scope 2 emissions by 46% by 2030. The 2019 baseline has been adjusted in line with Inchcape policy derived from GHG Protocol Corporate Standard 'Tracking Emission Over time' for a) structural changes in the business including M&A and divestitures, and b) amendments for data gaps above the significance threshold.

Emissions reductions have been driven by the switch to renewable energy tariffs, reduced electricity consumption and lower emission factors driving decreases in the Americas and APAC, and reductions in refrigerant emissions due to management schemes put in place in Australia and Belgium.



tCO_2e (market-based)

SCOPE 3 FOOTPRINT

We have calculated the Group's scope 3 emissions profile for the 2019 baseline, the vast majority of which are directly related to our mobility company partners activities and account for 99.97% of our total emissions footprint at a total of 18.7m tCO_2e. The Group's 2023 scope 3 emissions is 15.2m tCO_2e, which includes all scope 3 categories except for: upstream leased assets, downstream transportation and distribution, processing of sold products, and franchises.

STREAMLINED ENERGY AND CARBON REPORTING REGULATIONS (SECR)

We collect data for all material emissions for which we deem ourselves to be responsible and look for ways in which to minimise our footprint. Data is collected for two key performance indicators: scope 1 – our use of gas and fuel in vehicles we own and scope 2 – our global energy usage. The below does not include scope 3 intensity ratios or emissions data.

Data collection and reporting period

Data has been collected for all markets from 1 January 2023 to 31 December 2023. The level at which we report is by business unit for each market. This covers our retail operations, distribution operations and business service operations, which fall within our operational control boundary.

Intensity ratio

The Group's intensity ratio compares emissions data by dividing total tonnes of CO_2e by revenue, an appropriate financial indicator. This allows for a fair comparison over time of CO_2e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity. As required under the SECR regulations the following information relates to the energy consumed in our operations. The list of United Kingdom entities is given on page 219.

	2023		2022	
	UK & Offshore	**Global**	UK & Offshore	Global
Total Energy Consumption (kWh)	**32,392,786**	**199,320,469**	31,174,666	139,657,792
Scope 1 (tCO_2e)	**3,598**	**27,066**	3,617	27,298
Stationary Combustion (tCO_2e)	**2,117**	**9,663**	1,702	9,403
Vehicle Fuel Combustion (tCO_2e)	**1,278**	**15,733**	1,698	15,895
Fugitive Emissions (tCO_2e)	**203**	**1,671**	216	2,000
Scope 2 (Location-based, tCO_2e)	**3,088**	**32,581**	2,886	33,205
Scope 2 (Market-based, tCO_2e)	**5**	**19,528**	8	22,610
Total scope 1 & 2 (Location-based, tCO_2e)	**6,686**	**59,647**	6,503	60,503
Scope 1 & 2 emissions intensity ratio (Location-based, tCO_2e/£m)	**6.3**	**4.8**	3.2	7.5
Total scope 1 & 2 (Market-based, tCO_2e)	**3,603**	**46,594**	3,624	49,908
Scope 1 & 2 emissions intensity ratio (Market-based, tCO_2e/£m)	**3.4**	**3.7**	1.8	6.2
Revenue (£m)	**1,065**	**12,498**	2,029	8,112
Methodologies used in calculation of disclosures	GHG Protocol Corporate Accounting and Reporting Standard GHG Protocol Corporate Value Chain Accounting and Reporting Standard GHG Protocol Scope 2 Guidance			

Emissions data previously published in the 2022 Annual Report and Accounts has been restated. This is because the prior year has been adjusted for structural changes in the business and amendments for data gaps.

Carbon efficiency measures

The Group's Controllable Emissions management team developed its strategic programmes to reduce carbon emissions, focusing on four key areas: energy efficiency, onsite renewable energy generation, electrification, and renewable electricity purchasing. Our markets are implementing the programmes to identify opportunities to reduce our carbon emissions. Carbon efficiency measures introduced in 2023 included:

- Energy audits undertaken in Australia, Ethiopia, Guam, and Singapore, identifying opportunities to reduce energy consumption and carbon emissions;
- Automatic metering and monitoring installed in the United Kingdom, saving an average 10% energy consumption across sites;
- Installing solar panels in 11 countries across all regions. When operating for the full year, the panels installed in 2023 are forecasted to avoid over 2,000 tCO_2e per year;
- Increasing our share of hybrid and electric vehicles in Bulgaria, Estonia, Hong Kong, Philippines, and Singapore; and
- Expanding the number of green electricity contracts in Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Romania, and Uruguay.

In 2024, focus will be on implementing opportunities that the four strategic programmes identify, such as further rolling out of automatic metering solutions, LED lighting, building controls, increasing the number of hybrids and electric vehicles in our company car fleets, and considering a green roof for new United Kingdom sites to increase biodiversity net gain.

NON-FINANCIAL & SUSTAINABILITY INFORMATION STATEMENT

ENVIRONMENTAL MATTERS

Environmental matters are considered as part of the Planet pillar of the 'Driving What Matters' plan, including:

- our health, safety & environment (HSE) framework, which is designed to ensure colleagues comply with relevant environmental legislation;
- the Group has set science based targets for scope 1 and 2 emissions. Each region has developed its own action plans in order to achieve these targets; and
- energy efficiency plans are also implemented at local level.

The Planet Charter is set out on page 39 and manages climate-related issues, carbon performance metrics, and responsible resource use. Our framework and policies are designed to help pursue activities that influence us and our suppliers to reduce their carbon footprints.

The Group's first standalone Sustainability Report will be published in 2024 and will be available at www.inchcape.com.

Primary Principal Risks
EV transition; Business interruption (pandemic, natural hazards).

Associated Policies
Code of Conduct; Travel Policy.

COLLEAGUES

We aim to ensure we have a safe operating environment with an inclusive and diverse culture and the best talent and skills for our future success, including:

- our Inclusion & Diversity (I&D) framework, which demonstrates our commitment to helping address the barriers preventing full participation for marginalised groups;
- our HSE framework, which is designed to protect the health and safety of colleagues;
- our Code of Conduct, which provides guidance on the ethical behaviour we expect from all colleagues; and
- our Whistleblowing Policy, which provides guidance to colleagues on how to raise concerns without fear of reprisal.

The People Charter is stated on page 35 focusing on HSE, training, culture, reward, and Inclusion & Diversity. All colleague related policies were reviewed and updated where necessary during 2023.

Primary Principal Risks
People: engagement and retention; HSE; People: future skills.

Associated Policies
Code of Conduct; Global Anti-Discrimination Policy; Global Inclusion & Diversity Policy; Speak Up Policy.

HUMAN RIGHTS

We embrace, support, and respect the human rights of everyone we work with and we comply with appropriate human rights legislation in the countries in which we operate, including:

- employment policies are implemented at local level and are designed to protect colleagues' human rights; and
- our Modern Slavery Statement describes the actions taken in respect of our supply chain.

Our policies set out our commitment to human rights and the steps taken to assess the risk of slavery.

Modern slavery training has been rolled out to colleagues whose roles and remit require additional focus in this area reinforcing an ethical business culture.

Our Modern Slavery Statement is available at www.inchcape.com.

Primary Principal Risks
Political risks; Legal, regulatory compliance.

Associated Policies
Code of Conduct; Modern Slavery Statement

Non-financial information

People	Practices	Places	Planet
Where to find more information			
Responsible Business – page 35 **CSR Committee Report** – pages 90 to 91 **Directors' Report** – pages 115 to 118	**Responsible Business** – page 38 **Risk management** – pages 56 to 64 **Audit Committee Report** – pages 82 to 89	**Responsible Business** – page 37	**Responsible Business** – page 39 **TCFD** – pages 40 to 53 **Risk management** – pages 56 to 64 **Directors' Report** – pages 115 to 118

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed in this section and by means of cross reference. The Group's business model is given on pages 4 to 7. The Group's KPIs are stated on pages 24 to 25. Principal risks are given on pages 57 to 61.

COMMUNITIES AND SOCIAL MATTERS

Social matters cover a vast range of potential issues including Responsible Business related policies. Our policies set out our commitment to high social standards and the requirements for our supply chain. We have in place the following Group-wide policies:

- Tax strategy;
- Data protection/data privacy;
- Competition/anti-trust;
- Privacy policy; and
- Conflicts of interest policy.

The Group's tax strategy is available at www.inchcape.com.

We do not have a global policy covering community matters as any initiatives are championed at local level. Social matters form part of the Places pillar of our 'Driving What Matters' plan.

Our Places Charter is set out on page 37 outlining sustainable procurement, responsible approach to tax, and supporting vulnerable customers.

Primary Principal Risks

Macro-economic conditions; Margin pressure.

Associated Policies

Anti-Trust Policy; Conflict of Interest Policy; Data Privacy Policy; Procurement Policy; Tax Policy.

ANTI-BRIBERY AND ANTI-CORRUPTION

It is important that the Group operates to high ethical standards and complies with all applicable laws. Colleagues and supply chain partners are made aware of the Group's strategy and how their behaviours affect delivery and they are expected to work in line with the Group's values.

To support this the Group has in place the following policy statements which detail the expected conduct of our colleagues and supply chain:

- Anti-bribery and corruption; and
- Anti-money laundering.

The policy statements are available at www.inchcape.com and set out the risk assessment, procedures, due diligence, communications, and monitoring involved from any instances of bribery, corruption, or fraud being reported. The findings of any investigations are then reported to the Audit Committee.

Primary Principal Risks

Legal, regulatory compliance; Loss of distribution contract.

Associated Policies

Anti-Bribery & Corruption Policy; Anti-Money Laundering & Counter Terrorist Financing Policy; Gifts and Entertainment Policy.

CLIMATE-RELATED DISCLOSURES

The climate-related financial disclosures comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022:

- **The governance arrangements in relation to assessing and managing risks and opportunities** – pages 41 to 42;
- **How risks and opportunities are identified, assessed, and managed** – pages 44 to 45;
- **How processes for identifying, assessing, and managing risks are integrated into the overall risk management process** – pages 44 to 45;
- **The principal risks and opportunities arising in connection with operations, and the time periods by reference to which those risks and opportunities are assessed** – pages 48 to 49;
- **The actual and potential impacts of the principal risks and opportunities on the business model and strategy** – pages 48 to 49;
- **An analysis of the resilience of the business model and strategy, taking into consideration different scenarios** – page 46;
- **The targets used to manage risks and to realise opportunities and of performance against those targets** – page 52; and
- **The KPIs used to assess progress against targets used to manage risks and realise opportunities and of the calculations on which those KPIs are based** – page 52.

STEERING A COURSE THROUGH VOLATILE TIMES

Well-managed risk-taking lies at the heart of our ambition to be the undisputed number one distribution partner for automotive manufacturers, the employer of choice for current and future colleagues, and the stock of choice for our investors.

There are many market forces which underlie and drive our risk profile. Geopolitical tensions have led to cost inflation, suppressed economic growth, and the increased cost of cash as central banks curb inflation. New mobility company partners are challenging existing players with new electric vehicle products. A changing climate and our response to it presents transition and physical risks that give rise to a range of risks and opportunities for our business. The extent and severity of risks will vary depending on the actions taken at an international level. A Group-wide business continuity strategy has been designed to address these risks should they eventuate. We set out in this report how our risk profile is changing and how we are responding.

Through 2024, we expect to see margin pressures increase as vehicle supply normalises, demand softens, and our mobility company partners are increasingly challenged to seek the lowest cost route to market. Historically high levels of interest rates across our markets are softening demand and increasing the cost of cash. Cost inflation may remain for a period through 2024 increasing the risk of supply chain disruption, macro-economic conditions, and margin pressure.

The transition to electric vehicles (EVs) is underway and we are navigating this change, which presents us with considerable opportunity as well as downside risk. Most important is the need to align with mobility company partners who themselves have accurately aligned their product offering to market demand. If our mobility partners cannot produce at scale when EV-demand accelerates, we may lose market share. Equally, we will grow market share where alignment is strong. Due to a reduced number of moving parts in battery EVs (BEV) compared to ICE vehicles, the Group could experience a reduction in revenue generated from existing aftersales services. This can be offset by the generation of new revenue streams and from new aftersales products and services.

We respond to these challenges through delivery of our Accelerate strategy and maintaining a resilient business. We remained focused on our transformation agenda and managing the associated risks while continuing to successfully integrate significant investments – our most important to date being the acquisition of Derco. The combination of our two businesses is bringing both opportunity and risk. The exposure to operational risk in particular is augmented during integration: health and safety, financial reporting, and fraud risks among them. We have closely monitored these and other risks, including risks to the achievement of expected synergies during the transition. This will continue into 2024 and beyond.

People, technology, and operational excellence underpin our future success and we continue to progress our multi-year health, safety & environment (HSE), and cybersecurity improvement programmes. Although we have made significant progress to equip ourselves with over 1,000 digital specialists, we continue to plan for our future workforce needs, to ensure we have the digital, change, and EV skills we need. Our business operations are exposed to risks which cannot be fully prevented – including the recent pandemic and other natural perils such as earthquakes and flooding. We are upgrading existing business continuity capability to respond. Derco has increased the concentration of property and stock in Latin America which is exposed to natural hazards, such as Chilean earthquakes and flooding in Peru. We have also experienced flooding at our Jaguar Land Rover site in Derby, United Kingdom. We are taking action to ensure these risks are mitigated to these increased exposures including reviewing and updating insurance and business continuity arrangements.

CLIMATE TRANSITION

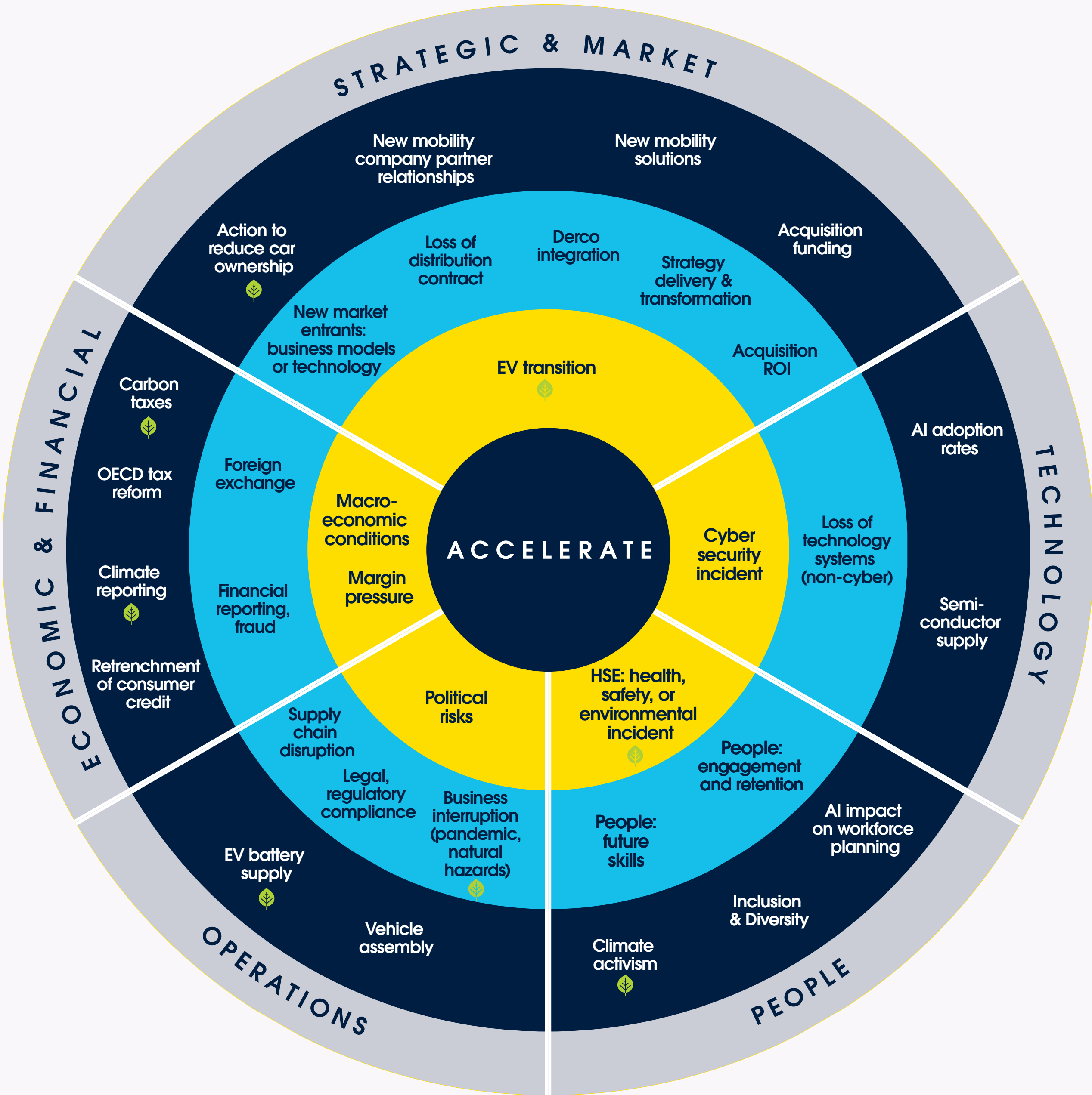
Embracing the risks and opportunities presented by climate change

For the second year, leadership teams across our markets have been assessing 33 headlines categories of risk and opportunity. Physical risks such as flooding and heatwave, as well as the legal, market, and supply chain challenges presented by the transition to the new drivetrains which will characterise low-carbon mobility. Opportunities to connect with a new generation of mobility company partners, new revenue streams, and cost saving through energy efficiency are just some of the possibilities evaluated. These assessments are supplemented by specialist external assessments of physical risk exposures and market opportunities.

Regional strategy teams build this information into strategic planning, driving changes to existing practices. Risks are tracked in existing enterprise risk management processes to drive mitigation action and the strengthening of business resilience activity.

Principal risks facing the Group
The Group's principal risks, and their relation to strategy, are shown below. Further details on impact, likelihood, and trend are given on pages 58 to 61.

Changes to principal risks in 2023
Business interruption replaced Covid-19 as a principal risk during the year. This risk relates to the Group's ability to successfully respond to and recover from a further pandemic or other natural hazard (e.g. windstorm, flooding, earthquake, or hailstorm).



Key
Tier 1 risk
Tier 2 risk
Emerging risk
Climate-related

PRINCIPAL RISKS

PRINCIPAL RISKS (TIER 1)

Of the principal risks assessed, the Tier 1 risks have the highest relative impact or likelihood scores and are assessed as the most significant 'net' risks, after mitigation has been applied. Risks are rated by impact (minimal, minor, moderate, major, or critical) and by likelihood (rare, unlikely, possible, likely, or almost certain). Impact is estimated in terms of financial, HSE, reputational, operational, and strategic criteria. Data is used to inform assessments where available, which are largely qualitative, drawing on the insight and experience of leadership teams across the business.

A) CYBERSECURITY INCIDENT

Development of new technology platforms and digital capabilities form an integral part of our Accelerate strategy. These initiatives continue to be delivered at pace and benefits are already being realised by the business. However, geopolitical tensions and the continued digitalisation of our business also increases the likelihood of cyber attacks, which, if successful, could result in confidential data being compromised, significant business disruption, reputational damage, and/or financial loss.

Mitigating actions

- a multi-year security improvement programme underway as an integral component of the Accelerate strategy; and
- existing cybersecurity measures, including policies and controls, asset management, risk assessment, access control, protective technologies, and disaster recovery plans.

Strategic impact

DE, M&A, VLS

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	↔

B) EV TRANSITION

The transition from the internal combustion engine (ICE) to new power trains, such as BEVs, is underway. This transition introduces the risk of lost market share if the Group and its mobility company partners fail to align product supply to the market uptake of EVs. Some mobility company partners may be unable to produce EVs at scale, which could lead to periods of stagnant sales growth.

Mitigating actions

We address these changes through:

- monitoring of emerging EV-related legislation in each market;
- market-level risk assessment of EV infrastructure, legislative plans, mobility company partner, and competitive capability;
- close liaison with mobility company partners to understand their ambitions and feedback on the EV readiness of individual markets, and to ensure optimal EV allocation;
- brand diversification – contracts with new mobility partners; and
- operational changes to marketing, pricing, customer service, and vehicle technician training.

Strategic impact

DE, VLS

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	↑

C) MARGIN PRESSURE

The transition to new power trains, such as BEVs, has introduced new competitors for our mobility company partners and has increased their research, development, and production costs. Achieving the lowest cost route to market is one tool to offset these challenges and will increase the pressure on margins for all distributors, including Inchcape. This risk is closely linked to, and exacerbated by, the macro-economic conditions risk.

Mitigating actions

The Group's Accelerate strategy is designed to address this risk in three ways through:

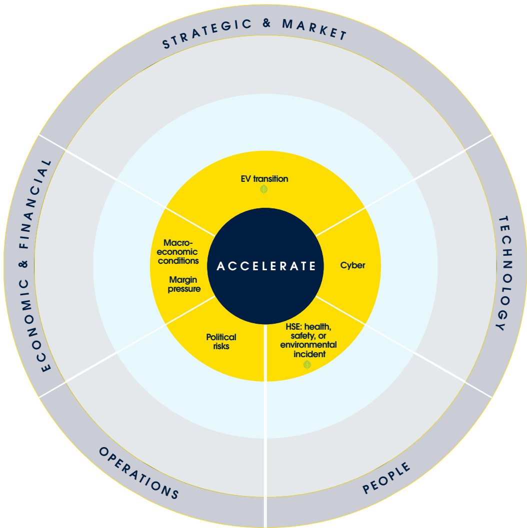
- a compelling offering to our mobility partners, known as Distribution Excellence, by transforming the route to market via the development of a consistent, technologically advanced, low-cost, low-carbon distribution and retail offering;
- Vehicle Lifecycle Services (VLS) – enabling the Group to capture new sources of value throughout the vehicle and customer lifetime, as well as exploring new EV-related profit pools; and
- expanded M&A, enabling our growth into new, margin-accretive markets and with potentially new mobility company partners.

Strategic impact

DE, VLS

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	↑



Key

Trend

- STABLE
- DECREASING
- INCREASING

Strategic Impact

DE	Distribution Excellence
M&A	Mergers & Acquisitions
VLS	Vehicle Lifecycle Services

D) MACRO-ECONOMIC CONDITIONS

Failure to react quickly to changing macro-economic conditions and financial volatility could erode consumer confidence and adversely impact financial performance. Historically high interest rates increase the cost of cash and might make financing for new cars less affordable and dampen sales growth.

Geopolitical tensions have driven high inflation and high interest rates which increase our operating costs and have slowed demand in some markets.

Mitigating actions

We address these changes through:

- management and monitoring of cost base;
- financial budgeting and forecasting;
- cash flow and margin management;
- reviews of potential cost base efficiencies; and
- maintaining and increasing our geographic diversification as well as our diversified mobility company partner portfolio (origin, segments, positioning and more) to offset downturns in any particular market.

Strategic impact

DE, VLS

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Moderate	**Almost certain**	↔

E) HSE: HEALTH, SAFETY, OR ENVIRONMENTAL INCIDENT

The operation of vehicles, machinery, and other manual activities across all of our operations worldwide exposes our colleagues, customers, and the public to risks of serious injury or fatality. The use, and disposal, of harmful substances and chemicals poses a risk to the environment. These risks are exacerbated by the introduction of new technologies, such as BEVs, and as we bring new businesses and contracts into the Inchcape group. The pressures of remote working, transformation projects, and organisational restructuring impact the mental and physical wellbeing of our colleagues.

Mitigating actions

- introduction of a dedicated safety risk management programme for BEVs;
- ongoing implementation of HSE programmes, including mental health support;
- monitoring the progress of that implementation;
- roll-out of executive due diligence programme;
- mandatory annual HSE training;
- regular review of performance by the Board and Group Executive Team; and
- evaluation and remediation of risks related to EVs underway.

Strategic impact

DE, VLS

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	↑

F) POLITICAL RISK

The Group operates in markets where there may be greater volatility in the political, economic, and social environment (ESG), for example in, and adjacent, to: Ethiopia, Hong Kong, and Latin America. This may threaten the safety of our colleagues and property and disrupt business operations. 40 countries representing 41% of the world's population will be holding elections in 2024, including India and the United States, as well as markets where Inchcape operates, such as Belgium, Indonesia, and the United Kingdom, or neighbouring Inchcape markets (e.g. Mexico, South Sudan, and Venezuela). This may indirectly increase the risk of social unrest as new political parties reset relationships with neighbouring countries.

Mitigating actions

- close monitoring of political situation in higher-risk markets;
- business continuity planning and insurance in selected countries;
- collaboration with mobility company partners on stock allocation flexibility; and
- expansion of digital trading capabilities.

Strategic impact

DE, VLS

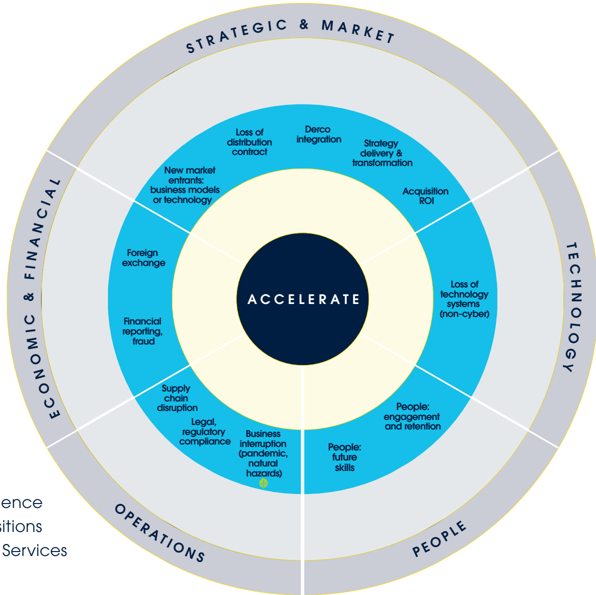
Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	↔

RISK MANAGEMENT
CONTINUED

OTHER PRINCIPAL RISKS (TIER 2)

The Tier 2 risks are listed in alphabetical order ratings after current mitigation. Rating scales are the same as those applied to Tier 1 risks.



Key

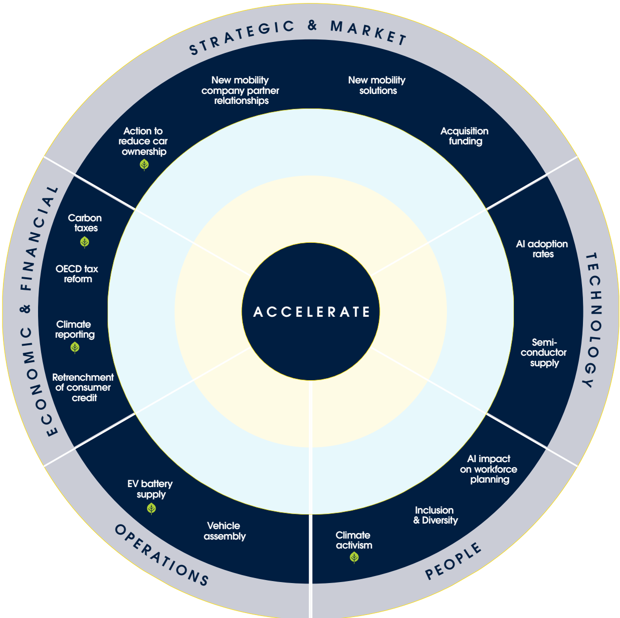
Impact	Likelihood	Trend	Strategic Impact
MINOR	RARE	↔ STABLE	**DE** Distribution Excellence
MODERATE	UNLIKELY	↓ DECREASING	**M&A** Mergers & Acquisitions
MAJOR	POSSIBLE	↑ INCREASING	**VLS** Vehicle Lifecycle Services

Risk title	Strategic impact	Description and impact	Trend	Key mitigating actions
Acquisition return on investment (ROI) MODERATE POSSIBLE	M&A	Inorganic growth continues to underpin the significant role in growing the Group's profit before tax. As we continue to accelerate M&A activity, we recognise the risk of failure to optimise value creation and ROI targets through effective integration of new acquisitions into the Group.	↔	• Pipeline of opportunities • Experienced M&A teams at Group and regional levels • M&A playbook • Integration playbook • Post-merger reviews and audits • Board review of larger transactions • Monitoring of risks and issues post-completion
Business interruption (pandemic, natural hazards) MODERATE POSSIBLE	DE, M&A, VLS	A significant interruption to our business due to external events, a global health emergency, or other natural hazard could restrict access to our sites, negatively affect our operations and brands, or pose a threat to the safety of our colleagues; any of which could have a negative impact on our commercial and financial performance.	NEW	• Financial headroom and balance sheet strength • Technology response and disaster recovery plans • Operational resilience framework (in progress), including business continuity plans and lessons learned • Supply chain management • Property risk assessments and loss control measures • Insurance
Derco integration MODERATE UNLIKELY	M&A	We may experience unforeseen difficulties in integrating Derco and the Group may not realise, or it might take the longer than expected to realise, the benefits and synergies of the deal.	NEW	• Due diligence/integration strategy – two year plan • Post-integration specialist advisor project management support continuing into H2 • Integration Committee • Mobility company partner engagement strategy • HSE Derco site audit • Internal controls integration
Financial reporting, fraud MODERATE UNLIKELY	DE, M&A, VLS	The Group may be subjected to the risk of inaccurate or delayed financial reporting or fraud. These risks may be increased as we integrate new acquisitions or transform established ways of working.	↔	• Group Code of Conduct and relevant training • Established financial control framework • Monthly monitoring of control performance • Change management and staff retention arrangements to enable a smooth transition • Internal Audit assurance reviews • Group and regional controls oversight • Integration of financial controls into new businesses, with training, support, and hyper-care assurance
Foreign exchange MODERATE UNLIKELY	DE, M&A, VLS	The Group operates a geographically diverse structure with transactions occurring in multiple currencies, therefore the Group is exposed to the risk of adverse currency fluctuations which can impact financial results and asset values.	↔	• Treasury policy and hedging strategies • Central treasury function and regional treasury centres (in relevant regions) • Monthly monitoring of foreign exchange impacts and hedging positions
Legal, regulatory compliance MODERATE POSSIBLE	DE, M&A, VLS	The Group must comply with a diverse range of laws and regulations in the markets in which it operates, including those relating to anti-bribery and corruption, data protection, competition, anti-money laundering, and the distribution and sale of Finance and Insurance. In that context we note the FCA investigation into certain historical finance commission arrangements and the risks associated with the outcome of that investigation. The Group must also meet the terms of its distribution and retail contracts and contractual risks assumed during acquisitions.	↔	• Group-wide Code of Conduct, with associated training • Updated Group policy framework, supported by market-level policies and procedures • Nominated legal representative and/or retained counsel in major markets to monitor existing and emerging legislation • Online training for specific regulations • Arrangements in place to comply with FCA requirements with regards to responding to complaints from customers pending the outcome of its investigation and to comply with all requests for information that may arise as a result of the review.

Risk title	Strategic impact	Description and impact	Trend	Key mitigating actions
Loss of distribution contract MAJOR RARE	DE	The Group has individual distribution contracts, several of which have been in place for many years. The loss of such contracts would have a significant impact on revenue and profit, as well as future growth opportunities. The cancellation of a number of smaller contracts at the same time could have a similar impact.	↔	The Group's Accelerate strategy is designed to mitigate this risk in the following ways: • through a compelling offering to our mobility partners known as Distribution Excellence; • through VLS which enables us to capture more value from the vehicle lifecycle while reducing dependency on specific contracts; and • maintaining and increasing (through M&A) our geographic diversification as well as our diversified mobility company partner portfolio (origin, segments, and positioning).
Loss of technology systems (non-cyber) MODERATE UNLIKELY	DE, M&A, VLS	There is a risk that we do not have timely or reliable access to business-critical information or information systems. This could be due to issues such as systems outages, software glitches, hardware failure, system complexity, and capacity or ineffective change management.	↔	• Consolidation of existing systems into Software as a Service with availability service level agreements • Cloud-hosting, physical and technical security in place with active system monitoring • Incident management, disaster recovery and continuity plans • Back-up and restoration procedures in place • IT general controls in place and audited • Crisis management training and simulations undertaken
New market entrants: business models or technology MINOR POSSIBLE	DE	There is a risk that new or existing competitors may enter our markets with new business models and/or new technology which could result in a decline in revenue or a gradual reduction of margins.	↔	• Existing value proposition: digitalisation and enhanced omni-channel offering • Monitoring of competitor activity • Brand profile and service levels • Diversification of brand relationships, geographies, and revenue streams
People: engagement and retention MODERATE POSSIBLE	DE, M&A, VLS	Relatively low-levels of unemployment, post-Covid-19 growth and the pressures and pace of business transformation expose Inchcape to the loss of talented colleagues and teams.	↔	• Colleague experience surveys followed by analysis and action planning at senior management level • Colleague wellbeing frameworks, programmes, and support • Global leadership and enhanced career development programmes and talent reviews • Reformed change management and retention initiatives • Pay and reward reviews and benchmarking
People: future skills MODERATE POSSIBLE	DE, M&A, VLS	Appropriate skills and knowledge required to deliver on objectives. This risk may become more significant as we venture into new parts of the value chain; new ways of working become increasingly dependent on people with business-critical skill sets which are in demand and may become harder to recruit and retain.	↓	• Strategic resource planning • Future skillsets defined; current gaps identified • Specialist recruitment agencies used • Reward and compensation packages • Recruitment targets • Established key skill sets • Recruitment procedures • Company profile and branding • Development programmes, e.g. digital academy, digital literacy programmes, internal moves, and project opportunities • Digital Delivery Centres
Strategy delivery and transformation MODERATE POSSIBLE	DE, M&A, VLS	Success of the Group's strategic transformation priorities are dependent on the delivery of a number of key enabling programmes. There is a risk that we lack the capacity and risk mitigation to deliver on these key enabling programmes on time, with quality, within budget while realising the expected benefits.	↔	• Oversight by the Group's Transformation Committee, supported by Portfolio Management tool to track status • Ongoing reviews and reprioritisation of initiatives and resourcing to ensure focus on strategic imperatives • Risk and issue management
Supply chain disruption MINOR POSSIBLE	DE	The risk of interruption to the normal supply of vehicles and parts to our Distribution or Retail businesses has reduced significantly as supply chains return to normal post-Covid-19 and demand softens.	↓	• Sales and operation planning (S&OP) procedures • Inventory management and planning processes • Close management and monitoring of margins • Portfolio management and close liaison with our mobility company partners

EMERGING RISKS

Emerging risks are those uncertain events which timing, impact, or probability are difficult to quantify. We identify emerging risks in various ways: through the strategic replanning process; external publication analysis (including peer reviews and mobility company partner risk disclosures); review of risk studies and publications; the regular cadence of risk committees and Board meetings; and risk-related discussions and analysis. Through regular consideration and monitoring of these emerging risks early on, we can effectively respond to potential threats by preparing contingency plans, implementing mitigants, or adjusting our operations and Group strategy as required.



- A changing climate brings a range of emerging risks, including the potential for higher carbon taxes and levies, government action to reduce car ownership, a shortage of raw materials to maintain battery supply, and increased climate-related reporting and activism. Global trends in our marketplace are creating new mobility solutions and the growth of new mobility partners.
- A rapid growth of M&A opportunities may challenge our ability to fund investment in all opportunities. A prolonged economic downturn may also restrict the availability of consumer credit.
- Emerging technology-related risks include the potential for geopolitical risks to disrupt the supply of semiconductors to the auto industry and the impacts of the rapid adoption of artificial intelligence (AI). Consumer expectations regarding AI capability are rapidly increasing; and the rapid adoption of AI will disrupt existing workforce arrangements and plans.
- We continuously seek greater inclusion and diversity across our businesses worldwide, which we see as a source of competitive advantage. Failure to drive these programmes of work successfully would result in an erosion of that benefit.
- Although a non-material source of Group revenue, vehicle assembly may increase the Group's public and product liability exposures.

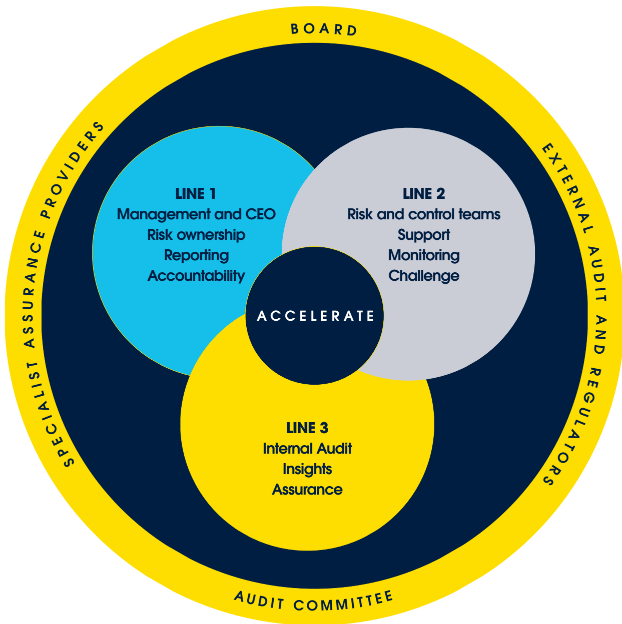
APPROACH TO RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management is essential to executing our Accelerate strategy and achieving sustainable shareholder value. We believe that effective risk management starts with the right conversations to drive better business decisions. Our primary focus is to identify and embed mitigating actions for significant risks that could affect our current or future performance, and/or our reputation. Our risk management efforts aim to be holistic and integrated, bringing together risk management, internal controls, and Responsible Business, ensuring that our activities across this agenda focus on the risks that could have the greatest impact.

Inchcape deploys three lines of defence to manage risk which is overseen by the Board and its Committees. Accountability for managing risk is, however, fully embedded across our business. Each region and function undertake quarterly risk assessments, establishes mitigation plans, and monitors risk on a continual basis. These risks are consolidated into our Group's principal risks, emerging risks, and risk appetite and are reviewed by the Group Executive Team and Board twice per year. The Audit Committee at least annually review the effectiveness of the risk management and internal control systems.

The three lines in practice – accurate and timely financial reporting.
Timely and accurate financial reporting forms the bedrock of delivering Accelerate successfully and protecting shareholders' investment. Management teams (line 1) implement and monitor 130 key financial reporting controls, designed by the central controls team (Line 2). The central controls team objectively checks management's self-assessment on an ongoing basis. Finally, the Group's internal audit function (Line 3) periodically tests both the design and implementation of the controls to provide management with a holistic view of risk and control performance.

Risk management framework



STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

The Board is ultimately accountable for the system of risk management and internal control, and for managing risks to be within acceptable levels. During 2023, the Board, Audit Committee, and Group Executive Team reviewed the following topics relating to the Group's principal risks:

	Board	Audit Committee	Group Executive Team
Q1	CROs quantification and scope 3; legal and regulatory; risk policy; capital structure; viability; M&A; and Derco integration	Internal controls (financial reporting, fraud, technology systems risks); viability; and Derco integration	EV transition (scope 1 & 2, EV strategy); political (high risk markets); HSE due diligence (M&A); principal and emerging risks; business continuity; people (leadership); VLS; and Distribution Excellence
Q2	Strategy: macro and industry trends; EV and industry decarbonisation; Distribution Excellence; VLS; mobility company partners; EV transition; and climate change	Cybersecurity; internal controls (financial reporting, fraud, and technology systems risks); and Derco integration	Cyber; EV transition (portfolio choices); people (health & wellbeing); digital (S&OP, and data analytics platform); Responsible Business; business resilience; VLS; Distribution Excellence; Global Business Services (GBS); principal and emerging risks; and strategy
Q3	Half-year risk review; Derco integration; Responsible Business; and cybersecurity	Half-year risk review; internal controls (financial reporting, fraud, and technology systems risks); GBS; and Derco integration	Digital (enterprise resource planning, and digital experience platform); people (health & wellbeing, Inclusion and Diversity, and leadership); ESG; and financial reporting (transfer pricing)
Q4	HSE; digital; people; strategy; supply chain disruption; principal and emerging risks; and risk appetite	Cybersecurity; internal controls (financial reporting, fraud, and technology systems risks); GBS; Derco integration; and risk management effectiveness	Cyber; AI; EV transition (materiality assessment, and EV procedures); principal and emerging risks; people (colleague engagement); global policy standards; M&A; strategy; distribution agreements; legal & regulatory compliance (Code of Conduct); and Responsible Business (Planet)

Risk appetite

Risk appetite is the level of risk Inchcape is willing to accept in delivering our Accelerate strategy. It is a cornerstone of the Group's approach to risk management and is determined by the Board. This definition provides direction to all areas of the Group on acceptable levels of risk and where further remediation is required to reduce the risk to acceptable levels. Acceptable levels are determined by the target risk rating for each principal risk. The Board has considered its risk appetite in relation to the Group's principal risks in July and November 2023. Risks were allocated to one of three acceptable levels of exposure (aligned to the risk heatmap), indicating tolerable levels of risk:

RISK-SEEKING/ ACCEPTANCE

We are prepared to (or may have to) accept elevated levels of risk in these areas.

- Cybersecurity incident
- Macro-economic conditions
- Political risk
- Supply chain disruption

RISK-TOLERANT

We have a moderate appetite for these areas of risk. We will take action to reduce risk levels if they reach elevated levels.

- Acquisition ROI
- Business interruption (pandemic, natural hazards)
- Derco integration
- EV transition
- Foreign exchange
- Loss of distribution contract
- Loss of technology systems (non-cyber)
- Margin pressure
- New market entrants: business models or technology
- People: engagement, retention
- People: future skills
- Strategy delivery and transformation

RISK-AVERSE

We have a low or very low level of tolerance for these risks. We will take action to keep them as low as reasonably practicable.

- HSE incident
- Financial reporting, fraud
- Legal, regulatory compliance

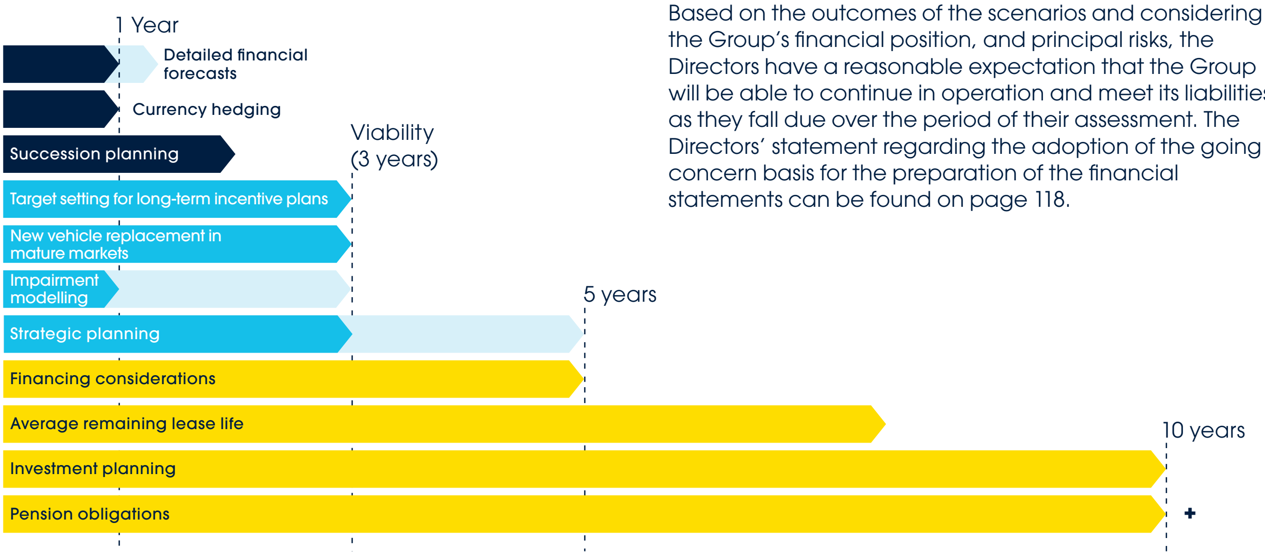
VIABILITY STATEMENT

The Directors have assessed the viability of the Group by reference to the Group's current financial position, its recent performance and forecasts of future performance, its business model (pages 2 to 7), strategy (pages 8 to 9), and the principal risks and mitigating factors (pages 56 to 63). The Group's continued viability is dependent upon the continuation of its relationships with mobility company partners. With many mobility company partner contracts covering three-year terms, three years is considered a key timeline for new car changeover in mature retail markets with good personal finance penetration. In addition to this, the number of Units in Operation up to three years old is also a key driver of our Aftersales business. However, as illustrated in the diagram below, a variety of other time horizons are also relevant to the management of the business.

