



 **Inchcape**

Annual Report and Accounts 2020

Strategic report

- 2 Chairman's welcome
- 4 Chief Executive's review
- 6 Group Executive Committee
- 8 Strategy
- 10 OEM partnerships
- 12 Our business model
- 12 How we generate value
- 12 Our routes to market
- 13 Our value chain
- 17 Where we operate
- 18 Stakeholder engagement
- 21 Our investment proposition
- 23 Capital allocation framework
- 25 Key performance indicators
- 26 Operating and financial review
- 34 Corporate social responsibility
- 41 Risk management

Governance

- 52 Chairman's statement
- 54 Board of Directors
- 56 Corporate Governance Report
- 74 Directors' Report on Remuneration
- 96 Directors' Report

Financial statements

- 102 Independent auditor's report to the members of Inchcape plc
- 112 Consolidated income statement
- 113 Consolidated statement of comprehensive income
- 114 Consolidated statement of financial position
- 115 Consolidated statement of changes in equity
- 116 Consolidated statement of cash flows
- 117 Accounting policies
- 127 Notes to the financial statements
- 176 Alternative performance measures
- 178 Five year record
- 179 Company statement of financial position
- 180 Company statement of changes in equity
- 181 Company accounting policies
- 184 Notes to the Company financial statements

Other information

- 197 Shareholder information

Highlights

Revenue

£6.8bn

2019: £9.4bn

Free cash flow¹

£177m

2019: £213m

Return on capital employed¹

12%

2019: 22%

Dividend per share¹

6.9p

2019: 8.9p

1. APM (alternative performance measure), see page 176-177

VISIT OUR WEBSITE FOR ADDITIONAL INFORMATION
AND INTERACTIVE FEATURES INCHCAPE.COM

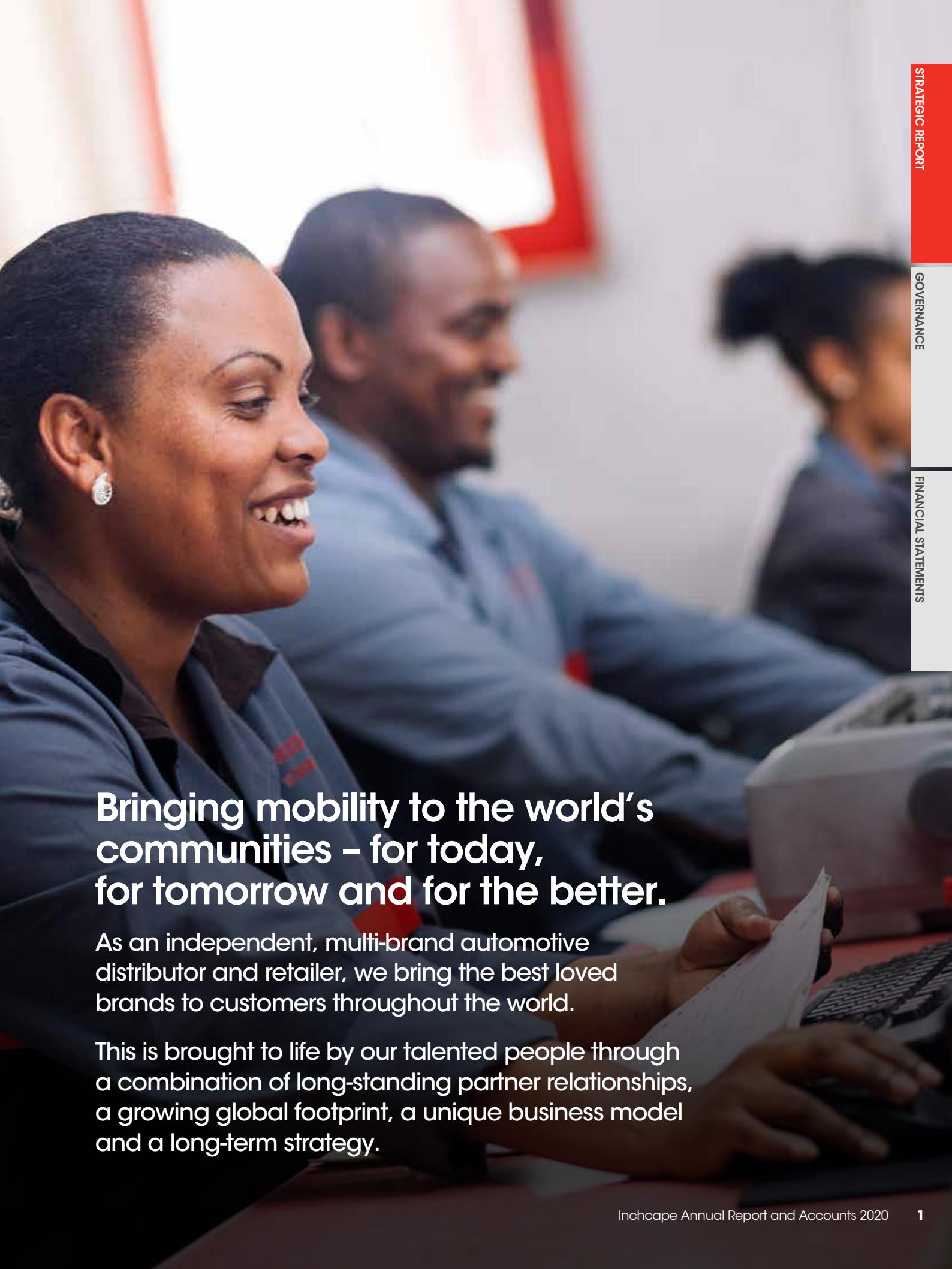
Cover image: Andrei Ionut-Alin, Technician from our Toyota and Lexus retail and service centre in Voluntari, Romania