The Directors have determined three years to be the most appropriate period for the viability assessment as they believe that it strikes a balance between the different time horizons which are used to manage the business and is a reasonable period for a shareholder to expect a distribution business to be assessed over.

Process and scenarios considered

Our financial planning process incorporates an Annual Operating Plan for the next financial year (2024), together with financial forecasts/models for the remaining years covered by the viability assessment. These financial forecasts consider the Group's profitability, gearing, cash flows, and other key financial metrics over the period to December 2026. These metrics are subjected to sensitivity analysis, in which a number of the main underlying assumptions are adjusted and tested to consider alternative risk-based scenarios. Using the Group's most significant risks, unlikely but realistic worse-case scenarios are created, and their impact projected onto the three-year projections.



These risks are: (i) loss of a material distribution contract; (ii) a major cyber incident; (iii) digital disruption to our markets and pricing; (iv) macro-economic conditions incorporating the impact of a reduction in inventory conditions financing; and (v) foreign exchange risk. These risks have been modelled individually and concurrently, i.e. assuming all five materialise during the three-year period. Modelling these risks tests the Group's ability to withstand a material reduction in revenue (distribution contract and macro-economic conditions); a material degradation in margins (digital disruption); a material reduction in performance (foreign exchange risk); and the impact of an unexpected operational expense (cyber attack).

The models assume that a portion of uncommitted inventory financing facilities is also withdrawn. The testing recognises that some mitigating actions would remain available to management to partially mitigate the impact of these risks, including reductions in operational and capital expenditure.

In the most severe scenario modelled, the test indicates that the Company would not breach the single financial (interest) covenant on its committed facilities. Details of the Company's financing arrangements can be found in note 22 to the financial statements on pages 179 to 180.

Longer-term prospects

The following factors are considered both in the formulation of the Group's strategic plan, and in the longer-term assessment of the Group's prospects:

- the principal risks and uncertainties faced by the Group, as well as emerging risks as they are identified, and the Group's response to these;
- the prevailing economic climate and global economy, and changing customer behaviours; and
- any opportunities through operational simplification and leveraging technology.

Viability statement

Based on the outcomes of the scenarios and considering the Group's financial position, and principal risks, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Directors' statement regarding the adoption of the going concern basis for the preparation of the financial statements can be found on page 118.

GOVERNANCE

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS AND STAKEHOLDERS

I am pleased to present the Corporate Governance Report for the year ended 31 December 2023. The next few sections explain how the Board and its Committees have discharged their duties throughout the year and I hope you find it informative.

As announced in December 2023, I will retire from the Board at the conclusion of the annual general meeting (AGM) in May 2024. I joined the Board as a Non-Executive Director in October 2015 becoming Chair in May 2018. As well as celebrating many successes over the years, as a Board we have also had to tackle some difficult issues, throughout being guided by Inchcape's strong culture of 'doing the right thing' and being a truly responsible Company.

Inchcape has a proven and resilient business model and over the years the Group has developed into a highly focused and agile business in a strong position to successfully deal with the many changes likely to affect the automotive industry in the years to come.

I have thoroughly enjoyed my years at Inchcape, especially working with so many talented colleagues both on the Board and across the business. I know I am leaving Inchcape in very good hands.

Overview of the year

It has been another busy year for the Board, with key decisions made on the mergers and acquisitions (M&A) agenda and the Group's capital structure and major change programmes within the business, such as the integration of Derco. An insight into how the Board reached certain key decisions is given on page 71.

In October 2023, the Board visited the Group's operations in Hong Kong, and also travelled to the Philippines, where they saw the new CATS business and spent time in the Digital Delivery Centre (DDC).

In Hong Kong, the Board experienced the progress made in DXP, to provide customers with seamless online to offline experience and also how data analytic (DAP) models are further improving aftersales profits. In the Philippines, the Board gained insight into the Inchcape Digital operating model, and how building capabilities in the DDCs are harnessing technology to improve the business. A deep dive into DAP allowed the Board to gain a broader understanding of how high value analytics are deployed to transform customer experience and operational efficiency.

Board changes

We welcomed Stuart Rowley in July 2023, and Adrian Lewis was promoted to Chief Financial Officer in May 2023 having held the role on a temporary basis since November 2022. I am also delighted that Alison Platt joined the Board in January 2024. As noted last year, Byron Grote and Juan Pablo Del Río joined the Board as Non-Executive Directors at the start of year bringing a wealth of knowledge and experience to the Board's deliberations. Further information on the Board appointments can be found in the Nomination Committee Report on pages 78 to 81.

Governance landscape

Despite the Government's decision late in the year not to proceed with the governance reform legislation, a high-level analysis of the design of the Group's current entity-level control framework was carried out in line with the expected changes to the UK Corporate Governance Code. Further details can be found in the Audit Committee Report on page 82 to 89.

Colleague engagement

Ensuring our colleagues are engaged is absolutely essential to the success of the Group, and the Board reviewed the outcomes of various forms of engagement throughout the year including the results of the Be Heard survey which was carried out in September 2023.

During the overseas Board visit, two of our Non-Executive Directors (NEDs), Nayantara Bali and Jane Kingston, facilitated an engagement session at the head office in Hong Kong. In addition, Jane Kingston held a Reward Forum with our colleagues from Europe & Africa. These engagement sessions allow the Board to understand the issues of importance to colleagues, what their motivations are and, importantly, what could be done better. The NEDs give feedback on the insights gained from the sessions to the Board, and a list of actions are agreed with management. Further details are given in the CSR Committee Report on pages 90 to 91, and the Directors' Report on Remuneration on pages 92 to 114, respectively.

Looking forward

I would like to take this opportunity to thank all Inchcape colleagues across the Group for their hard work during the year which contributed to our strong performance in some challenging conditions.

NIGEL STEIN
CHAIRMAN

Compliance with the UK Corporate Governance Code

The 2023 Annual Report and Accounts is prepared with reference to the UK Corporate Governance Code 2018 (Code) which is published by the Financial Reporting Council (FRC) and available at www.frc.org.uk. The Corporate Governance Report on pages 66 to 118 describes how we applied the principles of the Code throughout the year and gives references where key content can be found elsewhere in the Annual Report and Accounts.

We have complied with all Code provisions throughout the year ended 31 December 2023 except for Code provision 38, where the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. Further information is given in the Directors' Report on Remuneration on page 92.

Board leadership and company purpose

The Board is collectively responsible for defining, approving, and monitoring the Accelerate strategy to ensure it delivers long-term sustainable success within a fast-changing environment, ensuring value for all its stakeholders.

The Directors use their judgement and objectivity, supported by a structured governance framework, which enables the Board to operate effectively, generating value for shareholders, and contributing to wider society.

If a Director has a concern about the running of the Company which cannot be resolved, it will be recorded in the Board minutes. No such concerns arose during 2023.

The Group's purpose is underpinned by the Accelerate strategy, 'Driving What Matters' Responsible Business plan, and the One Inchcape Value & Behaviours. In order to operate effectively, it is important that the appropriate culture is embedded throughout the business, and this is approached in several ways:

- Code of Conduct;
- a designated Non-Executive Director responsible for workforce engagement;
- whistleblowing hotline;
- remuneration policies and practices;
- setting appropriate financial targets and monitoring performance against these throughout the year;
- colleague experience survey; and
- delegated authorities.

The Board monitors and assesses the indicators of culture within the organisation through regular meetings with management to discuss the approach to specific issues such as colleague wellbeing and Inclusion & Diversity programmes. It also reviews the outcomes of the Be Heard survey and action plans to address issues raised. A regular update on people and capability metrics such as voluntary turnover, leadership development programmes, colleague assistance programmes, and health, safety & environment (HSE) KPIs also allow the Board to assess the culture within the organisation.

THE ONE INCHCAPE VALUES & BEHAVIOURS

We deliver

Great experiences

Fresh thinking

Better together

We deliver great experiences through fresh thinking and working better together

The Board reviews performance against strategic targets throughout the year and reviews certain key performance indicators to ascertain whether the necessary resources are in place to achieve the Group's strategic aims. Through its governance structure, the Board also ensures that the necessary controls, processes, and procedures are in place to drive a strong ethical culture to facilitate the delivery of the strategy.

The Company has a broad group of clearly defined stakeholders and engages with them via a variety of channels allowing the Board to understand what issues are important to stakeholders. The Chair of the CSR Committee is the designated Non-Executive Director responsible for engagement with the workforce.

The Code of Conduct, among other policies, sets out the behaviours expected of our colleagues and ensures policies remain aligned to culture and support long-term success. Other policies include HSE, anti-bribery and corruption, Inclusion & Diversity, and whistleblowing, which are all available in multiple languages.

The Board recognises the importance of a two-way flow of communication and the importance of colleagues having the facilities to raise matters of concern, via the whistleblowing hotline. The Board has delegated oversight of the Company's whistleblowing arrangements to the Audit Committee who review the issues raised, and the actions put in place by management to resolve them, at each meeting.

+ **Strategy** – pages 8 to 9 + **Biographies** – pages 72 to 73 + **Matters reserved for the Board** www.inchcape.com

Division of responsibilities

The Chair is responsible for the leadership of the Board and is separate from the role of Group Chief Executive. He sets meeting agendas designed to encourage constructive debate and promote a culture of openness and inclusion.

The Chair also ensures the Directors receive accurate, timely, and clear information. The Chair was considered independent on appointment and this is assessed annually.

The Board includes an appropriate combination of Executive Directors and NEDs, with at least half of the Board consisting of Independent NEDs (excluding the Chairman) throughout the reporting period. There is a clear division of responsibilities between the leadership of the Group. The Group Chief Executive is responsible for developing the Group's strategy, running the day-to-day operations, reporting to the Board on performance, implementing strategy, managing risk and internal control, and engaging with shareholders. The Senior Independent Director acts as a sounding board for the Chairman, serving as an intermediary to other Board members, and leads the annual appraisal of the Chairman's performance with the other NEDs.

The NEDs are appointed to provide a wide range of skills, knowledge, and experience to supply context to the matters being debated, and the decisions needed to achieve the Accelerate strategic goals. The NEDs are required to allocate sufficient time to the Company to discharge their responsibilities. When reviewing the Nomination Committee's recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director's wish to take on other external appointments, the Board will assess the additional demand on that Director's time before authorising the appointment, and whether it would result in over-boarding. No Board Director took up new significant external appointments with other publicly listed companies during 2023. Board dates are agreed two years in advance and the time commitment expected is reviewed annually to ensure Directors can plan their time accordingly.

The Group Company Secretary supports the Board by providing advice on the governance framework and ensuring that the appropriate policies and procedures are in place to allow it to function effectively. The appointment and removal of the Group Company Secretary is a decision for the Board as a whole.

Board skills – page 71 **Biographies** – pages 72 to 73 **Board evaluation** – page 77

Committee terms of reference www.inchcape.com **Matters reserved for the Board** www.inchcape.com

Composition, succession, and evaluation

Ensuring there is the right mix of Board Directors is a key element of the succession planning process. The Nomination Committee reviews the skills matrix and tenure of Directors on a regular basis to ensure its succession plan remains aligned with the natural rotation of Directors off the Board, and the strategic objectives of the Group in the longer-term.

The succession plans for the senior management team are regularly reviewed by the Board.

The Nomination Committee engages external recruitment consultancies when searching for Board position candidates.

The Directors must possess the skills, experience, and knowledge to support and challenge management in the execution of the Accelerate strategy and to provide sound advice and insight on material issues. The Board use a skills matrix to ensure it has the necessary combination to meet its strategic objectives. The Committee considers breadth of perspective on the Board that can only be achieved by appointing Directors from a diverse range of backgrounds and considers ethnicity, gender, and professional experience when considering suitable candidates.

The Directors provide feedback on how the Board operates, its culture, and effectiveness during the evaluation process. During 2023, the Board carried out an external evaluation which reviewed the Board's composition, diversity, and effectiveness.

The specific reasons why the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success may be found in the Board evaluation section of this report and the Notice of Annual General Meeting.

Board skills – page 71 **Board evaluation** – page 77 **Nomination Committee** – pages 78 to 81

Notice of Meeting www.inchcape.com

Audit, risk, and internal control

The Audit Committee Chair reports to the Board on the independence and effectiveness of internal and external audit functions and the integrity of the financial statements throughout the year.

The Audit Committee regularly meets with the auditor without the presence of management to discuss any areas of concern they might have. The Chair of the Audit Committee also meets with the Group Chief Financial Officer and Head of Internal Audit in one-to-one meetings which enable her to fully understand the key issues ahead of Committee meetings.

The Board reviews the Annual Report and Accounts, the interim financial statements, and the trading updates prior to publication to confirm to the best of their knowledge that these are all fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, and prospects. The Board considers the weight given to published information to ensure that it is objective and there are no omissions. The Board also ensures that the narrative reporting is consistent with the financial statements.

The Group has a system of risk management and internal control which is designed around an established three lines of defence model. This model engages management teams, corporate functions, and independent assurance to manage risk, which is overseen by the Board and its Committees.

The risk management and internal control processes are designed to manage rather than eliminate the risk of failure to achieve business strategic objectives. In establishing and reviewing the system of internal control, the Directors have regard for the nature and extent of relevant risks, the likelihood of loss being incurred, and the costs of control. The system can only provide reasonable but not absolute assurance against material misstatement or loss and cannot eliminate business risk.

On behalf of the Board, the Audit Committee carries out a review of the effectiveness of internal control. Any significant control failings or weaknesses are reported to the Board, along with a detailed review of the findings and mitigation plans being put in place. The Board will monitor progress against plans until it is satisfied that the matter has been resolved appropriately. The process has been in place for the year under review and up to the date of the approval of the 2023 Annual Report and Accounts.

The Directors are satisfied that the Group's risk management and internal control systems accord with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

+ **Risk management** – pages 56 to 64 + **Audit Committee Report** – pages 82 to 89 + **Non-audit services** – page 89

Remuneration

The Remuneration Committee Chair reports to the Board on its oversight of the Directors' Remuneration Policy, practices, and processes throughout the year. The Remuneration Committee ensures the Directors' Remuneration Policy is designed to support the successful delivery of the Accelerate strategy and is aligned to the Group's purpose and values.

The Remuneration Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on implementation and changes to policy. The Committee remains committed to consulting with shareholders and other key stakeholders on the policy and its application.

The Committee believes the performance measures used in the long-term incentive plans, along with those in the bonus scheme, also aid simplicity due to the clear alignment to Inchcape's strategy and are familiar to all stakeholders.

The Committee has ensured that remuneration arrangements do not encourage and reward excessive risk taking by setting targets which are stretching yet realistic, with discretion to adjust formulaic bonus and outcomes, and expanding the circumstances in which malus and clawback can be applied.

Linking strategy to the performance measures used balances predictability and proportionality by ensuring outcomes do not reward poor performance in the short and long-term. The Directors' Remuneration Policy is consistent with Inchcape's culture therefore driving behaviours which promote the long-term success of Inchcape.

The Remuneration Committee has delegated responsibility for setting the Executive Directors' remuneration under the shareholder-approved Directors' Remuneration Policy. This policy is reviewed every three years to ensure it remains fit for purpose, aligns with stakeholder expectations, and promotes appropriate behaviours.

The Committee is supported by external advisors to provide guidance on best practice. The Committee consults with shareholders prior to the policy being put to shareholder vote to ensure their interests are supported. No Director is able to determine their own remuneration outcome.

The Remuneration Committee is made up of only independent Non-Executive Directors. When agreeing Executive remuneration outcomes, the Committee uses its independent judgement to reach decisions taking into account financial performance, personal objectives, wider business context, and the long-term impacts.

+ **Directors' Report on Remuneration** – pages 92 to 114

GOVERNANCE AT A GLANCE

GOVERNANCE STRUCTURE

The Board of Inchcape plc

Collectively responsible for the long-term success of the Company

Audit Committee | **Remuneration Committee** | **Group Executive Team** | **Nomination Committee** | **CSR Committee**

Delegated authorities:

Audit Committee
- Financial reporting
- Risk management
- Internal control

COMMITTEE REPORT – pages 82 to 89

Remuneration Committee
- Remuneration Policy
- Incentive plans
- Performance targets

COMMITTEE REPORT – pages 92 to 114

Group Executive Team
- Group strategy
- Operational management

Nomination Committee
- Board composition
- Diversity
- Succession planning

COMMITTEE REPORT – pages 78 to 81

CSR Committee
- Responsible Business
- Engagement
- Climate oversight

COMMITTEE REPORT – pages 90 to 91

Group Risk Committee

Delegated authorities:
Risk oversight
InControl Standards

Investment Committee

Delegated authorities:
Oversight of Group capital expenditure

BOARD ATTENDANCE

The table below shows the Board and Committee meetings held during the year.

	Board	Audit Committee	CSR Committee	Remuneration Committee	Nomination Committee	
	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Ad hoc
Nayantara Bali	8/8		3/3		2/2	3/3
Jerry Buhlmann*	8/8	5/5	2/3	4/4	2/2	3/3
Juan Pablo Del Río*	7/8				2/2	3/3
Byron Grote	8/8	5/5	3/3	4/4	2/2	3/3
Alex Jensen	8/8		3/3	4/4	2/2	3/3
Jane Kingston	8/8			4/4	2/2	3/3
Sarah Kuijlaars	8/8	5/5			2/2	3/3
John Langston**	4/4	2/2			1/1	2/2
Adrian Lewis**	4/4					
Stuart Rowley**	4/4	2/2			1/1	
Nigel Stein	8/8		3/3	4/4	2/2	3/3
Duncan Tait	8/8		3/3			

* Juan Pablo Del Río was unable to attend the February Board meeting due to a prior commitment, and Jerry Buhlmann was unable to attend the November CSR Committee meeting due to exceptional reasons, respectively.
** John Langston left the Board on 18 May 2023, Adrian Lewis joined the Board on 24 May 2023, and Stuart Rowley joined the Board on 17 July 2023.

KEY ACTIVITIES AND DECISIONS OF THE BOARD

January
- 2022 closing
- 2023 Annual Operating Plan
- Carbon emission quantification
- Scope 3 carbon emission targets
- Mercedes-Benz, Indonesia acquisition

February
- Mercedes-Benz, Indonesia acquisition
- Corporate governance update
- Insurance review
- Tax strategy
- Risk Policy
- NED fees

March
- Capital structure review
- 2022 Annual Report and Accounts
- 2022 final dividend
- 2022 internal Board evaluation outcomes
- Modern Slavery Statement

Strategy Day
- Macro and industry trends
- EV and industry decarbonisation
- Distribution Excellence and route to market
- Vehicle Lifecycle Services
- Portfolio choices in the context of climate change
- M&A and mobility company partner relationships
- Capital structure
- Defence strategy

May
- AGM
- 3 + 9 forecast
- Company bond
- Treasury Policy review
- Pension update
- Appointment of Adrian Lewis as Group Chief Financial Officer
- Great Lake Motor Distributors, New Zealand acquisition

July
- Appointment of Stuart Rowley as NED
- Key takeaways from the Strategy Day
- Half-year results
- Investor relations update
- Half-year risk review
- Regional Update: UK
- Ditec post-investment review
- Conflicts of Interest Policy

September
- Regional update: Americas
- Half-year results investors feedback
- Cybersecurity update
- Responsible Business update

October
- Board visit to Hong Kong and the Philippines
- Regional update: Asia-Pacific
- Digital strategy update
- Health, safety & environment review

November
- Investor relations update
- 2023 outlook & 2024 operating plan
- Regional update: Europe & Africa
- Tax strategy
- Full year risk review
- Accelerate strategy interim review
- Succession planning
- Board expenses review

BOARD SKILLS

The Board recognises the importance of the right mix of skills, experience, and diversity to deliver the Group's strategic objectives and contribute towards long-term success. Skills were enhanced in 2023 from new Board appointments coming from different industry backgrounds, and from Board members receiving external training on particular topics.

What we bring
- Automotive
- Digital
- Emerging markets
- Finance
- Remuneration
- Retail
- Technology

Skills enhanced in 2023
- Automotive
- Emerging markets
- Environmental, social, and corporate governance
- Finance
- Multinational business

Future succession considerations
- Digital/Technology
- Environmental, social, and corporate governance
- Remuneration

BOARD OF DIRECTORS

The Board is collectively responsible for agreeing and continually reviewing the Accelerate strategy to ensure it delivers long-term sustainable success. The Board is also responsible for ensuring the appropriate resources are in place to deliver the strategic objectives.

Nigel Stein
CHAIRMAN

Appointed – October 2015

Skills and experience – Nigel has a wide range of international, general management, and finance experience, as well as having extensive knowledge in the global automotive and manufacturing sectors. Nigel joined Inchcape in 2015 as Non-Executive Director before being appointed as Chairman in 2018. Nigel was formerly chief executive of GKN plc and is presently a non-executive director of James Hardie Industries plc. Nigel is also a chartered accountant.

Committee membership – Chair of the Nomination Committee and member of the CSR and Remuneration Committees.

Duncan Tait
GROUP CHIEF EXECUTIVE

Appointed – July 2020

Skills and experience – Duncan brings significant international experience and a wealth of digital and data experience, a key enabler of the Accelerate strategy. Duncan was previously on the board of Fujitsu, a global technology services company with $10bn turnover and 35,000 people. Duncan has also held senior roles at Unisys, Hewlett Packard, and Compaq in a technology focused career of over 30 years. Duncan is currently a non-executive director at Agilisys.

Committee membership – CSR Committee.

Adrian Lewis
GROUP CHIEF FINANCIAL OFFICER

Appointed – May 2023

Skills and experience – Adrian has financial experience in the automotive, consumer, digital, and retail industries, and has been instrumental in the acquisition and integration of the Derco and Indumotora businesses. Adrian joined Inchcape in 2015 as CFO for the Emerging Markets region and then became CFO for Asia Pacific. In 2020, Adrian returned to the United Kingdom to lead the finance function as Group Financial Controller, before becoming Chief Financial Officer in 2023. Prior to Inchcape, Adrian held various senior finance roles at Tesco plc. Adrian is a chartered accountant.

Committee membership – None.

Jerry Buhlmann
SENIOR INDEPENDENT DIRECTOR

Appointed – March 2017

Skills and experience – Jerry has over 40 years' experience in the advertising and media industries. Jerry joined Inchcape as Non-Executive Director in 2017, before becoming Senior Independent Director in 2019. He was formerly CEO of Dentsu Aegis Network and Aegis Group plc. Jerry is currently chairman of three private equity backed digital marketing agencies: Croud Limited, Dept, and Hybrid. Jerry is also a member of the supervisory board of Serviceplan GmbH, and a senior advisor to management consultants OC&C.

Committee membership – Audit, CSR, Nomination, and Remuneration Committees.

Jane Kingston
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – July 2018

Skills and experience – Jane has significant international and remuneration experience, and is non-executive director and remuneration committee chair of Spirax-Sarco Engineering plc. Jane was formerly group human resources director for Compass Group plc, and has held senior positions at Enodis plc, Blue Circle plc (now Lafarge S.A.) and Coats Viyella plc.

Committee membership – Chair of Remuneration Committee and member of the Nomination Committee.

Sarah Kuijlaars
INDEPENDENT NON-EXECUTIVE DIRECTOR

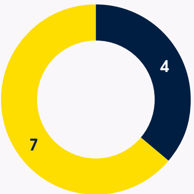
Appointed – January 2022

Skills and experience – Sarah is an experienced international finance leader, having previously been chief financial officer at De Beers Group and Arcadis NV. She was also formally deputy CFO at Rolls-Royce Holdings plc and has held a number of senior financial leadership roles during a 25-year career at Royal Dutch Shell plc. Sarah was previously a non-executive director at Aggreko plc. Sarah has a Mathematics degree from Oxford University and is a Fellow of the Chartered Institute of Management Accountants.

Committee membership – Chair of the Audit Committee and member of the Nomination Committee.

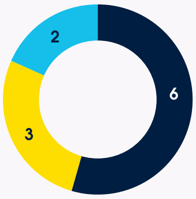
AS AT 31 DECEMBER 2023

GENDER



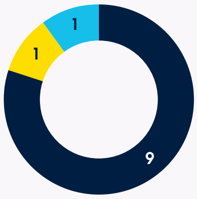
- Female
- Male

LENGTH OF SERVICE



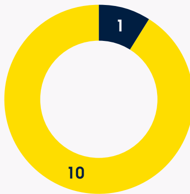
- 0 to 3 years
- 6 to 9 years
- 3 to 6 years

NATIONALITY



- British
- Singaporean
- Chilean

ETHNICITY



- Asian
- White

Nayantara Bali
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – May 2021

Skills and experience – Nayantara previously held various senior management positions in Procter & Gamble over a 25-year period. Nayantara is director and co-owner of ANV Consulting Pte, and also an independent director on the boards of Torrent Pharma, Starhub, and Marico. Nayantara holds an Economics degree and a Post Graduate Diploma in Business Management from the Indian Institute of Management.

Committee membership – CSR and Nomination Committees.

Alex Jensen
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – January 2020

Skills and experience – Alex is the designated Non-Executive Director responsible for workforce engagement. She has considerable experience in transforming and growing customer-facing businesses. Alex is the CEO of National Express UK, Ireland, and Germany, and also serves on the board of the charity Mind. Alex was formerly regional CEO of mobility and convenience at BP plc. Alex holds an MA degree in Chinese Studies from Oxford University, and a Masters from Stanford University School of Business.

Committee membership – CSR Committee Chair and member of the Nomination and Remuneration Committees.

Stuart Rowley
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – July 2023

Skills and experience – Stuart has a deep understanding of the global automotive industry and has extensive international experience. Stuart recently departed Ford after more than 30 years' service, starting from a finance leader before transitioning to president and chair of Ford Europe, and chief transformation & quality officer. Stuart was formally a non-executive board member of the European Automobile Manufacturers' Association, a lobbying group representing Europe's major car manufacturers, which includes many of our mobility company partners. Stuart holds a Master's degree in Business Administration.

Committee membership – Audit and Nomination Committees.

Juan Pablo Del Río
NON-EXECUTIVE DIRECTOR

Appointed – January 2023

Skills and experience – Juan Pablo has held a number of senior leadership roles across a range of companies within the automotive, real estate, and retail sectors. He served on the board of the Derco group, the largest multi-brand automotive distributor in Latin America, until its acquisition by Inchcape in 2022. Juan Pablo is currently on the board of Cruzados S.A.D.P. (a company with shares listed on the Santiago Stock Exchange) and is chairman of Sodimac S.A. He was formerly a board member of Falabella S.A., a company with shares listed on the Santiago Stock Exchange.

Committee membership – Nomination Committee.

Byron Grote
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – January 2023

Skills and experience – Byron has extensive experience across a range of leading international businesses at board level, bringing strategic focus and financial expertise to the Board. Having previously been chief financial officer at BP plc between 2002 to 2011, Byron is currently senior independent director at Tesco plc, non-executive director at InterContinental Hotels Group plc, and deputy chairman of the supervisory board at Akzo Nobel NV Byron has previously served on the boards of Anglo-American plc, Standard Chartered plc, and Unilever plc.

Committee membership – Audit, CSR, Nomination, and Remuneration Committees.

Alison Platt
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed – January 2024

Alison has significant business and international commercial experience from working for high-profile consumer-facing companies across the healthcare, insurance, and property sectors. Her former membership of the steering group of the Hampton-Alexander Review provides strategic insights on inclusion and diversity. Alison serves as chair for Hargreaves Lansdown plc and Ageas UK. Alison is also a non-executive director and chair of the Remuneration Committee for Tesco plc.

Committee membership – Audit, CSR, Nomination, and Remuneration Committees.

GROUP EXECUTIVE TEAM

The Group Executive Team (GET) drives the Accelerate strategy and is responsible for the day-to-day operations of the Group. It is a global team of business leaders that combines a strong focus on operational excellence with a wealth of experience in a wide range of industries, including automotive, fast-moving consumer goods (FMCG), finance and management services.

1 | Duncan Tait
GROUP CHIEF EXECUTIVE

Appointed – July 2020

Duncan brings significant international experience and a wealth of digital and data experience, a key enabler of the Accelerate strategy. Duncan has overseen the implementation of DXP, the omni-channel customer and dealer platform, which provides access to a full range of products and services, and DAP, a range of data analytics designed to deliver competitive advantage. Duncan has led the Group entering strategic partnerships with BYD, Geely, and Great Wall Motors, which bring exciting EV ranges, aligning with the Group's Responsible Business agenda.

2 | Adrian Lewis
GROUP CHIEF FINANCIAL OFFICER

Appointed – November 2022

Adrian has financial experience in the automotive, consumer, digital, and retail industries, and has been instrumental in the acquisition and integration of the Derco and Indumotora businesses. Adrian joined Inchcape in 2015 as CFO for the Emerging Markets region and then became CFO for Asia Pacific. In 2020, Adrian returned to the United Kingdom to lead the finance function as Group Financial Controller, before becoming Chief Financial Officer in 2023. Prior to Inchcape, Adrian held various senior finance roles at Tesco plc. Adrian is a chartered accountant.

3 | George Ashford
CEO UK

Appointed – October 2006

George joined the Group in 2006 and since that time has held several senior positions including CEO Toyota Belgium and CEO APAC. In 2020, George was also appointed Chief Transformation Officer with responsibility for the development and implementation of the Accelerate strategy and business transformation. In 2022, George was then appointed as CEO UK. His extensive distribution and retail experience is beneficial in leading this crucial business. He also continues to lead the global used car strategy. George is the executive lead for Inchcape Enabled, which focuses on building a disability confident business by removing barriers and increasing accessibility.

4 | Helen Cunningham
CHIEF PEOPLE OFFICER

Appointed – September 2020

Helen joined the Group in 2016 and has held various positions as Regional HR Director in the UK, Emerging Markets, and Americas & Africa, before being promoted to Chief People Officer in 2020, bringing a combination of deep functional expertise and strong operational leadership to this key global role. She has significant M&A capability within the business over several step-change acquisitions effectively onboarding new teams and leaders and integrating businesses. She is also the Executive leader for the People workstream of the Responsible Business 'Driving What Matters' plan.

5 | Mike Bowers
GROUP GENERAL COUNSEL AND CHIEF SUSTAINABILITY OFFICER

Appointed – October 2015

Mike joined the Group in 2015 as Group General Counsel. He is a leading contributor to the Group's M&A strategy playing a significant role in the acquisitions of Derco, Grupo Rudelman, Indumotora, ITC, and Simpson Motors, which significantly reshaped the business over the last decade. Mike is also instrumental in reinforcing and strengthening legal and regulatory compliance across the Group. Mike was appointed Chief Sustainability Officer in 2023 and leads the Group's response to climate change, helping us to deliver on our aim to be the lowest carbon route to market for our mobility partners.

6 | Ruslan Kinebas
CEO APAC

Appointed – October 2015

Ruslan has led key acquisitions with mobility company partners including Changan, GWM, Jaguar Land Rover, Mercedes-Benz, and Tata Motors, and has overseen the development of our global Digital Parts Platform. In 2023, he presided over successful market entries into Philippines and Indonesia which further grew Inchcape's distribution businesses in the region. In his eight-year tenure at Inchcape, he held strategic roles such as CEO Emerging Markets, and CEO Americas & Africa. A firm believer of Inclusion & Diversity, he is the Executive sponsor of the Inchcape Women into Leadership programme, helping to uplift and develop female colleagues into leadership roles.

7 | Romeo Lacerda
CEO AMERICAS

Appointed – September 2021

Romeo joined Inchcape in 2021 as CEO Americas & Africa. Since joining the Group, Romeo has overseen the acquisition of Ditec, Interamericana Trading Corporation (ITC), and Simpson Motors, which have strengthened the Group's geographic reach and broadened its relationships with mobility company partners. Romeo was influential in the acquisition and has led the integration of Derco, the largest automotive distributor in Latin America, increasing Inchcape's scale in the Americas with a footprint of over 30 mobility company partner brands across 13 markets.

8 | Mark Dearnley
CHIEF DIGITAL OFFICER

Appointed – October 2020

Mark joined Inchcape as Chief Digital Officer in 2020 with responsibility for digital transformation and Distribution Excellence which are critical to the success of the Accelerate strategy. Mark has been instrumental in establishing Inchcape Digital, the home of the recently formed Digital Delivery Centres based in Colombia and the Philippines. Inchcape Digital leads the development and roll out of DXP and DAP globally, supports enterprise resource planning and all of Inchcape's global technology infrastructure, manages cybersecurity, and is introducing new solutions including the Digital Parts Platform and used car analytics.

9 | Glafkos Persianis
CEO EUROPE & AFRICA

Appointed – April 2020

Glafkos joined Inchcape in 2020 as CEO Europe with responsibility for Continental and Northern Europe. Glafkos was instrumental in the appointment of Inchcape as BYD's sales and aftersales partner in Belgium and Luxembourg. BYD is the world's leading manufacturer of new energy vehicles and power batteries, and will provide an online and offline network for both sales and aftersales services. Also in 2022, Glafkos assumed responsibility for operations in Africa, a strategically important region for the Group offering long-term sustainable growth in the markets of Ethiopia, Djibouti, and Kenya.

10 | Liz Brown
CHIEF STRATEGY OFFICER

Appointed – February 2023

Liz has over 20 years' experience in consulting, consumer goods, private equity, and retail. She joined Inchcape in 2023 from Diageo, the global drinks manufacturer and distributor, where she held the role of group strategy director and global head of business development. Liz also had overall responsibility for Diageo's start up acceleration business, Distill Ventures, developing a portfolio of successful new businesses which resulted in several successful acquisitions into Diageo. Prior to Diageo, Liz held strategic and senior roles at Currys plc, Royal Bank of Scotland Group plc, and LEK Consulting LLC.

11 | Phil Jenkins
CHIEF M&A OFFICER

Appointed – October 2023

Phil has over 25 years' business development and finance experience in global organisations across both the automotive and FMCG sectors. Phil joined Inchcape initially as Chief Financial Officer for our Americas & Africa region and has led our global M&A team since 2021. Under his leadership, the M&A team has helped secure multiple deals, including the acquisition of Derco, Inchcape's biggest M&A transaction in more than 50 years.

PRINCIPAL DECISIONS IN 2023

Issuance of a Bond

In June 2023, it was announced that the Company had issued a £350m bond facility, which was approved by the Board. The bonds mature in June 2028 and offers a coupon of 6.5%.

Stakeholders considered	Partners	Customers	Colleagues	Shareholders

Decision made

The Board considered that the bond offering ensures the Group can maintain a stable, long-term capital structure to support future investment in growth and ensuring an appropriate balance of capital allocation priorities.

The Board also considered the strong M&A pipeline and the optimal capital structure and funding mix to allow the Group to grow to achieve its strategic aims.

Outcome

After consideration of the interests of the relevant stakeholders, the Board approved the issuance of the bond which was successfully launched, priced, and settled in June 2023. The bond was assigned a public investment grade rating by Moody's of Baa2, or stable. The issuance of the bond allowed the Group to repay its existing bridge facility which helped fund the acquisition of Derco, the initial term for which expires at the end of 2023.

The high level of interest shown by investors emphasised their confidence in the Group's differentiated market position, strong financial profile, and exciting growth prospects, which will benefit shareholders, customers, mobility company partners, and colleagues in the longer-term.

Acquisitions made during the year

The joint venture acquisitions with CATS in the Philippines and Mercedes-Benz in Indonesia, and the acquisition of Great Lake Motors Distributors Group in New Zealand.

Stakeholders considered	Partners	Customers	Colleagues	Shareholders

Decision made

The acquisitions involved the consideration of the interests of colleagues, mobility company partners, customers, and shareholders in carrying out the growth objectives under the Group's Accelerate strategy. The Board considered key aspects of each acquisition including entering into new markets, mobility company partnerships, government policy requirements, and EV transition.

Outcome

The acquisitions expanded the footprint in APAC, strengthening the Group's geographic reach in the region.

CATS, Philippines
The joint venture strengthens Inchcape's partnerships with key global mobility company partner brands: Chrysler, Dodge, Jaguar, Jeep, Land Rover, Mercedes-Benz, and Ram, as well as Harley-Davidson and Mazda. The newly formed Inchcape Philippines will bring global market knowledge and processes, leadership in digital and data, and EV expertise to the fast growing and dynamic market.

Mercedes-Benz, Indonesia
The acquisition provides the opportunity to strengthen the relationship with Mercedes-Benz globally with the addition of a ninth distribution market and enables Inchcape to move into local assembly which is increasingly becoming an important government policy requirement in many of the emerging markets. It provides an attractive portfolio, with a compelling EV line-up, for an Indonesia marketplace that is positioning itself to be a leading EV production and battery manufacturing hub. The acquisition will provide the potential to add other mobility company partner mainstream brands to create further scale and synergy in Indonesia.

Great Lake Motors, New Zealand
A new mobility company partnership was formed with a strong brand – SAIC – providing access to commercial vehicle BEV product in a market where EV penetration is increasing with pace. The acquisition provides scale and synergy in New Zealand, helping Inchcape achieve market share.

BOARD EVALUATION

2022 Board evaluation outcomes

Board training	The Board broadened the scope of regulatory training for directors to keep abreast of the evolving governance landscape. Updates to the Board in 2023, included disclosure obligations under the Listing Rules and Market Abuse Regulation, the restructuring of the United Kingdom listing regime, and the Secondary Capital Raising Review recommendations. The Board also received updates from external advisors on macro and industry trends as well as risk management.
Environmental, social, and governance (ESG) knowledge and experience	It was agreed that the Board would have an increased focus on ESG-related matters particularly as investor interest evolves in this area. All Board members received external updates on climate scenario analysis and scope 3 emissions. All Committee Chairs now attend one CSR Committee meeting annually to improve ESG synergy when making decisions at Board level.
Skills and diversity	The Board acquired further automotive experience through the appointments of Juan Pablo Del Río and Stuart Rowley, strengthening the Board's understanding of the automotive industry. Continued focus on diversity when considering Board and GET appointments.

2023 Board evaluation process

The 2023 Board evaluation was conducted by an independent external advisor in accordance with the UK Corporate Governance Code 2018. Following a review process, Gould Consulting (Gould) were appointed to carry out the evaluation. Gould provides no other services to the Company and has no prior connection with the individual directors of the Company. The external review process was conducted in the format outlined below.

STAGE 1	STAGE 2	STAGE 3	STAGE 4
Tender and approval of provider The Board agreed the 2023 evaluation would be facilitated by an external provider, in line with the provisions of the UK Corporate Governance Code and conducted a review to select an independent provider.	**Agree process and timetable** Gould met with the Chairman and Group Company Secretary to discuss objectives and agree the timetable and approach.	**Document review** A document review was carried out whereby various relevant materials such as Board and Committee papers, forward agendas, Terms of Reference, and the Annual Report and Accounts were reviewed by Gould.	**Board observation** Observations of a Board meeting was conducted by Gould. This provided an overview of the practical arrangements and meeting dynamics.
STAGE 5	**STAGE 6**	**STAGE 7**	**STAGE 8**
Surveys All members of the Board and Group Executive Team, as well as the Group Company Secretary, completed a confidential survey.	**Interviews** Gould held one-to-one meetings with each member of the Board, the Group Company Secretary, and members of the Group Executive Team.	**Reporting** A focused report was provided to the Chairman explaining how the Board was working and where certain changes may provide improvements. A specific list of recommendations was then provided.	**Feedback** A meeting was held with the Chairman to discuss the draft report. Once finalised, the report was presented to the whole Board for discussion and actions arising from the recommendations were agreed.

2023 Board evaluation outcome

Overall, the Board has been found to be functioning effectively with a strong dynamic, with positive and constructive engagement between the Non-Executive Directors and management across many aspects of the business.

The recommendations made by Gould were practical changes designed to improve engagement, contribution, and governance effectiveness, and fall into three broad areas:

1) M&A and strategy execution – developing a sharper narrative around M&A's role in strategy implementation, and bringing lessons learned to the Board by including more non-financial information in post-investment review papers;

2) Strategic discussion and debate – changing the emphasis of updates to enable more concise and focused discussion; and

3) Board and Committee interactions – reviewing the remit of the CSR Committee.

Following review of the recommendations, the Board approved:

- improvements in M&A reporting on mobility company partners, segment, and geographic priorities;
- greater focus in post-investment reviews on organisation, integration synergies, culture, and risk mitigations;
- increasing the time allowed for discussion on front of mind issues outside of the agenda to allow Board members to give their thoughts which may shape discussions;
- Committee Chairs to report on the significant issues discussed with additional focus on matters requiring full Board consideration;
- a review of the remit of the CSR Committee; and
- increasing focus on emerging risks.

An update on progress against these actions will be given in next year's Annual Report and Accounts.

NOMINATION COMMITTEE REPORT

NIGEL STEIN
CHAIR

Membership

	Number of meetings held/ attendance	Number of ad hoc meetings held/ attendance
Nigel Stein (Chair)	2/2	3/3
Nayantara Bali	2/2	3/3
Jerry Buhlmann	2/2	3/3
Juan Pablo Del Río	2/2	3/3
Byron Grote	2/2	3/3
Alex Jensen	2/2	3/3
Jane Kingston	2/2	3/3
Sarah Kuijlaars	2/2	3/3
John Langston	1/1	2/2
Stuart Rowley	1/1	0/0

The Committee's terms of reference can be found at www.inchcape.com/responsibility/governance.

DEAR SHAREHOLDER

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2023. The aim of this report is to provide an overview of how the Committee has discharged its responsibilities during the year and I hope you find it useful.

The Committee held two scheduled meetings and three ad hoc meetings during the year, discussing its key areas of responsibility: board composition and appointments to the Board, succession planning, time commitments, and diversity. All Non-Executive Directors are members of the Committee.

Chair of the Board

As outlined earlier, I will retire from the Board at the conclusion of the AGM in May 2024. I have been on the Board since October 2015, becoming Chairman in 2018. I have thoroughly enjoyed my years at Inchcape, especially working with so many talented colleagues both on the Board and in the business.

Byron Grote ran the Chair succession process, during which he met with all members of the Board to consider the skills and experience required to lead the Board, and also took external advice from Lygon Group. I am delighted that the Board approved the appointment of Jerry Buhlmann as Chair following my departure. Jerry joined the Board in 2017, becoming Senior Independent Director in 2019. The Board was unanimous in its support for the succession of Jerry and it was agreed that an external search would not be necessary. His appointment will ensure seamless continuity of Board leadership to support the Group, as it continues to deliver on its Accelerate strategy.

Board composition and succession planning

Board composition and succession planning continues to be the main focus of the Committee with four new Directors joining the Board in 2023. Byron Grote and Juan Pablo Del Río joined the Board as Non-Executive Directors in January 2023. Adrian Lewis was promoted to the Group Chief Financial Officer in May 2023, and Stuart Rowley joined the Board in July 2023 as Non-Executive Director.