Clarifying our financial metrics

The following table shows the key profit measures that we use throughout this report to most accurately describe operating performance and how they relate to statutory measures.

Metric	£m	Use of metric
Gross Profit	877.8	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Add back: exceptional items charged to gross profit	11.6	
Gross Profit (pre exceptional items) ¹	889.4	
Less: segment operating expenses	(723.9)	
Operating Profit (pre-exceptional items) ¹	165.5	Profit generated by the Group
Less: exceptional items	(257.1)	
Operating Loss	(91.6)	Statutory measure of Operating Profit
Less: Net Finance Costs and JV profit	(36.6)	
Loss before tax	(128.2)	Statutory measure of profit after the costs of financing the Group
Add back: exceptional items	257.1	
Profit before tax and exceptional items ¹	128.9	

1. APM (alternative performance measure), see page 176-177



Bringing mobility to the world's communities – for today, for tomorrow and for the better.

As an independent, multi-brand automotive distributor and retailer, we bring the best loved brands to customers throughout the world.

This is brought to life by our talented people through a combination of long-standing partner relationships, a growing global footprint, a unique business model and a long-term strategy.

Prioritising safety, managing risk and continuing to serve in a challenging year

Nigel Stein
Chairman



Dear Shareholders and all of our stakeholders,

When writing last year, I referred to the impact coronavirus was having on our business in Asia. Its subsequent evolution into a global pandemic dramatically increased that impact with most of Inchcape's businesses around the world experiencing periods of compulsory shutdown and restricted operations. The prompt actions taken across the Group, prioritising the safety of employees and customers, maintaining high levels of customer service, reducing costs and maximising cash flow, proved very successful in taking us through the crisis and are a tribute to the hard work of the whole Inchcape team. I congratulate them and thank them greatly for their enormous efforts in 2020.

Performance

Against the background of sharply reduced automotive markets, the Group's financial performance for the year was very satisfactory, with profit before tax (before exceptional)¹ of £129m and free cash flow¹ of £177m. Almost all of this came from the performance in the second half of the year, once the initial shockwave of COVID-19 had subsided. During the early, highly uncertain period, when many operations were completely closed, the Group took short-term protective actions to reduce costs and secure liquidity, including utilising to a degree various government sponsored furlough schemes in the UK, Australia and Singapore and securing a temporary borrowing facility under the UK CCFF programme. The Board of Directors and senior management all agreed to a voluntary 20% reduction in their fees or salaries.

Shareholders were also impacted by the withdrawal of the recommended dividend payable in June 2020 and cancellation of the £150m share buyback programme then underway as precautionary moves to protect the Group's liquidity.

By the end of June, as the first wave subsided, the Group quickly established a 'new normal' way of operating, with no further utilisation of government support schemes. Staff temporarily laid off due to their business being closed were from then on entirely at Inchcape's cost. And where lower levels of demand unfortunately made it necessary, a number of permanent headcount reductions were made. The precautionary £100m drawn down under the CCFF scheme was repaid; other suspended activities resumed with Executive Directors' and management salaries reverting to former levels.