The assessment of skills, experience, and knowledge is a key element when determining Board composition and carrying out succession planning. Last year, the Committee determined the list of skills which would enhance the Board composition with automotive experience being a key requirement for future appointees, along with a strengthening of multinational and regulatory experience following the departure of John Langston during the year. The appointments made to the Board during 2023 have enhanced these areas considerably, with Juan Pablo Del Río and Stuart Rowley bringing extensive automotive expertise, and Byron Grote bringing a wealth of finance, governance, and international experience gained from a variety of executive and non-executive roles.

I am also delighted that Adrian Lewis was appointed as Group Chief Financial Officer in May 2023. The appointment represents internal succession, as he moves from the role of Group Financial Controller. Following rigorous assessment, it was agreed that he brings the individual and technical attributes required of Group Chief Financial Officer and deemed a highly capable successor possessing substantive financial and automotive experience. Adrian was integral to overseeing many of Inchcape's M&A, in addition to leading teams and working across financial control, corporate finance, treasury, reporting, and operational finance. Adrian had been Interim Chief Financial Officer since November 2022.

I am also pleased that Alison Platt joined the Board in January 2024. Alison brings a wealth of experience across a variety of industries, and I know she will be a valuable member of the Board.

It is usual for Board members to serve a maximum of nine years on the Board, and length of service is a key factor when looking at succession planning. The Committee reviews length of service on an annual basis and recommends to the Board the appointment of NEDs for a further three-year term as and when they arise. However, there may be occasions when a Director may resign before they have completed nine years' service. In these circumstances, a longlist of potential candidates is continually kept up to date so the appointment process can begin immediately to fill vacancies as they arise. The Nomination Committee continues to consider suitable candidates should any vacancies arise unexpectedly or where it could be deemed that another NED would enhance the performance and experience of the Board.

The Committee believes the composition enables the Board to optimally perform for the benefit of shareholders and ensures that the Board and its Committees are well equipped with the skills and capabilities needed to drive the future success at Inchcape.

Director independence

The Committee assesses the NEDs' independence on appointment and throughout the year. NEDs are required to inform the Committee of any situation which could impair their independence and report on any potential conflicts of interest at each meeting.

Juan Pablo Del Río is not considered independent as he has a significant shareholding in the Company and has close ties with the Derco business acquired in 2023. The Company acknowledges that Juan Pablo Del Río is not independent but the rationale behind the Derco acquisition, as stated in the 2022 Annual Report and Accounts, is of tremendous benefit to the Company in growing the Americas region and bringing highly complementary mobility company partner relationships, As he is not considered independent, Juan Pablo has no voting authority when it comes to making decisions about the Derco subsidiaries.

Appointments to the Board and induction process

As part of the Board composition and succession planning process, the future skills, experience, and knowledge required by Directors is continually kept under review. When planning to fill future vacancies, an appropriate job specification is developed, along with specification of any other desirable attributes required. A longlist of candidates will be considered after which a shortlist is agreed, and the interview process begins.

Potential candidates meet with the Chairman, Senior Independent Director, and other Board members. Once a preferred candidate has been identified, the Committee makes its recommendation to the Board for approval. During the recruitment process a comprehensive assessment is carried out to evaluate each candidate's capability, strengths and personal attributes needed to complement and enhance the skills, experience, and knowledge of the Board members. Lygon Group were appointed to assist with the recruitment of Byron Grote and Stuart Rowley. Lygon Group are signatories of the standard voluntary code of conduct for executive search firms and has no other connection to the Company or any individual Director.

Induction of Non-Executive Directors

The induction process is designed to provide new Directors with a detailed understanding of the business and the Group's future strategic ambitions to enable them to carry out their duties as Directors of the Company. This includes meetings with the Group Executive Team, key management, and the Group's principal advisors. With Inchcape being Juan Pablo Del Río and Stuart Rowley's first United Kingdom listed Board appointments, they received detailed briefings from our external legal advisors on their legal duties as directors of a UK listed company. All Board members are provided with a comprehensive pack of documents setting out key information about the Company, including broker reports on the Company and industry sector.

As part of their induction, Juan Pablo and Byron attended a site visit at our Mercedes-Benz dealership in Oxford, which was led by George Ashford, CEO UK. They also attended site visits in Hong Kong and the Philippines as part of the overseas Board visit. For new Board members, visiting sites and meeting colleagues helps provide an overview of our operations as well as Inchcape's ways of working, culture, and values.

Diversity

The Committee considers gender diversity both at the Board and Group Executive Team level, and the Group is committed to improving diversity throughout the organisation. There are several initiatives in place to support the achievement of diversity targets and further information can be found in the Responsible Business Report on page 35.

As at 31 December 2023, one member of the Board is from a minority ethnic background, however the Company did not satisfy the other diversity criteria under LR 9.8.6(9ai) and (9aii). In January 2024, Alison Platt joined the Board as Non-Executive Director, which resulted in over 40% of the Board being women, and in May 2024 it is intended that Alison will replace Jerry Buhlmann as Senior Independent Director. These changes would result in the Company meeting all diversity targets under LR 9.8.6 from May 2024. Please see page 81 for the Board's Policy on Diversity.

Focus for 2024

Next year the Committee will focus on:

- onboarding of new Directors;
- succession planning; and
- skills matrix to support delivery of the Accelerate strategy.

An update on the Committee's activities will be given in next year's Annual Report and Accounts.

NIGEL STEIN
CHAIR OF THE NOMINATION COMMITTEE

Key activities

What we did	Outcome
Board composition and succession planning	
Used the skills matrix to assess the skills, experience, and knowledge on the Board of the current directors. Used the skills matrix to agree the skills, experience and knowledge required for future appointments taking into account departing Directors' skill set, diversity, and the strategic direction of the Group. Met with potential Non-Executive and Executive candidates to fill vacancies on the Board. Recommended preferred candidates to the Board for approval to be appointed to the Board. Reviewed the latest diversity data published by the Parker Review and agreed to submit diversity data for the Board and senior leadership of the Group for the year ended 31 December 2023.	The skills matrix was updated to identify future succession priorities of automotive/retail, digital/technology, and remuneration. Recommended the appointment of the Directors below to the Board: • Byron Grote • Adrian Lewis • Stuart Rowley • Alison Platt Recommended the appointment of Jerry Buhlmann as Chairman and Alison Platt as Senior Independent Director following the Annual General Meeting in May 2024. The Board has achieved the Parker Review target of having one director from an ethnic minority background.
Director independence	
The Board assessed the independence of directors in accordance with the UK Corporate Governance Code 2018, taking into account: • length of service; • close family ties; • current or former employment by the Company; • material business relationships; • cross directorships; • significant shareholdings; and • additional remuneration.	Over half the Board consists of independent Non-Executive Directors. Juan Pablo Del Río is not considered independent due to his family shareholding and close ties to the Derco business acquired in 2023.
Election and tenure of directors	
Reviewed the contribution of each Director throughout the year. Recommended the re-appointment of all Directors to be put to shareholder vote at the 2023 AGM. Reviewed the performance of Alex Jensen following the completion of three years on the Board. Reviewed Committee membership following the departure of John Langston, and the appointment of three new Non-Executive Directors during the year.	Shareholders voted to appoint or re-appoint all directors with each resolution receiving over 95% in favour. Recommended the re-appointment of Alex Jensen for a further three-year term. Recommended the appointment of Sarah Kuijlaars as Chair of the Audit Committee.
Time commitment and other appointments	
Reviewed the policy on multiple board appointments taking into account the guidance of investors and proxy advisors on overboarding. Assessed external commitments to ensure directors have the necessary time available to fulfil their duties: • Byron Grote took on the role of chairman of a FTSE 100 company on a temporary basis during 2023.	The policy on multiple Board appointments was approved for a further 12 months. The Committee agreed that as this was for a limited time it would not hinder his ability to carry out his duties to Inchcape.

Diversity within Inchcape

We are passionately committed to promoting inclusion, diversity, and equality in the workplace and it is inextricably linked to our strategy. We value diversity in the broadest sense including, but not limited to age, disability, ethnicity, gender, sexual orientation, or educational, professional, and socio-economic backgrounds. The objective of ensuring a diverse Board is to provide fresh perspectives which enrich our decision making and the aim of the policy statement is to reflect this ethos.

We reported that last year's Board evaluation raised the need to accelerate the continued focus on succession planning. 2023 saw women in executive management increase from 22% to 28%, including the appointment of Liz Brown to the GET. The Group has a target of at least 30% of senior leaders to be women by the end of 2025.

The Board and its Committees are subject to the Group's Global Inclusion & Diversity Policy, which is reviewed annually and is available on the Company's website at www.inchcape.com. The policy is implemented during the nomination process where all aspects of diversity are valued along with the range of skills, experience, and knowledge needed to enable the Board to make the right decisions to achieve the objectives of the Accelerate strategy and to create long-term sustainable success.

The breakdown of the ethnic and gender identity of Company colleagues as at 31 December 2023 is as follows:

Gender identity	Number of colleagues	Percentage of colleagues	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
Men	15,460	72%	7	64%	4	58	72%
Women	5,978	28%	4	36%	0	23	28%
Other	2	0%	0	0%	0	0	0%
Not specified/prefer not to say	2	0%	0	0%	0	0	0%

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board*	Number in executive management	Percentage of executive management
White British or other White	10	91%	4	59	73%
Mixed/Multiple Ethnic Groups	0	0%	0	3	4%
Asian/Asian British	1	9%	0	10	12%
Black/African/Caribbean/Black British	0	0%	0	1	1%
Other ethnic group, including Arab	0	0%	0	3	4%
Not specified/prefer not to say	0	0%	0	5	6%

* Includes Chair, Group Chief Executive, Senior Independent Director, or Group Chief Financial Officer.

The Company satisfied the Parker Review recommendation of at least one Director from a minority ethnic background following the appointment of Nayantara Bali in 2021. The Group has set an ethnic minority percentage target of 23% for the senior management team to be maintained and achieved by 2027. Our goal is to maintain or improve the representation of ethnic minorities in senior management, as well as to improve the proportional representation of ethnic minorities within the ethnic minority categories to better reflect the global communities in which we operate. One of our core themes for our Inclusion & Diversity strategy in 2024 is ethnicity & culture which aims to cultivate an environment that celebrates diverse cultural backgrounds and ethnicities, foster cross-cultural understanding, and explore the nuances of ethnicity within our global community.

As at 31 December 2023, the Board comprised of 36% women with all Committees comprising of at least 40% women. Alison Platt joined the Board on 2 January 2024 as Non-Executive Director and at the publication date of this report, the Board now comprises of over 40% women on the Board. It is intended that Alison will replace Jerry Buhlmann as Senior Independent Director following the AGM in May 2024. If her election is approved by shareholders, this will result in the Company meeting all diversity targets under LR 9.8.6 from May 2024.

Diversity data is collected through our global HR system which enables self-identification through a multiple-choice dropdown with the same definitions as used under LR 9 Annex 2. Colleagues are also invited to submit their disability information, sexual orientation, and religion through the system. We roll out communications and campaigns annually to encourage full disclosure in markets where we can ask and collect data. All Board directors are asked directly to confirm their background information on an annual basis so to complete the above tables.

AUDIT COMMITTEE REPORT

Membership

	Number of meetings held/ attendance
Sarah Kuijlaars (Chair)	5/5
Jerry Buhlmann	5/5
Byron Grote	5/5
Stuart Rowley	2/2
John Langston	2/2

The Committee's terms of reference can be found at www.inchcape.com/responsibility/governance.

DEAR SHAREHOLDER

I am pleased to present the Audit Committee Report for the year ended 31 December 2023. The aim of this report is to provide an overview of how the Committee has discharged its responsibilities during the year and to highlight the significant issues considered by the Committee.

The Committee plays an important role in the Group's governance framework providing independent challenge and oversight across financial reporting and internal control procedures. The Committee members use their skills, knowledge, and experience to bring an independent mind-set to the deliberations which results in the collective view being expressed to the Board.

The Committee held five scheduled meetings throughout the year discussing its key areas of responsibility: financial reporting, internal control and risk management, compliance, whistleblowing, and fraud in addition to internal and external audit. The Committee consists solely of independent Non-Executive Directors, with the Chairman, Executive Directors, and members of the management team in attendance.

Changes to the Committee

I was delighted to be appointed as Chair of the Audit Committee following John Langston's retirement in May 2023. John's advice and guidance has been invaluable, and he leaves a strong Committee with a clear purpose, and I would like to thank him for his contribution over the last nine years.

I am also pleased to welcome Stuart Rowley, who joined the Board in July 2023, to the Committee. As detailed on page 73 of the Corporate Governance Report, Stuart has over 30 years' experience with Ford in a variety of finance and senior leadership roles and his insight into the automotive sector will be a valuable contribution to our discussions.

With regards to recent and relevant experience on the Committee, I have held several senior finance roles, most recently as chief financial officer of De Beers and I am a Fellow of the Chartered Institute of Management Accountants. Of the other Committee members, both Byron Grote and Stuart Rowley have a wealth of financial knowledge and experience gained in large multinational organisations in various sectors. Byron Grote also serves as the audit committee chair of InterContinental Hotels Group plc and Tesco plc.

External auditor

In line with the Financial Reporting Council's (FRC) Ethical Standard, Anna Marks of Deloitte LLP stepped down as lead audit partner after five years and was replaced by David Griffin. The handover process was managed seamlessly, by both the management and Deloitte teams, with no disruption to the audit process. I would like to thank Anna for her guidance and counsel during her tenure.

During the year, the Audit Quality Review (AQR) team of the FRC selected Deloitte's 2022 audit for an AQR inspection and gave a rating of 'Limited improvements required'. The Committee reviewed the FRC's findings and discussed the outcome and associated actions of the inspection with the external auditor. Further information is given on page 88.

Financial reporting

The significant issues in relation to the financial statements considered by the Committee are given on page 85. The Derco acquisition was a key consideration for the Committee during the year, with the Committee assessing the approach taken by management to determine the fair value of identifiable assets and liabilities acquired, key issues and adjustments, reviewing the completion accounts process, and assessing the progress being made on aligning the Derco accounting policies with the Group's accounting policies.

The Committee also considered the accounting in relation to the acquisitions in Indonesia, New Zealand, and the Philippines, and are satisfied with the assessment that no further adjustments need to be made.

The Committee also spent time reviewing the forecasts, projections and assumptions used in determining whether the Group is able to adopt the going concern basis of accounting in preparing the financial statements.

Internal control and risk management

Following the acquisition of Derco, the integration was also a key consideration for the Committee when reviewing internal control and risk management processes. The Committee received regular updates on the integration plan which was rolled out in a phased approach with phase one key controls designed and implemented soon after completion and phase two key controls embedded by June 2023. In addition, a newly formed controls function was put in place, a Head of Controls appointed, and an Internal Control Academy established to induct and train the new team.

During the year, the Committee also received reports on planned and delivered enhancements to the Internal Control framework. These included revised business control self-assessments, refreshed IT general controls aligned to the National Institute of Standards and Technology (NIST) security framework and digital organisation, and strengthened controls assurance provided by the regional Internal Controls team. The Committee assessed the internal control framework to ensure the controls were appropriately designed to mitigate risks, and reviewed progress throughout the year, taking care to consider if appropriate resources and time was available for management to execute the plan given the significant Derco integration project.

During the year, the Committee reviewed the principal and emerging risks, as well as the appropriateness of the risk management framework and risk assessment process. Further details can be found on pages 86 to 87 and in the Risk Management Report on pages 56 to 64.

Internal Audit

A primary source of assurance for the Committee is through the delivery of the Internal Audit plan (IA Plan) which is structured to align with the Group's strategic priorities. The audit strategy is updated on an annual basis to ensure that it is aligned to the changing risk profile of the Group, the external environment, and the needs of both management and the Audit Committee.

The 2024 IA Plan was prepared and approved by the Committee in November 2023. When approving the IA Plan, the Committee assessed the alignment to the Accelerate strategy and principal risk profile, proposed audits, and audit coverage.

Focus will be on assurance over integration of newly acquired businesses including Derco synergies, Responsible Business (including ESG and climate reporting), digital platforms & programme assurance, and legal and regulatory compliance.

Cybersecurity

Cybersecurity continues to remain one of the most significant risks, and the Chief Information Security Officer, and the Chief Digital Officer provide an update on cybersecurity twice a year, with ad hoc updates as needed. These reports provide the Committee with information on NIST progress, cyber monitoring, and any notable incidents. The Committee also considered the cybersecurity approach to M&A, and the processes and controls in place to integrate new businesses into the Group's systems, which included the plan to integrate the Derco businesses.

Excellent progress has been made on the Group's cybersecurity programme and during the year PwC carried out a Group Cyber Internal Audit review looking at the design, implementation, and operating effectiveness of the cyber remediation solution against the target NIST maturity and the target net risk level of the Cyber principal risk. I am pleased to report that the cyber maturity score is above the 2.6 target and the NIST maturity journey remains on track.

Following several years of positive improvement, a cybersecurity strategy review has been developed, and the Committee will review progress against the priorities during 2024 which include threat intelligence led prioritisation, API data governance, Zero Trust access, and 'self-healing' platforms.

Audit and governance reforms

Following the Governments' decision to withdraw the proposed audit and governance reforms, the Committee agreed to continue the assessment of the control environment which was already at an advanced stage. The Committee received a gap analysis of the internal control and risk management framework as compared to the internal control framework Committee of Sponsoring Organisations (COSO). The Group Internal Control team assessed entity level controls which were mapped against the COSO principles. Further details are given on page 87.

Focus for 2024

Next year the Committee will focus on:

- M&A integration;
- ESG impacts on activities, planning, and disclosure; and
- acquisition accounting.

I look forward to updating you on the progress made in next year's Annual Report and Accounts.

SARAH KUIJLAARS
CHAIR OF THE AUDIT COMMITTEE

Key activities

What we did	Outcomes
Financial reporting	
Review of the statutory financial statements and interim results ahead of recommendation to the Board for approval. Consideration of key accounting and reporting judgements including disposal of Russian business, impairment, hyperinflation, adjusting items, and acquisition accounting. Assessment of the Annual Report and Accounts as a whole to determine whether it is fair, balanced, and understandable. Review of upcoming corporate reform and other regulatory topics.	Approval of the interim financial statements, and Annual Report and Accounts. Consideration of the impact of climate change on financial planning including impairment – please see note 10 on page 165 of the financial statements and the TCFD Report on pages 40 to 53 for further details. Assessment of the Group's viability and approval of the going concern statement – please see page 64 and page 118 for further details.
Internal Control	
The Committee reviewed reports provided by management and the external auditor including: • progress InControl Standards (ICS) self-assessed compliance; • outcomes of the regular controls testing programme; • ICS gaps and closure; • new business controls and compliance integration; • the external auditor's control improvement; and • recommendations and other observations from the audit of the Group for the year ended 31 December 2022.	2023 ICS business control self-assessments complete, gaps highlighted are tracked and monitored to completion. New controls relating to data privacy introduced and IT general controls refreshed, including NIST cyber controls. Phase 1 Derco controls integration plan complete for 2023. Phase 2 in progress and tracking to plan. Controls integration plans established and on track for all remaining 2023 acquisitions. All external auditor control improvement recommendation points tested and closed as planned.
Risk management	
The Committee reviewed the Enterprise Risk Management (ERM) priorities. Considered new risks relating to the integration of Derco and business interuption (pandemic and natural hazards). Reviewed refreshed framework for business resilience and identification of climate change risks and opportunities. Reviewed the effectiveness of the Company's ERM activities. Considered management's assessment of internal control and risk management systems as compared to the Sarbanes-Oxley Act and COSO framework.	Climate risk and opportunities refreshed for 2023 and embedded into ERM processes. Analysis for EV misalignment risk complete. Reviewed and discussed the COSO assessment and principles on which implementation will be based. The Committee will monitor management's development of the framework.
Internal Audit	
The Committee reviewed: • the 2023 IA Plan; • progress against the IA Plan; • the status of open audit issues; • mitigation plans for any internal control failings; • newly reported and open whistleblowing cases and action plans to resolve; • the Americas Internal Audit plan; and • process and results of the Internal Audit effectiveness review.	Following approval by the Committee, the 2023 plan was delivered in full with 43 reports delivered in the period. The Americas Internal Audit plan was finalised and adopted in full, and the Internal Audit team fully integrated into the business. 363 whistleblowing cases were received during 2023. 210 cases have been investigated and closed. The remaining cases are either awaiting additional information or are in progress. The Internal Audit effectiveness review found that Internal Audit was effective with good ratings across all measures. Recommended actions have been incorporated into the function's continuous improvement plans. Audit of shared service provider completed.
External auditor	
The Committee reviewed the report from the external auditor, assessing the auditor's approach to, and findings in relation to, the audit to assess independence and objectivity. Updates on upcoming corporate reform and other regulatory topics were regularly received throughout the year.	The Committee also received a report from the external auditor on the control findings highlighted in their report and confirmed that it is satisfied there are no material misstatements and that relevant actions are being taken to resolve and control matters raised.

Significant issues considered by the Committee during the year

Significant issue	How this was addressed
Impairment – see notes 10 to 12 on pages 163 to 170 Impairment reviews are carried out annually in respect of goodwill and indefinite life assets, and if there is an indicator of impairment, reviews are implemented more frequently. In addition, other intangible assets, property, plant and equipment, and right-of-use assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. This is a judgemental process which requires estimating future cash flows based on future business prospects, determining long-term growth rates and discount rates. It is the Committee's view that management's approach to impairment is robust, based on reliable supporting data from external sources where relevant, and with appropriate challenge from the external auditor.	• The Committee considered the appropriateness of the cash generating units (CGUs) or groups of CGUs used for impairment and the allocation of assets thereto. • The Committee debated the cash flow projections used to calculate the value in use, considering whether these reflect a reasonable expectation of future performance. • The Committee considered how management had determined the discount rates and long-term growth rates. • The Committee discussed the impact of climate change, including electrification on impairment and the impact of electric vehicles on aftersales. • The Committee assessed the reliability of data provided by external advisors and independent specialists used in key assumptions. • The Committee also discussed the appropriateness of the disclosures to be made in the Annual Report and Accounts to satisfy itself that they provided users of the financial statements with sufficient information to understand the judgements made by the Group. After considering all available information and reviewing the findings, the Committee concluded that management's impairment reviews of non-financial assets were appropriate.
Acquisition accounting – see note 28 on pages 192 to 197 Part of the Group's strategy is to invest to accelerate growth. Accounting for acquisitions requires judgement to be exercised in assessing the fair value of assets and liabilities acquired including the identification of intangible assets and the allocation of acquired businesses to cash generating units. During the year, the Committee considered the acquisition accounting for Derco, CATS, Mercedes-Benz in Indonesia, and Great Lake Motors in New Zealand.	• The Committee considered whether the judgements relating to the fair value of assets and liabilities and the adjustments made were appropriate, including the nature of the intangible assets identified and the useful lives assigned thereto. • The Committee discussed the level of assistance provided by external advisors to support the approach taken by management as well as management's oversight of those advisors. • The Committee reviewed the allocation of the acquired assets and liabilities to CGUs and the allocation of goodwill to the relevant group of CGUs. The Committee concluded that it was satisfied with management's valuations of the assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisors and that the acquisitions had been accounted for appropriately.

Financial reporting

The Committee provided oversight by reviewing the half-year and annual financial statements, taking into account:

- the quality and acceptability of accounting policies and practices;
- material areas in which significant judgements have been applied or discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including the Code;
- any correspondence from regulators in relation to the Group's financial reporting; and
- reviewing assumptions and assurance to support the long-term viability statement.

The Committee carried out its work using information supplied by management, the external auditor, and other advisors as appropriate. During the year, the Committee received reports from the Group Chief Financial Officer and the Group Head of Reporting on impairment, adjusting items, acquisition accounting, and pension scheme liabilities.

Regular updates are also received from the Group Tax Director during which the Committee reviewed the Group's effective tax rate, deferred tax, and tax audits and settlements. In addition, the Committee also received an update on the OECD's Pillar Two framework, how this will impact the Group in the short and long-term, and the processes being developed by the cross functional working group to manage the implementation.

Risk management and internal control

The Board has overall responsibility for the Group's risk management and internal control framework including ensuring:

- there is an appropriate mechanism in place to identify the risks the Group faces;
- management teams focus on those risks and action plans are in place to mitigate or respond to those risks;
- a compliance programme is in place that meets or exceeds external benchmarks and is appropriate in terms of legal requirements, content, sector, cost, and resources;
- internal controls are appropriate, well designed and operating consistently across the Group to manage risk effectively; and
- the Group's whistleblowing programme is appropriately managed to reduce the risk of fraud or respond quickly and decisively in the event the Group falls victim to fraud.

The Committee receives a report on ERM framework at each meeting from the Group Head of Internal Audit. During the year, the Committee monitored the ERM priorities for 2023, reviewed the assessment of the principal risks including the new risk relating to the Derco integration and assessed the framework in place for business resilience and identification of climate change risks and opportunities.

Further details on how the Group manages risk is given in the Risk Management Report on pages 56 to 64.

InControl Standards

InControl Standards (ICS), are designed to enable management to establish, assess, and enhance strong and consistent risk and control governance. The framework is regularly reviewed and updated in line with emerging Group risks, in response to emerging Internal Audit issues, and following any investigation activity. The ICS has been designed to mitigate the most significant risks across the Group providing robust governance and sound controls.

The central and regional Internal Controls teams support the business by providing the framework, tools, and training, and ongoing support to embed the ICS across the business. The Internal Control function is separate from the Internal Audit function and works with management teams to design controls that are proportionate to the level of risk, supported by systems, and are easy to follow.

During the year the Committee considered the self-assessment scores for each market, control gaps identified and remedial action plans, the implementation of key controls in Derco, the bank reconciliation process review, controls automation plans, and new business controls integration.

Main features of the internal control and risks management systems in relation to financial reporting

The key features of the Group's internal control and risk management systems that underpin the accuracy and reliability of financial reporting include: clearly defined lines of accountability and delegation of authority; the Group's Code of Conduct; policies and procedures that cover financial planning and reporting; preparing consolidated financial accounts; capital expenditure; project governance; and information security. Processes and systems in place include:

- annual approval of the Group's budget by the Board with regular updates on actual performance against plan, regional breakdowns, and analysis of variances;
- a comprehensive system of key control and oversight processes, including regular reconciliations;
- updates for the Committee on accounting developments, including draft and new accounting standards and legislation;
- reports from Internal Audit on matters relevant to the financial reporting process, including periodic assessments of internal controls, processes, and fraud risk;
- independent updates and reports from the external auditor on accounting developments, application of accounting standards, key accounting judgements, and observations on systems and controls;
- appointment of experienced and professional colleagues with requisite knowledge and skills to perform their duties; and
- appropriate Board oversight of external reporting.

In addition, the Group has established a dedicated Financial Controls team at Group and regional levels supported by controls testing on a quarterly basis, with progress reported to management and the Audit Committee at regular intervals during the year, including implementation of management actions to remediate issues identified and make improvements.

Monitoring the effectiveness of the risk management and internal control systems

The Board, through delegated authority to the Audit Committee, has ultimate responsibility for the effective management of risk across the Group and for monitoring how each business area implements appropriate internal controls.

The Group's risk management systems are designed to support the business in actively managing risk to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. These systems are also designed to be sufficiently agile to respond to changes in circumstances such as the consequences of new acquisitions, changes triggered by new legislation and significant external events.

The Committee monitors the effectiveness of the internal control and risk management systems through various sources of assurance including reports from the Group Head of Internal Audit on the ICS framework, the ERM framework, and the status of internal audits.

When reviewing the effectiveness of the ERM framework, the Committee considered the design of the ERM process, whether it had been applied to all material areas of the business, whether the process had identified the most material risks to the Group, and any new or additional mitigation actions to address the principal risks. The Audit Committee also receives reports on principal risk descriptions and risk footprint, as well as receiving regular updates on the status of the Group's principal and emerging risks. This year, these reviews have covered areas including cybersecurity and IT resilience.

When assessing the effectiveness of the internal control framework, the Committee considers the independent assessment of the effectiveness of risk management and internal control systems provided by the Group Head of Internal Audit. The Audit Committee also receives regular reports on the status of the controls assurance plan which covers controls in each market and function, and monitors compliance with and effective operation of the ICS framework. The Committee also considered the actions taken to enhance controls design and effectiveness, testing results and trends analysis derived from the Group's integrated risk management system.

In addition, the Committee reviews the report presented by Deloitte during the year on control improvement recommendations and other observations made on the control environment during the audit.

Any significant control failings or weaknesses are reported to the Board, along with a detailed review of the findings and mitigation plans being put in place. The Board monitors progress against plans until it is satisfied that such matters are resolved appropriately.

The Board has determined that there were no significant failings or weaknesses identified during the review of risk management and internal control processes during the year and further confirms that these systems were in place during 2023 and to the date of this report. The Board is satisfied that the control environment was materially effective during the course of the year.

Sources of assurance

Internal Audit

The Group Head of Internal Audit presents the IA Plan to the Committee for review and approval on an annual basis. The Committee assesses the IA Plan to ensure that it is fully aligned with the Group's Accelerate strategy and principal risks.

The outcomes of Internal Audit assignments are reviewed by the Committee throughout the year providing details of overall ratings, reasons for the rating, and actions to be taken within a specific timeframe. During the year, the Committee considered the findings of a number of audits including new market integration and synergy achievement, and ERP system and programme assurance in addition to market and functional audits.

The Audit Committee assesses the effectiveness of Internal Audit by reviewing its annual IA Plan at the start of the financial year, monitoring its ongoing quality throughout the year, and assessing completion rates and feedback provided following completion of the annual IA Plan. Having carried out this assessment, the Audit Committee is of the view that the quality, experience, and expertise of Internal Audit is appropriate for the business.

Functional assurance

A broad range of assurance activities have been designed and established across the business to target key risk areas, such as finance, legal and regulatory, digital, cyber, and health, safety & environment (HSE). While reporting lines for these activities are directly to the respective business areas, the processes and controls of these functions are periodically tested by Internal Audit and discussed with the Audit Committee. The Chief Information Security Officer and Group Tax Director provide regular reports to the Audit Committee on their areas of expertise.

Operational oversight

Senior management forums and committees provide oversight and challenge on key risk areas within individual businesses, cross-business programmes, or activities, such as transformation programmes, acquisitions, Responsible Business, Digital, People, HSE, Cyber and other areas of change. The output from these discussions forms part of the updates provided to the Audit Committee or assured through the Internal Audit and ICS programme.

Audit and governance reforms

During the year, management reviewed its approach to assurance in preparation for the proposed audit and governance reforms, and updated UK Corporate Governance Code. A number of the proposed reforms were withdrawn by the Government in late 2023, however the control analysis work had already been completed by that time. A gap analysis of the internal control and risk management framework was compared to the COSO and the findings from this assessment were reported to the Audit Committee to inform their assessment on the effectiveness of risk management and internal control systems and the ability to meet the expectations of the current and revised UK Corporate Governance Code.

Whistleblowing

Colleagues and third-party business partners are encouraged to raise concerns about potential breaches of the Code of Conduct or other policies, either to their line managers, Legal, People, Internal Audit and Risk colleagues, or to Speak Up, a confidential whistleblowing mechanism. Speak Up is a global service administered by an independent provider, accessible online, by QR code or by telephone. Independent Inchcape teams investigate allegations, with progress being monitored by Internal Audit. When allegations are substantiated, appropriate disciplinary and corrective actions are taken.

The Head of Internal Audit provides an update on fraud and whistleblowing cases at each meeting which includes new reports made throughout the year and open cases still under investigation. The cases which are reported to the Audit Committee are those of sufficient significance to warrant attention; however, a list of all reports is also provided to the Audit Committee for its review along with a breakdown by market, report type, and source. The Audit Committee Chair reports to the Board on any significant whistleblowing cases, and remediation plans, as they arise. There were no significant whistleblowing cases reported to the Board during the year.

External audit

The Committee has complied with the FRC's guidance, issued in May 2023, on Audit Committees and the External Audit: Minimum Standard. The activities undertaken by the Committee to meet the requirements of the Standard are given on pages 82 to 89 of this report.

Audit tender

Following an audit tender process during 2017, Deloitte LLP was appointed as the Group's auditor with shareholder support for the appointment given at the 2018 Annual General Meeting. David Griffin is the lead Audit Partner and has been in position since July 2023.

The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services. The Committee reviews and makes a recommendation to the Board with regard to the reappointment of the current external auditor. In making this recommendation, the Committee monitored and assessed their effectiveness, objectivity, independence, lead partner rotation, and any other factors that may impact the Committee's judgement regarding the external auditor.

The Committee has concluded that it remains satisfied with the effectiveness and quality of the audit work. The Committee also remains satisfied with the capabilities of Deloitte, its knowledge of the business, and its relationship with Inchcape. The Committee believes that it is in the best interests of shareholders to continue to recommend Deloitte as the external auditor and it is not currently anticipated that a tender process is immediately required. In line with regulation, the Committee plans to initiate a competitive tender of the external audit contract in 2026.

Auditor effectiveness, independence, and objectivity

A high-quality audit provides stakeholders with assurance that the financial statements give a true and fair view of the business. Assessing whether the external audit process provides this is a key activity of the Audit Committee during the year.

The Committee carries out its assessment on an ongoing basis by considering its interactions with the auditor, its observations of the auditor, and the relationship between the Audit Committee, the auditor, and management. The Committee also considers interactions with the Head of Internal Audit and external regulators, such as the FRC.

The auditor's report to the Committee sets out the audit plan, materiality, scoping, the risk assessment process, significant risks, other areas of focus, the purpose of the report, and responsibility statement. The Committee reviews at each stage of the audit to ensure whether it is satisfied that the audit plan is appropriate, if the auditor is meeting its obligations, and to agree any changes to the audit if they arise.

The Committee encourages a culture of open communication and debate, and the Committee believes that it is able to ask questions on key issues and to challenge it when it feels more information is needed. The Committee also looks at how management responds to requests from the auditor and carefully reviews the auditor's findings and recommendations at each meeting.

When the auditor supports management's approach, the Committee considers the evidence supplied by the auditor to support its decision to ensure that the auditor is not compromised and remains objective. Where the auditor has challenged management the Committee considers the feedback from management, whether the issues are addressed satisfactorily, and whether agreed positions are appropriate.

The auditor also meets with the Committee without the presence of management on a regular basis, usually following each meeting. This gives the auditor an opportunity to confirm its view that management are addressing any issues raised appropriately or to raise any concerns they may have.

External evidence of the quality of the audit is also vital in assisting the Committee in its review of the effectiveness of the audit, with the audit quality inspection reports being a key source of external evidence of audit quality.

Audit Quality Inspection and Supervision report

During the year, the 2022 audit file was selected by the FRC for an AQR inspection and received a rating of 'Limited improvements required'. The findings raised by the AQR and the audit team actions for the 2023 audit were presented to the Committee for its consideration.

The AQR report noted good practice over Deloitte's oversight of the Derco acquisition and the relevant findings and learnings from the AQR inspection with Deloitte's component teams, as deemed appropriate.

Further, in July 2023 the FRC issued reports on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review team for the 2022/23 cycle of reviews.

The Committee discussed the summary of findings with Deloitte and considered the auditors response and action plan which include incorporating firm-wide learnings into the audit plan, where relevant.

Factors considered to assess quality of the external audit

Mindset and culture

The ethical and professional principles adhered to by the auditor; whether the auditor has any personal or commercial interests in the Group; and how they have demonstrated high standards of independence, integrity, objectivity, and challenge throughout the year.

Skills, character, and knowledge

The auditing skills of the audit team; level of knowledge of the automotive distribution and retail industry possessed by the audit team; the auditor's understanding of its obligations to users of the financial statements; and an ability to challenge where appropriate whilst maintaining strong relationships.

Quality control

The processes the auditor has in place to identify and address risks to the audit and assessing the steps taken to complete the annual audit plan.

Feedback from business

The Committee receives feedback from management on the quality of the auditor's delivery, communication, and interaction with the various finance teams across the Group, which is communicated back to the external auditor.

Auditor independence
Deloitte continually monitors its independence and ensures that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and staff and the involvement of other partners and staff to carry out reviews of the work performed and to otherwise advise if necessary.

Non-audit services
Implementing a Non-Audit Services Policy (Policy) is also key to ensuring the independence of the external auditor. The Policy for non-audit services sets out the permitted and non-permitted non-audit services as well as the approval levels required by the Audit Committee and is designed to ensure that the external auditor's objectivity is not compromised by earning a disproportionate level of fees for non-audit services or by performing work that, by its nature, may compromise the auditor's independence.

However, using advisors who understand the Group's business can be a benefit and the Committee will consider non-audit services supplied on an ongoing basis.

The Audit Committee review the non-audit services provided by the external auditor twice a year.

The Group's Policy on non-audit services to be provided by the Group's auditor defines two types of non-audit services that may be performed:

- regulatory services, which are services undertaken as auditor or reporting accountant which are outside the scope of the statutory audit, but which are consistent with the role of statutory auditor; and
- permitted non-audit services, which are services that the auditor may be permitted to undertake subject to the appropriate level of approval.

The aggregate fees incurred for permitted non-audit services relative to the audit fee should not exceed 70% of the average audit fee over the previous three years, with such cap applicable to both Group and United Kingdom audit fees.

The provision of permitted non-audit services will only be approved by the Audit Committee if:

- engagement of the auditor to provide the services does not impair the independence or objectivity of the external auditor;
- the skills and experience of the external auditor make it the most suitable supplier of the non-audit service;
- the auditor does not have a conflict of interest due to a relationship with another entity; and
- the aggregate fees incurred for permitted non-audit services relative to the audit fee do not exceed 70% of the average audit fee over the previous three years.

Permitted non-audit services above a certain level are approved on a case-by-case basis by the Audit Committee.

Permitted non-audit services carried out during the year
Deloitte acted as reporting accountants for the £350m bond issuance, providing an opinion on the Pro Forma Financial Information that was included in the Offering Circular and comfort letters on Significant Change and data extracted from the Group's Annual Report and Accounts. The work performed in relation to the comfort letters and financial extraction are considered permitted non-audit services.

The following non-audit fees incurred with Deloitte were:

	2023 £'000	2022 £'000
Regulatory services	**120**	5,421
Permitted non-audit services	**279**	819

The ratio of permitted non-audit services to audit fees for the year ended 31 December 2023 was 0.06:1. Full details are shown in Note 3d of the notes to the financial statements on page 152.

The Group remained within the Audit Committee approved ratio of audit to non-audit fees throughout 2023. The non-audit fees were significantly higher in 2022 due to the services provided by Deloitte in respect of the acquisition of Derco.

Audit fees paid to the auditor
Fees paid for services provided by Deloitte (three-year average) were:

	2023 £'000	2022 £'000
Audit fees	**4,899**	3,524

After considering all of the elements detailed in this report, the conclusion of the Committee is that the auditor carried out its audit effectively and that the auditor is independent and objective.

Fair, balanced, and understandable
The Audit Committee carried out its own assessment of the financial statements, and the Annual Report and Accounts as a whole, and is satisfied that it provides the necessary information for shareholders.

The Committee considered whether the information given in the financial statements is a true reflection of the narrative reporting throughout the Annual Report and Accounts, whether the key performance indicators give a true indication of the health of the business and if the issues considered of significant risk by both the external auditor and the Committee are aligned.

The processes and procedures in place to satisfy the Board of the integrity of the financial and narrative statements include a robust disclosure verification process, monthly financial performance updates, and meetings with the internal and external audit functions without the presence of management.

The Company's business model and strategy are set out on pages 2 to 9 and a statement of the Directors' responsibilities is set out on pages 115 to 118 which includes the going concern statement.

During the year, the Committee:

- considered key audit issues, accounting treatment and judgements in relation to the financial statements;
- where risks were identified, either in relation to processes, key transactions, or colleagues, undertook a deeper review of matters, challenging management to improve the control environment and tighten processes;
- challenged management on the assumptions used and the judgements that have been applied, with assurances given from both external and internal sources; and
- assessed whether the Annual Report and Accounts are fair, balanced, and understandable.

CSR COMMITTEE REPORT

ALEX JENSEN
CHAIR

Membership

	Number of meetings held/ attendance
Alex Jensen (Chair)	3/3
Nayantara Bali	3/3
Jerry Buhlmann	2/3
Byron Grote	3/3
Nigel Stein	3/3
Duncan Tait	3/3

The Committee's terms of reference can be found at www.inchcape.com/responsibility/governance.

DEAR SHAREHOLDER

I am pleased to present the report of the CSR Committee for the year ended 31 December 2023. The aim of this report is to provide an overview of how the Committee has discharged its responsibilities and should be read in conjunction with the Responsible Business Report on pages 33 to 39, and the TCFD Report on pages 40 to 53.

The Committee held three meetings throughout the year covering its key areas of responsibility: Responsible Business framework (People, Places, Planet, and Practices), health, safety & environment, and workforce engagement. The Committee consists of four Non-Executive Directors, the Chairman, and the Group Chief Executive.

Responsible Business

The 'Driving What Matters' plan (Plan), our Responsible Business framework, continues to mature as initiatives and action plans are embedded within the organisation under each of the four pillars: People, Places, Planet, and Practices. The Committee received regular updates on each of the pillars. Further information on the initiatives can be found in the Responsible Business Report on pages 33 to 39.

Materiality assessment and new Sustainability Report

During the year, the Group completed a sustainability materiality assessment of the business to improve our understanding of the sustainability priorities of our stakeholders.

The purpose of obtaining the views of stakeholders both external and internal is to gain insight into their perceptions of the Plan, use the findings to further evolve the Responsible Business framework to reflect stakeholder expectations, and to assess our ability to influence change in those areas most important to our stakeholders globally.

The double materiality assessment consisted of:

- best practice assessment using the standards of the Global Reporting Initiative; and
- assessment of sustainability risks and opportunities, as well as positive and negative outward impacts.

The Committee debated the issues and outcomes from the materiality assessment workshop which provided four key themes: doing more of what Inchcape does well; keeping pace with the accelerating mobility transition; bolstering internal knowledge of Responsible Business; and addressing areas of direct control.

The assessment provided context for strategic positioning which will be considered as part of the annual Strategy Day in May 2024, and provided input into the Group's first standalone Sustainability Report which will be published in 2024 and will be available at www.inchcape.com.

Further information is given on pages 33 to 34.

Health, safety & environment (HSE)

The Committee received HSE updates at each meeting, with approval of HSE objectives reviewed by the Board annually. In addition to monitoring progress against plans, the Committee considered the HSE assessments carried out for the recent Derco acquisition in the Americas which was conducted across all 241 sites. The assessment identified what control measures are required, immediate preventive actions and a long-term risk mitigation plan.

Workforce engagement

This year, the annual workforce engagement session was facilitated by Nayantara Bali, who is a member of the CSR Committee, and Jane Kingston, Chair of the Remuneration Committee, as I was unable to attend the overseas Board visit in person.

The session took place in Hong Kong and was attended by colleagues from a wide range of roles within the business.

Colleagues were invited to ask questions on any topic they felt was of importance and the subjects ranged from the regional strategy in the context of electric vehicle transition, how the Board balance environmental, social, and governance (ESG) matters and profit when making decisions, and how the Board approaches Inclusion & Diversity with questions on the approach to equal pay globally.

Feedback was given to the Board and management following the session with management agreeing action plans to respond to the questions raised. These include improved communication on the approach to fair pay structuring, how diversity targets will be cascaded down the organisation, and whether an ESG target will be included in long-term incentive plans.

Jane Kingston also held a virtual reward engagement session and further details are given in the Directors' Report on Remuneration on page 93.

ESG landscape

One of the areas of improvement identified in the 2022 Board evaluation was to increase ESG knowledge on the Board and to support this, the Committee invited external consultants to present in-depth reviews on two ESG topics: the ESG regulatory landscape and ESG from an investor lens.

The ESG regulatory landscape is complex and continues to evolve with companies required to make increasingly detailed ESG disclosures. During the review of the regulatory environment the Committee focused on three main themes: broadening disclosure beyond climate; greater emphasis on quantification; and action focused disclosure. The Committee considered what emerging regulations mean for the Group, the Group's ambitions in this fast-moving market and what the ultimate role of the Committee and the wider Board is.

The Committee also spent time considering ESG from an investor lens to gain a deeper understanding of the interests of this group of stakeholders. The Committee spent time considering how ESG regulation is impacting both investors and lenders and whether the Group's ESG strategy will meet their principles and criteria in the short, medium, and long-term.

These knowledge sessions have been invaluable to the Committee members and have enriched the broader Board discussions as the Responsible Business framework underpins the Accelerate strategy.

Focus for 2024

Next year the Committee will focus on:

- scope 1 and 2 greenhouse gas emission targets;
- ESG metric in long-term incentives; and
- initiatives to achieve diversity targets.

ALEX JENSEN
CHAIR OF THE CSR COMMITTEE

KEY ACTIVITIES

What we did	Outcomes
Responsible Business	
For each of the four Responsible Business pillars, the Committee reviewed and assessed: • the global framework and priorities; and • performance against targets. The Committee reviewed and approved the disclosures made in: • the Responsible Business Report; and • the Task Force on Climate-related Financial Disclosures.	The Committee undertook a deep dive on female leadership recruitment to assess the appropriateness of the target of 30% female leadership by 2025. Scope 1 and 2 emissions reduced by over 21,000 tCO_2 market-based against the revised 2019 baseline. The Committee recommended the outcomes of the materiality assessment to the Board for approval.
Workforce engagement	
The Board engagement session took place in Hong Kong during the overseas Board visit. The Committee also reviewed progress against the issues raised at the previous year's engagement session. Alex Jensen and Nayantara Bali presented at Women into Leadership sessions.	Feedback to the Board for the 2023 session included the approach to pay structuring, and how the process for ensuring this is fair, should be made clear to colleagues, along with any decisions on implementing ESG metrics into the long-term incentive schemes.
Health, safety & environment	
The Committee reviews progress against six HSE priorities: • HSE risk profile reviews; • electric vehicle safety procedures; • cultural HSE survey; • HSE due diligence programme; • HSE contract management system; and • mandatory HSE training.	M&A assessments completed for all new businesses. Executive due diligence programme rolled out. Cultural HSE survey and psychological safety survey completed. Contract Management System implemented globally.

DIRECTORS' REPORT ON REMUNERATION

Membership

	Number of meetings held/ attendance
Jane Kingston (Chair)	4/4
Jerry Buhlmann	4/4
Byron Grote	4/4
Alex Jensen	4/4
Nigel Stein	4/4

The Group Chief Executive, Group Chief Financial Officer, Chief People Officer, Group Reward and Pensions Director, and the remuneration advisors Ellason LLP, also attend the Remuneration Committee meetings as required.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Directors' Report on Remuneration for the year ended 31 December 2023. The aim of this report is to demonstrate how the Committee has discharged its duties during the year and I hope you find it informative.

Changes to the Committee

As announced in January 2024, I will step down from the Board in May 2024, after nearly six years' service. It has been a privilege to serve the Company, and I am delighted to confirm that Byron Grote will assume the role of Chair following my departure. I am also pleased that Alison Platt joined the Committee at the beginning of 2024, bringing a wealth of remuneration experience gained during her career.

Remuneration policy

Following a comprehensive policy review and shareholder consultation in 2022, I am delighted that shareholders overwhelmingly voted in favour of the Directors' Remuneration Policy at the Annual General Meeting in May 2023. The feedback received from shareholders has helped inform the Committee's discussion on several key areas including ESG targets and pension allowance.

Details of the Directors' Remuneration Policy are given on pages 98 to 104.

Reflecting our ESG priorities in our incentive framework

The feedback from shareholders on the introduction of an ESG metric inputted to the Committee's discussion on the most appropriate approach. As a result, it was agreed to delay introducing an ESG target into the long-term incentives schemes for 2023, keeping the metrics within the bonus strategic objectives. Further details of the ESG targets for the Group Chief Executive and Group Chief Financial Officer are given on pages 107 to 108.

The Committee more recently reviewed the position again in respect of the 2024 incentives, agreeing that further consideration was required before setting ESG targets for the long-term incentive awards. In 2024, ESG targets will remain in the annual bonus. This position will be reviewed on an annual basis.

Alignment of pension rates

As disclosed last year, following the standardisation of the defined contribution plan there was a misalignment between the United Kingdom workforce pension contribution and the Group Chief Executive cash allowance. As a result, Duncan Tait volunteered to freeze his allowance as an interim step during 2023 and, from 2024, receives a pension allowance of 7% of salary, in-line with the UK workforce pension rate.

Chief financial officer

Following a thorough recruitment process, I am delighted that Adrian Lewis was appointed as the Chief Financial Officer in May 2023. As part of the appointment process the Committee considered and approved his remuneration package in line with the Directors' Remuneration Policy. To assist in the decision-making process, the Committee considered external benchmarking for base salary and total remuneration.

The package included a salary of £480,000 per annum and benefit entitlements to car scheme, life assurance, and medical plans. His pension contribution is 7% of salary, in-line with the United Kingdom workforce.

Adrian is eligible for a target bonus of 75% of salary and a maximum bonus of 150% of salary. His 2023 bonus will be pro-rated for his time spent as Group Chief Financial Officer during the year. He will also be eligible to participate in the Performance Share Plan (PSP), the Co-investment Plan (CIP), and the Save-As-You-Earn scheme, in-line with the Directors' Remuneration Policy. A minimum shareholding requirement of 200% of base salary will apply during employment and for a period of two years from departure.

Business performance and remuneration

Outcomes for 2023

As detailed in the Strategic Report and Operating and Financial Review on pages 2 to 31, the Group delivered revenue of £11.4bn, adjusted profit before tax of £502m, EPS of 84.8p (basic adjusted), and adjusted ROCE of 26%.

2023 bonus

The 2023 bonus was based on a matrix of profit before tax and revenue. The Group delivered robust financial results, and strong progress was also made on the strategic objectives. As a result, Duncan Tait received a bonus of 99.66% of salary, and Adrian Lewis received a bonus of 94.33%. Please see pages 106 to 108 for further details.

2021 PSP/CIP

The 2021 awards will vest based on EPS, ROCE, and cash performance over the three years ending 31 December 2023. The cumulative EPS (40% of award) was 217p, the average ROCE (40% of award) was 32% and the average cash conversion (20% of award) was 75%, resulting in the 2021 awards vesting at 100% of maximum.

The Committee is satisfied that no windfall gains are likely to arise from the vesting of this award. Please see page 109 for further details.

2023 salary increases

The Committee reviewed the CEO's salary in early 2023 and approved an increase of 5%, consistent with that approved for other members of the senior leadership team and below the 6% increase offered to the United Kingdom workforce. The Chairman and the Non-Executive Directors received a fee increase of 4%.

The Committee received regular updates and was pleased to support management's approach to the cost-of-living challenges experienced in many markets most acutely affected in 2022 and 2023. Careful consideration was given to inflation forecasts and local market conditions when conducting the annual salary review in April 2023. This included additional one-off payments in some markets, including the UK.

Overall remuneration

The Committee is satisfied that the total remuneration received by the Executive Directors in 2023 appropriately reflects the Company's underlying business performance over the year and three-year PSP/CIP performance period and, as such, no discretion was exercised by the Committee to adjust the bonus or long-term incentive outcomes. The Committee believes that the Policy has operated as intended.

Engagement with the workforce

In 2023, I chaired a colleague forum focusing on Executive and colleague reward at Inchcape which consisted of a range of colleagues from the Europe & Africa region. The forum focused on reward principles, incentive scheme measures, reward structures for Executive Directors, senior leaders, management, and colleagues, and why these differ. In addition, I also attended the annual colleague engagement session during the Board's overseas visit to Hong Kong in October.

Similar themes arose from both engagement sessions with topics discussed including equal pay, Inclusion & Diversity, and sustainability. No concerns were raised by colleagues during the sessions. However, I gave feedback to the Board and management on the themes discussed, agreeing actions to improve colleague communication on how reward is reviewed and managed, how salaries are defined based on role and responsibilities, and how the flexible benefits programme has been defined. It was also clear that colleagues are very interested in how an ESG metric may be incorporated into reward and detailed communication on this will be required in the future.

Wider workforce remuneration

The Group continues to strengthen its processes to provide internal governance and support to our businesses to ensure a fair and consistent approach to pay and reward at all levels and in all markets. During the year, the Committee reviewed new processes introduced to review pay and conditions across the Group and support the Group's Fair Reward Principles. We also supported the introduction of Regional Remuneration Committees to review and approve reward initiatives for the wider workforce in our regions.

The Committee receives regular updates on the above and is pleased to support management on the approach being taken in a challenging economic environment.

As context for Executive reward decisions, the Committee reviewed the reward landscape for the senior leadership, together with the wider colleague experience of pay and incentives (bonus, PSP, CIP, and commission). Our approach ensures that the whole organisation is treated in accordance with the same principle of fairness.

Looking forward

2024 salary increases

The Committee reviewed the CEO's salary in early 2024 and approved an increase of 2.5% effective from 1 April 2024, below the average United Kingdom workforce 2.8% increase.

Following a strong performance in his new role and to better align with market rate, the Group Chief Financial Officer was awarded a 3% salary increase for 2024.

The Chairman and the Non-Executive Directors received a fee increase of 2.5% with effect from 1 April 2024.

2024 performance targets

Bonus

The 2024 bonus will include an additional metric to reinforce disciplined management of working capital throughout the year, to underpin the Accelerate strategy, our continued growth by acquisition and ensure our ability to invest in line with our capital allocation policy. The working capital metric will apply to all markets and all appropriate levels of the organisation, given the importance of financial discipline. This metric is subject to meeting the threshold for revenue and profit before tax.

The matrix of revenue and profit before tax will continue to account for the majority of the bonus, weighted at 60%, with average working capital weighted at 20% (subject to the revenue and profit before tax thresholds being met) maintaining an overall 80% weighting on financial metrics; strategic objectives will be weighted at 20%, consistent with FY23.

Long Term incentives

The 2024 PSP and CIP performance measures will continue to be based on EPS (40% of the award%), ROCE (40% of the award) and cash conversion (20% of the award).

Awards will be granted at 180% of salary under the PSP and a matching award up to 100% of salary for the CIP. Please see page 110 for further details.

Focus for 2024

In 2024, the Committee will focus on:

- ESG metrics in the incentive framework;
- continuing to monitor best practice; and
- reviewing wider workforce remuneration.

We hope to have your support at the upcoming AGM.

JANE KINGSTON
CHAIR OF THE REMUNERATION COMMITTEE

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KEY ACTIVITIES DURING 2023

What we did	Outcomes
Directors' Remuneration Policy During the year, the Committee finalised the Remuneration Policy which was approved by shareholders at the 2023 AGM. The Committee: • Considered the feedback from proxy advisors and shareholders • Approved the Policy • Recommended to the Board the Policy be put to shareholder vote at the AGM	The Directors' Remuneration Policy can be found on pages 98 to 104. Shareholders voted 96.07% in favour of the Directors' Remuneration Policy.
Bonus and long-term incentives The Committee assessed the outcome of the short and long-term incentive plans and agreed the targets for the coming year. The Committee approved: • The achievement of the financial targets and strategic objectives for the 2022 bonus payable in 2023 • The achievement of targets under the 2021 PSP and CIP award • Financial targets for the 2023 long-term incentive plans • Financial and personal targets for the 2023 bonus plan • The malus and clawback policy. When considering the achievement of targets the Committee takes into account not only the formulaic outcome but also the wider business context.	Please see pages 106 to 109 for details of the 2023 bonus outcome and 2021 PSP/CIP achievement. Please see page 110 for the PSP/CIP targets. Please see page 100 for the malus and clawback policy.
Executive reward and structures The Committee approved the salary, bonus and long-term incentive plan awards for the Executive Directors, the GET, Company Secretary and Head of Internal Audit. The Committee approved: • The 2023 CEO and GET reward • The new CFO appointed in May 2023 • Two new GET members appointed in 2023 • The 2023 Chairman's fees When considering the remuneration for Executive Directors and the GET, the Committee takes into account inflationary forecasts, local market conditions, benchmarking and the wider workforce experience.	Details of the remuneration package for the CFO is given on pages 92 and 93. The CEO was awarded a salary increase of 5% of salary. The Chairman's fee was increased by 4%.
Pension The Committee undertook a review of the pension allowance during the Policy review process.	The Executive Directors pension contribution is 7% of salary, which is in line with the United Kingdom workforce.
Remuneration trends update The remuneration consultants provided an update on remuneration trends, best practice, governance and regulation.	The Committee uses the information provided by the external advisors to inform and guide their deliberations on reward by taking into account the views of shareholders and other stakeholders.
Workforce remuneration outcomes • Gender pay gap • CEO pay ratio • Wider workforce remuneration.	The gender pay gap information can be found at www.inchcape.co.uk. The CEO pay ratio is given on page 112.

REMUNERATION AT A GLANCE

SUMMARY OF GROUP FINANCIAL PERFORMANCE IN 2023

£11.4bn
Revenue

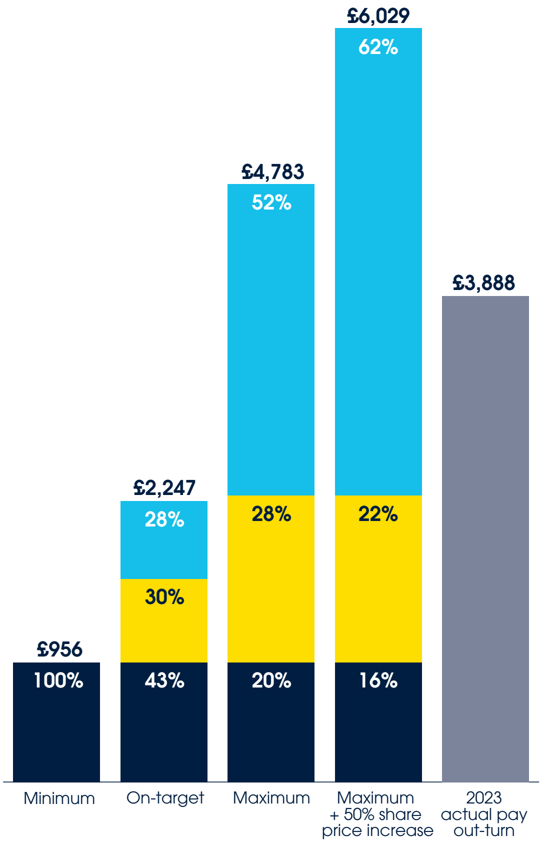
£502m
Adjusted Profit Before Tax

26%
Adjusted ROCE

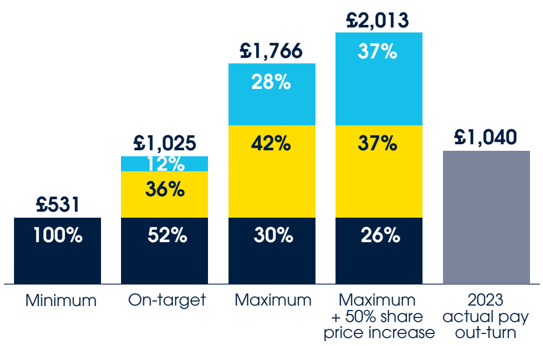
84.8p
EPS (basic adjusted)

PAY SCENARIOS AND OUT-TURN FOR 2023

CEO total remuneration (£'000s)



CFO total remuneration (£'000s)



- Fixed remuneration
- Annual bonus
- Long-term incentives (CIP and PSP)
- 2023 actual pay out-turn

2023 BONUS ACHIEVEMENT

2021 PSP ACHIEVEMENT

DIRECTORS' REMUNERATION POLICY SNAPSHOT

Base salary
– attract, retain, and motivate talent

Pension
– to help plan for the future

Bonus
– reward achievement of strategic goals

PSP
– provide reward for long-term success

CIP
– reinforce long-term success and facilitate share ownership

SAYE
– encourage share ownership

In-post shareholding
– align executive and shareholder experience

Post-exit shareholding
– reinforce long-term alignment of executive and shareholder experience

ALIGNMENT WITH BROADER COLLEAGUE REWARDS

c.5,700
colleagues eligible for bonus

c.3,600
eligible for SAYE

c.10,000
eligible for pension

PART 1 — DIRECTORS' REMUNERATION POLICY

We set out below the current Directors' Remuneration Policy (Policy), updated where appropriate to reflect the current composition of the Board and how the Policy will be applied for the forthcoming financial year in the scenario charts. A copy of the Policy as approved by shareholders (at the 2023 Annual General Meeting) is set out in the 2022 Annual Report and Accounts available on the investor relations section of our website www.inchcape.com.

Alignment of the Policy

The Committee has considered the Policy in the context of provision 40 of the UK Corporate Governance Code. See page 69 for further details.

- Clarity – The Committee regularly engages with shareholders, Executives, governance advisors, and employees, to explain the approach to remuneration.
- Simplicity – The objective of the remuneration elements, and link to strategy, are laid out in the table below.
- Risk – There is a mix of fixed and variable pay, and long and short-term measures to mitigate risk. Incentive awards are also subject to malus and clawback provisions.
- Predictability – The vesting of bonus and long-term incentives is based on targets linked to the business strategy. The possible pay outcomes under various scenarios are given on page 102.
- Proportionality – The Committee assesses performance at the end of each period taking into account internal and external context to ensure payouts are appropriate and to help avoid payment for poor performance.
- Alignment to culture – There is an appropriate mix of financial and non-financial measures to reinforce the Company's purpose and values.

Remuneration policy for Executive Directors

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Base Salary	To pay a competitive salary which attracts, retains, and motivates talent to make decisions which drive the Company's strategy and create value for stakeholders.	Salaries are normally reviewed annually, and any increases typically take effect from 1 April of each year. Adjustments to salary will take account of: • increases awarded across the Group as a whole, and conditions elsewhere in the Group; • experience and performance of the individual; • pay levels at organisations of a similar size, complexity, and type; and • changes in responsibilities or scope of the role.	There is no prescribed maximum salary level or salary increase. Salary increases are not expected to exceed the average increase for colleagues in the country in which the Executive is based, unless: • a change in scope or complexity of role applies • or in other exceptional circumstances.
Annual Bonus	To motivate and reward for the achievement of the Company's strategic annual objectives.	Based at least 70% on annual financial performance. Financial measures may include (but are not limited to) revenue and profit. Non-financial measures may include strategic measures directly linked to the Company's priorities. Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the CIP. Bonus payouts are subject to malus and clawback provisions.	150% of salary maximum payable for achieving stretch performance against all measures. 50% of maximum payable for target performance. 10% of maximum payable for entry level performance.
Performance Share Plan (PSP)	To provide a meaningful reward to senior executives linked to the long-term success of the business.	PSP awards normally vest after three years subject to meeting performance measures linked to the Group's strategic priorities, which may vary year-on-year and continued employment. Vested awards will be subject to an additional two-year holding period. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. Dividends can be paid in cash or shares. Current practice is for dividends to be paid as shares. PSP awards are subject to malus and clawback provisions.	Normal PSP opportunities will be 180% of salary. Award levels are subject to a maximum individual limit of 300% of salary. Threshold level performance will result in 25% vesting of the PSP award.

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Co-investment Plan (CIP)	To encourage Executive share ownership and reinforce long-term success.	Any bonus earned over 100% of salary will be paid in shares which will be automatically invested in the CIP. These shares can be withdrawn before the end of the three-year holding period only in very limited circumstances at the discretion of the Remuneration Committee. Further voluntary investments may be made up to the investment limit. Matching shares are granted for each invested share whether automatic or voluntary, voluntary investment shares can be withdrawn at any time but the entitlement to a match would be lost if the invested shares are withdrawn before the end of the relevant three-year vesting period. CIP awards normally vest after three years subject to meeting performance measures linked to the Group's strategic priorities, which may vary year-on-year, and continued employment. For awards granted to the Executive Directors, vested awards will be subject to an additional two-year holding period. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. Dividends can be paid in cash or shares. Current practice is for dividends to be paid as shares. CIP awards granted are subject to malus and clawback provisions.	Executive Directors may invest up to an overall maximum of 50% of salary. Maximum match of 2:1, threshold of 0.5:1. Maximum matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary.
Save As You Earn (SAYE)	To encourage share ownership.	United Kingdom employees are able to make monthly savings, in accordance with the terms of the HM Revenue and Customs (HMRC) approved plan. At the end of the savings period, the funds are used to purchase shares under option. As this is an all-employee scheme and Executive Directors participate on the same terms as other employees, the acquisition of shares is not subject to the satisfaction of a performance target.	Participation limits are those set by the United Kingdom tax authorities from time to time.
Pension	To provide market competitive pension benefits where it is cost-effective and tax-efficient to do so.	Executive Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or allowance in lieu of pension benefits. The policy is for the Executive Directors' pensions on appointment to be aligned with that of the workforce.	Executive Directors are entitled to an employer contribution or allowance aligned to the rate applicable to employees in the country in which they are based. For United Kingdom based Executive Directors, this is currently 7% of salary. The incumbent Group Chief Executive's pension allowance was capped at £82,748 as an interim step, and now receives a pension allowance of 7% of salary (from 31 December 2023) in-line with policy.
Other benefits	To provide market competitive benefits where it is cost-effective and tax-efficient to do so.	Benefits currently include (but are not limited to): • company cars; • medical care; and • life assurance premiums. Executive Directors may become eligible for other benefits in the future where the Committee deems it appropriate. Where additional benefits are introduced for the wider workforce the Executive Director may participate on broadly similar terms. Executive Directors may be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these. Where an Executive Director is required to relocate to perform their role, they may be provided with reasonable benefits as determined by the Committee in connection with this relocation.	There is no formal maximum prescribed value for benefits. It is anticipated that the cost of benefits will not normally exceed 5% of salary. However, the Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g., relocation).
In-post shareholding guidelines	To encourage share ownership and alignment of executive interest with those of shareholders.	Executive Directors are required to accumulate shares equivalent to a shareholding worth 200% of base salary. This is expected to be normally achieved within five years from the date of appointment.	n/a
Post-exit shareholding guidelines	To reinforce long-term alignment of executive interests with those of shareholders post-termination.	A departing Executive Director is required to maintain a shareholding for two years post-termination, set at the lower of the actual shareholding on exit and the in-post shareholding guideline. The post exit holding requirement applies to share-based incentive awards granted to the Executive Directors (shares purchased through own funds are excluded). Enforcement is facilitated through the vesting of share-based incentive awards into nominee accounts.	n/a

Notes to the Policy

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to appointment to the Board or the approval and implementation of the Policy detailed in this report.

Selection of performance measures and target setting

The annual bonus measures have been selected to incentivise sustainable growth in profits. The matrix structure continues to provide a balanced focus between commercial and financial objectives. A mix of strategic measures will continue to be selected each year to reinforce the Group's strategic objectives.

The Committee believes that EPS and ROCE continue to be suitable measures of long-term performance for the Group. EPS is consistent with the Group's long-term strategy focusing on sustainable growth while ROCE supports the control of working capital and capital expenditure. When ROCE is used in combination with EPS, it ensures there is a balance between growth and returns. The cash conversion measure reflects the criticality of cash generation for Inchcape, which is required to support its continued evolution.

Targets are set taking into account a range of reference points including the strategy and broker forecasts for the Group. The Committee believes that the performance targets set are appropriately stretching, set to reward for outperformance of the market and that the maximum will be achievable only for truly outstanding performance. Please see pages 109 to 110 for further details on the target ranges.

The Committee has considered the use of other performance measures to reinforce the Company's long-term objectives, including relative TSR. However, given the diversity of the Group's operations, it would be difficult to set a relevant and robust comparator group for assessing relative TSR performance and there would be some difficulty in cascading appropriately down the organisation. Furthermore, TSR is considered too sensitive to external market factors when measured over only a three-year performance period, which would reduce its efficacy as a PSP/CIP measure; the use of internal financial and non-financial metrics is preferred, given their more direct reinforcement of Inchcape's strategy and culture. However, flexibility is provided in the policy to enable the Committee to review annually the performance metrics used for the annual bonus and PSP/CIP to ensure they remain fit for purpose and continue to support the strategy and meet the expectations of shareholders. Different performance measures may apply for future award cycles

Malus and clawback

These provisions allow the Committee in certain circumstances (such as gross misconduct or a material misstatement of the Group financial statements, reputational damage, or corporate failure) the discretion to:

- reduce bonus, PSP and/or CIP;
- cancel entitlement of bonus;
- prevent vesting of the PSP and/or CIP; or
- allow the Company within two years of payment/vesting of award to claim back up to 100% of the award.

Participants are informed about the malus and clawback conditions on their bonus at the start of each year and are required to confirm acceptance of malus and clawback provisions on their PSP and CIP awards upon grant.

Committee discretions

The Committee operates the Group's various incentive plans in accordance with the relevant plan rules, the Listing Rules and applicable legislation where relevant. To ensure effective operation of the plans, the Committee retains a number of discretions which are consistent with standard market practice, and include (but are not limited to) the following:

- selecting the participants in the incentive plans;
- determining the timing of grant of incentives;
- determining the size of grants and/or payments of incentives (within the limits set out in the Policy and rules of each plan);
- selecting performance measures and their weightings, and setting of targets for the discretionary incentive plans from year to year;
- determining the extent of incentive vesting based on the assessment of performance;
- overriding formulaic annual bonus outcomes, and PSP/CIP vesting outcomes, taking account of overall or underlying Company performance;
- determining the 'good leaver' status for leavers and where relevant, the extent of vesting in the case of share-based plans and the application of any post-vesting holding period;
- determining whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied;
- determining the treatment of incentives in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of the Group and its shareholders;
- making appropriate adjustments required in certain circumstances (e.g., rights issues, corporate restructuring events, variation of capital and special dividends); and
- application and enforcement of the in-post and post-exit shareholding guidelines.

The Committee also has the discretion to adjust the performance conditions in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions. Any discretion exercised by the Committee in the adjustment of performance conditions would be fully explained to shareholders in the relevant Annual Report on Remuneration. If the discretion is material and upwards, the Committee would consult with major shareholders in advance.

Remuneration policy for other employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies (using remuneration surveys, where appropriate) and the Company's ability to pay.

Senior employees participate in an annual bonus scheme which has similar performance targets to those of the Executive Directors. Below this level, local incentive schemes are in place for management and non-management employees. Opportunities and performance conditions vary by country and organisational level, with business unit-specific metrics incorporated where appropriate. Commission-based arrangements are also operated for certain roles.

Senior managers also receive PSP awards while participation in the CIP is limited to Executive Directors, Group Executive Team members and the next level of Executives (c. 20 individuals). Performance conditions are consistent for all participants while award sizes vary by organisational level. Explicit in-post and post-employment shareholding guidelines apply to Executive Directors only, although share ownership is encouraged at lower levels.

All United Kingdom employees are eligible to participate in the SAYE scheme on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations within the Group. The Group has calculated the average equivalent pension contribution across United Kingdom employees currently to be 7% to 7.5% of salary. At the time of appointment of the current Group Chief Executive the workforce pension was assessed to be 10% of salary. As set out on page 99, future executive appointments to the Board will be provided with a pension allowance in line with the workforce rate and transitional arrangements are in place to align the Group Chief Executive to the current rate available to United Kingdom employees after 31 December 2023.

Remuneration policy for Non-Executive Directors

Objective and link to strategy	Operation and performance metrics	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the role.	Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits, except the Chairman who receives medical cover. Non-Executive Directors may be reimbursed for all reasonable business-related expenses and the Company may settle any tax incurred in relation to these. Fee levels are normally reviewed annually, with any adjustments typically effective from 1 April each year. Additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's Committees (excluding the Nomination Committee), or similar, or where a material additional time commitment is required. The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Chairman and the Executive Directors. Non-Executive Directors may elect to receive up to 20% of their net fees as Company shares.	Appropriate adjustments may be made to fee levels, taking account of: • increases awarded across the Group as a whole and conditions elsewhere in the Group; • fee levels within organisations of a similar size, complexity, and type; and • changes in complexity, responsibility or time commitment required for the role.

Fees paid to Non-Executive Directors are within the limits approved by shareholders. This limit, currently at an aggregate of £1,200,000, was last approved by shareholders at the 2021 AGM.

Non-Executive Directors' term of appointment

The Non-Executive Directors are appointed for an initial three-year term which can be terminated by either party on one month's notice (six months for the Chairman).

Nayantara Bali	27 May 2021	One month
Jerry Buhlmann	1 March 2017	One month
Juan Pablo Del Río	4 January 2023	One month
Byron Grote	3 January 2023	One month
Alex Jensen	29 January 2020	One month
Jane Kingston	25 July 2018	One month
Sarah Kuijlaars	21 January 2022	One month
Alison Platt	2 January 2024	One month
Stuart Rowley	17 July 2023	One month
Nigel Stein	8 October 2015	Six months

Consideration of conditions elsewhere in the Group

The Committee reviews and approves all remuneration arrangements for the Group Executive Team, Group Company Secretary and Head of Internal Audit. The Committee also reviews the pay budgets and benefit structures across the general population which are considered when determining remuneration for Executive Directors and the Group Executive Team.

The Company has a diverse, international spread of businesses as well as a wide variety of roles, from petrol pump attendants and valeters through to Chief Executives of our individual businesses. Pay levels and structures therefore vary to reflect local market conditions. The Chair of the Remuneration Committee facilitated an employee forum on Executive remuneration during 2023. Further details are given on page 93.

The Policy is published in the Annual Report and Accounts and is available to all employees to review. The Remuneration Committee is available to answer any questions employees may have about the policy or to provide clarification on any remuneration matters via the employee forum, HR team or Company Secretary. Elements of the policy such as bonus and long-term incentive plans are cascaded as appropriate through the organisation.

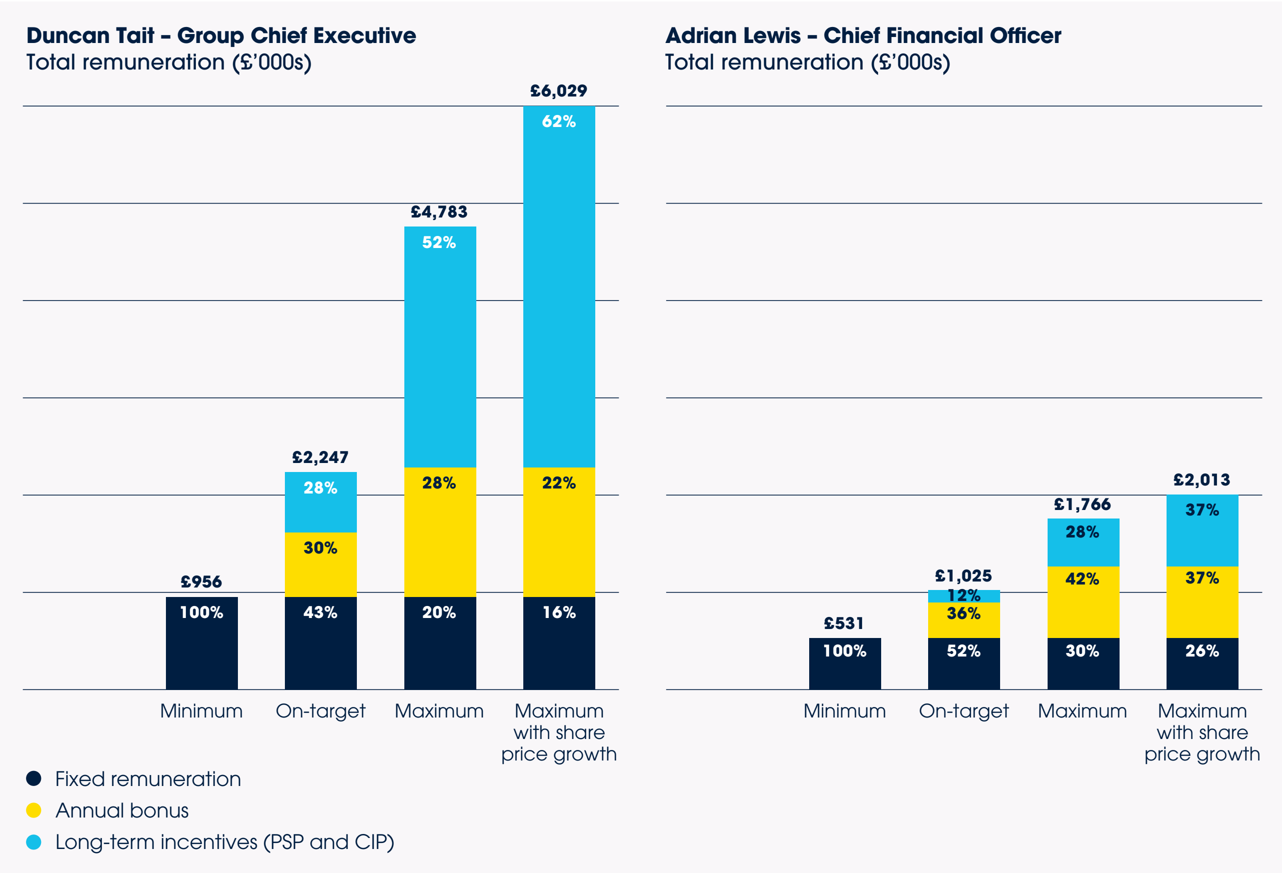
Consideration of shareholder views

When determining remuneration, the Committee takes into account the guidelines of representative investor bodies and proxy advisors and shareholder views. The Committee is always open to feedback from shareholders on the Policy and arrangements. During 2022 and 2023, the Company carried out a shareholder consultation in respect of the revised Policy, details of which were given in last year's Annual Report and Accounts.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Performance scenarios

The chart below shows the remuneration that the Group Chief Executive and Group Chief Financial Officer could expect to obtain based on varying performance scenarios. These illustrations are intended to provide further information to shareholders regarding the pay-for-performance relationship. However, actual pay delivered will be influenced by actual changes in share price and the vesting periods of awards.



Notes on the performance scenarios:

Element	Assumptions
Fixed remuneration	• Fixed remuneration comprises base salary, benefits, and pensions • Base salary – effective from 1 April 2024 • Benefits – as provided in the single figure table on page 105 • Pension – Duncan Tait received £82,748 in lieu of pension

		Minimum	On-target	Maximum	Maximum with share price growth
Variable pay	Annual bonus	No payout	Target payout (50% of maximum)	Maximum payout	
	CIP	No vesting	Assumes full voluntary investment		
			Threshold match of 0.5:1	Maximum vesting	Maximum vesting + 50% share price growth
	PSP	No vesting	Threshold vesting (25% of maximum)	Maximum vesting	Maximum vesting + 50% share price growth

Approach to recruitment remuneration

External appointments

When appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value	
Base salary	The base salaries of new appointees will be determined by reference to the scope of the role, experience of the individual, pay levels at organisations of a similar size, complexity, and type, pay and conditions elsewhere in the Group, implications for total remuneration, internal relativities, and the candidate's current base salary.	n/a	
Pension	New appointees will be eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a cash allowance in lieu of pension benefits; contribution rates (as a % of salary) to be aligned to those available at the time of appointment to the majority of colleagues in the country in which the Executive Director is based.	n/a	
Benefits	New appointees will be eligible to receive normal benefits available to senior management, including (but not limited to) company cars, medical care, life assurance and relocation allowance.	n/a	
Annual bonus	The annual bonus described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. In the year of appointment, the Committee retains the discretion to set different performance measures, taking into account the responsibilities of the individual, and the point in the financial year that they joined the Company.	150% of salary	
PSP	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	up to 300% of salary	The combined maximum is intended not to exceed 400% of salary.
CIP	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	100% of salary	
Other	The Committee will consider on a case by case basis if all or some of the variable remuneration forfeited on leaving a previous employer will be 'bought out'. If the Committee decides to provide a 'buyout', the award will be structured on a comparable basis, taking into account the method of payment, any performance conditions attached, time to vesting and, if applicable, the share price at the time of buyout. The Committee retains the discretion to make use of the relevant Listing Rule to facilitate the use of a share-based award.	n/a	

Notes to recruitment remuneration policy

In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of the Group and its shareholders.

Internal appointments

In cases of internal promotions to the Board, the Committee will determine remuneration in line with the policy for external appointees as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Incentive opportunities for employees below Board level are typically no higher than for Executive Directors.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on page 101. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as Chair of the Audit, Remuneration and CSR Committees as appropriate.

Exit payment policy, service contracts, and change of control

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. However, the Company retains discretion to make other reasonable payments. For example, to settle reasonable legal fees incurred by the Executive Director in connection with the termination of employment (where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice), to provide outplacement services or, in the case of departure due to ill health, to extend medical benefits for a period post-employment.

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee as well as the rules of any incentive plans. When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

The table below summarises how the awards under the annual bonus, PSP and CIP are typically treated in specific circumstances, with the final treatment remaining subject to the rules of the relevant plans.

Component	Circumstance	Treatment	Payment/vesting date (if relevant)
Annual bonus	Resignation.	Bonus will lapse.	Not applicable.
	Death, ill-health, redundancy, sale of the employer or business out of the group or any other reason which the Committee may, in its absolute discretion permit (e.g., retirement).	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved. Unless the Committee determines otherwise, any bonus payment will be pro-rated for time served during the year. At the discretion of the Committee, payments may be made in cash only with no deferral.	At the normal time unless the Committee determines otherwise.
	Change of control.	The bonus will be paid only to the extent the targets set at the beginning of the year have been achieved. Any bonus payment will be pro-rated for time served during the year. Payment will usually be made in cash only with no deferral.	At the normal time unless the Committee determines otherwise.
PSP and CIP	Resignation.	Unvested awards will lapse on date of leaving or such earlier date as the Committee may determine following the giving of notice. Any vested awards can be exercised.	Not applicable.
	Death, ill-health, redundancy, sale of the employer or business out of the group or any other reason which the Committee may, in its absolute discretion permit (e.g., retirement).	Any unvested awards will be assessed for performance, and unless the Committee determines otherwise, time pro-rated.	At the normal release date (save where the Committee has discretion to determine otherwise, or the rules provide otherwise). The two-year holding period will remain in force, unless the Committee, in its absolute discretion, determines otherwise.
	Change of control.	Any unvested awards will be assessed for performance, and unless the Committee determines otherwise, time pro-rated.	At the time of change of control.

In relation to the Save As You Earn (SAYE) plan, as a United Kingdom tax-advantaged plan, where an Executive Director leaves or a change of control occurs, the treatment of any outstanding options will be in line with the plan rules and HMRC guidance.

Service contracts

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months.

Name	Date of contract	Notice period	Unexpired term
Duncan Tait	1 June 2020	12 months	To retirement
Adrian Lewis	24 May 2023	12 months	To retirement

The Company may, at its discretion, and in certain circumstances, pay a sum equal to the outstanding notice period. Service contracts are available to view at the Company's registered office.

PART 2 —
ANNUAL REPORT ON REMUNERATION

The following section provides details of how the Company's Directors' Remuneration Policy was implemented during the financial year to 31 December 2023 and how it will be implemented in the financial year to 31 December 2024.

Single total figure of remuneration (audited)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2023:

	Base salary/ fees[a] £'000		Taxable benefits[b] £'000		Single-year variable[c] £'000		Multiple-year variable[d] £'000		Pension[e] £'000		Total £'000		Total Fixed[a+b+e] £'000		Total variable[c+d] £'000	
Name	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Current Executive Directors*																
Duncan Tait	**859**	820	**4**	4	**866**	1,241	**2,076**	1,951	**83**	82	**3,888**	4,098	**946**	906	**2,942**	3,192
Adrian Lewis	**290**	–	**2**	–	**453**	–	**283**	–	**12**	–	**1,040**	–	**304**	–	**736**	–
Current Non-Executive Directors**																
Nigel Stein	**357**	343	**4**	4	**–**	–	**–**	–	**–**	–	**361**	347	**361**	347	**–**	–
Jerry Buhlmann	**89**	85	**–**	–	**–**	–	**–**	–	**–**	–	**89**	85	**89**	85	**–**	–
Jane Kingston	**85**	82	**–**	–	**–**	–	**–**	–	**–**	–	**85**	82	**85**	82	**–**	–
Alex Jensen	**82**	79	**–**	–	**–**	–	**–**	–	**–**	–	**82**	79	**82**	79	**–**	–
Juan P. Del Río	**67**	–	**15**	–	**–**	–	**–**	–	**–**	–	**82**	–	**82**	–	**–**	–
Sarah Kuijlaars	**73**	62	**–**	–	**–**	–	**–**	–	**–**	–	**73**	62	**73**	62	**–**	–
Nayantara Bali	**68**	65	**5**	–	**–**	–	**–**	–	**–**	–	**73**	65	**73**	65	**–**	–
Byron Grote	**67**	–	**–**	–	**–**	–	**–**	–	**–**	–	**67**	–	**67**	–	**–**	–
Stuart Rowley	**31**	–	**–**	–	**–**	–	**–**	–	**–**	–	**31**	–	**31**	–	**–**	–
Former Directors***																
John Langston	**32**	82	**–**	–	**–**	–	**–**	–	**–**	–	**32**	82	**32**	82	**–**	–
Total	**2,100**	1,618	**30**	8	**1,319**	1,241	**2,359**	1,951	**95**	82	**5,903**	4,900	**2,225**	1,708	**3,678**	3,192

* Adrian Lewis' base salary, taxable benefits, bonus, and pension contributions have been calculated pro rata starting from his appointment to the Board on 24 May 2023.

** Byron Grote joined on 3 January 2023, Juan Pablo Del Río joined on 4 January 2023, Sarah Kuijlaars became Audit Committee Chair on 18 May 2023, and Stuart Rowley joined on 17 July 2023.

*** John Langston retired on 18 May 2023.

Notes to the single total figure of remuneration

a. Base salary/fees.

b. Taxable benefits for the Executive Directors comprise car allowance, medical cover, mileage allowance. For the Non-Executive Directors taxable benefits include accommodation, subsistence, and travel in connection with the attendance of Board and Committee meetings, which are deemed taxable by HMRC. The Group meets the associated tax costs. Non-taxable expense reimbursements have not been included.

c. Payment for performance under the annual bonus, including amounts paid in shares.

d. The 2023 figure incudes to 2021 PSP and CIP which will vest in June 2024 based on performance over a three-year period from 1 January 2021 to 31 December 2023. These awards are subject to a two-year holding period and will therefore be released in 2026. The figures have been valued using the three-month average share price from 1 October 2023 to 31 December 2023 of 679p. Actual performance against targets is given on page 109. The value for the Group Chief Executive includes a movement of -£314,616 due to a decrease in the share price over the period and £151,668 in respect of dividend shares accrued over the performance period. The value for the Group Chief Financial Officer includes a movement of -£42,932 due to a decrease in the share price over the period and £20,662 in respect of dividend shares accrued over the performance period.
The 2022 figure for the Group Chief Executive includes the 2020 PSP and CIP which vested in June 2023 based on performance over a three-year period from 1 January 2020 to 31 December 2022. These awards are subject to an additional two-year holding period and therefore will be released in 2025. The figure has been restated using the actual share price on date of vesting of 751p. The value includes a movement of £576,402, due to an increase in the share price over the period and £137,147 in respect of dividend shares accrued over the performance period.

e. Duncan Tait received a pension allowance of £82,748 during 2023. Adrian Lewis is a member of the Company's defined contribution scheme and received a pension contribution of 7% of salary. See page 102 for further details.

Base salary

Salaries are reviewed annually and typically take effect from 1 April each year. The quantum of total Executive remuneration was reviewed against relevant size and sector peers.