Strategic progress

In spite of the pandemic, the Group took some important steps forward with its strategy. This included the acquisition of the Daimler Distribution businesses in Colombia and El Salvador which help build our relationship with that important OEM. We also added to our MINI and Jaguar Land Rover distributorships as well as selling a number of dealerships in the UK as part of building a better, stronger UK business.

As announced last May, Duncan Tait took over as CEO in July 2020, bringing considerable experience of the Technology sector, which is of increasing importance to Inchcape's future. His report, which follows this, gives more details of our strategic evolution.

The Board keeps a close eye on the major disruptive trends affecting the global automotive industry and has considered what impact the pandemic may have on them. Shared ownership, autonomous vehicles and fully connected cars still lie some way ahead, but electrification of the drivetrain has accelerated. The pace of electrification is still significantly driven by government legislation, incentives and support for investment in the necessary charging infrastructure. Many countries are now bringing forward their target dates for achieving the milestones on the path to zero emissions as a direct response to climate change and recent changes in US government policy will undoubtedly provide a further boost towards electrification globally.

1. APM (alternative performance measure), see page 176-177.

Inchcape is confident that our partnership with advanced technology OEMs puts us in a good position to both respond to and take advantage of the accelerating pace of electrification. We continue to watch developments closely and shape our strategy accordingly.

Board

As mentioned above, we were delighted to appoint Duncan Tait as our new CEO from 1 July 2020 succeeding Stefan Bomhard, who left Inchcape to take up a position elsewhere. Alex Jensen was appointed in January 2020 as stated in last year's Annual Report and Rachel Empey recently announced her intention to stand down in April 2021 due to other commitments. Rachel has made a strong contribution to our Board over the last five years for which we thank her. We have commenced a process to seek a suitable replacement.

Till Vestring has completed nine years on the Board and ordinarily would stand down at the forthcoming AGM. We highly value having a Board member based in Asia, our largest market, and are actively seeking an Asia-based replacement. With the current COVID travel restrictions, Till has kindly agreed to extend his tenure until we have successfully appointed and inducted his replacement onto the Board.

The various unexpected activities of 2020 made for a busy year for the Board. I would like to express my gratitude to all my fellow Board members for their commitment and support over the last 12 months.

Dividends and returns to shareholders

The Board decided as a precautionary measure not to pay dividends during 2020 and to cancel the share buyback programme already underway. The subsequent financial performance and in particular the excellent work on liquidity led by our CFO, Gijsbert de Zoeten, have left our already strong balance sheet in an even better position. Having carefully considered the situation from a range of stakeholder perspectives, the Board has decided on this occasion to recommend a dividend of 6.9 pence per share payable in June 2021 (2020 £Nil).

Looking ahead

At the time of writing, it seems likely that COVID-19 will be with us for some considerable time longer, with all that implies. But we remain highly confident in the Group's ability to maintain its strong operating capability through the months ahead, whilst also maintaining focus on our strategic progress.

S172 statement

The Directors have exercised their duties under the Companies Act 2006 throughout the year, including under Section 172, the duty to promote the success of the Company whilst having regard for the factors in 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.

The factors listed under S172 are integral to most of the significant decisions taken during the year. The Board is satisfied that the information provided by management and others via reporting, performance updates, key performance measures, independent advice and industry and economic updates is of appropriate quality to allow the Board to have due regard for each of the factors.

Case studies demonstrating how the Directors have discharged their duties under S172 are given on page 60. Stakeholder engagement is given on pages 18 to 19. Additional information on areas which impact stakeholders can be found on:

S172 factor	Additional information	Page
Consequences of decisions in the long term	Strategy	8-9
	Capital allocation	23
	Risk	41-50
Interest of Company's employees	Stakeholder engagement	18-19
	CSR Report	34-36
	Directors' Report	98-99
Foster Company's business relationships with suppliers, customers and others	Stakeholder engagement	18-19
	Strategic Report	10-11
	Business model and value chain	12-19
Impact of operations on community and the environment	Stakeholder engagement	18-19
	CSR Report	37
	Non-financial information statement	38-39
High standards of business conduct	Non-financial information statement	38-39
Acting fairly between members	Directors' Report	96

I would end by again thanking the whole Inchcape team across the 34 countries in which we operate for their extraordinary efforts in this extremely difficult year. You should be extremely proud of what you accomplished. Thank you!



Nigel Stein
Chairman

An outstanding business with an exciting future ahead

Duncan Tait
Group Chief Executive



I am delighted to present my first review since succeeding to the Group CEO role in July 2020. My tenure began in the midst of the global COVID-19 pandemic, a time of significant challenge for the Group, our industry and the world at large, but I am pleased to confirm that I inherited a strong and sustainable business. This is reflected in our full-year results which, despite dynamic market conditions, were ahead of our recently revised expectations.

Before reviewing our performance in 2020 and setting out my thinking for the future direction of the business, I want to first pay tribute to my colleagues. Our performance in extremely testing times is down to their dedication and efforts. I could not be prouder to work with such talented people, who ensured that the business navigated the complexities of the global pandemic. As well as looking after our business, colleagues have delivered for their local communities, contributing crisis support by offering expertise and deploying resources at the peak of the pandemic.

The characteristics that attracted me to join Inchcape earlier in the year have only been reinforced by what I have seen. Our underlying strength is borne of a combination of factors including the diversity of our global markets, long-standing partnerships with many of the world's leading automotive manufacturers, unique business model, investment proposition and diverse and talented people.

These factors have enabled the business to deliver what I think is an outstanding result despite the challenges we faced. If we can perform like this under such challenging circumstances, we should be excited about what we can do in a more stable environment.

Performance

Clearly, the COVID-19 pandemic had a material impact on trading for a substantial period of the year, as markets experienced government mandated lockdowns. Despite the initial disruption however, we saw an improving trend towards

the end of the second quarter when some markets were able to partially reopen. The dynamism of the situation meant there was a balance of exposure to restrictions: whereas several of our operations in Latin America, for example, saw the most severe lockdowns, markets in Europe were able to remain partially open for servicing, and Hong Kong remained open and trading throughout the period.

From the beginning of the pandemic, we had a dedicated 'taskforce' to manage the risks we faced and report on our response. Business continuity measures were introduced and robust health and safety protocols put in place to ensure the protection of our customers and our people. Social distancing measures and PPE provision have helped to minimise the risk of exposure.

The situation was dynamic throughout 2020, and has continued to cause some disruption at the start of 2021 but I believe we are well prepared both from operational and liquidity standpoints.

I am delighted with the way in which our teams worked to find solutions to maintain a route to market for our OEMs, adapting practices to enable us to continue to serve our customers notably through accelerating rollout of 'click and collect', online and omni-channel services.

Revenues of £6.8bn for the year compare to £9.4bn in 2019, while we delivered profit before tax and exceptional items of £129m (vs £326m in 2019), the majority of which was generated in the second half. Cash management was exceptional throughout the year, but particularly shone through in the second half, clearly demonstrating the highly cash-generative nature of our business model.

The headline numbers mask the significant progress the Group made in 2020 including the successful execution of the largest cost-saving programme in our history, and a further rationalising of our retail footprint through selective divestment.

While 2020 will always be associated with COVID-19, a number of our markets were also significantly impacted by social unrest. For those within Inchcape it will be remembered as a year our business showcased its resilience, and took prompt, but tough, actions to make our platform leaner and fit for Distribution-focused growth.

Business development

I am pleased to report that, despite the considerable challenges presented by the pandemic, the Group continued to make good strategic progress on several fronts: expanding our portfolio representation for key OEM partners; rationalising our retail footprint in non-Distribution markets; further implementing new digital capability; and introducing business optimisation processes in sales and operations planning.

We expanded our representation of Daimler in the Americas during the year, completing the acquisition of Daimler Colombia and becoming, within the space of a few months, the second largest Daimler distributor in Latin America. This important build to the Daimler platform was then further enhanced with the addition of the contract for El Salvador later in the year. Towards the end of 2020, we also secured the distribution rights for MINI in Chile and both MINI and BMW Motorrad in Peru which we began operating in December. Central and South America has been the key focus for our

growth strategy and since 2016 we have progressed from representing one brand in two markets to our position at the end of 2020 in nine markets and a strong portfolio of premium, volume, commercial and electric vehicle (EV) focused brands.

We have also developed our position in Europe, agreeing a Distribution joint venture with Jaguar Land Rover in Poland, one of the largest available markets in the region. This consolidates our representation of the brand across territories in northern Europe, including all three Baltic states, and brings Poland into the Distribution segment where previously we had a Retail-only position in the market.