In considering the level of increase to be awarded, the Committee also considered the remuneration arrangements for the wider workforce and, in particular, the salary increases for other United Kingdom colleagues.

The salaries for 2022, 2023, and 2024 are set out below:

Name	01-Apr-22	01-Apr-23 (or date of appointment if later)	01-Apr-24	% increase in 2024
Duncan Tait	£827,483	£868,900	£890,623	2.5%
Adrian Lewis	–	£480,000	£494,400	3%
United Kingdom average workforce increase	–	–	–	2.8%

Chairman and Non-Executive Directors' fees

Role	01-Apr-22	01-Apr-23	01-Apr-24	% increase in 2024
Chairman	£346,270	£360,120	£369,123	2.5%
Senior Independent Director	£85,930	£89,367	£91,601	2.5%
Non-Executive Director	£65,774	£68,405	£70,115	2.5%

When considering the fee increase, benchmarking and the current inflationary environment were considered. Additional fees are paid for chairing a committee, which are £17,000 for the Chair of the Audit and Remuneration Committees and £14,000 for the Chair of the CSR Committee.

Annual bonus

The annual bonus 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 Group's strategic priorities and include personal objectives linked to the delivery of the strategy.

The principles for setting the bonus framework are such that it:

- drives the desired behaviours underpinned by our performance drivers;
- may be easily cascaded through the organisation to reinforce alignment of our collective goals; and
- has clear measures and targets.

2023 bonus

For 2023, 80% of the bonus was based on financial performance via a matrix of revenue and profit before tax with the remaining 20% of the bonus based on strategic objectives, therefore linking an individual's bonus outcome to their contribution to the Accelerate strategy. The maximum opportunity for the Executive Directors was 150% of salary, which is payable for achieving stretch performance against all measures. Any bonus earned above 100% of salary is deferred and invested into the CIP.

Financials (80% of total bonus)

Revenue and profit before tax are structured as a matrix such that failure to deliver threshold in either metric leads to no bonus being achievable in the other.

- 10% of maximum for this element is payable for threshold performance.
- 50% of maximum is payable where both metrics achieve target performance.
- To achieve the maximum award, stretch performance would be required against both metrics.
- Intervening points are calculated using matrix anchor points as shown on the next page.

Matrix of revenue and profit before tax

Revenue		Profit before tax: Threshold £438m	Profit before tax: Target £487m	Profit before tax: Stretch £536m
Stretch	£11.6bn	20%	60%	100%
Target	£10.8bn	13%	50%	80%
Threshold	£10.0bn	10%	30%	60%

Achievement of financial targets (80% of total bonus or 120% of salary)
In 2023, revenue performance was £11.4bn and adjusted profit before tax was £502m. Actual performance for determining bonus outcomes has been calculated using constant currency rates during the year, the same that are used to set the bonus targets. This approach helps ensure that the bonus is linked to underlying financial performance.

	Targets					
Measure	Threshold	Target	Stretch	Weighting	Duncan Tait	Adrian Lewis
Revenue	£10bn	£10.8bn	£11.6bn	40%	83.16%	83.16%
Adjusted profit before tax	£438m	£487m	£536m	40%		

Adjustments made during the year
The revenue and profit before tax targets for 2023 were adjusted to consider strategic acquisitions and disposals during the year, to ensure target and performance outcomes were assessed on a like for like basis. This is consistent with the approach the Committee has used previously for M&A activity.

Achievement of strategic objectives (20% of total bonus, or 30% of salary)
We provide as much detail below as commercially appropriate on the objectives linked to the strategic element of the 2023 bonus and the resulting outcomes, which have been independently verified by the Head of Internal Audit.

Duncan Tait

Strategic objective and % weighting of bonus	Objective details	Outcome	Outcome % of salary
Successfully execute the Derco integration. 10%	To deliver the cost-related synergy benefits and overall business plan in year one and to retain all new mobility company partners.	Synergy benefits were delivered ahead of plan at £21m. Operating margins were delivered in line with expectations against a backdrop of challenging conditions in certain markets. All new mobility company partners were retained following the acquisition, with a further eight contract wins in the Americas during the year.	9%
Ensure VLS is on track with our external commitments. 5%	To deliver at least £50m incremental profit per annum and an additional 80k used cars sales per annum towards the end of the planning period.	Excellent progress has been made on the VLS ambitions however a significant reset was required in 2023 resulting in the reduction of retail operations in a number of markets.	0%
Bring Inchcape's Planet commitments to life. 5%	Ensure the Group is on track to achieve the CO_2 scope 1 and 2 reduction targets: • CO_2 emissions by 2,000 tCO_2 in 2023 • Develop plan to reduce scope 1 and 2 emissions in Derco Develop a climate transition plan consistent with TCFD requirements.	Carbon emissions were reduced by over 3,000 tCO_2 market-based in 2023, this being a 6.6% reduction when compared with 2022. The Group's plan to transition is given on pages 50 to 51.	7.5%

Adrian Lewis

Strategic objective and % weighting of bonus	Objective details	Outcome	Outcome % of salary
Optimising group cashflow. 10%	To define the Group's funding strategy and put in place controls, measures, and processes to ensure the Group delivers a sustainable liquidity structure and improved leverage through the year.	Group funding strategy approved by the Board. Clear goals and processes for subsidiary funding. Closing Liquidity <0.9x.	9%
Develop GHG emissions reporting framework. 10%	Establish a robust reporting framework that underpins our ESG reporting requirements.	A robust set of KPI's was developed and implemented against scopes 1, 2, and 3. Reporting framework in place across the Group to allow continuous monitoring of progress against reduction targets.	15%

Overall 2023 bonus outcome

The Committee concluded that the overall bonus outcome was reflective of the Company's strong financial and operational performance and therefore did not make any discretionary adjustments. As a result, the Committee approved the overall 2023 bonus as follows:

	2023 base salary	Max bonus opportunity (% of salary)	Bonus outcome (% of salary)	Bonus amount £	Deferred into CIP
Duncan Tait	£868,900	150%	99.66%	£865,946	n/a
Adrian Lewis*	£480,000	150%	94.33%	£452,792	n/a

* The bonus paid to Adrian Lewis has been pro-rated from date of appointment to Group Chief Financial Officer.

Any bonus earned above 100% of salary is deferred and invested into the CIP.

Annual bonus for 2024

The maximum annual bonus opportunity in 2024 will remain unchanged from previous years at 150% of salary. For the Executive Directors, 60% of the bonus will be based on a financial performance matrix, linked to revenue and profit before tax, 20% will be based on working capital, and 20% will be based on specific, measurable objectives that relate to the Group's strategy, including a stretching carbon reduction target linked to the Group's responsible business framework. Any payments of the working capital and strategic objectives is subject to the revenue and profit before tax thresholds being met. See page 94 for further details.

For target performance, the payout will be 50% of the maximum bonus opportunity.

Given the close link between performance targets, the longer-term strategy, and the advantage this may give competitors, the 2024 targets are not disclosed in this report because of their commercial sensitivity. The Committee intends to publish the financial targets and provide more details of the strategic measures in next year's Directors' Remuneration Report.

PSP and CIP awards exercised during the year

Duncan Tait exercised his 2020 PSP and CIP awards on 8 September 2023. He sold sufficient shares to cover costs and tax and retained the remaining shares in line with policy.

	Plan	Awards exercised	Dividend shares	Share price*	Shares sold	Shares retained
Duncan Tait	PSP	150,805	11,408	7.61	76,394	85,819
	CIP	83,809	6,329	7.61	42,450	47,688

* Share sale price.

PSP and CIP awards vesting in respect of the year

In 2021, awards were granted under the PSP and CIP schemes which vested dependent on certain performance targets measured over three years to 31 December 2023. These awards are also subject to an additional post-vest two-year holding period.

Consistent with the Committee's previous approach for material M&A activity, the Committee considered adjustments to the targets to take account of the disposal of the Russian business in 2022 and the acquisition of the Derco group in 2023. The cumulative impact of the two transactions on the targets set for the 2021 LTIP cycle was negligible and therefore no adjustment was made to the targets for 2021 LTIP award.

2021 PSP/CIP performance targets

Three-year EPS cumulative growth p.a. (40% weighting)	Vesting %
Less than 133p	0%
133p	25%
150p	100%
Between 133p and 150p	Straight line basis

Three-year average ROCE (40% weighting)	Vesting %
Less than 19%	0%
19%	25%
23%	100%
Between 19% and 23%	Straight line basis

Cash conversion (20% weighting)	Vesting %
Less than 55%	0%
55% to 70%	25%
70%	100%
Between 55% and 70%	Straight line basis

Vesting of 2021 PSP/CIP awards

Over the 2021–2023 performance period, cumulative EPS[1] of 217p, three-year average ROCE of 32%, and cash conversion of 75% were achieved, which resulted in the following vesting outcomes:

Award	Performance measure	Wtg.	Vesting outcome (% of element)
PSP/CIP	EPS[1]	40%	40%
	ROCE	40%	40%
	Cash conversion[2]	20%	20%
Total (overall vesting outcome)			100%

1. Consistent with the Committee's policy, cumulative EPS has been adjusted to take into account the difference between actual share buy-back activity during the performance period and that envisaged when the targets were originally set to ensure the assessment is conducted on a like-for-like basis.
2. The Committee reviewed the cash conversion to ensure target was achieved without the one off benefit of Derco inventory reduction.

The Remuneration Committee considered the outcome in the context of overall business performance. The Committee did not exercise any discretion. As a result, the following awards will vest:

	Grant date	Number of awards granted	Number of awards vesting	Number of awards lapsing	Vesting date	Estimated value of awards vesting*
Duncan Tait						
PSP	7 June 2021	182,210	182,210	0	7 June 2024	£1,238,044
CIP	7 June 2021	101,228	101,228	0	7 June 2024	£687,804
Adrian Lewis**						
PSP	7 June 2021	26,778	26,778	0	7 June 2024	£181,946
CIP	7 June 2021	11,900	11,900	0	7 June 2024	£80,856

* Estimated value calculated using the three-month share price average from 1 October 2023 to 31 December 2023 of 679.46p. The average share price is below the prevailing share price at the time the 2021 awards were granted (790p). As such, the Committee is satisfied that no windfall gains are likely to arise from the vesting of the 2021 PSP/CIP awards.

** Adrian Lewis was granted his 2021 awards before his appointment as Group Chief Financial Officer.

PSP and CIP awards granted during the year

During 2023, PSP awards were granted to the Group Chief Executive at 180% of salary. Under the CIP, the Group Chief Executive invested 50% of salary (including mandatory bonus deferral) and was granted a matching award of 100% of salary. The performance targets for the PSP/CIP are detailed below.

2023 PSP/CIP

Three-year cumulative EPS (40% weighting)	Vesting %
Less than 250p	0%
250p	25%
290p	100%
Between 250p and 290p	Straight line basis

Three-year average ROCE (40% weighting)	Vesting %
Less than 21%	0%
21%	25%
26%	100%
Between 21% and 26%	Straight line basis

Cash conversion (20% vesting)	Vesting %
Less than 60%	0%
60%	25%
70%	100%
Between 60% and 70%	Straight line basis

Threshold level performance will result in 25% of the 2023 PSP and CIP awards vesting.

	Date of grant	Share price (p)[1]	Awards granted	Face value at grant[2]	Performance period	Exercise period[3]
Duncan Tait						
PSP	11 Apr 2023	751p	206,880	£1,553,669	Jan 2023 – Dec 2025	Apr 2026 – Apr 2027
CIP	11 Apr 2023	751p	114,934	£863,154	Jan 2023 – Dec 2025	Apr 2026 – Oct 2026
Adrian Lewis[4]						
PSP	11 Apr 2023	751p	76,190	£572,187	Jan 2023 – Dec 2025	Apr 2026 – Apr 2027
CIP	11 Apr 2023	751p	26,087	£195,913	Jan 2023 – Dec 2025	Apr 2026 – Oct 2026

1. Mid-market share price on date of grant.
2. Face value has been calculated using the share price at date of grant.
3. The awards are structured as a nil-cost option. Any shares vesting and exercised under the PSP and CIP (net of tax) are required to be held (until the fifth anniversary of grant).
4. Awards granted to Adrian Lewis before his appointment as Group Chief Financial Officer.

Long-term incentives for 2024

The Committee reviewed the performance measures for PSP and CIP agreeing that targets will be based on EPS (40%), ROCE (40%) and cash conversion (20%). The ranges were determined based on a range of inputs, including internal forecasts, market consensus, historical growth, and peer performance.

Three-year cumulative EPS (40% weighting)	Vesting %
Less than 264p	0%
264p	25%
295p	100%
Between 264p and 295p	Straight line basis

Three-year average ROCE (40% weighting)	Vesting %
Less than 20%	0%
20%	25%
27%	100%
Between 20% and 27%	Straight line basis

Cash conversion (20% vesting)	Vesting %
Less than 60%	0%
60%	25%
70%	100%
Between 60% and 70%	Straight line basis

The target assumes no share buy backs and is on a constant currency basis. Adjustments to targets will be made for the impact of currency movements and share buy backs.

Pension

Due to the mis-alignment of pension rates as reported in last year's Directors' Remuneration Report, Duncan Tait volunteered to freeze his allowance at £82,748 in 2023 and now receives a pension allowance of 7% of salary (from 31 December 2023) in-line with policy. Adrian Lewis is a member of the Company's defined contribution scheme and receives contributions of 7% of salary, in line with the wider United Kingdom workforce.

Executive share ownership and Directors' interests (audited)

The table below shows the total number of shares, options, and awards held by each Director at 31 December 2023 or at the date of leaving if earlier. There have been no changes to this between 31 December 2023 and 4 March 2024.

		PSP/CIP awards held		SAYE options held			
	Shares held at 31 December 2023	Subject to performance conditions	Subject to deferral	Subject to performance targets	Subject to deferral	Vested but not yet exercised	Guideline met
Duncan Tait	280,238	944,305	0	0	0	4,774	Yes
Adrian Lewis	32,841	187,353	0	0	2,731	0	No
Nigel Stein	77,834	n/a	n/a	n/a	n/a	n/a	n/a
Jerry Buhlmann	15,233	n/a	n/a	n/a	n/a	n/a	n/a
Juan Pablo Del Río*	12,837,702	n/a	n/a	n/a	n/a	n/a	n/a
Byron Grote	50,000	n/a	n/a	n/a	n/a	n/a	n/a
Sarah Kuijlaars	8,000	n/a	n/a	n/a	n/a	n/a	n/a
Jane Kingston	3,500	n/a	n/a	n/a	n/a	n/a	n/a
Stuart Rowley	2,400	n/a	n/a	n/a	n/a	n/a	n/a
Alex Jensen	1,034	n/a	n/a	n/a	n/a	n/a	n/a
Nayantara Bali	0	n/a	n/a	n/a	n/a	n/a	n/a
John Langston**	10,397	n/a	n/a	n/a	n/a	n/a	n/a

* Juan Pablo Del Río was appointed to the Board following the Derco acquisition in January 2023. As part of the agreement, the Del Río family acquired 38,513,102 shares of which Juan Pablo Del Río is the beneficial owner of 12,837,702.

** John Langston retired from the Board on 17 May 2023.

Share ownership policies

The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. They have five years from the date of appointment to reach this shareholding. As at 31 December 2023, using the average share price from 1 October 2023 to 31 December 2023 of 679p, Duncan Tait held 219% of salary (his date of appointment was June 2020) and Adrian Lewis held 46% of salary (his date of appointment was May 2023).

A departing Executive Director is required to maintain a shareholding for two years post-termination, set at the lower of the actual shareholding on exit and the in-post shareholding guideline. Enforcement of this is facilitated through a holding requirement for Executive Directors applied to share-based incentives awards. The application of this requirement will be at the Committee's discretion (which will be waived only in exceptional circumstances). Gijsbert de Zoeten resigned from the Group on 27 November 2022 and is required to hold 19,493 shares until 7 May 2025. These shares were subject to mandatory deferral into the CIP from his 2021 bonus and, as such, are required to be held until the normal vesting date of the linked CIP award which lapsed on the date of his resignation.

Percentage change in Board remuneration

The table shows the percentage change in Board remuneration, compared with the average percentage change in remuneration for senior management. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension), and annual bonus only. The increase for Non-Executive Directors relates to base fees only, not additional fees for chairing a committee.

	% change for 2020			% change for 2021			% change for 2022			**% change for 2023**		
	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus	**Salary**	**Benefits**	**Bonus**
Executive Directors												
Duncan Tait	n/a	n/a	n/a	2.5%	0%	100%	3.5%	0%	5.5%	**5%**	**0%**	**(30)%**
Adrian Lewis	–	–	–	–	–	–	–	–	–	**n/a**	**n/a**	**n/a**
Non-Executive Directors												
Nigel Stein	2%	0%	n/a	2.5%	0%	n/a	3.5%	0%	n/a	**4%**	**0%**	**n/a**
Jerry Buhlmann	0%	n/a	n/a	2.5%	n/a	n/a	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
Alex Jensen	0%	n/a	n/a	2.5%	n/a	n/a	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
Jane Kingston	0%	n/a	n/a	2.5%	n/a	n/a	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
John Langston	0%	n/a	n/a	2.5%	n/a	n/a	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
Nayantara Bali	n/a	n/a	n/a	0%	n/a	n/a	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
Sarah Kuijlaars	–	–	–	–	–	–	3.5%	n/a	n/a	**4%**	**n/a**	**n/a**
Juan P. Del Río	–	–	–	–	–	–	–	–	–	**4%**	**n/a**	**n/a**
Byron Grote	–	–	–	–	–	–	–	–	–	**4%**	**n/a**	**n/a**
Stuart Rowley	–	–	–	–	–	–	–	–	–	**0%**	**n/a**	**n/a**
Average senior manager pay	3.2%	0%	82.9%	3.3%	0%	73.2%	5.8%	0%	9.5%	**7.7%**	**0%**	**(35.2)%**

As Inchcape plc has no direct employees, colleagues representing the most senior Executives have been selected as this group is large enough to provide a robust comparison, while also providing data that is readily available on a matched sample basis. These colleagues also participate in bonus schemes of a similar nature to the Executive Directors and therefore remuneration will be similarly influenced by Company performance.

CEO pay ratio

The CEO pay ratio is based on comparing the CEO's pay to that of Inchcape's UK-based colleague population, a large proportion of whom are in customer-facing roles in retail centres with remuneration which is commission-driven. The Committee anticipates that the ratios are likely to be volatile over time, largely driven by the CEO's incentive outcomes which are dependent on Group-wide results whereas colleague pay variability will be primarily driven by United Kingdom market conditions.

The ratios have decreased due to the decrease in share price (used for valuing PSP and CIP awards) and bonus performance.

Financial year	Calculation methodology	P25 (Lower quartile)	P50 (median)	P75 (Upper quartile)
2023	C	128:1	95:1	70:1
2022	C	154:1	109:1	74:1
2021	C	75:1	55:1	38:1
2020	C	40:1	28:1	19:1
2019	C	67:1	48:1	32:1

Consistent with previous years, calculation methodology C was used.

Full-time equivalent remuneration was calculated for all United Kingdom colleagues as at 31 December 2023 using the single total figure valuation methodology, with two amendments: using 2022 bonus outcomes as a proxy for 2023 bonus outcomes and excluding SAYE grants. The colleagues at the 25th, 50th and 75th percentile (P25, P50, P75) were identified. The total remuneration for 2023 of the three colleagues identified was updated after the year-end to include any annual bonus and SAYE values (if applicable).

This method was chosen as it is in line as much as possible with methodology A, which is the Government's preferred approach while taking account of operational constraints. The Committee is satisfied that the selected colleagues are representative.

The table below sets out the remuneration details for the individuals identified:

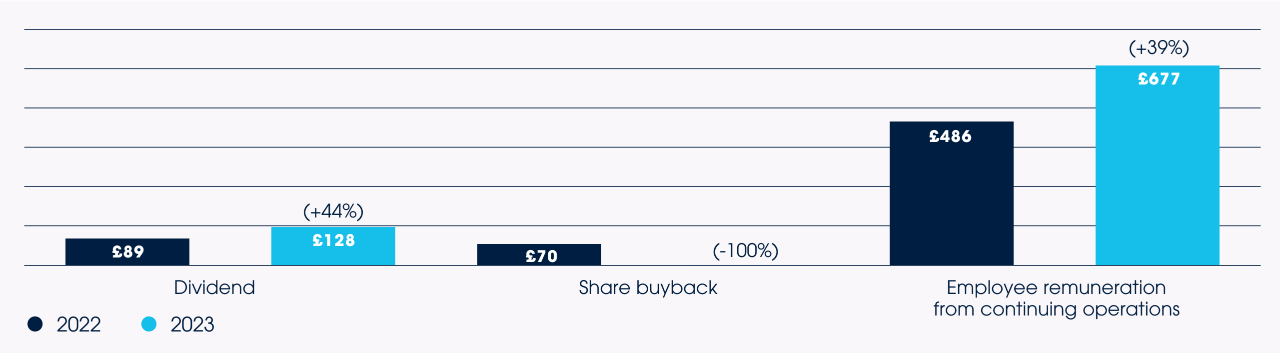
Year	Salary	CEO	P25	P50	P75
2023	Basic salary (£'000)	£859	£28	£31	£32
	Total remuneration (£'000)	£3,888	£30	£41	£55
2022	Basic salary (£'000)	£820	£23	£16	£41
	Total remuneration (£'000)	£4,098	£26	£38	£55
2021	Basic salary (£'000)	£799	£22	£26	£21
	Total remuneration (£'000)	£2,054	£28	£37	£54
2020	Basic salary (£'000)	£759	£23	£32	£34
	Total remuneration (£'000)	£939	£24	£33	£49
2019	Basic salary (£'000)	£757	£15	£28	£28
	Total remuneration (£'000)	£1,639	£24	£34	£52

For 2023, the colleague at P50 is a Level 3 Service Advisor which typically has a lower variable earning opportunity. The Committee is satisfied that the overall picture presented by the 2023 pay ratios is consistent with the reward policies for Inchcape's United Kingdom colleagues. The Committee considers these ratios when making decisions around the Executive Director pay packages, and Inchcape takes seriously the need to ensure competitive pay packages across the organisation.

Relative importance of spend on pay

The chart shows the percentage change in total colleague pay expenditure and shareholder distributions (i.e., dividends and share buybacks) from 2022 to 2023.

Relative importance of spend on pay (£m)



The Directors are proposing a final dividend for 2023 of 24.3p per share (2022: 21.3p).

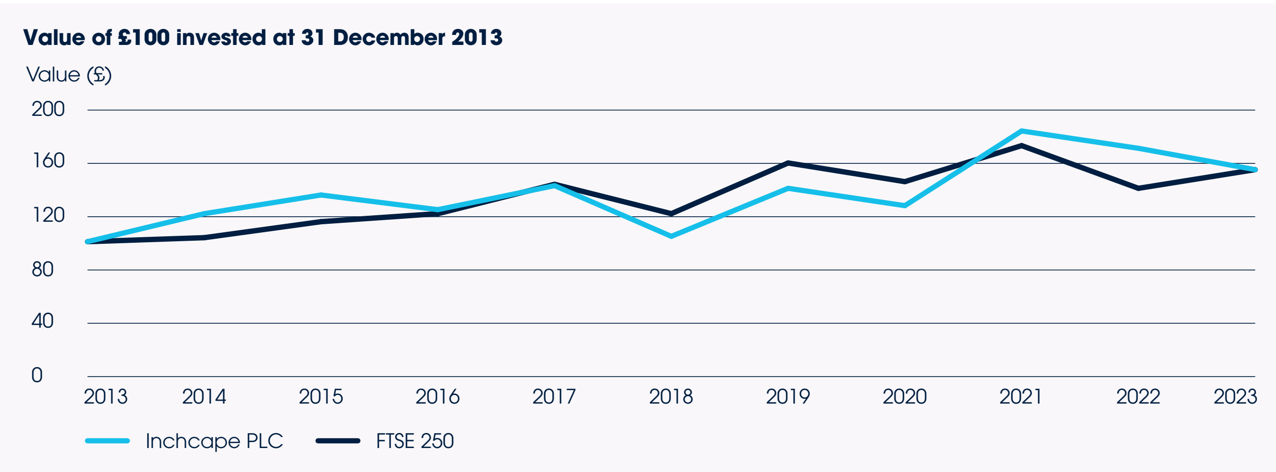
Pay for performance

The graph below shows the total shareholder return (TSR) of the Company over the 10-year period to 31 December 2023.

The FTSE 250 Excluding Investment Trust Index has been chosen as the most suitable comparator group as it is the general market index in which the Company appears. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2023.



	Group Chief Executive	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single figure of remuneration (£'000)	André Lacroix	5,265	294[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Stefan Bomhard	n/a	2,906	1,403	3,006	2,430	1,522	471[2]	n/a	n/a	n/a
	Duncan Tait	n/a	n/a	n/a	n/a	n/a	n/a	468	2,054	4,098	3,888
Annual bonus outcome (% of maximum)		100%	56.8%	40.3%	67.6%	38.5%	n/a[6]	0%	98%	100%	99%
LTI vesting[3] outcome (% of maximum)		68%	n/a[4]	n/a[5]	79.6%	58%	40%	n/a[7]	n/a[8]	60%	100%

1. The amount for André Lacroix reflects remuneration received until he left the Group in March 2015.
2. The amount for Stefan Bomhard reflects remuneration received until he left the Group in June 2020.
3. LTI includes CIP, 'normal' PSP and 'enhanced' PSP.
4. Neither André Lacroix nor Stefan Bomhard received a vested award under the 2013 PSP or CIP. However, for those participants who did receive an award, 65.5% of the 2013 normal PSP vested and there was a 1.31 match for each share invested into the 2013 CIP.
5. Stefan Bomhard did not receive an award under the 2014 PSP or CIP. However, for those participants who did receive an award, 86.5% of the normal PSP vested and there was a 1.73:1 match for each share invested into the CIP.
6. Stefan Bomhard did not receive a bonus in 2019.
7. Neither Stefan Bomhard nor Duncan Tait received a vested award under the 2018 PSP or CIP. However, for those participants who did receive an award, 28.5% of the 2018 PSP vested and there was a 0.57:1 match for each share invested into the 2018 CIP.
8. Duncan Tait did not receive an award under the 2019 PSP or CIP. However, for those participants who did receive an award, 40% of the PSP vested and there was a 0.8:1 match for each share invested into the 2019 CIP.

Shareholder context

The table below shows the advisory vote on the Directors' Remuneration Report at the 2023 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	359,565,195	98.89%
Against	4,031,486	1.11%
Total votes cast (excluding votes withheld)	363,596,681	100%
Votes withheld	194,832	
Total votes cast including votes withheld	363,791,513	

The table below shows the binding vote on the Directors' Remuneration Policy at the 2023 AGM:

	Total of votes	% of votes cast
For (including discretionary)	349,306,482	96.07%
Against	14,288,011	3.93%
Total votes cast (excluding votes withheld)	363,594,493	100%
Votes withheld	197,020	
Total votes cast including votes withheld	363,791,513	

Withheld votes are not included in the final proxy figures as they are not recognised as a vote in law.

Exit payments during the year

As disclosed in last year's report, Gijsbert de Zoeten received payment of salary and benefits in accordance with the terms of his contract until 27 November 2023. These payments were made on a monthly basis.

Payments to past Directors

No payments were made to past Directors in 2023.

Other directorships

The Executive Directors are generally permitted to take one non-executive directorship as long as it does not lead to conflicts of interest or undue time commitment and is approved in advance by the Nomination Committee and the Board.

Duncan Tait currently serves as a non-executive director on the board of Agilisys Ltd for which he received a fee of £25,000 during 2023.

Advisors to the Committee

Ellason LLP was appointed as the independent remuneration advisor to the Committee effective 1 January 2021 following a tender process. Ellason LLP was paid a fee of £82,540 for its services relating to directors' remuneration during 2023. Ellason LLP did not provide advice or services to the Company on any others matters.

Ellason LLP is a signatory to the Remuneration Consultant Group's Code of Conduct which sets out guidelines to ensure that any advice is independent and free of undue influence (this can be found at www.remunerationconsultantsgroup.com).

None of the individual Directors has a personal connection with Ellason LLP.

The Committee is satisfied that the advice it receives is objective and independent and confirms that Ellason LLP does not have any connection with the Company that may impair their independence. The Committee's advisors attend Committee meetings as required and provide advice on remuneration for Executives, analysis of the Directors' Remuneration Policy and regular market and best practice updates. The advisors report directly to the Committee Chair. Fees are charged at an hourly rate in accordance with the terms and conditions set out in the relevant engagement letter.

The Directors' Report on Remuneration was approved by the Board and has been signed by Jane Kingston on its behalf.

JANE KINGSTON
CHAIR OF THE REMUNERATION COMMITTEE

DIRECTORS' REPORT

The Directors' Report for the year ended 31 December 2023 comprises pages 115 to 118 of this report (together with sections incorporated by reference).

Information required in the Management Report under DTR 4.1.8R can be found in the following sections: a review of the business and future developments on pages 2 to 55; principal risks and uncertainties on pages 56 to 64; a description of the Board's activities and the structure of its Committees is given on pages 70 to 71; and a description of the Group's internal control framework is given on pages 86 to 88.

Corporate governance statement

The statement of compliance with the UK Corporate Governance Code 2018 (Code) is given on pages 67 to 69. The Code is published on the Financial Reporting Council's website www.frc.org.uk. Information required under DTR 7 is given in the Corporate Governance Report on pages 66 to 118.

Board of Directors

The Directors of the Company below were in office during the year and up to the date of signing the financial statements:

- Nayantara Bali
- Jerry Buhlmann
- Juan Pablo Del Río (joined January 2023)
- Byron Grote (joined January 2023)
- Alex Jensen
- Jane Kingston
- Sarah Kuijlaars
- John Langston (left May 2023)
- Adrian Lewis (joined May 2023)
- Alison Platt (joined January 2024)
- Stuart Rowley (joined July 2023)
- Nigel Stein
- Duncan Tait

In accordance with the Code, all current Directors except for Nigel Stein and Jane Kingston will stand for election or re-election at the Annual General Meeting (AGM) on 9 May 2024. The Chairman has reviewed the performance of each Director and is satisfied that each continues to be effective and demonstrates commitment to the role. The appointment and replacement of Directors is governed by the Company's Articles of Association (Articles), the Code, the Companies Act 2006, and related legislation. The Articles are available on the Company's website. The Articles were not amended during the year.

Subject to the Articles, the Code, and relevant legislation, the business of the Company is managed by the Board which may exercise all the powers of the Company.

Shareholders

Engagement with shareholders is important to the Company so that we are able to understand the key issues of importance to them and get their views on the business. Any updates regarding the business, including presentations by the Group Chief Executive, are available on the Group's website so that all shareholders have access to the same Company information at the same time. Further information on stakeholder engagement can be found on pages 20 to 22.

As our 20 largest shareholders own over 66% of the business, shareholder consultations, such as the Directors' Remuneration Policy, are carried out with this group. Extending the consultation to all shareholders would not be cost effective, and shareholders not involved in the consultation process are encouraged to use the AGM forum to express their views either by asking questions or voting on the relevant resolutions.

Conflicts of interest

The Articles permit the Board to authorise any matter which would otherwise involve a Director breaching their duty under the Companies Act 2006 to avoid conflicts of interest. When authorising a conflict of interest, the Board must do so without the conflicted Director counting as part of the quorum. In the event that the Board considers it appropriate, the conflicted Director may be permitted to participate in the debate but will be permitted neither to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is their responsibility to inform the Board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

Directors' indemnity

A qualifying third-party indemnity (QTPI), as permitted by the Articles and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company.

Under the provisions of the QTPI, 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, judgement is given against the Director. The indemnity has been in force for the year ended 31 December 2023 and until the date of approval of this report. The indemnity also covers the statutory directors of the Group's subsidiaries.

Results and dividends

The Group's audited consolidated financial statements for the year ended 31 December 2023 are shown on pages 120 to 220. The level of distributable reserves is sufficient to pay a dividend.

The Board recommends a final ordinary dividend of 24.3p per ordinary share. If approved at the 2024 AGM, the final ordinary dividend will be paid on 17 June 2024 to shareholders registered in the books of the Company at the close of business on 3 May 2024.

The Company may, by ordinary resolution, declare a dividend not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends when the financial position of the Company, in the opinion of the Board, justifies its payment.

Share capital

As at 31 December 2023, the Company's issued share capital of £41,300,713 comprised 413,007,132 ordinary shares of 10p. Holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts, to attend and speak at General Meetings and to appoint proxies and exercise voting rights. The shares do not carry any special rights with regard to control of the Company. The rights are set out in the Articles.

Restrictions on transfer of securities

There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares. Shares acquired through the Company share schemes rank pari passu with the shares in issue and have no special rights.

Authority to purchase shares

At the Company's AGM on 18 May 2023, the Company was authorised to make market purchases of up to 41,300,713 ordinary shares (representing approximately 10% of its issued share capital).

In the year ended 31 December 2023, the Company did not purchase any shares for cancellation.

The Directors have authority to issue and allot ordinary shares pursuant to article 9 of the Articles and shareholder authority is requested at each AGM. The Directors have authority to make market purchases for ordinary shares and this authority is also renewed annually at the AGM.

Interests in voting rights

Notifications received by the Company in accordance with DTR 5 are published on a Regulatory Information Service and are available on the Company's website. During the year, the Company had been notified of the following interests amounting to more than 3% of the Company's issued share capital pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules.

	As at 31 December 2023		As at 4 March 2024	
Shareholder	Number of voting rights held	Percentage of voting rights held	Number of voting rights held	Percentage of voting rights held
Cerro Mayo SpA*	12,837,700	3.11%	12,837,700	3.11%
DT Huillinco SpA*	12,837,700	3.11%	12,837,700	3.11%
Peñuelas Corp SpA*	12,837,702	3.11%	12,837,702	3.11%
JPMorgan Asset Management Holdings Inc	Not disclosable	<5%	Not disclosable	<5%
Polaris Capital Management LLC	15,762,376	3.82%	15,762,376	3.82%
BlackRock Inc	Not disclosable	<5%	Not disclosable	<5%
The Capital Group Companies Inc	20,597,812	4.99%	20,597,812	4.99%

* Under the Derco acquisition, the Derco family owners received newly issued ordinary shares, resulting in them owning over 9.3% of the Company's share capital.

Restrictions on voting rights

There are no restrictions on voting rights.

Employee benefit trust

The Executive Directors of the Company, together with other colleagues of the Group, are potential beneficiaries of the Inchcape Employee Trust (Trust) and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2023, the Trust's shareholding totalled 1,008,058 ordinary shares.

All authorised requests to exercise shares are processed by the Trust on behalf of the relevant employees.

In respect of LR 9.8.4R(12) and (13), the trustee of the Trust agrees to waive dividends payable on the shares it holds for satisfying awards under the various share plans.

Directors' interests

The table showing the beneficial interests, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2023 is shown in the Directors' Report on Remuneration on page 111. There have been no changes to the interests or number of shares held by each Director between 31 December 2023 and 4 March 2024.

Change of control

The Company is not party to any significant agreements that would take effect, alter, or terminate upon a change of control of the Company following a takeover bid apart from certain of the Group's third-party funding arrangements which would terminate upon a change of control of the Company, such as the Group's revolving credit facility agreement. Further details are given in note 22 to the financial statements on pages 179 to 180.

The Group's relationships with its mobility company partners are managed at Group level, but the relevant contracts are entered into at a local level with day-to-day management being led by each operating business. Certain contracts may terminate on a change of control of the local contracting company.

The Company does not have agreements with any Director or colleague providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to colleagues to vest on a takeover.

Transactions with Directors

No transaction, arrangement, or agreement, other than remuneration, required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties' was outstanding at 31 December 2023, or was entered into during the year for any Director and/or connected person other than lease payments of £7m (2022: £nil) which were made to companies connected with Juan Pablo Del Río.

Streamlined Energy and Carbon Reporting Regulations

The annual quantity of emissions of carbon dioxide equivalent from activities for which the Company is responsible, and the methodologies and ratios used to calculate this, are shown on page 53.

Principal financial risk factors

These risks are shown on pages 56 to 64.

Other information – Listing Rules

The information required to be disclosed by LR 9.8.4R can be found on the pages set out below:

Section	Information	Page
1	Interest capitalised	Not material to the Group
2	Publication of unaudited financial information	113 (historical TSR performance)
4	Details of long-term incentive schemes	108 to 110
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issue by a major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waiver of dividends	116
13	Shareholder waiver of future dividends	116
14	Agreements with controlling shareholders	Not applicable

Financial instruments

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of financial instruments is given in note 23 to the financial statements on pages 181 to 188.

Branches outside the UK

The Company does not have any branches outside the UK.

Events after the reporting period

None.

Business relationships

Having positive relationships with our mobility company partners, our main suppliers, and our customers is imperative for the long-term success of the Company. Our mobility company partner relationships are key to every part of our value chain and the length of these relationships, which are given on page 7, is testament to this strength.

We provide access to automotive ownership and support services throughout the customer journey and aim to deliver the best experiences for customers in our industry globally. The Board and management engage with customers through:

- receiving daily reporting of customer feedback on www.reputation.com;
- analysing sales force customer journey management platform; and
- ongoing surveys at market level.

Political donations

The Company did not make any political donations in 2023 and does not intend to make any political donations in 2024.

Colleagues and colleague involvement

The Company is committed to a policy of treating all its colleagues and job applicants equally. We are committed to the employment of people with disabilities and will interview those candidates who meet the minimum selection criteria.

We provide training and career development for our colleagues, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued development in their role, including consulting them about their requirements, making appropriate adjustments and providing suitable alternative positions if required.

Successfully delivering the Accelerate strategy requires us to evolve both what we do and how we do things. This includes continuing to build the winning culture we need to help deliver on our ambitions, a culture that is built through effective teamwork, fresh thinking, a focus on delivery, and putting our customers at the centre of everything we do.

In support of this, our performance framework, called One Inchcape Values & Behaviours, sets out the values and behaviours we all need to live by at Inchcape. The Company also has various colleague policies in place covering a wide range of issues, such as family friendly policies, employment rights and equal opportunities. Policies are implemented at a local level and comply with any relevant legislation in that market. All policies are available on the Group's intranet and compliance is monitored at local level.

The Group's bonus and long-term incentive schemes are designed to encourage involvement in the Company's performance. United Kingdom colleagues are eligible to join the SAYE scheme, which is offered annually. Further details can be found in the Directors' Report on Remuneration on pages 92 to 114.

Colleague communication

Townhall meetings are held in each region on a regular basis and also following the release of any financial updates by the Company. The townhall meetings provide colleagues with information on the Group's performance and an opportunity for consulting colleagues on new initiatives or other matters that concern them. The Group's global intranet also provides a means of communicating important issues to colleagues.

The colleague experience survey is the primary tool for obtaining the views of colleagues and the results of the survey are reported to the CSR Committee on an annual basis. The Chair of the CSR Committee is the designated Director for communicating the views of colleagues to the Board and she reports the findings to the Board following each meeting.

The consultation enables the Board to gain an understanding of how the colleague experience is perceived and what actions can be taken to enhance this experience so colleagues feel challenged, excited, engaged, and supported in their roles. Further details can be found in the CSR Committee Report on pages 90 to 91.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions. The Directors are also responsible for disclosing with reasonable accuracy at any time the financial position of the Group and parent company, and enabling them to ensure that the financial statements and the Directors' Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy. Each of the Directors, whose names and functions are listed in the Board of Directors, confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position, and loss of the Company;
- the Group financial statements, which have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position, and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Directors considered the key messages contained in the Strategic Report along with the disclosures made throughout to ensure that they are consistent, transparent and a true reflection of the business. The Directors also reviewed supporting documentation which addresses specific statements made in the report and the evidence to support those statements. Following this review, the Directors consider, when taken as a whole, that the Annual Report and Accounts is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 64, the Directors consider it appropriate to adopt the going concern basis of accounting in the financial statements for the next 12 months.

Auditor and disclosure of information to the auditor

The auditor, Deloitte LLP, has indicated its willingness to continue in office. A resolution to reappoint Deloitte as auditor will be proposed at the AGM. As far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting

The AGM will be held at 11.00 a.m. on Thursday 9 May 2024 at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

The Directors' Report was approved by the Board and has been signed by the Group Company Secretary of the Company.

TAMSIN WATERHOUSE
GROUP COMPANY SECRETARY

FINANCIAL STATEMENTS

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INCHCAPE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of Inchcape plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows;
- the accounting policies; and
- the related Notes 1 to 33 to the consolidated financial statements and the related notes 1 to 12 to the Parent Company financial statements.

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

2. BASIS FOR OPINION

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

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

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • UK used vehicle inventory valuation • The integration of the Derco Group Both key audit matters were newly identified in the year.
Materiality	The materiality that we used for the Group financial statements was £25.0m (2022: £26.8m), which was determined on the basis of profit before tax from continuing operations adjusted for adjusting items as defined in note 2 ("adjusted profit before tax"). This represented 5.0% of adjusted profit before tax from continuing operations.
Scoping	Components in scope for full scope or specified account balance procedures in the current period comprised 86% (2022: 76%) of Group revenue, 87% (2022: 76%) of Group profit before tax from continuing operations and 84% (2022: 80%) of Group net assets.
Significant changes in our approach	Significant changes to our approach include: • Identification of UK used vehicle inventory valuation as a new key audit matter due to price volatility in used vehicle values in the UK market. • Amending the key audit matter surrounding the Derco acquisition in 2022 to focus on the integration of the Derco business. In the prior period this key audit matter focussed on the acquisition of the Derco Group. • Removal of Central America indefinite-life asset impairment and disposal of the Group's operations in Russia as key audit matters. These matters primarily related to the change in scale and scope of the Group's operations in 2022 and the impact that these changes had on performance in the year. • The materiality benchmark was changed from using net assets in the prior year to adjusted profit before tax from continuing operations in the current year. The use of net assets in the prior period was due to the acquisition of the Derco Group on 31 December 2022, which impacted the Group's balance sheet only.

4. CONCLUSIONS RELATING TO GOING CONCERN

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

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

- Understanding the Group's process and related controls in the assessment of going concern;
- Assessing the Group's available committed financing facilities including the nature of facilities, repayment terms and covenants;
- Assessing the impact of short-term fluctuations in local market trading conditions, the impact of Electric Vehicle (EV) transition, inflation and political uncertainties on the forecast cashflows;
- Evaluating the reasonableness of assumptions used in the forecasts;
- Assessing the appropriateness of the sensitivities performed by management, including performing additional sensitivities as part of our challenge thereon;
- Performing consistency and accuracy checks over the going concern model including checking the mathematical and clerical accuracy;
- Testing the consistency of the forecast cash flows with the forecasts prepared for the impairment models; and
- Assessing the disclosures relating to going concern in the financial statements.

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

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

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

5. KEY AUDIT MATTERS

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

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

5.1. UK used vehicle inventory valuation

Key audit matter description	**Account Balances: Inventory. Refer to the Inventory policy in the Accounting Policies section on page 142 and Note 17 on page 176.** The Group recorded total finished goods and merchandise inventory of £2,594m as at 31 December 2023 (2022: £2,294m) with an associated inventory provision recognised of £99m (2022: £58m). A material proportion of this inventory relates to used vehicles in the Group's UK business. Local market volatility has seen used vehicle residual values fall during 2023 in the UK, predominantly within the electric vehicle category. IAS 2 *Inventories* states inventories should be recognised at the lower of cost and net realisable value. Management estimation is required to determine the appropriate level of provisioning against the valuation of used vehicles, and accordingly we have identified a key audit matter in relation to the judgements applied by management in the valuation of used vehicles within Inchcape's UK business. The provision recognised against the used vehicles is based on the associated ageing and expecting selling price of the inventory.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter included: • obtaining an understanding of the relevant controls used by the Group in determining the appropriate level of inventory provisioning; • challenging the Group's inventory provision policy with reference to incurred losses experienced, relevant industry knowledge and external forecasts; • performing analytical procedures to assess the period over period movement in inventory provision by brand within the UK business with reference to current market dynamics; • validating the ageing profile of inventory, which is used to determine inventory provisions; • recalculation of the provision in local markets using location-specific external data and industry knowledge; • testing the valuation of inventory with reference to vehicle valuations and post year-end sales; • assessing the appropriateness of the disclosures within Note 17 of the financial statements.
Key observations	Based on our procedures we are satisfied that the valuation of used inventory in the UK is appropriate.