I am pleased to report that several key initiatives have seen significant developments over the year, particularly as we seek to build the most efficient and cost-effective Distribution platform for our automotive partners, one that will respond to the changing priorities of consumers and the challenges and opportunities presented by climate change.

Our focus is on optimising our business, creating an environment in which data-driven decision-making streamlines our processes and empowers our people by reducing laborious administrative tasks. Automating processes in Sales and Operations Planning (S&OP) enables more accurate stock forecasting so that we can manage our inventory much more efficiently. This is a model which combines faster, digitalised processes with human experience and expertise to create optimal stock levels and therefore also positively affecting working capital management, inventory obsolescence, storage costs and supporting gross margins.

Similarly, our Customer Lifecycle Management (CLM) programme combines the skills and capabilities of our people with integrated digital support platforms to provide our customers with an improved experience. With customer interactions increasingly taking place online further into the purchase process (even as far as 'click and collect'), our omni-channel platform allows customers to build the vehicle access experience that they want. Having initiated the programme in Melbourne, Australia, in the past year we have begun rolling out to our operations in South America, with staggered implementation planned in other markets.

Strategic priorities

The Ignite strategy has laid strong foundations for the Group and catalysed a shift towards the more attractive Distribution segment. As we embark on the next phase of the Group's journey, Distribution remains at the core of the business. In setting the future direction we have reflected on the structural changes taking place across the automotive industry, and how these provide opportunity across our core competencies as a distributor of mobility services in fast-growing markets.

We concluded that an ambitious Inchcape could benefit significantly from and thrive in this new world, one where we can both leverage our existing Distribution infrastructure and drive expansion across new markets and competencies.

Our new strategy will focus on two key growth pillars:

1. Distribution Excellence; and
2. Vehicle Lifecycle Services

In 'Distribution Excellence' we see an opportunity to take our core Distribution business, and make it both better and bigger. In 'Vehicle Lifecycle Services' we believe there is significant

untapped potential, across all of our markets, that the business has not fully realised in the past. In summary, we are putting more emphasis on capturing the lifetime value of both customers and vehicles. We will approach our growth in a prudent and structured manner, in close collaboration with our OEM partners.

We have identified three key enablers that will play an integral role in making our strategy a success:

- People, Culture and Capabilities: attracting, developing and retaining talent to enable a high performance innovation culture
- Digital, Data and Analytics: integrate data and analytics to drive decision-making, and digitalise customer journeys
- Efficient Scale Operations: standardisation of processes regionally and globally

We are confident this will drive growth within our current footprint and even faster expansion in new markets, with both existing and new partners.

As we look to define the future strategic direction of the business, so we have reviewed the role Inchcape plays in society and in this light we have defined our purpose:

"Bringing mobility to the world's communities – for today, for tomorrow and for the better"

In conjunction with the development of our mid-term plan, we are building a responsible business plan that is deeply connected to our strategy and to all of our stakeholders.

Inchcape is a strong business, with significant unrealised potential. With our strategy we are striving to create an excellent business, with meaningful growth opportunities to deliver shareholder value through organic growth, consolidation and cash returns.

READ MORE ABOUT OUR EVOLVING STRATEGY AND NEW PURPOSE ON PAGES 8-9

Our people

I would like to underscore how impressed I have been by our people, and to thank them for their dedication during a very challenging year. Our better than expected performance is credit in no small part to our people's spirit and can-do attitude.

Inchcape employs a diverse talent pool that will be a major asset in the context of our evolving strategy. This is a business that strongly believes in supporting people to grow in their careers, just as they contribute to the growth of the business. This approach will continue to drive how we attract, develop and retain talented individuals as we look to support the further development and implementation of the strategy.

Sector reclassification

Given the shift of the business towards Distribution, the London Stock Exchange reconsidered the appropriateness of Inchcape's sector classification. As of 19 June 2020, the Group has been classified within 'Business Support Services' (previously 'Speciality Retail').

Capital allocation

Our capital allocation policy remains unchanged and, in order, our priorities are: to invest in the business to position it strongly for the future; to make dividend payments; to conduct value-accretive M&A; and, in the absence of appropriate inorganic opportunities, consider share buyback programmes.