5.2. The integration of the Derco Group

Key audit matter description	**Account Balances: impacting all financial statement accounts. Refer to the Audit Committee report page 85, Adjusting items note 2 on page 150 and Acquisitions and disposals note 28b on page 195** The acquisition and integration of the Derco Group has led to a significant increase in the size and scale of the Group's operations in South America (within the *Americas* operating segment). We identified the integration of Derco as a key audit matter in the current year due to the level of audit effort associated with assessing the consequences on financial statements including: • Adjustments to the opening balance sheet in accordance with IFRS 3 *Business Combinations* including the recording of measurement period fair value adjustments; • Consideration of the balance sheet classification of new supplier financing arrangements (as either trade and other payables or borrowings); • The first-time presentation and consolidation of the Derco performance within the Group financial statements; • Concluding on the identification of cash generating units ("CGUs") within the acquired business for the purposes of undertaking the annual impairment review of the acquired indefinite-life assets; • The reassessment of the Group's operating and reportable segments in accordance with IFRS 8 *Operating Segments*; and • The presentation and reporting of integration costs as adjusting items.
How the scope of our audit responded to the key audit matter	Our procedures in response to the key audit matter included: • obtaining an understanding of relevant controls in the Derco business within key processes including completeness of revenue, valuation of inventory and consolidation in respect of the Group; • validating the completeness and appropriateness of measurement period closeout adjustments posted in 2023 in relation to the acquisition of the Derco businesses; • assessing the classification of supplier financing arrangements through review of agreements with suppliers and providers of finance; • assessing the adjustments recognised on consolidation of the Derco business in the Group financial statements including: IFRS 3 measurement period adjustments, the unwinding of fair value adjustments in the period, and consolidation journals; • assessing the level at which impairment is assessed with reference to IAS 36; • evaluating the determination of operating and reportable segments; • evaluating the appropriateness of items identified as adjusting for the purposes of calculating adjusted performance measures presented as KPIs; and • evaluating the appropriateness of judgements and decisions made by management in making accounting estimates; including performing a retrospective analysis of management judgements and assumptions related to significant accounting estimates reflected in the financial statements of the prior year.
Key observations	We are satisfied with the results of our audit procedures in respect of the integration of the Derco business.

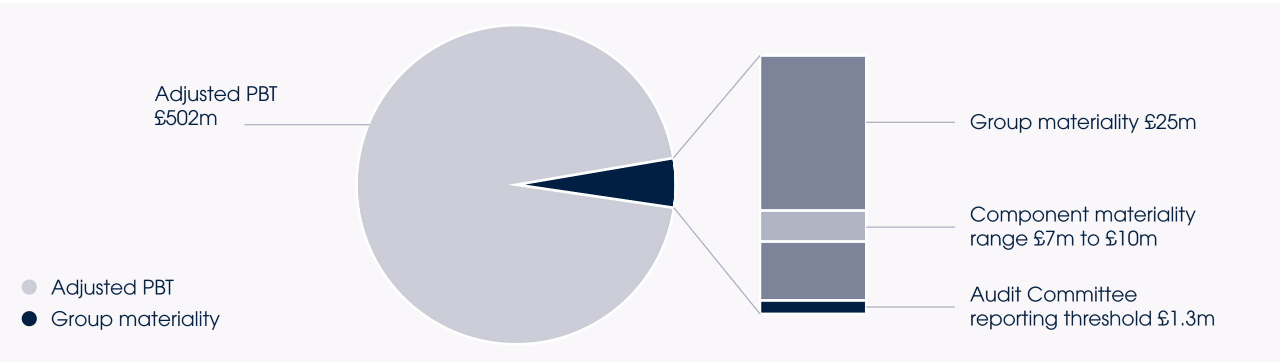
6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	£25.0 million (2022: £26.8 million)	£9.4 million (2022: £11.9 million)
Basis for determining materiality	Materiality was determined on the basis of adjusted profit before tax from continuing operations. This represented 5.0% of adjusted profit before tax from continuing operations (2022: 1.7% of net assets). We have changed the benchmark in the year. In the prior period net assets were used due to the acquisition of the Derco Group on 31 December 2022, which had an impact on the balance sheet only. In the current year the impact of this acquisition is seen in both the balance sheet position and performance of the business and therefore we have concluded a profit-based metric is more appropriate in the current year.	Parent Company materiality equated to 1.0% of net assets (2022: 1.0% of net assets).
Rationale for the benchmark applied	Adjusted profit before tax is one of the key metrics communicated by management in the Group's results announcements and therefore is considered to be an appropriate benchmark. Refer to Note 2 Adjusting Items for further details of adjusting items and management's reconciliation of this alternative performance measure to the Group's statutory measure.	As the Parent Company is non-trading, operates primarily as a holding company for the Group's trading entities, and is not profit orientated, we consider the net asset position to be the most appropriate benchmark to use.



6.2. Performance materiality

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

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2022: 65%) of Group materiality	70% (2022: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits, and management's willingness to correct misstatements identified; • our risk assessment, including our understanding of the entity and its environment; • our risk assessment arising from the first-time consolidation of the income statement of the Derco Group in the Group financial statements; and • our assessment of the Group's and Parent Company's control environment.	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits, including the low value of misstatements identified in prior periods and management's willingness to correct misstatements identified; • our risk assessment, including our understanding of the entity, its environment; and • our assessment of the Parent Company's overall control environment.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3m (2022: £1.3 million, with a lower threshold of £0.9 million used in 2022 for the legacy Inchcape Group), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

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

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

The components which were subject to full audit procedures were in:

- Australia
- Belgium
- Bolivia
- Chile
- Colombia
- Costa Rica
- Ethiopia
- Greece
- Hong Kong
- Peru
- Poland
- Romania
- Singapore
- United Kingdom

These components were selected due to their significance to the financial statements either due to scale or risk.

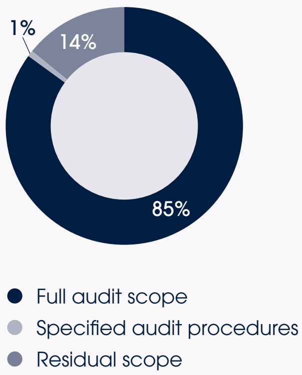
To introduce variability and unpredictability into our audit procedures component auditors also performed audits of specific account balances in Barbados and Brunei.

In addition to the work performed at a component level, the Group audit team performed audit procedures on the Parent Company and consolidated financial statements, corporate activities such as treasury and pensions, goodwill and indefinite-life intangible asset impairment, litigation provisions, the Group consolidation, going concern assessment and financial statement disclosures. The Group audit team also performed analytical procedures in respect of components that were not in scope for full audit procedures.

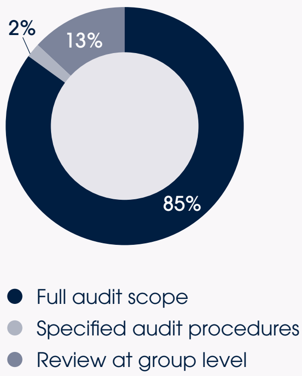
The range of component materialities applied was £7m to £10m (2022: £2 million to £14 million). The components in scope for full or specified balance procedures accounted for:

- 86% (2022: 76%) of the Group revenue;
- 87% (2022: 74%) of Profit before tax; and
- 84% (2022: 80%) of Group net assets.

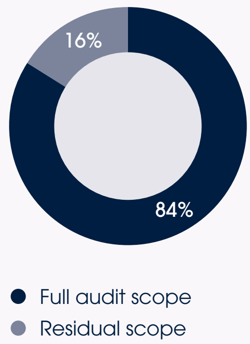
REVENUE



PROFIT BEFORE TAX



NET ASSETS



7.2. Our consideration of the control environment

We have considered the control environment of the Group, which is also discussed within the Audit Committee Report on page 86, and encompasses controls relating to the financial reporting process, preparation of consolidated Group accounts, operational and compliance controls and risk management processes.

We have also considered the key Information Technology (IT) controls in place designed to address the IT risks faced by the Group and how these relate to the entity's financial reporting processes. Management have continued to consolidate and centralise key IT systems and support functions across the Group. We have reflected this in our centralised testing approach of IT controls where practicable.

This year represented the third year of the Group's implementation of the Global Business Services organisation. We considered the ongoing impact of this on our audit, with our Group and component teams assessing the impact on the financial process and control environment.

We have not taken a controls reliance approach across the Group. However, some components have been able to take reliance over specific controls over certain balances by evaluating the operating effectiveness of relevant controls at the component level.

7.3. Our consideration of climate-related risks

The Group is exposed to the impacts of climate change on its business and operations as highlighted in the Task Force on Climate-Related Financial Disclosures (TCFD) report on page 40, viability statement on page 64, the principal risks on page 57, and in Accounting Policies (Key Sources of Estimation Uncertainty) on page 145.

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

We completed an independent climate-based risk assessment to consider the potential impact of climate change on the Group's financial statements, incorporating both business specific knowledge and wider industry awareness, including the extent to which climate change considerations have been included in the Group's forecast financial information. We used this to assess the completeness of the Group's identified risks and to develop audit procedures to respond to these risks, in particular as part of our work in relation to impairment and long-term viability, as well as considering climate-related risks throughout our risk assessments on each financial statement account balance.

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

7.4. Working with other auditors

We engaged component auditors from Deloitte member firms to perform procedures at the components under our direction and supervision. We issued detailed instructions to the component auditors and held planning meetings, interim update meetings and year end close meetings with each component team.

We have continued our component visits on a risk focused and rotational basis to oversee the work performed by our component auditors. The component audit teams visited in their location in the current period were: Chile, Costa Rica, Hong Kong, Singapore, Belgium and the UK. Teams from Bolivia, Peru and Colombia were met in person at the year.

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

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

The audit visits and other communications by the Group audit team were timed to enable us to be involved during the planning and risk assessment process in addition to the execution of detailed audit procedures. During our visits we attended key meetings with component management and auditors, reviewed and challenged component auditor working papers in the underlying audit files and component reporting. In addition, we attended component audit closing calls and other key meetings with management throughout the 2023 audit process.

As the Group has diversified geographically the Group audit team has enhanced the activities performed to direct and supervise component audit teams by:

- identifying components of greater risk and increasing the seniority of the audit team and oversight at the component level correspondingly including having a dedicated senior team member performing oversight of the America's segment;
- holding 'Audit Academy' sessions to refresh component audit teams on key areas of focus and extended component visits by the Group audit team at components where greater risk exists;
- providing additional guidance provided to all component audit teams to identify areas of judgement and improve the quality and consistency of the audit procedures performed; and
- onboarding Spanish-speaking team members to the Group engagement team to perform oversight over component teams based in the America's.

8. OTHER INFORMATION

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

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

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in judgements relating to UK used vehicle inventory valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

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

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

11.2. Audit response to risks identified

As a result of performing the above, we identified UK used vehicle inventory valuation as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to these key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

13. CORPORATE GOVERNANCE STATEMENT

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

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 118;
- the Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 64;
- the Directors' statement on fair, balanced and understandable set out on page 89;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 56;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the audit committee set out on page 82.

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

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

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by members on 25 May 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2018 to 31 December 2023.

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

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

16. USE OF OUR REPORT

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

DAVID GRIFFIN FCA
SENIOR STATUTORY AUDITOR
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

4 March 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

Continuing operations	Notes	2023 £m	2022 £m
Revenue	1,3	**11,447**	8,133
Cost of sales		**(9,508)**	(6,808)
Gross profit		**1,939**	1,325
Net operating expenses	3	**(1,320)**	(925)
Operating profit		**619**	400
Share of profit after tax of joint ventures and associates	13	**1**	–
Profit before finance and tax		**620**	400
Finance income	6	**52**	21
Finance costs	6	**(259)**	(88)
Profit before tax from continuing operations		**413**	333
Tax	7	**(130)**	(98)
Profit for the year from continuing operations		**283**	235
Loss from discontinued operations	28(c)	**-**	(241)
Total profit/(loss) for the year		**283**	(6)

Profit/(loss) attributable to:			
Owners of the parent		**270**	(11)
Non-controlling interests		**13**	5
		283	(6)

Earnings per share from continuing operations attributable to the owners of the parent	8		
Basic earnings per share (pence)		**65.6p**	61.1p
Diluted earnings per share (pence)		**64.8p**	54.6p
Earnings/(loss) per share attributable to the owners of the parent	8		
Basic earnings/(loss) per share (pence)		**65.6p**	(2.9)p
Diluted earnings/(loss) per share (pence)		**64.8p**	(2.5)p

Alternative performance measures:			
Operating profit from continuing operations		**619**	400
Adjusting items within net operating expenses:	2	**50**	11
Acquisition and integration costs		**50**	42
Disposal of businesses		**-**	(14)
Accelerated amortisation and net impairment reversals		**-**	3
Gain on pension indexation		**-**	(20)
Adjusted operating profit from continuing operations		**669**	411
Share of profit after tax of joint ventures and associates		**1**	–
Adjusted profit before finance costs and tax from continuing operations		**670**	411
Net finance costs		**(207)**	(67)
Adjusting items within net finance costs:	2	**39**	29
Net monetary loss on hyperinflation		**29**	29
Interest on dividend payments to former shareholders of Derco		**10**	–
Adjusted profit before tax from continuing operations		**502**	373
Tax on adjusted profit		**(140)**	(97)
Adjusted profit after tax from continuing operations		**362**	276

Adjusted earnings per share from continuing operations	8		
Basic adjusted earnings per share		**84.8p**	72.0p
Diluted adjusted earnings per share		**83.7p**	64.4p

The notes on pages 137 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Profit/(loss) for the year		**283**	(6)
Other comprehensive income/(loss):			
Items that will not be reclassified to the consolidated income statement			
Retirement benefit schemes:			
– net actuarial losses	5	**(20)**	(12)
– deferred tax on actuarial losses	16	**–**	–
		(20)	(12)
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges:			
– net fair value (losses)/gains	25	**(48)**	9
– tax on cash flow hedges[1]	16	**17**	(7)
Investments held at fair value:			
– net fair value losses	14	**(3)**	(2)
Deferred tax on taxation losses	16	**(1)**	–
Foreign currency translation:			
– exchange differences on translation of foreign operations	25	**(133)**	133
– exchange differences on translation of discontinued operations	25,28(b)	**–**	19
– recycling of foreign currency reserve	25	**(1)**	99
Adjustments for hyperinflation	25	**36**	49
		(133)	300
Other comprehensive (loss)/income for the year		**(153)**	288
Total comprehensive income for the year		**130**	282
Total comprehensive income attributable to:			
– Owners of the parent		**120**	271
– Non-controlling interests		**10**	11
		130	282
Total comprehensive income/(loss) arising from:			
– Continuing operations		**130**	405
– Discontinued operations		**–**	(123)

1. Taxation in other comprehensive income in respect of cashflow hedges is comprised of a deferred tax credit of £18m (2022: charge of £9m) offset by a current tax charge of £1m (2022: credit of £2m).

The notes on pages 137 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets	10	**1,271**	1,174
Property, plant and equipment	11	**893**	737
Right-of-use assets	12	**364**	419
Investments in joint ventures and associates	13	**21**	22
Financial assets at fair value through other comprehensive income	14	**1**	3
Derivative financial instruments	23	**1**	17
Trade and other receivables	15	**49**	54
Deferred tax assets	16	**105**	80
Retirement benefit asset	5	**84**	104
		2,789	2,610
Current assets			
Inventories	17	**2,718**	2,376
Trade and other receivables	15	**835**	817
Derivative financial instruments	23	**38**	37
Current tax assets		**56**	41
Cash and cash equivalents	18	**689**	1,064
Assets held for sale	19	**14**	19
		4,350	4,354
Total assets		**7,139**	6,964
Current liabilities			
Trade and other payables	20	**(3,150)**	(2,898)
Derivative financial instruments	23	**(88)**	(39)
Current tax liabilities		**(81)**	(88)
Provisions	21	**(69)**	(57)
Lease liabilities	12	**(81)**	(83)
Borrowings	22	**(652)**	(546)
		(4,121)	(3,711)
Non-current liabilities			
Trade and other payables	20	**(69)**	(60)
Provisions	21	**(39)**	(47)
Derivative financial instruments	23	**(9)**	(1)
Deferred tax liabilities	16	**(267)**	(255)
Lease liabilities	12	**(359)**	(416)
Borrowings	22	**(638)**	(896)
Retirement benefit liability	5	**(17)**	(11)
		(1,398)	(1,686)
Total liabilities		**(5,519)**	(5,397)
Net assets		**1,620**	1,567
Equity			
Share capital	24	**42**	38
Share premium		**147**	147
Capital redemption reserve		**143**	143
Merger reserve	25	**312**	316
Other reserves	25	**(63)**	69
Retained earnings	26	**940**	820
Equity attributable to owners of the parent		**1,521**	1,533
Non-controlling interests		**99**	34
Total equity		**1,620**	1,567

The notes on pages 137 to 199 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 132 to 136 were approved by the Board of Directors on 4 March 2024 and were signed on its behalf by:

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

ADRIAN LEWIS
GROUP CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £m	Share Premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total shareholders' equity £m
At 1 January 2022		39	147	142	–	(228)	1,009	1,109	22	1,131
(Loss)/profit for the year		–	–	–	–	–	(11)	(11)	5	(6)
Other comprehensive income/(loss) for the year		–	–	–	–	294	(12)	282	6	288
Total comprehensive income/(loss) for the year		–	–	–	–	294	(23)	271	11	282
Hedging gains and losses transferred to inventory		–	–	–	–	3	–	3	–	3
Written put option		–	–	–	–	–	(13)	(13)	–	(13)
Shares to be issued		–	–	–	316	–	–	316	–	316
Non-controlling interests on acquisition of subsidiaries		–	–	–	–	–	–	–	5	5
Share-based payments, net of tax	4,16	–	–	–	–	–	10	10	–	10
Share buyback programme	24	(1)	–	1	–	–	(70)	(70)	–	(70)
Purchase of own shares by the Inchcape Employee Trust		–	–	–	–	–	(4)	(4)	–	(4)
Dividends:										
– Owners of the parent	9	–	–	–	–	–	(89)	(89)	–	(89)
– Non-controlling interests		–	–	–	–	–	–	–	(4)	(4)
At 1 January 2023		**38**	**147**	**143**	**316**	**69**	**820**	**1,533**	**34**	**1,567**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**270**	**270**	**13**	**283**
Other comprehensive (loss)/income for the year		**-**	**-**	**-**	**-**	**(130)**	**(20)**	**(150)**	**(3)**	**(153)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**(130)**	**250**	**120**	**10**	**130**
Hedging gains and losses transferred to inventory		**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**-**	**(2)**
Written put option	28(b)	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Shares issued	24,25	**4**	**-**	**-**	**(4)**	**-**	**-**	**-**	**-**	**-**
Acquisition of non-controlling interests	28(b)	**-**	**-**	**-**	**-**	**-**	**3**	**3**	**(3)**	**-**
Non-controlling interests on acquisition of subsidiaries	28(a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64**	**64**
Share-based payments, net of tax	4,16	**-**	**-**	**-**	**-**	**-**	**15**	**15**	**-**	**15**
Purchase of own shares by the Inchcape Employee Trust		**-**	**-**	**-**	**-**	**-**	**(19)**	**(19)**	**-**	**(19)**
Dividends:										
– Owners of the parent	9	**-**	**-**	**-**	**-**	**-**	**(128)**	**(128)**	**-**	**(128)**
– Non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(6)**
At 31 December 2023		**42**	**147**	**143**	**312**	**(63)**	**940**	**1,521**	**99**	**1,620**

The notes on pages 137 to 199 are an integral part of these consolidated financial statements. Share-based payments include a net tax credit of £nil (2022: net tax credit of £nil).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023 £m**	2022 £m
Cash generated from operating activities			
Cash generated from operations	27(a)	**900**	619
Tax paid		**(156)**	(95)
Interest received		**46**	17
Interest paid		**(197)**	(47)
Net cash generated from operating activities		**593**	494
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	28(a)	**(137)**	(395)
Net cash inflow/(outflow) from sale of businesses		**1**	(17)
Proceeds from disposal of investments in joint ventures and associates		**2**	–
Purchase of investments in joint ventures and associates		**(3)**	(6)
Purchase of property, plant and equipment		**(88)**	(64)
Purchase of intangible assets		**(5)**	(4)
Proceeds from disposal of property, plant and equipment		**31**	10
Dividends received from joint ventures and associates		**1**	–
Payments made before the commencement date of a lease		**–**	(1)
Receipt from finance sub-lease receivables		**3**	2
Net cash used in investing activities		**(195)**	(475)
Cash flows from financing activities			
Share buyback programme	24(b)	**–**	(70)
Purchase of own shares by the Inchcape Employee Trust		**(19)**	(4)
Cash (outflow)/inflow from acquisition financing bridge facility		**(350)**	600
Cash inflow from revolving credit facility	22	**150**	–
Cash inflow from bond issuance	22	**348**	–
Cash outflow from other borrowings		**(560)**	(4)
Payment of capital element of lease liabilities		**(87)**	(63)
Payments to former shareholders of Derco group		**(267)**	–
Equity dividends paid	9	**(128)**	(89)
Acquisition of non-controlling interests		**(15)**	–
Dividends paid to non-controlling interests		**(6)**	(4)
Net cash (used in)/generated from financing activities		**(934)**	366
Net (decrease)/increase in cash and cash equivalents	27(b)	**(536)**	385
Cash and cash equivalents at beginning of the year		**1,050**	589
Effect of foreign exchange rate changes		**(74)**	76
Cash and cash equivalents at the end of the year		**440**	1,050
Cash and cash equivalents consist of:			
– Cash at bank and cash equivalents	18	**610**	641
– Short-term deposits	18	**79**	423
– Bank overdrafts	22	**(249)**	(14)
		440	1,050

The notes on pages 137 to 199 are an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

GENERAL INFORMATION

Inchcape plc is a public company limited by shares, domiciled and incorporated in the UK, and registered in England and Wales. The address of the registered office is 22a St James's Square, London, SW1Y 5LP. The nature of the Group's operations and principal activities are set out in note 1 and on pages 1 to 64.

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

Accounting convention

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

Going concern

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

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

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

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

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

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

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

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

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

NEWLY ADOPTED ACCOUNTING STANDARDS

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

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

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

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

STANDARDS NOT EFFECTIVE AT THE BALANCE SHEET DATE

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

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

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

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

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

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

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

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

In accordance with IAS 1 Presentation of Financial Statements, the Group Consolidated Income Statement for the year ended 31 December 2023 has been changed to present the results of the Group on a continuing operations basis, with a single amount reported for the total results for discontinued operations. The total for discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax loss on disposal (see note 28).

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

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

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

PRESENTATION OF COMPARATIVE AMOUNTS
Comparative amounts presented in the consolidated income statement, the consolidated statement of comprehensive income and relevant notes reflect the classification of the Russian business as a discontinued operation in 2022.

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

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

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

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

CLIMATE CHANGE
In preparing the Group's financial statements consideration has been given to the impact of both physical and transition climate-related risks, as described in the Task Force on Climate-related Financial Disclosures (TCFD) section on page 40. Based on the TCFD recommendations, in 2022, the Group performed an assessment of the five

most critical climate related risks and opportunities that were considered to have a potential financial impact on the financial statements.

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

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

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

REVENUE AND OTHER INCOME

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

Revenue from sale of goods

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

Revenue from rendering of services

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

Group acts as an agent

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

Sales with a repurchase commitment

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

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

Sale of additional services

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

Accrued income

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

Dividend income

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

COST OF SALES

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

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

GOVERNMENT GRANTS AND ASSISTANCE

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

SHARE-BASED PAYMENTS

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

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

FINANCE INCOME

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

FINANCE COSTS

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

INCOME TAX

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

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

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

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

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

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

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

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

ADJUSTING ITEMS

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

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

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

OTHER INTANGIBLE ASSETS

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

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

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price

less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Used vehicles are carried at the lower of cost or fair value less costs to sell, generally based on external market data available for used vehicles. Parts inventory is valued at weighted average cost.

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

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

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

TRADE RECEIVABLES

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

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

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

TRADE PAYABLES

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

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

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

BORROWINGS

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

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a number of retirement benefit schemes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in note 23 to the consolidated financial statements.

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

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

FAIR VALUE HEDGE

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

CASH FLOW HEDGE

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

SHARE CAPITAL

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

DIVIDENDS

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

CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

Goodwill and other indefinite life intangible assets are tested at least annually for impairment. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require the use of estimates, including projected future cash flows (see note 10).

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

The assumptions used in the value in use calculations are based on past experience, recent trading, and forecasts of operational performance in the relevant markets. They also reflect expectations about continuing relationships with key mobility partners and the impact climate change may have on its operations. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which we operate, the forecasts reflect our best estimate. Key assumptions and sensitivities are disclosed in note 10.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS – ASSUMPTIONS

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

PENSIONS – DISCOUNT RATE

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

CRITICAL ACCOUNTING JUDGEMENTS

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

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

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer to note 12 for additional disclosures relating to leases.

ADJUSTING ITEMS

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

CLASSIFICATION OF VEHICLE FUNDING ARRANGEMENTS

The Group finances the purchase of vehicles using vehicle funding facilities provided by various lenders including the captive finance companies associated with mobility partners. In assessing whether the liabilities arising under these arrangements should be classified within trade and other payables rather than as an additional component of the Group's net debt within borrowings, the Group considers a number of factors including whether the arrangement is a requirement of the relationship with the mobility company partner, in relation to specific, separately identifiable vehicles held as inventory and whether payment terms are consistent with the normal working capital cycle or until the specific vehicle being funded is sold to the end customer. Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables requires significant management judgement. See also note 20.

ASSIGNMENT OF AN INDEFINITE USEFUL LIFE TO DISTRIBUTION AGREEMENTS

The Group's principal intangible assets relate to relationships with manufacturers for the distribution of new vehicles and parts. These distribution agreements are assigned an indefinite useful life as though these agreements have limited terms, they have historically been renewed by the Group without substantial cost and the Group's history shows that mobility company partners have not terminated our distribution agreements. Additionally, there are no known changes or events that would impact the vehicle distribution environments in which the Group has such assets recognised. The Group therefore expects these agreements to be renewed indefinitely and accordingly no amortisation is charged on these assets. Refer to note 10 for details of indefinite-life intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENTAL ANALYSIS

The Group has four reportable segments which have been identified based on the operating segments of the Group that are regularly reviewed by the chief operating decision-maker, which has been determined to be the Executive Committee, in order to assess performance and allocate resources. A reassessment of the Group's operating segments was conducted following the acquisition of the Derco group in 2022. The Group's operating segments are now represented by groups of countries which comprise the UK, Asia, Australasia, Europe, Africa, and the Americas, and the market channels, Distribution and Retail. Operating segments are then aggregated into reporting segments to combine those with similar economic characteristics. The reassessment of the Group's operating segments did not result in a change to the reporting segments.

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

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

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

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

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

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

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

2023	**£m**
UK	**297**
Rest of the world	**2,252**
Group	**2,549**

1 SEGMENTAL ANALYSIS CONTINUED

2023	APAC £m	Europe & Africa £m	Americas £m	Total Distribution £m	Retail £m	Total £m
	Distribution					
Segment assets and liabilities						
Segment assets	**915**	**748**	**1,454**	**3,117**	**485**	**3,602**
Other current assets						**795**
Other non-current assets						**2,742**
Segment liabilities	**(1,269)**	**(741)**	**(830)**	**(2,840)**	**(495)**	**(3,335)**
Other liabilities						**(2,184)**
Total net assets						**1,620**

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

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

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

1 SEGMENTAL ANALYSIS CONTINUED

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

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

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

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

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

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

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

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

1 SEGMENTAL ANALYSIS CONTINUED

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

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

2 ADJUSTING ITEMS

From continuing operations	**2023 £m**	2022 £m
Other asset impairment reversals (see notes 11 and 12)	**–**	10
Disposal of businesses (see note 28)	**–**	1
Acquisition and integration costs	**(50)**	(42)
Accelerated amortisation (SaaS)	**–**	(13)
Other income	**–**	13
Gain on pension indexation	**–**	20
Total adjusting items in operating profit	**(50)**	(11)
Adjusting items in finance costs:		
Interest on dividend payments to former shareholders of Derco	**(10)**	–
Net monetary loss on hyperinflation	**(29)**	(29)
Total adjusting items before tax	**(89)**	(40)
Tax on adjusting items (see note 7)	**10**	(1)
Total adjusting items	**(79)**	(41)

During the year, the Group incurred costs of £50m (2022: £42m) in relation to acquisition and integration of businesses. Acquisition costs relate to the acquisitions of new businesses and integration costs were incurred primarily in relation to the integration of the Derco business. For more details on acquisitions made during the year, please refer to note 28. These costs have been reported as adjusting items to better reflect the underlying performance of the business.

At 31 December 2022, a liability was acquired, as part of the Derco acquisition, for the payment of a pre-completion dividend to former shareholders. The payment of this dividend was agreed to be made in four tranches, throughout 2023, with interest accruing on the outstanding amounts. At 31 December 2023, all of the tranches have been paid and interest expense of £10m has been recognised within finance costs and reported as an adjusting item.

During 2022, Ethiopia was designated as a hyperinflationary economy as its three-year cumulative inflation rate exceeded 100%. As a result, IAS 29 Financial Reporting for Hyperinflationary Economies became effective for the year ended 31 December 2022. The results and financial position of Ethiopia are therefore restated to include the effect of indexation and the resulting £29m net monetary loss on hyperinflation (2022: £29m net monetary loss) has been recognised within net finance costs and reported as an adjusting item.

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

2 ADJUSTING ITEMS CONTINUED

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

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

With effect from 1 April 2022, the Trustee of the Inchcape Motors Pension Scheme now uses the Consumer Prices Index (CPI) instead of Retail Prices Index (RPI) for those elements of pensions from the Group, Motors and Normand sections that are increased in line with RPI. Management concluded that the change in indexation represented a plan amendment and the impact of the change in benefits payable of £20m was recognised in the income statement as a past service cost. Considering the magnitude and nature of the item, the impact on the income statement was reported as an adjusting item.

3 REVENUE AND EXPENSES

a. Revenue

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

From continuing operations	**2023 £m**	2022 £m (represented)
Sale of goods	**10,878**	7,687
Provision of services	**569**	446
	11,447	8,133

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

b. Analysis of net operating expenses

From continuing operations	**Net operating expenses before adjusting items 2023 £m**	**Adjusting items 2023 £m**	**Net operating expenses 2023 £m**	Net operating expenses before adjusting items 2022 £m	Adjusting items 2022 £m	Net operating expenses 2022 £m
Distribution costs	**623**	**-**	**623**	385	–	385
Administrative expenses	**664**	**50**	**714**	512	43	555
Other operating (income)/expenses	**(17)**	**-**	**(17)**	17	(32)	(15)
	1,270	**50**	**1,320**	914	11	925

3 REVENUE AND EXPENSES CONTINUED

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

From continuing operations	**2023 £m**	2022 £m
Depreciation and impairment of tangible fixed assets:		
– Property, plant and equipment	**61**	24
– Leased vehicles, rental machinery and equipment	**20**	8
– Right-of-use assets	**81**	57
Amortisation of intangible assets	**11**	23
Impairment of trade receivables	**7**	6
Profit on sale of property, plant and equipment and intangibles	**(16)**	(2)

Profit on the sale of property, plant and equipment in 2023 mainly relates to the sale of surplus assets in APAC (2022: profit on sale of property, plant and equipment of surplus assets in APAC).

d. Auditor's remuneration

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

	2023 £m	2022 £m
Fees payable to the Company's auditor and its associates for the audit of the parent company and the consolidated financial statements	**3**	3
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	**5**	5
– Audit related assurance services	**–**	5
– All other services	**–**	1
Total fees payable to the Company's auditor	**8**	14

e. Staff costs

From continuing operations	**2023 £m**	2022 £m
Wages and salaries	**597**	446
Social security costs	**48**	35
Other pension costs (see note 5)	**17**	(5)
Share-based payment charge (see note 4)	**15**	10
	677	486

Other pension costs correspond to the current and past service cost and contributions to the defined contribution schemes (see note 5). In 2022, included in other pension costs is a £20m past service credit as a result of changing the basis of indexation for the Inchcape Motors Pension Scheme from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

Information on Directors' emoluments and interests which forms part of these audited consolidated financial statements is given in the Directors' Report on Remuneration which can be found on pages 92 to 114 of this document. Information on compensation of key management personnel is set out in note 31b.

f. Average monthly number of employees

	Total	
	2023 Number	2022 Number
APAC	**3,815**	3,402
Europe & Africa	**2,799**	1,566
Americas	**8,549**	3,972
Total Distribution	**15,163**	8,940
Retail	**4,320**	3,662
Central & Digital	**1,379**	896
	20,862	13,498

4 SHARE-BASED PAYMENTS

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

The charge arising from awards granted under share-based payment plans was £15m (2022: £10m), all of which was equity-settled.

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

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

2023	**Weighted average exercise price***	**Performance Share Plan**	**Save As You Earn Plan**	**Other Share Plans**
Outstanding at 1 January	**£4.92**	**5,107,941**	**2,056,778**	**1,370,709**
Granted	**£6.11**	**2,237,809**	**923,833**	**705,070**
Exercised	**£3.81**	**(979,410)**	**(786,587)**	**(353,282)**
Lapsed	**£6.05**	**(869,253)**	**(346,502)**	**(122,661)**
Outstanding at 31 December	**£5.78**	**5,497,087**	**1,847,522**	**1,599,836**
Exercisable at 31 December	**£3.77**	**245,726**	**322,449**	**95,835**

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

*The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.
The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was £7.76 (2022 – £7.21).

The weighted average remaining contractual life for the awards outstanding at 31 December 2023 is 1.4 years (2022: 1.4 years).

The range of exercise prices for options outstanding at the end of the year was £3.77 to £7.31 (2022: £3.77 to £7.31). See note 24 for further details.

The fair value of options granted under the Save As You Earn Plan and Other Share Plans is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of nil cost awards granted under the Performance Share Plan and Other Share Plans is the market value of the related shares at the time of grant. The following table lists the main inputs to the model for awards granted during the years ended 31 December 2023 and 31 December 2022:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2023	2022	**2023**	2022	**2023**	2022
Weighted average share price at grant date	**£7.53**	£6.52	**£7.64**	£7.06	**£7.54**	£6.13
Weighted average exercise price*	**n/a**	n/a	**£6.11**	£6.00	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**2.3 years**	2.7 years
Expected volatility	**n/a**	n/a	**31.0%**	33.9%	**n/a**	n/a
Expected life of award	**3.0 years**	3.0 years	**3.2 years**	3.2 years	**2.3 years**	2.7 years
Weighted average risk-free rate	**n/a**	n/a	**4.5%**	4.4%	**n/a**	n/a
Expected dividend yield	**n/a**	n/a	**4.3%**	3.5%	**n/a**	n/a
Weighted average fair value per option	**£7.53**	£6.52	**£2.06**	£1.78	**£7.54**	£6.13

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

No options were granted under the Executive Share Option Plan in 2023 or 2022.

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

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

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

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

From 1 April 2022, the Trustee of IMPS uses the Consumer Prices Index (CPI) instead of Retail Prices Index (RPI) for those elements of pensions from the Group, Motors and Normand sections that were historically increased in line with RPI. The change in indexation represented a plan amendment and the impact of the change in benefits payable of £20m was recognised in the income statement as a past service credit in 2022. Considering the magnitude and nature of the item, the impact on the income statement was reported as an adjusting item.

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

Benefit structure

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

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

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

Governance

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

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

The Inchcape Retirement Savings Plan has an external pension provider with its own governance committee.

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

Scheme specific cash obligation/investment detail

Inchcape Motors Pension Scheme

Group and Combined sections (closed sections)

The Group considers two measures of the pension deficit. The accounting position is shown on the Group's balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to IMPS. The last completed actuarial valuations for the Group and Combined sections were carried out as at 5 April 2022 on a market-related basis.

For the Group and Combined sections, the value of accrued liabilities determined in accordance with the advice of the Scheme Actuary was based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 14 years and that an aggregate surplus of £40m existed. As a consequence, the Group and the Trustee agreed that contributions to IMPS would cease with effect from April 2022.

The Group is aware of a case involving Virgin Media Limited and NTL Pension Trustees II Limited relating to the validity of certain historical pension changes which could potentially lead to additional liabilities for some pension schemes and sponsors. The Group notes that the ruling is subject to appeal and is assessing whether there is any potential impact on the Group, although currently no conclusion has been reached and therefore no quantification of any potential impact has been determined.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

Inchcape Overseas Pension Scheme (closed section)

This scheme is managed from Guernsey and is subject to regulations similar to the UK. It is therefore reported under the United Kingdom in this note. The latest triennial actuarial valuation for this scheme was carried out at 31 March 2021 and based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 12 years and that the scheme was approximately 80% funded on a prudent funding basis. To make good the funding deficit of £13m, it has been agreed that deficit contributions of £1.5m p.a. would be paid by means of an annual lump sum, ending with the payment due in July 2028. The first payment at this new level was paid on 1 July 2020. Additional contributions in respect of expenses of £0.2m per annum will also be made.

b. Overseas schemes

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

c. Defined contribution plans

The total expense recognised in the consolidated income statement is £15m (2022: £13m). There are no outstanding contributions at 31 December 2023 (2022: nil).

d. Defined benefit plans

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

e. Recognition of Pension Surplus 'IFRIC 14'

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

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2023 %	2022 %	**2023 %**	2022 %
Rate of increase in salaries	**n/a**	n/a	**3.4**	3.4
Rate of increase in pensions	**2.6**	2.5	**3.7**	3.6
Discount rate	**4.5**	4.8	**3.1**	1.8
Rate of inflation:				
– Retail price index	**3.2**	3.3	**2.0**	2.4
– Consumer price index	**2.6**	2.6	**n/a**	n/a

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 21.5 years (2022: 22.7 years) for current pensioners and 22.8 years (2022: 24.0 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Present value of funded obligations	**(576)**	(572)	**(31)**	(35)	**(607)**	(607)
Fair value of plan assets	**655**	668	**30**	33	**685**	701
Net surplus/(deficit) in funded obligations	**79**	96	**(1)**	(2)	**78**	94
Present value of unfunded obligations	**–**	–	**(11)**	(1)	**(11)**	(1)
	79	96	**(12)**	(3)	**67**	93
The net pension asset is analysed as follows:						
Schemes in surplus	**84**	104	**–**	–	**84**	104
Schemes in deficit	**(5)**	(8)	**(12)**	(3)	**(17)**	(11)
	79	96	**(12)**	(3)	**67**	93

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Current service cost	**–**	–	**(2)**	(2)	**(2)**	(2)
Past service cost	**–**	20	**–**	–	**–**	20
Scheme expenses	**(1)**	(2)	**–**	–	**(1)**	(2)
Interest expense on plan liabilities	**(27)**	(19)	**(1)**	(1)	**(28)**	(20)
Interest income on plan assets	**31**	22	**1**	1	**32**	23
	3	21	**(2)**	(2)	**1**	19

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Actuarial (losses)/gains on liabilities:						
– Experience (losses)/gains	**(6)**	(20)	**1**	2	**(5)**	(18)
– Changes in demographic assumptions	**22**	–	**–**	–	**22**	–
– Changes in financial assumptions	**(23)**	312	**1**	2	**(22)**	314
Actuarial (losses)/gains on assets:						
– Experience (losses)/gains	**(15)**	(302)	**–**	(6)	**(15)**	(308)
	(22)	(10)	**2**	(2)	**(20)**	(12)

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At 1 January	**96**	82	**(3)**	–	**93**	82
Business acquisitions (note 28(a))	**–**	–	**(11)**	–	**(11)**	–
Amount recognised in the consolidated income statement	**3**	21	**(2)**	(2)	**1**	19
Contributions by employer	**2**	3	**1**	1	**3**	4
Actuarial (losses)/gains recognised in the year	**(22)**	(10)	**2**	(2)	**(20)**	(12)
Effect of foreign exchange rates	**–**	–	**1**	–	**1**	–
At 31 December	**79**	96	**(12)**	(3)	**67**	93

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At 1 January	**(572)**	(898)	**(36)**	(38)	**(608)**	(936)
Business acquisitions (note 28(a))	**–**	–	**(11)**	–	**(11)**	–
Current service cost	**–**	–	**(2)**	(2)	**(2)**	(2)
Past service cost	**–**	20	**–**	–	**–**	20
Interest expense on plan liabilities	**(27)**	(19)	**(1)**	(1)	**(28)**	(20)
Actuarial (losses)/gains:						
– Experience (losses)/gains	**(6)**	(20)	**1**	2	**(5)**	(18)
– Changes in demographic assumptions	**22**	–	**–**	–	**22**	–
– Changes in financial assumptions	**(23)**	312	**1**	2	**(22)**	314
Benefits paid	**30**	33	**3**	5	**33**	38
Effect of foreign exchange rate changes	**–**	–	**3**	(4)	**3**	(4)
At 31 December	**(576)**	(572)	**(42)**	(36)	**(618)**	(608)

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

	United Kingdom		Overseas		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At 1 January	**668**	980	**33**	38	**701**	1,018
Interest income on plan assets	**31**	22	**1**	1	**32**	23
Scheme expenses	**(1)**	(2)	**–**	–	**(1)**	(2)
Actuarial (losses)/gains:						
– Experience (losses)/gains	**(15)**	(302)	**–**	(6)	**(15)**	(308)
Contributions by employer	**2**	3	**1**	1	**3**	4
Benefits paid	**(30)**	(33)	**(3)**	(5)	**(33)**	(38)
Effect of foreign exchange rate changes	**–**	–	**(2)**	4	**(2)**	4
At 31 December	**655**	668	**30**	33	**685**	701

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

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

	United Kingdom		Overseas		Total	
	2023	2022 (represented)	**2023**	2022	**2023**	2022 (represented)
Equities	**5.2%**	5.1%	**50.0%**	50.2%	**7.2%**	7.2%
Bonds	**32.1%**	6.6%	**43.3%**	42.6%	**32.6%**	8.3%
Liability driven investment	**55.6%**	75.0%	**-**	–	**53.1%**	71.4%
Long lease property	**7.1%**	12.1%	**-**	–	**6.9%**	11.5%
Other	**-**	1.2%	**6.7%**	7.2%	**0.2%**	1.6%
	100%	100%	**100%**	100%	**100%**	100%

The majority of investments shown as equities and bonds are held through funds where the underlying investments of the fund are quoted. Liability driven investment is a strategy commonly used by defined benefit pension schemes to reduce interest rate and inflation risk. It includes government bonds, derivative instruments, and cash. Virtually all the equities and bonds held within the investment funds have prices in active markets. Derivatives, property, and liability driven investment can be classified as level 2 instruments.

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

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

f. Risk management

Asset volatility

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

As the schemes mature and the funding positions improve, the Trustees reduce investment risk by increasing the allocation to defensive assets, which are designed to better match scheme liabilities. The investment strategies have been reviewed by the Trustees to address the long-term objective of the schemes.

Inflation risk

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

Life expectancy

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

g. Sensitivity analysis

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

Impact on the defined benefit obligation

	United Kingdom	
	2023 £m	2022 £m
Discount rate -1%	**+75**	+81
Discount rate +1%	**-61**	-66
CPI Inflation -0.25%	**-9**	-9
CPI Inflation +0.25%	**+9**	+10
Life expectancy +1 year	**+23**	+25

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

5 PENSIONS AND OTHER POST-RETIREMENT BENEFITS CONTINUED

h. Expected future cash flows

The Group paid approximately £2m (2022: £2m) to its UK defined benefit plans in 2023 under the prevailing Schedules of Contributions (following the 5 April 2022 actuarial valuations for the Group and Combined sections of the Inchcape Motors Pension Scheme and 31 March 2021 valuation for the Inchcape Overseas Pension Scheme).

From 1 January 2021 (following the closure of the defined benefit cash balance scheme to future benefit accrual on 31 December 2020) the Group pays ongoing employer pension contributions into the Inchcape Retirement Savings Plan (a defined contribution plan).

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 13 years for the UK schemes.

6 NET FINANCE COSTS

From continuing operations	**2023 £m**	2022 £m
Interest expense on bank and other borrowings	**124**	27
Finance costs on lease liabilities (note 12(b))	**22**	10
Stock holding interest (note 20)	**50**	19
Net monetary loss on hyperinflation	**29**	29
Interest on deferred dividend payment	**10**	–
Other finance costs	**24**	3
Finance costs	**259**	88
Bank and other interest income	**(47)**	(17)
Net interest income on post-retirement plan assets and liabilities	**(4)**	(3)
Other finance income	**(1)**	(1)
Finance income	**(52)**	(21)
Net finance costs	**207**	67
Analysed as:		
Net finance costs excluding adjusting finance costs	**168**	38
Finance costs reported as adjusting items	**39**	29
Net finance costs	**207**	67

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

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

7 TAX

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

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

Details of the adjusting items for the year can be found in note 2. Not all of the adjusting items will be taxable or deductible for tax purposes. Therefore, the tax charge on adjusting items represents the total of the current and deferred tax on only those elements that are assessed as taxable or deductible.

a. Factors affecting the tax expense for the year

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

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

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

b. Factors affecting the tax expense of future years

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

The utilisation of brought forward tax losses or reactivation of previously disallowed interest deductions under the UK corporate interest restriction regulations and the recognition of deferred tax assets associated with them may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, the Group's future tax expense and effective tax rate could be affected. Information about the Group's tax losses and deferred tax assets can be found in note 16.

7 TAX CONTINUED

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

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

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

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

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

8 EARNINGS PER SHARE

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

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

8 EARNINGS PER SHARE CONTINUED

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

Diluted earnings/(loss) per share is calculated on the same basis as Basic earnings/(loss) per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and other share-based awards. In 2022, dilutive potential ordinary shares also include the shares to be issued in connection with the acquisition of the Derco group (see notes 24 and 28).

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

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

9 DIVIDENDS

The following dividends were paid by the Group:

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

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

10 INTANGIBLE ASSETS

Cost	Goodwill £m	Indefinite-life intangible assets[1] £m	Computer software & Other[2] £m	Total £m
At 1 January 2022	552	257	217	1,026
Businesses acquired	140	593	26	759
Business sold	(84)	–	(29)	(113)
Additions	–	–	4	4
Disposals	–	–	(1)	(1)
Retirements	–	–	(95)	(95)
Effect of foreign exchange rate changes	40	28	10	78
At 1 January 2023	**648**	**878**	**132**	**1,658**
Businesses acquired (see note 28(a))	**39**	**113**	**-**	**152**
Period adjustments (see note 28(b))	**5**	**-**	**-**	**5**
Additions	**-**	**-**	**5**	**5**
Effect of foreign exchange rate changes	**(15)**	**(43)**	**(3)**	**(61)**
At 31 December 2023	**677**	**948**	**134**	**1,759**

Accumulated amortisation and impairment				
At 1 January 2022	(436)	(18)	(178)	(632)
Amortisation charge for the year	–	–	(23)	(23)
Business sold	84	–	28	112
Disposals	–	–	1	1
Retirements	–	–	95	95
Effect of foreign exchange rate changes	(26)	(2)	(9)	(37)
At 1 January 2023	**(378)**	**(20)**	**(86)**	**(484)**
Amortisation charge for the year (note 3)	**-**	**-**	**(11)**	**(11)**
Effect of foreign exchange rate changes	**3**	**1**	**3**	**7**
At 31 December 2023	**(375)**	**(19)**	**(94)**	**(488)**
Net book value at 31 December 2023	**302**	**929**	**40**	**1,271**
Net book value at 31 December 2022	270	858	46	1,174

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

There were no impairment charges or reversals during the year (2022: £nil). At 31 December 2023, computer software under development was £4m (2022: £6m).

Goodwill and indefinite-life intangible assets

Goodwill acquired in a business combination has been allocated to the cash generating units (CGUs) or group of CGUs (hereafter collectively referred to as 'CGU groups') that are expected to benefit from the synergies associated with that business combination. Following the acquisition of the Derco group in December 2022, the Group's operating segments were reassessed (see note 1). The CGUs for goodwill testing are now structured around the revised operating segments, Asia, Australasia, Europe, Africa, Americas, and the UK, which represent the CGU groups that are expected to benefit from the synergies of the business combination in which the goodwill arose and which represent the lowest level at which information about goodwill is available and monitored for internal management purposes.

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

10 INTANGIBLE ASSETS CONTINUED

The carrying amount of goodwill and indefinite-life intangible assets has been allocated to CGU groups within the following reporting segments:

Goodwill	**2023 £m**	2022 £m
Americas	**207**	212
Asia	**79**	48
Other	**16**	10
	302	270

Indefinite-life intangible assets	**2023 £m**	2022 £m
Europe	**28**	29
Americas – Derco	**506**	536
Americas – Other	**281**	293
APAC	**114**	–
	929	858

In accordance with the Group's accounting policies, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests were performed for all CGU groups during the year ended 31 December 2023. The recoverable amount of the CGU groups acquired in the current period were determined based on fair value less cost of disposal.

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

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

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

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

10 INTANGIBLE ASSETS CONTINUED

The impact of climate change and EV penetration has been considered by management in forecasting the future cashflows. The Group scenario analysis performed as part of the Task Force Climate-Related Financial Disclosures (TCFD) report identified five prioritised risks and opportunities in a 1.5°C and a 4°C scenario and factored into the impairment assessment where reasonably quantifiable. Further details on the climate change risks and opportunities can be found on pages 40 to 53.

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

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

Key assumptions used

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

Goodwill:

2023[1]	**Americas**	**Asia**
Pre-tax discount rate (%)	**12.6**	**9.3**
Long-term growth rate (%)	**2.8**	**2.2**

1. Based on the revised CGUs for goodwill testing.

2022[2]	Baltics	Americas – Daimler	Americas – Hino/ Subaru/JLR/ Volvo/Porsche	Central America – Suzuki
Pre-tax discount rate (%)	8.1	15.8	12.2	14.1
Long-term growth rate (%)	1.9	3.2	2.9	2.6

2. Based on the CGUs presented in the 2022 Annual Report and Accounts.

Indefinite-life intangible assets:

2023	**Americas – Hino**	**Central America – Suzuki**	**Derco**
Pre-tax discount rate (%)	**14.3**	**12.6**	**12.5**
Long-term growth rate (%)	**2.7**	**2.9**	**2.9**

2022	Americas – Hino	Central America – Suzuki	Derco
Pre-tax discount rate (%)	13.4	14.1	–
Long-term growth rate (%)	3.1	2.6	–

10 INTANGIBLE ASSETS CONTINUED

Central America – Suzuki

As at 31 December 2023, the Central America – Suzuki distribution agreement had a carrying value of £70m (2022: £74m). The recoverable amount of the Central America – Suzuki CGU group was £170m. The recoverable value of the CGU group was determined based on value in use calculations, consistent with the approach used as at 31 December 2022. Cash flows were discounted back to present value using a pre-tax discount rate of 12.6% (2022: 14.1%).

The cash flows used within the impairment models are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management have performed sensitivity analysis on the key assumptions in the indefinite-life intangible asset impairment model for Central America – Suzuki using reasonably possible changes in these key assumptions. The sensitivities have been selected based on the inherent business volatility and the metrics that closely align to the consequences of climate change risks and opportunities detailed on pages 40 to 53.

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

Other CGUs

As at 31 December 2023, the Americas – Hino distribution agreement had a carrying value of £41m (2022: £44m). The Group's value in use calculations are sensitive to a change in the key assumptions used. However, with the exception of the Group's Hino business in South America, a reasonably possible change, based on historical experience, in a key assumption will not cause a material impairment of indefinite-life intangible assets. The value in use calculations for the Hino distribution agreement in South America currently exceed the carrying value by 24%. A 1.4% increase in the discount rate, a 3.1% reduction in the long-term growth rate, or an 18% reduction in volumes in the forecast period, while holding all other assumptions constant, would eliminate this headroom.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Leased vehicles, rental machinery and equipment £m	Total £m
At 1 January 2022	675	254	929	22	951
Opening balance hyperinflation adjustment	20	14	34	–	34
Businesses acquired	83	34	117	60	177
Businesses sold	(63)	(43)	(106)	–	(106)
Additions	17	47	64	13	77
Disposals	(9)	(25)	(34)	–	(34)
Transferred from/(to) inventory	–	–	–	(10)	(10)
Retirement of fully depreciated assets	–	(3)	(3)	–	(3)
Transferred from/(to) assets held for sale	(19)	(3)	(22)	–	(22)
Effect of foreign exchange rate changes	41	24	65	3	68
At 1 January 2023	**745**	**299**	**1,044**	**88**	**1,132**
Opening balance hyperinflation adjustment	**9**	**9**	**18**	**–**	**18**
Businesses acquired (see note 28(a))	**79**	**16**	**95**	**3**	**98**
Additions	**45**	**43**	**88**	**84**	**172**
Disposals	**(10)**	**(8)**	**(18)**	**–**	**(18)**
Transferred from/(to) inventory	**–**	**(1)**	**(1)**	**(21)**	**(22)**
Other[1]	**4**	**(1)**	**3**	**1**	**4**
Transferred from/(to) assets held for sale	**(6)**	**(1)**	**(7)**	**–**	**(7)**
Effect of foreign exchange rate changes	**(24)**	**(12)**	**(36)**	**(4)**	**(40)**
At 31 December 2023	**842**	**344**	**1,186**	**151**	**1,337**
Accumulated depreciation and impairment					
At 1 January 2022	(204)	(192)	(396)	(7)	(403)
Opening balance hyperinflation adjustment	(3)	(8)	(11)	–	(11)
Businesses sold	29	12	41	–	41
Depreciation charge for the year	(14)	(20)	(34)	(8)	(42)
Impairment reversal for the year	8	1	9	–	9
Disposals	2	25	27	–	27
Transferred to/(from) inventory	–	–	–	4	4
Retirement of fully depreciated assets	–	3	3	–	3
Transferred to/(from) assets held for sale	6	1	7	–	7
Effect of foreign exchange rate changes	(15)	(13)	(28)	(2)	(30)
At 1 January 2023	**(191)**	**(191)**	**(382)**	**(13)**	**(395)**
Opening balance hyperinflation adjustment	**(1)**	**(4)**	**(5)**	**–**	**(5)**
Depreciation charge for the year	**(22)**	**(28)**	**(50)**	**(20)**	**(70)**
Impairment charge for the year	**(9)**	**(2)**	**(11)**	**–**	**(11)**
Disposals	**6**	**6**	**12**	**–**	**12**
Transferred to/(from) inventory	**–**	**1**	**1**	**10**	**11**
Other[1]	**(4)**	**1**	**(3)**	**(1)**	**(4)**
Transferred to/(from) assets held for sale	**2**	**1**	**3**	**–**	**3**
Effect of foreign exchange rate changes	**5**	**9**	**14**	**1**	**15**
At 31 December 2023	**(214)**	**(207)**	**(421)**	**(23)**	**(444)**
Net book value at 31 December 2023	**628**	**137**	**765**	**128**	**893**
Net book value at 31 December 2022	554	107	662	75	737

1. This represents a correction of a historic adjustment to cost and accumulated depreciation on acquired property, plant, machinery and equipment. It has no net impact on net book value at any balance sheet date presented.

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Where a vehicle is sold to a customer subject to a repurchase commitment and the possibility of the buyback being exercised by the customer is highly likely, the transaction is recognised as a lease transaction with the Group acting as a lessor. Consequently, such vehicles are included in 'leased vehicles, rental machinery and equipment' in the table above.

The book value of land and buildings is analysed between:

	2023 £m	2022 £m
Freehold	**469**	392
Leasehold with over fifty years unexpired	**58**	61
Short leasehold	**87**	96
Assets under construction	**14**	5
	628	554

At 31 December 2023, land and buildings include properties with a net book value of £4m (2022: £5m) that are let to third parties on a short-term basis.

Property, plant, machinery and equipment includes assets under construction with a net book value of £14m (2022: £5m).

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

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

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

The results of the testing indicated that net impairment charges amounting to £11m were required against site and other assets in the UK, including £9m in relation to assets damaged due to fire and floods (2022: £7m net impairment reversals in the UK and Australia). See note 15 for details of related insurance receivables.

	2023 £m	2022 £m
Property, plant and equipment	**11**	(9)
Right-of-use assets	**–**	2
At 31 December	**11**	(7)

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

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

a. Amounts recognised on the consolidated statement of financial position

Cost	Land and buildings £m	Other £m	Total £m
At 1 January 2022	596	3	599
Opening balance hyperinflation adjustment	1	–	1
Businesses acquired	149	–	149
Business sold	(25)	–	(25)
Additions	33	1	34
Derecognition	(22)	(1)	(23)
Remeasurement	25	–	25
Effect of foreign exchange rate changes	43	–	43
At 1 January 2023	**800**	**3**	**803**
Opening balance hyperinflation adjustment	**1**	**-**	**1**
Businesses acquired (see note 28(a))	**11**	**-**	**11**
Period adjustments (see note 28(b))	**(7)**	**-**	**(7)**
Additions	**35**	**1**	**36**
Derecognition	**(38)**	**(1)**	**(39)**
Remeasurement	**7**	**-**	**7**
Reclassified to assets held for sale	**(2)**	**-**	**(2)**
Effect of foreign exchange rate changes	**(32)**	**-**	**(32)**
At 31 December 2023	**775**	**3**	**778**
Accumulated depreciation and impairment			
At 1 January 2022	(336)	(1)	(337)
Business sold	13	–	13
Depreciation charge for the year	(55)	(1)	(56)
Derecognition	22	1	23
Impairment charge for the year	(2)	–	(2)
Effect of foreign exchange rate changes	(25)	–	(25)
At 1 January 2023	**(383)**	**(1)**	**(384)**
Depreciation charge for the year	**(80)**	**(1)**	**(81)**
Derecognition	**33**	**1**	**34**
Remeasurement	**3**	**-**	**3**
Effect of foreign exchange rate changes	**14**	**-**	**14**
At 31 December 2023	**(413)**	**(1)**	**(414)**
Net book value at 31 December 2023	**362**	**2**	**364**
Net book value at 31 December 2022	417	2	419

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

Asset impairment charges amount to £nil (2022: impairment charge of £2m). Further details on the impairment of right-of-use assets are disclosed in note 11.

Remeasurements of £9m were made to leases during the year, primarily in the UK, South America, and APAC, due to either a change in the lease term or a change in an index or rate applicable to the underlying lease (2022: £25m, primarily in the UK and APAC). Lease liabilities are also remeasured if there is a change in the assessment of whether a purchase, lease-term extension or termination option will be exercised, exposure to potential variable lease payments during the life of the lease together with any additional liability being present as a result of entering new lease commitments which have not commenced as at the balance sheet date.

	2023 £m	2022 £m
Lease liabilities		
Current	**81**	83
Non-current	**359**	416
At 31 December	**440**	499

b. Amounts recognised in the consolidated income statement

	2023 £m	2022 £m
Depreciation of right-of-use assets	**81**	56
Impairment charge for right-of-use assets	**–**	2
Finance costs on lease liabilities (included in finance costs)	**22**	10
Lease rentals – short-term leases	**7**	6
Lease rentals – variable lease payments	**1**	2
Sub-lease finance income (included in other finance income)	**(1)**	(1)
Sub-lease income from right-of-use assets	**(2)**	(2)

c. Amounts recognised in the consolidated statement of cash flows

	2023 £m	2022 £m
Lease interest paid	**21**	10
Payment of capital element of lease liabilities	**87**	63

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Details of the interests held by the Group in joint ventures and associates can be found in note 12 to the Inchcape plc Company financial statements on pages 212 to 220.

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

	2023 £m	2022 £m
At 1 January	**22**	5
Businesses acquired (see note 28)	**–**	11
Additions	**3**	5
Share of profit after tax of joint ventures and associates	**1**	–
Return of investment following liquidation of joint venture	**(2)**	–
Share of other comprehensive income of joint ventures and associates	**–**	1
Dividends received	**(1)**	–
Effect of foreign exchange rate changes	**(2)**	–
At 31 December	**21**	22

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES CONTINUED

Net assets of joint ventures and associates:

	2023 £m	2022 £m represented
Cash and cash equivalents	**14**	12
Other current assets	**41**	43
Non-current assets	**222**	129
Total assets	**277**	185
Current financial liabilities	**(46)**	(28)
Other current liabilities	**(5)**	(8)
Non-current financial liabilities	**(184)**	(106)
Total liabilities	**(235)**	(141)
Net assets	**42**	44

Results of joint ventures and associates:

	2023 £m	2022 £m
Revenue	**61**	–
Depreciation and amortisation	**(1)**	–
Interest expense	**(6)**	–
Other expenses	**(51)**	(2)
Profit/(loss) before tax	**3**	(2)
Tax	**(1)**	1
Profit/(loss) after tax of joint ventures and associates	**2**	(1)

Summarised financial information of joint ventures and associates:

	2023 £m	2022 £m
Opening net assets at 1 January	**44**	10
Profit/(loss) for the year	**2**	(1)
Businesses acquired	**–**	22
Additions	**5**	12
Return of investment following liquidation of joint venture	**(4)**	–
Other comprehensive (expense)/income for the year	**(1)**	1
Effect of foreign exchange rates	**(4)**	–
Closing net assets at 31 December	**42**	44
Carrying value of interest in joint ventures and associates	**21**	22

During the year, the Group invested £3m in Inchcape Financial Services Australia Pty Ltd, a captive finance company, and liquidated its share in the joint venture in Tefin SA in Greece.

As at 31 December 2023, no guarantees were provided in respect of joint ventures and associates' borrowings (2022: £nil).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 £m	2022 £m
At 1 January	**3**	5
Net fair value losses recognised in other comprehensive income	**(2)**	(2)
Effect of foreign exchange rate changes	**–**	–
At 31 December	**1**	3

Analysed as:

	2023 £m	2022 £m
Current	**–**	–
Non-current	**1**	3
	1	3

Assets held are analysed as follows:

	2023 £m	2022 £m
Equity securities	**1**	3
Other	**–**	–
	1	3

Financial assets held at fair value through other comprehensive income relate to a 15% equity interest in Hino Motors Manufacturing Company SAS.

15 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade receivables	**455**	443	**17**	14
Less: allowance for expected credit losses	**(17)**	(17)	**–**	–
Net trade receivables	**438**	426	**17**	14
Prepayments	**148**	205	**10**	8
Accrued income	**36**	20	**1**	1
Other taxation and social security	**84**	97	**–**	–
Other receivables	**129**	69	**21**	31
	835	817	**49**	54

Other receivables include buyback and indemnity assets, interest, sublease and sundry receivables, which include amounts receivable from insurance companies in respect of insurance claims, and rental and utilities deposits. A net insurance receivable of £15m is included in other receivables in relation to the fire and floods in the UK (see note 11). The breakdown of other receivables is as follows:

	Current		Non-current	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Buyback assets	**2**	12	**7**	8
Indemnity assets	**16**	9	**–**	–
Interest receivable	**2**	1	**–**	–
Sublease receivables	**3**	2	**7**	14
Other	**106**	45	**7**	9
	129	69	**21**	31

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

	2023 £m	2022 £m
APAC	**21**	84
Europe & Africa	**203**	110
Americas	**211**	225
Retail	**37**	38
	472	457
Less: allowance for expected credit losses	**(17)**	(17)
	455	440

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

2023	**Total £m**	**Current £m**	**0 – 30 days £m**	**30 – 90 days £m**	**> 90 days £m**
Gross trade receivables	**472**	**250**	**105**	**66**	**51**
Expected credit loss allowance	**(17)**	**(4)**	**–**	**–**	**(13)**
Net carrying amount	**455**	**246**	**105**	**66**	**38**

2022	Total £m	Current £m	0 – 30 days £m	30 – 90 days £m	> 90 days £m
Gross trade receivables	457	254	110	53	40
Expected credit loss allowance	(17)	(2)	(1)	(1)	(13)
Net carrying amount	440	252	109	52	27

15 TRADE AND OTHER RECEIVABLES CONTINUED

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

	2023 £m	2022 £m
At 1 January	**(17)**	(12)
Charge for the year	**(9)**	(6)
Amounts written off	**3**	1
Business sold	**–**	1
Unused amounts reversed	**6**	–
Effect of foreign exchange rate changes	**–**	(1)
At 31 December	**(17)**	(17)

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

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

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

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

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

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

16 DEFERRED TAX

Net deferred tax (liability)/asset	Pension and other post-retirement benefits £m	Cash flow hedges £m	Share-based payments £m	Tax losses £m	Accelerated tax depreciation £m	Provisions and other timing differences £m	Indefinite-life intangible assets £m	Leases £m	Total £m
At 1 January 2022	(24)	1	5	18	19	26	(62)	16	(1)
Adjustments for hyperinflation	–	–	–	–	(4)	–	–	–	(4)
(Charged)/credited to the consolidated income statement (continuing operations)	(4)	–	1	–	(4)	12	–	2	7
(Charged)/credited to the consolidated income statement (discontinued operations)	–	–	–	–	–	1	–	–	1
Credited/(charged) to equity and other comprehensive income	–	(9)	–	–	–	–	–	–	(9)
Businesses acquired	–	–	–	2	(20)	9	(157)	(1)	(167)
Business disposed	–	–	–	(1)	–	2	–	–	1
Effect of foreign exchange rate changes	–	–	–	1	–	3	(7)	–	(3)
At 1 January 2023	**(28)**	**(8)**	**6**	**20**	**(9)**	**53**	**(226)**	**17**	**(175)**
(Charged)/credited to the consolidated income statement (continuing operations)	**-**	**2**	**1**	**2**	**(7)**	**15**	**(1)**	**(2)**	**10**
Credited/(charged) to equity and other comprehensive income	**-**	**18**	**-**	**(1)**	**(5)**	**3**	**-**	**-**	**15**
Businesses acquired (note 28(a))	**2**	**-**	**-**	**-**	**(16)**	**14**	**(29)**	**-**	**(29)**
Period adjustments (note 28(b))	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**2**
Effect of foreign exchange rate changes	**-**	**-**	**-**	**1**	**1**	**(3)**	**16**	**-**	**15**
At 31 December 2023	**(26)**	**12**	**7**	**22**	**(36)**	**84**	**(240)**	**15**	**(162)**

Analysed as:

	2023 £m	2022 £m
Deferred tax assets	**105**	80
Deferred tax liabilities	**(267)**	(255)
	(162)	(175)

Measured at relevant local statutory rates, the Group has an unrecognised deferred tax asset of £59m (2022: £45m) relating to tax relief on trading losses. The unrecognised asset represents £229m (2022: £174m) of losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future. Unrecognised tax losses totalling £8m (2022: £7m) will expire within five years and £4m (2022: £4m) will expire in more than five years.

The Group has unrecognised deferred tax assets of £45m (2022: £44m) relating to capital losses. The asset represents £179m (2022: £177m) of losses at the standard local rate. The territory holding the losses is primarily the UK.

The Group has unrecognised deferred tax assets of £28m (2022: £20m) relating to other deductible temporary differences, including £23m (2022: £9m) of disallowed interest under the UK corporate interest restriction regulations. The deferred tax asset on tax trading losses of £22m (2022: £20m) relates to territories and entities where future taxable profits are considered probable.

The net deferred tax asset relating to the UK group of companies remains unrecognised as at 31 December 2023. Therefore, no deferred tax charges or credits are recorded in the consolidated income statement or consolidated statement of other comprehensive income in relation to temporary differences arising in the period for these companies (2022: no deferred tax charges or credits recorded in relation to temporary differences).

16 DEFERRED TAX CONTINUED

The net deferred tax asset on provisions and other timing differences is principally made up of a deferred tax liability on non-qualifying property £7m (2022: £10m) offset by deferred tax assets on trade related accounting provisions and other items in the Group's operating companies £91m (2022: £63m).

The deferred tax liability of £240m (2022: £226m) on indefinite life intangible assets, comprising distribution agreements and acquired brands, has been recorded as a result of the business acquisitions in the current and prior periods (see note 28).

Relevant tax laws largely exempt receipt of dividends from tax. A tax liability is more likely to arise in respect of withholding taxes levied by overseas jurisdictions. No deferred tax liability has been recognised in respect of £304m (2022: £188m) of post-acquisition unremitted earnings of subsidiaries because the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the next 12 months. Deferred tax is provided when there is an intention to distribute earnings and a tax liability arises. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

17 INVENTORIES

	2023 £m	2022 £m
Raw materials and work in progress	**124**	82
Finished goods and merchandise	**2,594**	2,294
	2,718	2,376

Vehicles held on consignment which are in substance assets of the Group amount to £65m (2022: £60m). These have been included in 'finished goods and merchandise' with the corresponding liability included within 'trade and other payables'. Payment becomes due when title passes to the Group, which is generally the earlier of a period of up to six months from delivery or the date of sale.

An amount of £99m (2022: £58m) 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 £9,565m (2022: £6,846m). The net write-down of inventory to net realisable value recognised as an expense during the year was £31m (2022: expense of £2m). All of these items have been included within 'cost of sales' in the consolidated income statement.

18 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank	**610**	641
Short-term deposits	**79**	423
	689	1,064

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short-term benchmark rates applicable in the relevant currency or market (primarily SONIA or the local equivalent). At 31 December 2023, the weighted average floating rate was 3.6% (2022: 3.0%).

£95m (2022: £91m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad and currency may not be available locally to effect such transfers.

At 31 December 2023, short-term deposits have a weighted average period to maturity of 24 days (2022: 5 days).

19 ASSETS HELD FOR SALE

	2023 £m	2022 £m
Assets classified as held for sale	**14**	19

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

20 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade payables	**358**	418	**–**	–
Payments received on account	**120**	105	**8**	1
Vehicle funding agreements	**1,877**	1,423	**–**	–
Other taxation and social security payable	**97**	66	**–**	–
Accruals	**467**	396	**1**	2
Deferred income	**144**	156	**53**	35
Other payables	**87**	334	**7**	22
	3,150	2,898	**69**	60

In 2022, other payables included a dividend liability of £207m due to the former owners of the Derco group which represented the amount due in respect of a pre-completion dividend that remained unpaid at the balance sheet date and was paid in four instalments during 2023. Other payables also included a liability of £60m which represented a contractual liability to minority shareholders in Derco group companies that was settled in early January 2023.

The Group finances the purchase of new vehicles for sale and a portion of used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. Such arrangements generally are uncommitted facilities, have a maturity of 180 days or less and the Group repays the amounts outstanding either in line with the normal working capital cycle or on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date, depending on the facility. Some arrangements may also provide the lender with a security interest in the inventory until the amount drawn under the arrangement has been repaid. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to SONIA-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest (see note 6). At 31 December 2023, amounts outstanding under vehicle funding facilities and on which interest was payable were subject to a weighted average interest rate of 4.7% (2022: 3.7%).

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

Included within deferred income are the following balances:

	2023 £m	2022 £m
Extended warranties	**42**	45
Service packages	**78**	58
Other services	**77**	88
	197	191

Revenue recognised in 2023 that was included in deferred revenue at the beginning of the year was £124m (2022: £77m).

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

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

Other services
Certain Group companies provide other services as part of the total vehicle package (e.g. roadside assistance, fuel coupons etc). Where the Group acts as principal, the value of the additional services is separately identified, deducted from revenue, and recognised as deferred income on the balance sheet. It is subsequently recognised as revenue over the period to which the service relates.

21 PROVISIONS

	Product warranty £m	Leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2023	**51**	**9**	**6**	**38**	**104**
Businesses acquired (see note 28(a))	**4**	**–**	**–**	**1**	**5**
Period adjustments (see note 28(b))	**–**	**–**	**–**	**4**	**4**
Charged to the consolidated income statement	**6**	**1**	**1**	**16**	**24**
Released to the consolidated income statement	**(2)**	**(1)**	**(2)**	**(5)**	**(10)**
Utilised during the year	**(6)**	**(1)**	**(2)**	**(6)**	**(15)**
Effect of foreign exchange rate changes	**(3)**	**–**	**–**	**(1)**	**(4)**
At 31 December 2023	**50**	**8**	**3**	**47**	**108**

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

Analysed as:

	2023 £m	2022 £m
Current	**69**	57
Non-current	**39**	47
	108	104

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

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

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

Other
This category principally includes provisions relating to uncertain non-income taxes. It also includes provisions relating to restructuring activities of £2m (2022: £3m). Acquisition and disposal related provisions amount to £5m (2022: £6m), of which there is an offsetting indemnity asset recognised in trade and other receivables. Other provisions also includes long-service provisions of £8m. These provisions are expected to be utilised within three years except for those relating to long-service provisions.

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

22 BORROWINGS

2023	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	2023 Total £m
Current						
Bank overdrafts	**249**	**5.9%**	**–**	**–**	**249**	**249**
Bank loans	**298**	**6.2%**	**35**	**7.8%**	**333**	**333**
Private Placement	**–**	**–**	**70**	**3.0%**	**70**	**70**
	547	**6.1%**	**105**	**4.6%**	**652**	**652**
Non-current						
Bank loans	**150**	**5.5%**	**348**	**6.5%**	**498**	**498**
Private Placement	**–**	**–**	**140**	**3.0%**	**140**	**140**
	150	**5.5%**	**488**	**5.5%**	**638**	**638**
Total borrowings	**697**	**5.9%**	**593**	**5.4%**	**1,290**	**1,290**

Bank overdrafts include £245m (2022: £14m) held in cash pooling arrangements which have not been offset in the consolidated statement of financial position (see note 23(b)).

2022	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	2022 Total £m
Current						
Bank overdrafts	14	3.8%	–	–	14	14
Bank loans	63	6.1%	469	8.9%	532	532
	77	5.6%	469	8.9%	546	546
Non-current						
Bank loans	625	4.0%	61	13.0%	686	686
Private Placement	–	–	210	3.0%	210	210
	625	4.0%	271	5.2%	896	896
Total borrowings	702	4.2%	740	7.5%	1,442	1,442

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

As at 31 December 2023, the funding structure of the Group was comprised of a committed syndicated revolving credit facility of £900m (2022: £700m), sterling Private Placement Loan Notes totalling £210m (2022: £210m), a five-year bond of £350m, at a fixed coupon of 6.5%, replacing the bridge facility of £350m (2022: £350m), a term facility of £250m (2022: £250m) and debt acquired from acquisitions (including prior year acquisitions) of £80m (2022: £617m). As at 31 December 2023, £150m of the syndicated revolving credit facility was drawn (2022: undrawn).

In June 2023, the Group successfully issued a £350m public bond, with 6.5% coupon and a five-year maturity. The proceeds from the bond were used to re-finance the bridge facility put in place to fund the acquisition of Derco, the initial term for which was due to expire at the end of 2023. The £350m public bond is held at amortised cost and had a fair value of £365m as at 31 December 2023 based on observable market data.

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

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

The Group's bank loans are not secured by any term deposits placed under a standby letter of credit and related facility arrangements (2022: £nil secured). The Group's bank overdrafts are secured by related offsetting cash balances held under pooling arrangements. The Group's remaining borrowings are unsecured.

22 BORROWINGS CONTINUED

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

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

The £210m sterling Private Placement loan notes are held at amortised cost. They have a fair value of £201m (2022: £205m) calculated from discounted cash flow techniques obtained using discount rates from observable market data, which is a level 2 valuation technique. The fair values of the Group's other borrowings are not considered to be materially different from their book value.

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

2023	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 3 years £m**	**Between 3 and 4 years £m**	**Between 4 and 5 years £m**	**Greater than 5 years £m**	**Total interest bearing £m**
Fixed rate							
Bank Overdrafts	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bank loans	**35**	**–**	**–**	**–**	**348**	**–**	**383**
Private Placement	**70**	**–**	**–**	**100**	**–**	**40**	**210**
	105	**–**	**–**	**100**	**348**	**40**	**593**
Floating rate							
Bank overdrafts	**249**	**–**	**–**	**–**	**–**	**–**	**249**
Bank loans	**298**	**–**	**–**	**–**	**150**	**–**	**448**
	547	**–**	**–**	**–**	**150**	**–**	**697**

2022	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Greater than 5 years £m	Total interest bearing £m
Fixed rate							
Bank loans	469	59	–	–	1	1	530
Private Placement	–	70	–	–	100	40	210
	469	129	–	–	101	41	740
Floating rate							
Bank overdrafts	14	–	–	–	–	–	14
Bank loans	63	625	–	–	–	–	688
	77	625	–	–	–	–	702

23 FINANCIAL INSTRUMENTS

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

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

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

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

a. Classification of financial instruments

2023	**Measured at amortised cost £m**	**Measured at fair value through other comprehensive income £m**	**Measured at fair value through profit or loss £m**	**Total £m**
Financial assets				
Financial assets at fair value through other comprehensive income	**–**	**1**	**–**	**1**
Trade and other receivables	**613**	**–**	**–**	**613**
Derivative financial instruments	**–**	**4**	**35**	**39**
Cash and cash equivalents	**689**	**–**	**–**	**689**
Total financial assets	**1,302**	**5**	**35**	**1,342**
Financial liabilities				
Trade and other payables	**(2,754)**	**–**	**–**	**(2,754)**
Derivative financial instruments	**–**	**(58)**	**(39)**	**(97)**
Lease liabilities	**(440)**	**–**	**–**	**(440)**
Borrowings	**(1,290)**	**–**	**–**	**(1,290)**
Total financial liabilities	**(4,484)**	**(58)**	**(39)**	**(4,581)**
	(3,182)	**(53)**	**(4)**	**(3,239)**

2022	Measured at amortised cost £m	Measured at fair value through other comprehensive income £m	Measured at fair value through profit or loss £m	Total £m
Financial assets				
Financial assets at fair value through other comprehensive income	–	3	–	3
Trade and other receivables	521	–	–	521
Derivative financial instruments	–	24	30	54
Cash and cash equivalents	1,064	–	–	1,064
Total financial assets	1,585	27	30	1,642
Financial liabilities				
Trade and other payables	(2,581)	–	–	(2,581)
Derivative financial instruments	–	(15)	(25)	(40)
Lease liabilities	(499)	–	–	(499)
Borrowings	(1,442)	–	–	(1,442)
Total financial liabilities	(4,522)	(15)	(25)	(4,562)
	(2,937)	12	5	(2,920)

23 FINANCIAL INSTRUMENTS CONTINUED

b. Offsetting financial assets and financial liabilities

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

	Gross amounts of financial assets £m	Gross amounts of financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral received £m	Net amount £m
As at 31 December 2023						
Derivative financial assets	**39**	**–**	**39**	**(24)**	**–**	**15**
Cash and cash equivalents	**689**	**–**	**689**	**(245)**	**–**	**444**
	728	**–**	**728**	**(269)**	**–**	**459**
As at 31 December 2022						
Derivative financial assets	54	–	54	(19)	–	35
Cash and cash equivalents	1,064	–	1,064	(14)	–	1,050
	1,118	–	1,118	(33)	–	1,085

	Gross amounts of financial liabilities £m	Gross amounts of financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral paid £m	Net amount £m
As at 31 December 2023						
Derivative financial liabilities	**(97)**	**–**	**(97)**	**24**	**–**	**(73)**
Bank overdrafts	**(249)**	**–**	**(249)**	**245**	**–**	**(4)**
	(346)	**–**	**(346)**	**269**	**–**	**(77)**
As at 31 December 2022						
Derivative financial liabilities	(40)	–	(40)	19	–	(21)
Bank overdrafts	(14)	–	(14)	14	–	–
	(54)	–	(54)	33	–	(21)

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

c. Market risk and sensitivity analysis

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

The following assumptions were made in calculating the sensitivity analysis:

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

23 FINANCIAL INSTRUMENTS CONTINUED

d. Interest rate risk and sensitivity analysis

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

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

Interest rate risk table

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change, based on recent experience, in interest rates on bank borrowings, supplier-related finance and cash balances as at 31 December 2023, with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
2023		
Sterling	**100**	**(11)**
Euro	**100**	**(2)**
Chilean peso	**250**	**(2)**
Australian dollar	**100**	**1**
US dollar	**100**	**(3)**
2022		
Sterling	100	(10)
Euro	100	–
Chilean peso	250	(3)
Australian dollar	100	1
US dollar	100	1

e. Foreign currency risk

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

Transaction exposure hedging

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

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

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

23 FINANCIAL INSTRUMENTS CONTINUED

Foreign currency risk table

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

	Increase/ (decrease) in exchange rate	Effect on equity £m
2023		
Yen	**+10%**	**3**
Yen	**-10%**	**3**
2022		
Yen	+10%	3
Yen	-10%	4

f. Credit risk

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

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

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

	2023			2022		
Credit rating of counterparty	**Derivative assets £m**	**Cash at bank £m**	**Short-term deposits £m**	Derivative assets £m	Cash at bank £m	Short-term deposits £m
AA-	**1**	**198**	**-**	12	343	–
A+	**8**	**33**	**-**	2	56	40
A	**7**	**170**	**-**	11	33	102
A-	**9**	**21**	**-**	15	83	134
BBB+	**8**	**35**	**-**	6	11	–
BBB	**2**	**6**	**-**	1	8	–
BBB-	**-**	**5**	**1**	1	6	73
BB+	**-**	**3**	**-**	2	–	–
BB-	**-**	**14**	**-**	–	14	–
No rating*	**4**	**125**	**78**	4	87	74
	39	**610**	**79**	54	641	423

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

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

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

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

Total cash at bank of £610m (2022: £641m) includes cash in the Group's regional pooling arrangements which are offset against borrowings for interest purposes. Netting of cash and overdraft balances in the consolidated statement of financial position only occurs to the extent that there is the legal ability and intention to settle net. As such, overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

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

23 FINANCIAL INSTRUMENTS CONTINUED

g. Liquidity risk

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

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2023 based on contractual expected undiscounted cash flows:

2023	**Less than 3 months £m**	**Between 3 to 12 months £m**	**Between 1 to 5 years £m**	**Greater than 5 years £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**689**	**–**	**–**	**–**	**689**
Trade and other receivables	**428**	**156**	**25**	**4**	**613**
Financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**1**	**1**
Derivative financial instruments	**2,720**	**1,288**	**264**	**–**	**4,272**
	3,837	**1,444**	**289**	**5**	**5,575**
Financial liabilities					
Interest bearing loans and borrowings	**(444)**	**(398)**	**(545)**	**(41)**	**(1,428)**
Lease liabilities	**(27)**	**(74)**	**(253)**	**(205)**	**(559)**
Trade and other payables	**(2,178)**	**(565)**	**(10)**	**(2)**	**(2,755)**
Derivative financial instruments	**(2,739)**	**(1,347)**	**(285)**	**–**	**(4,371)**
	(5,388)	**(2,384)**	**(1,093)**	**(248)**	**(9,113)**
Net outflows	**(1,551)**	**(940)**	**(804)**	**(243)**	**(3,538)**

2022	Less than 3 months £m	Between 3 to 12 months £m	Between 1 to 5 years £m	Greater than 5 years £m	Total £m
Financial assets					
Cash and cash equivalents	1,059	5	–	–	1,064
Trade and other receivables	444	43	28	6	521
Financial assets at fair value through other comprehensive income	–	–	–	3	3
Derivative financial instruments	1,216	912	352	–	2,480
	2,719	960	380	9	4,068
Financial liabilities					
Interest bearing loans and borrowings	(172)	(448)	(912)	(43)	(1,575)
Lease liabilities	(23)	(67)	(246)	(214)	(550)
Trade and other payables	(1,992)	(562)	(27)	–	(2,581)
Derivative financial instruments	(1,211)	(941)	(349)	–	(2,501)
	(3,398)	(2,018)	(1,534)	(257)	(7,207)
Net outflows	(679)	(1,058)	(1,154)	(248)	(3,139)

23 FINANCIAL INSTRUMENTS CONTINUED

h. Fair value measurement

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

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

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

	2023				2022			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Derivatives used for hedging	**-**	**39**	**-**	**39**	–	54	–	54
Financial assets at fair value through other comprehensive income	**-**	**-**	**1**	**1**	1	–	2	3
	-	**39**	**1**	**40**	1	54	2	57
Liabilities								
Derivatives used for hedging	**-**	**(97)**	**-**	**(97)**	–	(40)	–	(40)

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

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

Level 3 primarily represents the Group's equity interest in Hino Motors Manufacturing Company SAS (see note 14). Fair value is based on discounted free cash flows, using the projection of annual income and expenses mainly based on historical financial figures.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2023.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Cross currency interest rate swaps	**-**	4	**-**	–
Forward foreign exchange contracts	**39**	50	**(97)**	(40)
	39	54	**(97)**	(40)

23 FINANCIAL INSTRUMENTS CONTINUED

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to £nil (2022: £nil). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to £nil (2022: £nil).

Derivative financial instruments

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within 12 months (2022: 12 months) of the end of the reporting period.

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 25) on forward foreign exchange contracts as at 31 December 2023 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2022: 12 months).

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

2023	**Current**	**Current**	**Non-current**
Hedging risk strategy	**Cash flow hedges**	**Fair value hedges**	**Cash flow hedges**
Notional/currency legs (£m)	**2,422**	**1,585**	**264**
Carrying amount net liabilities (£m)	**(39)**	**(10)**	**(9)**
Maturity date	**to Dec 2024**	**to Dec 2024**	**to Mar 2026**
Hedge ratio	**1:1**	**1:1**	**1:1**
Description of hedged item	**Highly probable FX exposures**	**FX exposure on balance sheet**	**Highly probable FX exposures**
Change in fair value of outstanding hedging instruments since 1 January (£m)	**(22)**	**(26)**	**(25)**
Change in fair value of hedging item used to determine hedge effectiveness (£m)	**22**	**26**	**25**
Weighted average hedge rate of outstanding deals (AUD/JPY)	**89.06**	**n/a**	**–**
Amounts recognised within net finance costs (£m)	**–**	**(26)**	**–**
Cash flow hedge reserve (net of tax) at 31 December (£m)	**34**	**–**	**–**

2022	Current	Current	Non-current
Hedging risk strategy	Cash flow hedges	Fair value hedges	Cash flow hedges
Notional/currency legs (£m)	1,347*	781*	352*
Carrying amount net (liabilities)/assets (£m)	(17)	16	16
Maturity date	to Dec 2023	to Dec 2023	to Mar 2026
Hedge ratio	1:1	1:1	1:1
Description of hedged item	Highly probable FX exposures	FX exposure on balance sheet	Highly probable FX exposures
Change in fair value of outstanding hedging instruments since 1 January (£m)	(20)[2]	26	13[2]
Change in fair value of hedging item used to determine hedge effectiveness (£m)	20	(26)	(13)
Weighted average hedge rate of outstanding deals (AUD/JPY)	85.67[1]	n/a	90.20
Amounts recognised within net finance costs (£m)	–	26	–
Cash flow hedge reserve (net of tax) at 31 December (£m)	3	–	–

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

As at 31 December 2023, the accumulated balance of the cash flow hedge reserve was a loss of £34m (2022: loss of £3m). The above changes in fair value of hedging instruments will include hedge positions taken up for future foreign currency exposures and will also include amounts that would have been reclassified from the hedge reserve to the balance sheet as at 31 December 2023.