With a considerably strengthened financial position and renewed confidence in the future, the Board, having taken into account the extraordinary circumstances that the business endured during the year and a broad stakeholder perspective, believes it is the right time to resume dividends and has proposed a payment of 6.9p for FY2020.

Investment proposition

Distribution is at the core of Inchcape. Given our geographic footprint, with exposure to high growth markets and our diversified revenue streams, the Group aims to deliver global GDP-plus organic growth. The highly fragmented nature of Distribution also provides significant scope for inorganic expansion.

As the largest independent automotive distributor, we have a unique opportunity to leverage our scale and efficiencies, which we are doing today with our digital developments. In addition to its attractive growth prospects, the business is asset-light with a history of delivering a strong cash-conversion. Combined with a disciplined approach to capital allocation, we believe these should enable the Group to maintain its long track record of delivering attractive shareholder value.

Looking ahead

We are excited to be entering the next phase of the Group's Distribution focused growth strategy, with an emphasis on greater use of technology to improve our business for the benefit of our consumers, our OEMs and our people.

As of today, the COVID-19 situation remains dynamic. While we saw good momentum in the business in the second half, volatility and unpredictability are likely to continue throughout 2021. Our operations are better equipped to continue in this rapidly changing environment and we have materially reduced our cost base. Absent any severe restrictions in 2021, we expect material growth in profits and an improved operating margin. This takes account of a c.£15m translational currency headwind to Group profits based on prevailing rates.

Looking beyond the short term, our vision is to both strengthen and further broaden our OEM relationships and to continue to expand our geographic reach – enabling us to bring mobility to the world's communities.



Duncan Tait
Group Chief Executive

Our Group Executive Committee

The Executive leadership is a global team of business leaders that combines a strong focus on operational excellence with a wealth of experience in automotive and a wide range of other industries, including FMCG, management services, utilities and finance. The Executive Team drives the strategic vision and operational direction of the Company on behalf of the Board.



Duncan Tait
Group Chief Executive



Gijsbert de Zoeten
Chief Financial Officer



George Ashford
CEO APAC



Mike Bowers
Group General Counsel



James Breatley
CEO UK



Helen Cunningham
Chief Human Resources Officer



Ruslan Kinebas
CEO Americas & Africa



Mark Dearnley
Chief Digital Officer



Giannis Persianis
CEO Europe

During 2020 we welcomed four new Executive Officers to Inchcape, in addition to the appointment of our new Group CEO. This change has been driven by several factors including the reorganisation of our operational regions and the acceleration of our focus on digitalising the systems and processes that support the business.

Glaftos Persianis
CEO Europe



Glaftos joined Inchcape in April 2020 from Vodafone Group plc, where he most recently held the post of Commercial Director for the UK and was responsible for 9,000 colleagues and a turnover of €3.3bn.

Q: What is Inchcape doing to improve its use of analytics and how will this enable the business to maximise value in the customer and vehicle lifecycles?

A: Improving our data analytics capability at Inchcape will help drive better decision-making across our organisation, with the aim of improving our overall customer satisfaction, revenue and profitability. We're doing this through a pragmatic 'test and learn' approach where we apply advanced analytics and data science to specific 'use cases', which are prioritised based on the value they can bring to our markets and their ease of execution. Once deployed, use cases can easily be adapted and transferred across to other markets. Advanced analytics use cases touch all the steps of a customer's vehicle ownership lifecycle: driving more customer traffic to our web sites; better converting this website traffic into leads and sales; and improving the retention and value of our customers in aftersales and potential to purchase again. To enable this, we are establishing a global cloud-based advanced analytics and data management platform. And we are building central capability in data strategy, architecture, engineering and governance which is supported by local in-market resources for analytics deployment and operation.

Mark Dearnley
Chief Digital Officer



Formerly of Bain & Co, HMRC and the telecoms companies Vodafone Group plc and Cable & Wireless plc, Mark joined Inchcape in September 2020 to lead Inchcape's data and digital transformation.

Q: The business has signalled the importance of accelerating its digital capability – can you summarise what this means to Inchcape in practice?

A: Our customers expect a fully omni-channel experience from Inchcape and our retail partners. We are focused on developing and continually optimising the digital platforms that support customers, and making internal processes as efficient as possible. Advanced analytics are increasingly used to improve the customer experience and business performance, and cyber protections ensure everything remains safe.

This agenda means we can offer fantastic digital, analytics, technology and cyber careers in Inchcape. I'm passionate about developing our talent across the world, and really excited to have joined Inchcape to be part of this digitised future!

Helen Cunningham
Chief HR Officer



Having held executive HR and operational roles in multiple sectors, Helen joined Inchcape in 2016, initially in the UK and subsequently in the high-growth potential and M&A focused Emerging Markets and Americas & Africa regions before being appointed to the Executive team in October 2020.

Q: How will the refreshed strategy support Inchcape's continuing inorganic growth agenda, something with which you have been heavily involved in recent years?

A: The strategy refresh we are undertaking will underscore our commitment to developing a differentiated and market-leading Distribution business. Underpinning this will be world-class solutions in omni-channel customer experience and operational practice enabled by highly capable people. With this capability and by improving the economics of Distribution, we'll have the ability to win more business with both current and new OEM partners, and to buy more Distribution rights from competitors. Ultimately, we will be able to increase the size of our addressable market and the share of that market. Crucial to our long-term growth will be integrating acquired talent and attracting new talent to further enhance our capabilities, becoming a respected employer of choice in all our markets.

Mike Bowers
Group General Counsel



Mike joined Inchcape in 2015 as Group General Counsel, with responsibility for company secretarial, regulatory and compliance and the delivery of legal services across the Group. He is a UK qualified solicitor and legal professional with significant prior experience of in-house corporate legal roles.

Q: Inchcape is addressing its responsibility to society in a newly defined purpose. What lies behind this and how does responsible business enhance your investment proposition?

A: It is no longer enough for corporates to consider only the narrow, short-term interests of their shareholders; they need to think about those things that are important to each of their stakeholders including the communities of which they are a part. Society, through government, is increasingly asking corporates to act in ways that are responsible, and demonstrably sustainable, and to show how they are taking these matters into account in their strategy and their operating model. Our newly created purpose lays down a marker for the Company that we want to be in the future, provides a guiding light for our teams and will help our stakeholders better understand who we are: 'bringing mobility to the world's communities – for today, for tomorrow and for the better'.

Accelerating and evolving our business

Over the past five years, we have pursued a successful growth strategy under Ignite, one which has seen the Group grow from 26 to 34 markets and add new OEM partners to its Distribution portfolio. Our opportunity moving forward is to make our operating model genuinely scalable. Scalable in our core business of automotive Distribution. Scalable to capture more of the vehicle lifecycle.

In that time, we have developed new ways of reaching our customers and for them to access our services, via on- and offline channels and in combinations of both. We have initiated collaborations with key partners and moved quickly into testing how we can participate in new areas of private, shared and public mobility. We have developed playbooks of best practice to begin establishing a 'one Inchcape' way of doing things, from integrating acquisitions to implementing back-end platforms for our support functions. And we have participated in the consolidation of our industry through selective value-accretive M&A in both new and established markets with both new and established partners.

The successes we have seen with this strategy have come from a pursuit of growth and forward momentum. Now, with much of this growth-driving activity firmly embedded in the business, we are reviewing and refreshing our strategy to prepare for the next stage of our journey.

We start this journey in a good place with strong foundations in place to support our future goals. Our new strategic priorities will be delivered through a scalable, standardised and digital operating model driven by centres of excellence, while retaining our proximity to market. By embracing a one Inchcape way of working, and by building on our strong foundations through technological and data-led solutions, we have the opportunity to transform Inchcape into a business that is ready to maximise the opportunities in front of us now and to underpin our long-term sustainability.

Change is driving opportunity

Our world, our industry and our business are experiencing unprecedented change. This change represents an imperative in our existing markets, but also a once-in-a-generation opportunity for Inchcape to grow. This growth will come from three opportunities:

1. Generating more value from existing markets and customers through route to market transformation

Success in providing OEMs with an omni-channel route to market will mean we sell more goods and services to consumers while reducing the cost of taking a car to market for our partners.

2. Expanding into new and adjacent areas, capturing more value from our vehicles as well as others

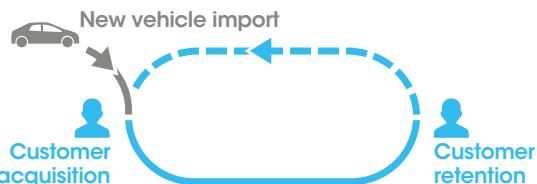
Adjacent markets like Used cars and parts are being disrupted. This provides opportunities for Inchcape to create new solutions or take proven solutions from other markets to capture a greater part of the vehicle value chain.