23 FINANCIAL INSTRUMENTS CONTINUED

i. Capital management

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

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

The Group uses return on capital employed (ROCE) as a measure of its ability to drive better returns on the capital invested in the Group's operations. See alternative performance measures on page 200.

	2023	2022
Adjusted return on capital employed	**26.2%**	40.6%

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

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

	2023	2022
Adjusted EBITA interest cover (times)*	**7.9**	459.3
Adjusted net debt to EBITDA (times)**	**0.8**	n/a
Net debt/market capitalisation (percentage)***	**35.2%**	28.6%

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

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

24 SHARE CAPITAL

a. Allotted, and fully paid share capital

	2023 Number	2022 Number	**2023 £m**	2022 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**374,494,030**	383,851,938	**38**	39
Shares issued	**38,513,102**		**4**	–
Cancelled under share buyback	**–**	(9,357,908)	**–**	(1)
At 31 December	**413,007,132**	374,494,030	**42**	38

The Company's ordinary shares are fully paid and no further contribution of capital may be required by the Company from the shareholders.

b. Share buyback programme

In 2023, no shares were repurchased under the Company's share buyback programme. In 2022, 9,357,908 shares were purchased on the London Stock Exchange at a cost of £70m and were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £1m, equivalent to the nominal value of the cancelled shares, was transferred to the capital redemption reserve. Costs of £1m associated with the transfer to the Company of the repurchased shares and their subsequent cancellation were charged to the retained earnings reserve.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 4 March 2024 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

24 SHARE CAPITAL CONTINUED

d. Share options

At 31 December 2023, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
322,449	1 May 2024	3.77
165,261	1 May 2025	7.31
501,444	1 May 2026	6.00
858,368	1 May 2027	6.11

Included within the retained earnings reserve are 1,008,058 ordinary shares (2022: 344,009 ordinary shares) in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2023 was £7m (2022: £3m). The market value of these shares at both 31 December 2023 and 4 March 2024 was £7m (31 December 2022 and 22 March 2023: £3m).

e. Issue of Derco shares

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

25 OTHER RESERVES

	Merger reserve £m	Fair value through OCI reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2022	–	–	(221)	(6)	(227)
Comprehensive income/(loss)					
Cash flow hedges:					
– net fair value gains	–	–	–	7	7
– tax on cash flow hedges	–	–	–	(7)	(7)
Investments held at fair value:					
– net fair value losses	–	(2)	–	–	(2)
Exchange differences on translation of foreign operations	–	–	131	–	131
Exchange differences on translation of discontinued operations	–	–	19	–	19
Recycling of foreign currency reserve	–	–	99	–	99
Adjustments in respect of hyperinflation	–	–	46	–	46
Other changes in equity					
Shares to be issued	316	–	–	–	316
Cash flow hedges reclassified and reported in inventories	–	–	–	3	3
At 1 January 2023	**316**	**(2)**	**74**	**(3)**	**385**
Comprehensive income/(loss)					
Cash flow hedges:					
– net fair value losses	**-**	**-**	**-**	**(45)**	**(45)**
– tax on cash flow hedges	**-**	**-**	**-**	**17**	**17**
Investments held at fair value:					
– net fair value losses	**-**	**(3)**	**-**	**-**	**(3)**
Deferred tax on taxation losses	**-**	**-**	**-**	**(1)**	**(1)**
Exchange differences on translation of foreign operations	**-**	**-**	**(131)**	**-**	**(131)**
Recycling of foreign currency reserve	**-**	**-**	**(1)**	**-**	**(1)**
Adjustments in respect of hyperinflation	**-**	**-**	**34**	**-**	**34**
Other changes in equity					
Shares issued	**(4)**	**-**	**-**	**-**	**(4)**
Cash flow hedges reclassified and reported in inventories	**-**	**-**	**-**	**(2)**	**(2)**
At 31 December 2023	**312**	**(5)**	**(24)**	**(34)**	**249**

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

Translation reserve
The translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record foreign exchange differences arising on long-term foreign currency borrowings used to finance or hedge foreign currency investments. The effect of foreign exchange rate changes includes a gain of £1m (2022: loss of £99m) on the sale and liquidation of overseas subsidiaries that has been reclassified to the consolidated income statement in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. The adjustments in respect of hyperinflation relate to the application of IAS 29 Financial Reporting in Hyperinflationary Economies to the Group's operations in Ethiopia. The indexation impact to opening share capital and retained earnings of £34m (2022: £46m) has been included in translation reserves above.

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

25 OTHER RESERVES CONTINUED

Merger reserve

As at 31 December 2022, the acquisition of the Derco group had completed and, as at that date, the consideration shares that were issued on 4 January 2023 represented a liability to issue a fixed number of shares in exchange for fixed financial assets. As such, these were accounted for as an equity instrument and recognised in merger reserves (see also note 24). On 4 January 2023, 38,513,102 ordinary shares of 10p each in the capital of the Company were issued in connection with the acquisition of the Derco group.

26 RETAINED EARNINGS

	2023 £m	2022 £m
At 1 January	**820**	1,009
Comprehensive income/(loss)		
– Profit/(loss) for the year	**270**	(11)
– Actuarial losses on defined pension benefits (see note 5)	**(20)**	(12)
Total comprehensive income/(loss) attributable to owners of the parent	**250**	(23)
Other changes in equity		
Written put option	**(1)**	(13)
Acquisition of non-controlling interests	**3**	–
Share-based payments, net of tax	**15**	10
Share buyback programme	**–**	(70)
Purchase of own shares by Inchcape Employee Trust	**(19)**	(4)
Dividends paid (see note 9)	**(128)**	(89)
At 31 December	**940**	820

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of cash generated from operations

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

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

b. Net debt reconciliation

	Liabilities from financing activities			Assets	
	Borrowings £m	**Leases £m**	**Sub-total £m**	**Cash/bank overdrafts £m**	**Total net debt £m**
Net funds at 1 January 2022	(210)	(324)	(534)	589	55
Cash flows	(596)	64	(532)	797	265
Acquisitions	(622)	(174)	(796)	(395)	(1,191)
Disposals	–	13	13	(17)	(4)
New lease liabilities	–	(58)	(58)	–	(58)
Foreign exchange adjustments	–	(20)	(20)	76	56
Net debt at 1 January 2023	**(1,428)**	**(499)**	**(1,927)**	**1,050**	**(877)**
Cash flows	**412**	**87**	**499**	**(400)**	**99**
Acquisitions (see note 28(a))	**(23)**	**(11)**	**(34)**	**(146)**	**(180)**
Period adjustments (see note 28(b))	**(7)**	**(1)**	**(8)**	**9**	**1**
Disposals	**-**	**-**	**-**	**1**	**1**
New lease liabilities	**-**	**(37)**	**(37)**	**-**	**(37)**
Foreign exchange adjustments	**11**	**21**	**32**	**(74)**	**(42)**
Other non-cash movements	**(6)**	**-**	**(6)**	**-**	**(6)**
Net debt at 31 December 2023	**(1,041)**	**(440)**	**(1,481)**	**440**	**(1,041)**

Net funds/(debt) is analysed as follows:

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

28 ACQUISITIONS AND DISPOSALS

a. 2023 Acquisitions

CATS

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

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

Mercedes-Benz Indonesia

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

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

28 ACQUISITIONS AND DISPOSALS CONTINUED

Other acquisitions

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

	CATS £m	Mercedes-Benz Indonesia £m	Other £m	Total £m
Assets and liabilities acquired, at provisional values[1]				
Non-current assets				
Intangible assets	**77**	**29**	**7**	**113**
Property, plant and equipment	**2**	**91**	**5**	**98**
Right-of-use assets	**7**	**-**	**4**	**11**
Deferred tax assets	**-**	**7**	**-**	**7**
Current assets				
Inventories	**42**	**97**	**17**	**156**
Trade and other receivables	**8**	**27**	**1**	**36**
Current tax assets	**-**	**7**	**-**	**7**
Cash and cash equivalents	**15**	**12**	**-**	**27**
Current liabilities				
Trade and other payables	**(52)**	**(105)**	**(5)**	**(162)**
Provisions	**-**	**(4)**	**(1)**	**(5)**
Borrowings	**-**	**(23)**	**-**	**(23)**
Non-current liabilities				
Deferred tax liabilities	**(19)**	**(16)**	**(1)**	**(36)**
Lease liabilities	**(7)**	**-**	**(4)**	**(11)**
Retirement benefit liability	**(1)**	**(10)**	**-**	**(11)**
Net identifiable assets acquired	**72**	**112**	**23**	**207**
Less: Non-controlling interests	**(30)**	**(34)**	**-**	**(64)**
Goodwill	**12**	**17**	**10**	**39**
Net assets acquired	**54**	**95**	**33**	**182**
Consideration comprises:				
Deferred consideration	**-**	**9**	**-**	**9**
Cash consideration	**54**	**86**	**33**	**173**
Total consideration	**54**	**95**	**33**	**182**

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

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

28 ACQUISITIONS AND DISPOSALS CONTINUED

Acquisition and integration costs of £50m were recognised in net operating expenses in the period, relating to current and prior year acquisitions (see note 2).

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

b. 2022 Acquisitions

Acquisition of the Derco Group

On 31 December 2022, the Group acquired 100% of the share capital of Dercorp CL and merged a subsidiary company with Dercorp Ex (together with Dercorp CL, "Derco"). Derco is a multi-brand automotive distributor, and was the largest independent distributor by volume in Latin America, with a strong track record of profitable growth. Derco has significant presence across four attractive markets of Bolivia, Chile, Colombia, and Peru, and with long-standing partnerships with global mobility partners such as Suzuki, Mazda, Chevrolet, Changan, JAC, Renault, Great Wall, and Haval. The transaction was accounted for as a business combination and significantly expanded the Group's position in highly attractive and fast growth markets within Latin America and is expected to deliver significant value creation through enhanced growth prospects and the delivery of meaningful recurring synergies.

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

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

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

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

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

28 ACQUISITIONS AND DISPOSALS CONTINUED

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

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

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

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

28 ACQUISITIONS AND DISPOSALS CONTINUED

Other acquisitions

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

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

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

c. 2022 Disposals and discontinued operations

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

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

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

Financial performance and cash flow information

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

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

28 ACQUISITIONS AND DISPOSALS CONTINUED

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

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

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

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

29 GUARANTEES AND CONTINGENCIES

	2023 £m	2022 £m
Guarantees	**73**	121
Letters of credit	**24**	21
Contingent liabilities	**9**	11
	106	153

Letters of credit act as a guarantee, from one of the Group's banking relationships to another bank, for payments made by the Group to a specified third party. The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 23).

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HMRC in the Franked Investment Income Group Litigation Order (FII GLO). As at 31 December 2023, there were 17 corporate groups in the FII GLO. The action concerns the treatment for UK corporation tax purposes of profits earned overseas and distributed to the UK. The Supreme Court returned the test case to the High Court to establish when the claimant in the test case could have reasonably discovered its mistake about the UK tax treatment of such profits. The case was heard by the High Court in November 2023 and the judgement was handed down on 5 February 2024. The High Court held that claims for a refund of the unlawfully paid tax must have been issued before 6 June 2006. Inchcape issued a claim on 25 November 2003 and so the application of the High Court's judgement means that its claim was filed in time. However, it is expected that HMRC will appeal against the High Court's judgement. In view of the likelihood of an appeal and the significant uncertainty about the eventual outcome of the appeals process, Inchcape has not recognised any amount in respect of its claim to a refund of this tax.

FCA review of Motor Finance commission

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

30 COMMITMENTS

a. Capital commitments

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

	2023 £m	2022 £m
Property, plant and equipment	**19**	3

b. Lease commitments

Operating lease commitments – Group as lessee

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

	2023 £m	2022 £m
Within one year	**3**	4

Operating leases – Group as lessor

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

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

	2023 £m	2022 £m
Within one year	**4**	4
Between one and five years	**5**	4
Total	**9**	8

Sub-lease receivables – Group as lessor

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

	2023 £m	2022 £m
Minimum lease payments receivable:		
– Within one year	**3**	2
– Between one and five years	**5**	7
– After five years	**2**	10
Total minimum lease payments receivable	**10**	19
Less: Unearned finance income	**–**	(4)
Present value of sub-lease receivables	**10**	15

c. Repurchase commitments

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

	2023 £m	2022 £m
Vehicles subject to repurchase commitments	**151**	98

Repurchase commitments represent the total repurchase liability on all vehicles where the Group has a repurchase commitment. These commitments are largely expected to be settled over the next three years. £42m (2022: £20m) of the above repurchase commitments are included within 'trade and other payables' in the consolidated statement of financial position.

31 RELATED PARTY DISCLOSURES

a. Trading transactions

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

	Transactions		Amounts outstanding	
	2023 £m	2022 £m	**2023 £m**	2022 £m (represented)
Other income paid to related parties	**(1)**	(1)	**–**	–
Lease payments made to related parties	**(7)**	–	**(46)[1]**	(53)[1]
Other income received from joint ventures	**18**	–	**2**	2

1. Amounts outstanding in respect of lease payments to related parties include all undiscounted future payment commitments.

All of the transactions arise in the ordinary course of business and are on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2022: £nil).

In 2023, £217m was paid to the former shareholders of the Derco group (see note 20) in respect of deferred dividends and related interest.

b. Compensation of key management personnel

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

	2023 £m	2022 £m
Wages and salaries	**9**	9
Share-based payments	**6**	4
	15	13

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

32 FOREIGN CURRENCY TRANSLATION

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

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

* At 31 December.
1. In 2023, the results for Ethiopia are translated at the closing rate as required by IAS 21 The Effects of Changes in Foreign Exchange Rates for hyperinflationary foreign operations.
2. Average rates for the Russian rouble represent the average rates for the 5-month period ending 31 May 2022, and the closing rates for the Russian rouble are as at the date of disposal of Russian operations.

33 EVENTS AFTER THE REPORTING PERIOD

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

ALTERNATIVE PERFORMANCE MEASURES

ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

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

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

Constant currency

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

Performance measure	Definition	Why we measure it
Adjusted gross profit	Gross profit before adjusting items. Refer to the consolidated income statement.	A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales).
Adjusted operating profit	Operating profit before adjusting items. Refer to the consolidated income statement.	A key metric of the Group's business performance.
Operating margin	Adjusted operating profit divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Adjusted profit before tax	Represents the profit made after operating and interest expense excluding the impact of adjusting items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Adjusted earnings before interest, tax, depreciation and amortisation	Represents the earnings before interest expense, taxation, depreciation and amortisation expenses, and excluding the impact of adjusting items.	One of the key measures used in monitoring the Group's leverage and capital allocation. Refer to note 23.
Adjusting items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 2.	The separate reporting of adjusting items helps provide additional useful information regarding the Group's business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Adjusted earnings per share	Represents earnings per share excluding the impact of adjusting items. Refer to note 8.	A measure useful to shareholders and investors to understand the earnings attributable to shareholders without the impact of adjusting items.
Net capital expenditure	Cash outflows from the purchase of property, plant and equipment and intangible assets less the proceeds from the disposal of property, plant and equipment and intangible assets.	A measure of the net amount invested in operational facilities in the period.
Free cash flow	Net cash flows from operating activities, before adjusting cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.
Return on capital employed (ROCE)	Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds.	ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.
Adjusted return on capital employed (ROCE)*	Operating profit (before adjusting items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt/less net funds, less the capital employed of Derco, which was acquired on the last day of 2022 and therefore did not contribute to operating profit during the year.	Adjusted ROCE is a measure of the Group's underlying ability to drive better returns for investors on the capital we invest.
Net (debt)/funds	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 27.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Performance measure	Definition	Why we measure it
Adjusted (net debt)/net cash	Cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings and before the incremental impact of IFRS 16 lease liabilities. Refer to note 27.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Constant currency % change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rate.	A measure of underlying business performance which excludes the impact of acquisition and disposals in the period.

* Adjusted ROCE is only relevant for 2022.

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

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

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

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

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

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

FIVE YEAR RECORD

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

Consolidated income statement	**2023 £m**	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	**11,447**	8,133	6,901	6,838	9,380
Adjusted operating profit	**669**	411	281	164	373
Operating adjusting items	**(50)**	(11)	(100)	(257)	76
Operating profit/(loss)	**619**	400	181	(93)	449
Share of profit after tax of joint ventures and associates	**1**	–	–	–	–
Profit/(loss) before finance and tax	**620**	400	181	(93)	449
Net finance costs before adjusting items	**(168)**	(38)	(32)	(37)	(47)
Adjusting finance costs	**(39)**	(29)	–	–	–
Profit/(loss) before tax	**413**	333	149	(130)	402
Tax on profit before adjusting items	**(140)**	(97)	(63)	(33)	(76)
Tax on adjusting items	**10**	(1)	(2)	24	3
Profit/(loss) after tax	**283**	235	84	(139)	329
(Loss)/profit from discontinued operations	**-**	(241)	38	–	–
Non-controlling interests	**(13)**	(5)	(5)	(3)	(6)
Profit/(loss) for the year attributable to owners of the parent	**270**	(11)	117	(142)	323
Basic:					
– Profit/(loss) for the year attributable to owners of the parent	**270**	(11)	117	(130)	402
– Earnings/(loss) per share (pence)	**65.6p**	(2.9)p	30.0p	(36.0)p	79.0p
Adjusted (before adjusting items):					
– Adjusted profit from continuing operations	**349**	271	181	128	326
– Adjusted earnings per share (pence)	**84.8p**	72.0p	46.3p	23.1p	59.9p
Dividends per share – interim paid and final proposed (pence)	**33.9p**	28.8p	22.5p	6.9p	26.8p
Consolidated statement of financial position					
Non-current assets	**2,799**	2,610	1,464	1,480	1,773
Other assets less (liabilities) excluding net (debt)/funds	**(138)**	(166)	(388)	(352)	(224)
Capital employed	**2,661**	2,444	1,076	1,128	1,549
Net (debt)/funds	**(1,041)**	(877)	55	(67)	(250)
Net assets	**1,620**	1,567	1,131	1,061	1,299
Equity attributable to owners of the parent	**1,521**	1,533	1,109	1,042	1,279
Non-controlling interests	**99**	34	22	19	20
Total equity	**1,620**	1,567	1,131	1,061	1,299

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	**2023 £m**	2022 £m
Non-current assets			
Investment in subsidiaries	3	**2,586**	2,347
Deferred tax assets	8	**10**	10
Trade and other receivables	4	**140**	210
		2,736	2,567
Current assets			
Current tax assets		**17**	10
Trade and other receivables	4	**81**	7
Cash and cash equivalents	5	**1**	4
		99	21
Total assets		**2,835**	2,588
Current liabilities			
Trade and other payables	6	**(22)**	(52)
Borrowings	7	**(320)**	–
		(342)	(52)
Non-current liabilities			
Trade and other payables	6	**(1,085)**	(562)
Borrowings	7	**(488)**	(810)
		(1,573)	(1,372)
Total liabilities		**(1,915)**	(1,424)
Net assets		**920**	1,164
Equity			
Share capital	10	**42**	38
Share premium		**147**	147
Capital redemption reserve		**143**	143
Merger reserve		**312**	316
Retained earnings		**276**	520
Total shareholders' funds		**920**	1,164

The Company reported a loss for the financial year ended 31 December 2023 of £112m (2022: profit of £365m). The financial statements on pages 204 to 220 were approved by the Board of Directors on 4 March 2024 and were signed on its behalf by:

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

ADRIAN LEWIS
GROUP CHIEF FINANCIAL OFFICER

Registered Number: 609782

Inchcape plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 January 2022		39	147	142	–	308	636
Profit for the year		–	–	–	–	365	365
Total comprehensive income for the year		–	–	–	–	365	365
Dividends	11	–	–	–	–	(89)	(89)
Share buyback programme	10	(1)	–	1	–	(70)	(70)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	(4)	(4)
Share-based payments, net of tax		–	–	–	–	10	10
Shares to be issued		–	–	–	316	–	316
At 1 January 2023		**38**	**147**	**143**	**316**	**520**	**1,164**
Loss for the year		**-**	**-**	**-**	**-**	**(112)**	**(112)**
Total comprehensive expense for the year		**-**	**-**	**-**	**-**	**(112)**	**(112)**
Dividends	11	**-**	**-**	**-**	**-**	**(128)**	**(128)**
Net purchase of own shares by the Inchcape Employee Trust		**-**	**-**	**-**	**-**	**(19)**	**(19)**
Share-based payments, net of tax		**-**	**-**	**-**	**-**	**15**	**15**
Shares issued		**4**	**-**	**-**	**(4)**	**-**	**-**
At 31 December 2023		**42**	**147**	**143**	**312**	**276**	**920**

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

ACCOUNTING POLICIES

GENERAL INFORMATION

These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2023. The Company is the ultimate parent entity of the Inchcape Group (the Group) and acts as the holding company of the Group. The parent company financial statements present information about the Company as a separate entity and not about the Group.

BASIS OF PREPARATION

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

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

The Company does not have any critical accounting judgements. The valuation of the Company's investments is a key source of estimation uncertainty. The Company's net assets were lower than its market capitalisation on 31 December 2023 and the estimates of the recoverable amounts of the individual investments were in excess of their carrying values. As a result, no impairment has been reflected. Other sources of estimation uncertainty most applicable to the Company do not give rise to a significant risk of material adjustment to the carrying value of the Company's assets and liabilities.

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

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

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

GOING CONCERN

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

FOREIGN CURRENCIES

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

FINANCE COSTS

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

INVESTMENTS

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

IMPAIRMENT

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

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

OTHER INTANGIBLE ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

DEFERRED TAX

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

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

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

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

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

SHARE CAPITAL

Ordinary shares are classified as equity.

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

DIVIDENDS

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

SHARE-BASED PAYMENTS

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

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

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

FINANCIAL INSTRUMENTS

The Company's policies on the recognition, measurement, and presentation of financial instruments under IFRS 7 are the same as those set out in the Group's accounting policies on pages 137 to 146.

FINANCIAL GUARANTEES

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

NOTES TO THE FINANCIAL STATEMENTS

1 AUDITOR'S REMUNERATION

The Company incurred £0.1m (2022: £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2023.

2 DIRECTORS' REMUNERATION

	2023 £m	2022 £m
Wages and salaries	**3**	3
Social security costs	**1**	1
	4	4

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

3 INVESTMENT IN SUBSIDIARIES

	2023 £m	2022 £m
Cost		
At 1 January	**2,402**	1,696
Additions	**239**	782
Dissolution	**–**	(76)
At 31 December	**2,641**	2,402
Provisions		
At 1 January	**(55)**	(131)
Dissolution	**–**	76
At 31 December	**(55)**	(55)
Net book value	**2,586**	2,347

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

During 2023, the Company increased its investment in Inchcape International Holdings Limited and St James's Insurance Limited.

Inchcape Finance (Ireland) Limited, a subsidiary of the Company, was dissolved on 10 January 2022. During 2022, as part of the acquisition of the Derco group, the Company increased its investment in Inchcape International Holdings Limited and Indigo Chile Holdings SpA.

4 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Amounts due within one year		
Amounts owed by Group undertakings	**79**	4
Other debtors	**2**	3
	81	7
Amounts due after more than one year		
Amounts owed by Group undertakings	**140**	210
	140	210

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

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

5 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash and cash equivalents	**1**	4

6 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Amounts due within one year		
Amounts owed to Group undertakings	**14**	47
Other creditors	**8**	5
	22	52

	2023 £m	2022 £m
Amounts due after more than one year		
Amounts owed to Group undertakings	**1,085**	562
	1,085	562

Current amounts owed to Group undertakings are interest free and repayable on demand. Non-current amounts are repayable between one and five years and bear interest at rates linked to source currency base rates.

7 BORROWINGS

	2023 £m	2022 £m
Amounts due within one year		
Private placement	**70**	–
Borrowings	**250**	–
	320	–
Amounts due after more than one year		
Private placement	**140**	210
Borrowings	**348**	600
	488	810

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

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

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

In June 2023, the Group successfully issued a £350m public bond, with 6.5% coupon and a five-year maturity. The proceeds from the bond were used to re-finance the bridge facility put in place to fund the acquisition of Derco, the initial term for which was due to expire at the end of 2023. The £350m public bond is held at amortised cost and had a fair value of £365m as at 31 December 2023 based on observable market data.

8 DEFERRED TAX

Net deferred tax asset/(liabilities)	**Tax losses £m**
At 1 January 2022	**9**
Credited to the income statement	**1**
At 1 January 2023	**10**
Credited to the income statement	**-**
At 31 December 2023	**10**

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

9 GUARANTEES

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's exposure under these guarantees at 31 December 2023 was £1m (2022: £4m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 5). In addition, the Company has given performance guarantees in the normal course of business in respect of the obligations of Group undertakings amounting to £170m (2022: £147m).

10 SHARE CAPITAL

a. Allotted, called up and fully paid up

	2023 Number	2022 Number	2023 £m	2022 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	**374,494,030**	383,851,938	**38**	39
Shares Issued	**38,513,102**	–	**4**	
Cancelled under share buyback	**-**	(9,357,908)	**-**	(1)
At 31 December	**413,007,132**	374,494,030	**42**	38

b. Share buyback programme

In 2023, no shares were repurchased under the Company's share buyback programme. In 2022, 9,357,908 shares were purchased on the London Stock Exchange at a cost of £70m and were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £1m, equivalent to the nominal value of the cancelled shares, was transferred to the capital redemption reserve. Costs of £1m associated with the transfer to the Company of the repurchased shares and their subsequent cancellation were charged to the retained earnings reserve.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 4 March 2024 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

d. Share options

At 31 December 2023, options to acquire ordinary shares of 10.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares of 10.0p each	Exercisable until	Option price (£)
The Inchcape SAYE Share Option Scheme – approved		
322,449	1 May 2024	3.77
165,261	1 May 2025	7.31
501,444	1 May 2026	6.00
858,368	1 May 2027	6.11

Included within the retained earnings reserve are 1,008,058 ordinary shares (2022: 344,009 ordinary shares) in the Company held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2023 was £7m (2022: £3m). The market value of these shares at both 31 December 2023 and 4 March 2024 was £7m (31 December 2022 and 22 March 2023: £3m).

e. Issue of Derco shares

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

f. Share-based remuneration

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

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

The charge arising from share-based transactions during the year was £2m (2022: charge of £1m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £7.61 (2022: £nil).

The weighted average remaining contractual life for the share options outstanding at 31 December 2023 is 1.4 years (2022: 1.3 years) and the weighted average exercise price for options outstanding at the end of the year was £5.17 (2022: £4.79).

11 DIVIDENDS

The following dividends were paid by the Company:

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

A final proposed dividend for the year ended 31 December 2023 of 24.3p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2023.

12 RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates, and joint ventures as at 31 December 2023 is shown below:

Subsidiaries

Name and registered address		Percentage owned
Argentina		
Torre Catalinas Plaza, Av. Eduardo Madero 900 Piso 17, Buenos Aires		
Distribuidora Automotriz Argentina S.A.		100%
Inchcape Argentina S.A.		100%
Australia		
Level 2, 4 Burbank Place, Baulkham Hills, NSW 2153		
AutoNexus Pty Ltd		100%
Bespoke Automotive Australia Pty Ltd		100%
Inchcape Australia Ltd	(i)	100%
Trivett Automotive Retail Pty Ltd		100%
Inchcape European Automotive Pty Ltd	(ii)	100%
SMLB Pty Ltd		100%
Subaru (Aust) Pty Ltd		90%
TCH Unit Trust		100%
Trivett Automotive Group Pty Ltd		100%
Trivett Bespoke Automotive Pty Ltd		100%
Trivett Classic Garage Pty Ltd		100%
Trivett Classic Holdings Pty Ltd	(iii)	100%
Trivett Classic Pty Ltd	(iv)	100%
Trivett Motorcycles Pty Ltd (dissolved June 2023)		100%
Trivett Pty Ltd		100%
Trivett Tyres Pty Ltd		100%
Inchcape Finance Australia Pty Limited		100%
Inchcape Corporate Services Australia Pty Limited		100%
PartsLane Pty Limited		100%
Barbados		
International Trading Centre, Warrens, St. Michael, Barbados, BB22026		
Inchcape Caribbean Inc		100%
Inchcape (Barbados) Inc		100%
Belgium		
Leuvensesteenweg 369, 1932 Sint-Stevens-Woluwe		
Autoproducts NV		100%
Car Security NV		100%
Toyota Belgium NV/SA		100%
Boulevard Industriel 198, 1070 Anderlecht		
Garage Francorchamps SA		100%
Inchcape Retail Belgium		100%
Bolivia		
Avenue Cristobal de Mendoza No. 164 UV:14 Mzno:5 Bldg. Imcruz, Santa Cruz		
Imcruz Comercial S.A.		100%
Corporación de Inversiones Imcruz Corp. S.A.		100%
Inversiones Piraí S.R.L.		100%
Imcruz Corredores de Seguros S.R.L.		100%

12 RELATED UNDERTAKINGS CONTINUED

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

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Chile continued	
Sociedad Corredora de Seguros Derco SpA	100%
Derco Chile Repuestos SpA	100%
Dercocenter SpA	100%
Derco SpA	100%
Sociedad Inmobiliaria SCR SpA	100%
Servicios Operacionales Comerciales y Administrativos SpA	100%
Sociedad Comercializadora de Repuestos SpA	100%
Colombia	
Calle 99 N° 69c – 41 Bogotá	
Inchcape Digital Delivery Centre Colombia S.A.S	100%
Matrase S.A.S	100%
Inchcape Colombia S.A.S	100%
Inmobiliaria Inchcape Colombia S.A.S	100%
BravoAuto S.A.S	100%
Vuelta Grande a 150 metros de la Glorieta de Siberia via Cota-Chia CLIS BG34	
Distribuidora Hino de Colombia S.A.S.	100%
Chía, Cundinamarca, Colombia	
Derco Colombia S.A.S.	100%
Derco Agencia de Seguros LTDA	100%
Cook Islands	
First Floor, BCI House, Avarua, Rarotonga	
IB Enterprises Ltd	100%
Costa Rica	
La Uruca, de la Pozuelo 200 metros oeste, frente al Hospital Mexico	
Arienda Express S.A.	100%
Inchcape Protection Express Sociedad Agencia de Seguros S.A.	100%
Vehiculos de Trabajo S.A.	100%
Vistas de Guanacaste Orquideas S.A.	100%
Djibouti	
Route de Venise – Djibouti Free Zone – PO Box 2645	
Red Sea Automotive FZCO	100%
Inchcape Djibouti Automotive Sarl	98%
Ecuador	
Av. 10 de Agosto N36-226 y Naciones Unidas, Quito, 170507	
Autolider Ecuador S.A.S	100%
El Salvador	
Boulevard Luis Poma y Calle Llama del Bosque Pte. #1, Urb. Madreselva, Antiguo Cuscatlán, La Libertad	
Inchcape El Salvador, S.A. de C.V.	100%
Estonia	
Läike tee 38, Peetri küla, Rae vald, Harjumaa 75312	
Inchcape Motors Estonia OÜ	100%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Ethiopia	
Bole Sub City, Kebele 03, H.Nr. 2441, Addis Ababa	
The Motor & Engineering Company Of Ethiopia (Moenco) S.C.	94%
Finland	
Ansatie 6 a C, 01740 Vantaa, Kotipaikka, Helsinki	
Inchcape Motors Finland Oy	100%
Inchcape JLR Finland Oy	70%
Greece	
48 Ethnikis Antistaseos Street, Halandri 15231	
British Providence SA	100%
Eurolease Fleet Services SA	100%
Toyota Hellas SA	100%
Polis Inchcape Athens SA	100%
Guam	
443 South Marine Corps Drive, Tamuning, Guam 96913	
Atkins Kroll Inc	100%
197 Ypao Road, Tamuning , Guam 96913	
Morrico Holdings, Inc	100%
Morrico Equipment LLC	100%
Guatemala	
20 Calle 10-91, Zona 10, Guatemala, Guatemala	
Inchcape Guatemala S.A.	100%
Honduras	
Penthouse Edificio Torre Mayab, Colonia Loas del Mayab, Avenida Republica de Costa Rica, Tegucigalpa	
Inchcape Honduras S.A.	100%
Hong Kong	
11/F, Tower B, Manulife Financial Centre, 223-231 Wai Yip Street, Kwun Tong, Kowloon, HK	100%
British Motors Ltd	100%
Crown Motors Ltd	100%
Future Motors Ltd	100%
Inchcape Finance (HK) Ltd	100%
Inchcape Hong Kong Ltd	100%
Inchcape Mobility Limited	100%
Inchcape Motor Services Ltd	100%
Mega EV Ltd	100%
Nova Motors Ltd	100%
Indonesia	
Indomobil Tower, 19th Floor, Jl. Mt Haryono no 11, Bidara Cina, Jakarta, Timur	
PT JLM Auto Indonesia	60%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address		Percentage owned
Indonesia continued		
Sequis Tower, 7th Floor, Jl. Jendral Sudirman Kav. 71, South Jakarta 12190		
PT Inchcape Automotive Indonesia		100%
PT Inchcape Indomobil Distribution Indonesia		70%
PT Inchcape Indomobil Energi Baru		70%
Wanaherang, Gunung Putri, Bogor, West Java		
PT Inchcape Indomobil Manufacturing Indonesia		70%
Ivory Coast		
01 BP 3893, Abidjan O1		
Distribution Services Cote d'Ivoire SA		100%
Toyota Services Afrique SA		100%
Kenya		
LR 1870/X/126, Ground Floor, Oracle Towers, Waiyaki Way, P.O. Box 2231-00606, Nairobi		
Inchcape Kenya Ltd		100%
Latvia		
4a Skanstes Street, Riga, LV-1013		
Inchcape Insurance Services SIA		100%
Inchcape Motors Latvia SIA		100%
Inchcape JLR Baltics SIA		70%
Lithuania		
Laisves av. 137, Vilnius, LT-06118		
UAB Autovista		67%
UAB Inchcape Motors		67%
Ozo str. 10A, Vilnius, LT-08200		
UAB Krasta Auto		100%
Macau		
Avenida do Coronel Mesquita, No 48-48D, Edf. Industrial Man Kei R/C, Macau		
Future Motors (Macao) Ltd		100%
Yat Fung Motors Ltd		100%
Netherlands		
Gustav Mahlerlaan 1212, 1081 LA Amsterdam, the Netherlands		
Inchcape International Group BV	(i)	100%
New Zealand		
Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland, 1010, New Zealand		
Inchcape Motors New Zealand Ltd		100%
Inchcape Automotive Distribution (NZ) Ltd		100%
Inchcape Automotive Retail (NZ) Ltd		100%
Inchcape New Zealand Ltd		100%
North Macedonia		
21 8th September Boulevard, 1000 Skopje		
Toyota Auto Center DOOEL		100%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Panama	
Vía General Nicanor A. de Obarrio (Street 50), Plaza Bancomer	
Ilaother S.A.	100%
Ilachile S.A.	100%
Ciudad de Panamá, Vía Cincuentenario Andrés Mojica, Ave. 6ta B., Lote X 5B, Corregimiento de San Francisco, Distrito de Panamá, Provincia de Panamá	
Arrendadora Automotriz S.A.	100%
Motores Japoneses S.A.	100%
Sun Motors S.A.	100%
Lopez, Lopez & Associates, 53rd street Marbella, World Trade Center, 5th floor, suite 502, Panama City	
Isthmus Exchange S.A.	100%
Peru	
Av. El Polo Nro. 1117, Santiago de Surco, Lima	
Inchcape Motors Peru S.A.	100%
Av. Republica de Panama Nro. 3330, San Isidro, Lima	
IMP Distribuidora S.A.	100%
Av. Morro Solar 812, Santiago de Surco, Lima	
Autocar del Peru S.A.	100%
Distribuidora Automotriz del Peru S.A.	100%
Inchcape Latam Peru S.A.	100%
Rentas e Inmobiliaria Sur Andina S.A.	100%
Av. Manuel Olguin 325, Santiago de Surco, Lima	
Derco Perú S.A.	100%
Dercocenter S.A.C.	100%
Corporación Andina de Negocios S.A.	100%
Philippines	
28F Robinsons Cyberscape Gamma, Topaz and Ruby Roads, Ortigas Center, San Antonio, Pasig Cit, Second District, NCR, 1605	
Inchcape Digital Delivery Center Philippines Inc.	100%
Block 8, Lot 2, 5th Avenue corner 24th Street, Bonifacio Global City, Fort Bonifacio, Taguig City 1630	
IC Automotive Inc	60%
IC Land Automotive Inc	60%
IC Star Automotive Inc	60%
E. Rogriguez Jr. Avenue corner Carlo J. Caparas, Ugong, Pasig City 1604	
ICATS Asian Motors Inc	60%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Philippines continued	
1008 EDSA Greenhills, Second District, City of San Juan, NCR, 1502	
ICATS British Motors Inc	60%
ICATS Motorcycles Inc	60%
ICATS Motors Inc	60%
Poland	
Al. Prymasa Tysiąclecia 64, 01–424 Warszawa	
Inchcape Motors Polska Sp z.o.o	100%
Al. Karkonoska 61, 53–015 Wroclaw	
Interim Cars Sp z.o.o	100%
Ul. Lopuzanska 38 B, 02–232 Warszawa	
Inchcape JLR Poland Sp. Z.o.o	70%
Puerto Rico	
Sabana Gardens Industrial Park Calle B Lotes 6 al 9a, Carolina, PR 00983 and PO Box 29718, San Juan, PR 00924–0092	
Millenium Sales and Services, Inc.	100%
K.I. Investments Inc.	100%
Inchcape Puerto Rico, Inc	100%
Romania	
Pipera Boulevard No 1, Voluntari, Ilfov, 077190	
Inchcape Motors Srl	100%
Toyota Romania Srl	100%
Inchcape Broker de Asigurare Srl	100%
Inchcape Bravoauto Srl	100%
Saipan	
San Jose Village, 1 Chalan Monsignor Guerrero, Saipan, 96950, Northern Mariana Islands	
Atkins Kroll (Saipan) Inc	100%
Singapore	
2 Pandan Crescent, Inchcape Centre, Singapore 128462	
Borneo Motors (Singapore) Pte Ltd	100%
Century Motors (Singapore) Pte Ltd	100%
Champion Motors (1975) Pte Ltd	100%
Inchcape Automotive Services Pte Ltd	100%
Inchcape Motors Private Ltd	100%
Inchcape+ Pte Ltd	100%
Spain	
C. De Don Ramon de la Cruz, 38, 28001 Madrid	
Inchcape Inversiones España S.L.	100%
Tanzania	
AFED Business Park, JK Nyerere Rd, PO.Box 21885, Dar Es Salaam	
Inchcape Automotive Limited	100%
Thailand	
No. 4332 Rama IV Road, Prakhanong Sub-District, Klongtoey District, Bangkok	
Inchcape (Thailand) Company Ltd	100%
No. 2133 New Petchburi Road, Bangkapi Sub-District, Huaykwang District, Bangkok 10310	
Inchcape Services (Thailand) Co Ltd	100%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address		Percentage owned
Turks and Caicos Islands		
Market Place, Providenciales		
Nagoya Marine & General Insurance Ltd		100%
United Kingdom		
Inchcape Retail, First Floor, Unit 3140 Park Square, Solihull Parkway, Birmingham B37 7YN		
Armstrong Massey (York) Limited		100%
Autobytel Limited		100%
Chapelgate Motors Limited		100%
Ferrari Concessionaires Limited	(v)	100%
Gerard Mann Limited		100%
Inchcape Estates Limited		100%
Inchcape Motors International Limited		100%
Inchcape North West Limited		100%
Inchcape Retail Limited		100%
Inchcape Trade Parts Limited		100%
Inchcape Transition Limited		100%
Inchcape UK Corporate Management Limited		100%
Inchcape KMG Limited		100%
Mann Egerton & Co Limited		100%
Nexus Corporation Limited		100%
Notneeded No. 144 Limited		100%
The Cooper Group Limited		100%
Tozer International Holdings Limited		100%
Tozer Kemsley and Millbourn Automotive Limited		100%
22a St James's Square, London, SW1Y 5LP		
Inchcape Digital Limited		100%
Inchcape (Belgium) Limited	(vi)	100%
Inchcape Corporate Services Limited		100%
Inchcape Finance plc		100%
Inchcape Investments (No.1) Limited (dissolved 2 January 2024)		100%
Inchcape International Holdings Limited		100%
Inchcape JLR Europe Limited		70%
Inchcape Management (Services) Limited		100%
Inchcape Overseas Limited		100%
Inchcape (Singapore) Limited		100%
St Mary Axe Securities Limited		100%
PO Box 33, Dorey Court, Admiral Park, St Peter Port, GUERNSEY GY1 4AT		
St James's Insurance Limited		100%
4th Floor 115 George Street, Edinburgh EH2 4JN		
Inchcape Investments and Asset Management Limited		100%

12 RELATED UNDERTAKINGS CONTINUED

Name and registered address	Percentage owned
Uruguay	
Rambla Baltasar Brum 3028, Montevideo	
Autolider Uruguay S.A.	100%
United States of America	
The Corporation Company, 30600 Telegraph Road Bingham Farms, MI 48025	
Baltic Motors Corporation	100%

Joint ventures

Name and registered address	Percentage owned
Australia	
Level 6, 15 Talavera Road, Macquarie Park, NSW, 2113	
IFSA Pty Ltd	50%
Chile	
Av. Americo Vespucio 1842, Quilicura, Santiago	
Sociedad Comercial e Inmobiliaria Autoshopping S.A.	50%
Sociedad Comercial Ecovalor S.A.	50%
Av. Las Condes #11000, Oficina 301–A, Vitacura, Santiago	
Sociedad de Creditos Automotrices S.A.	50%
Peru	
Av. Manuel Olguin 325, Santiago de Surco, Lima	
Sociedad de Creditos Automotrices Peru S.A.C.	50%

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

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

Subsidiary audit exemptions

The following UK subsidiary undertakings will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2023.

Name	Company number
Inchcape (Belgium) Limited	06006735
Inchcape (Singapore) Limited	06257211
Inchcape Corporate Services Limited	01235709
Inchcape International Holdings Limited	03580629
Inchcape Investments and Asset Management Limited	SC113224
Inchcape Motors International Limited	00453390
Inchcape Overseas Limited	00783712
Tozer Kemsley and Millbourn Automotive Limited	00893104

The Company will guarantee the outstanding liabilities of the above UK subsidiary undertakings as at 31 December 2023, in accordance with section 479C of the Companies Act 2006.

SHAREHOLDER INFORMATION

REGISTERED OFFICE
Inchcape plc
22a St James's Square
London SW1Y 5LP
Tel: +44 (0) 20 7546 0022
Fax: +44 (0) 20 7546 0010
Registered number: 609782
Registered in England and Wales

ADVISORS
Independent Auditor
Deloitte LLP
Chartered Accountants and
Statutory Auditor

SHARE REGISTRARS
Computershare Investor Services PLC
Registrar's Department, The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: +44 (0) 370 707 1076

SOLICITORS
Herbert Smith Freehills

CORPORATE BROKERS
Jefferies Hoare Govett
JP Morgan Cazenove

INCHCAPE ISA
Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Tel: 0870 300 0430

International callers:
Tel: +44 121 441 7560
More information is available at www.shareview.com

FINANCIAL CALENDAR
Annual General Meeting
9 May 2024

Announcement of 2024 Interim Results
30 July 2024

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