3. Using our core capabilities and market presence to expand and grow in new markets and with new partners

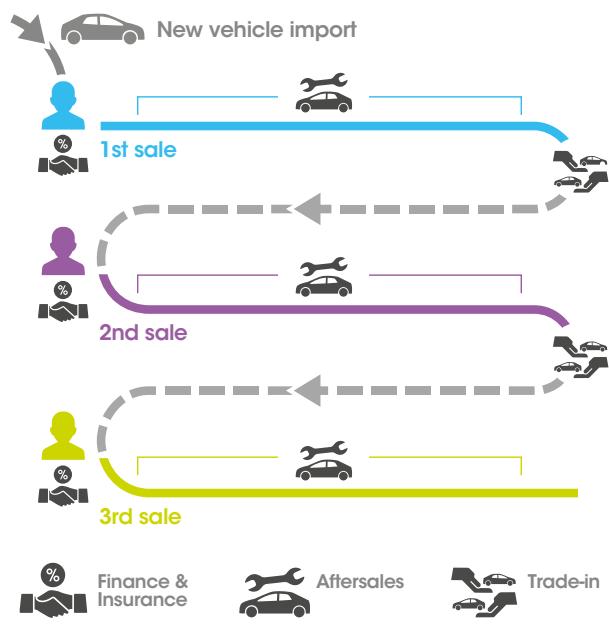
Manufacturers are now looking for partners in the markets they choose not to serve themselves, who have the scale to be able to exploit technology and data to deliver the omni-channel solution consumers are demanding.

Our growth opportunities

1. Generating more value from existing markets and customers by transforming our route to market and operational efficiency



2. Developing products and services to capture new sources of value throughout the vehicle and customer lifetime



3. Growing in new markets and with new partners by demonstrating the value we bring to OEMs



We must accelerate and evolve.

To realise these opportunities, we have identified two strategic priorities, supported by three enabling actions.

Priority #1: Transform our core business through Distribution Excellence

The urgent need to change our route to market model is well understood and already underway. We need to accelerate the speed and scale of our ambition to ensure we offer our OEM partners the omni-channel solution that serves the customer more effectively than they or a competitor can. The only way to do this is through a step-change in our digital capabilities, use of data and through the standardisation and relentless optimisation of our core processes.

This will provide the opportunity to expand our market presence and broaden our OEM partnerships.

Priority #2: Expand into new and adjacent Vehicle Lifecycle Services

The rise of digital business models in adjacent areas presents an opportunity for Inchcape to capture elements of the vehicle value chain currently under-exploited or not addressed. Digitalisation is removing barriers to entry and enabling competitors to create and scale businesses quickly. Inchcape's local market knowledge, access to digital capability and exposure to proven disruptive models in existing markets means that Inchcape has the right to play in these adjacencies, creating new revenue streams.

Enabler #1: Develop the People, Culture, and Capabilities we need to build on our core strengths of executional excellence and automotive knowledge and blend these with the digital, technological and process capabilities needed to succeed in the future.

Enabler #2: Use Digital, Data and Analytics to create the consumer experience relevant to each market based on data driven insights; make the business critical decisions that support efficient and effective execution using data; and ensure all of this data is totally secure.

Enabler #3: Develop Efficient Scale Operations to standardise our back office and core processes and apply 'one best way' to make us more efficient and more successful.

Our strategy

Focus on two priorities to realise these opportunities

Distribution Excellence

Vehicle Lifecycle Services

People, Culture and Capabilities

Digital, Data and Analytics

Efficient Scale Operations

We have clarified our purpose

Inchcape has a long and successful history of international trade based on a pioneering approach and spirit of innovation.

As a trading company, we have a strong track-record of successful expansion – developing new businesses in markets we know well and entering new geographies with familiar businesses.

Combined with considerable local freedom to innovate and pursue opportunities, these traits have grown Inchcape from its origins as a merchant trading company over two centuries ago to the international automotive services group we are today.

While the goods and services Inchcape provides have changed, our purpose retains this same pioneering spirit and ambitious global outlook:

Bringing mobility to the world's communities – for today, for tomorrow and for the better

Our purpose in more detail

Inchcape **brings** the mobility solutions provided by our automotive partners by providing the routes to market and access to customers through our Distribution and Retail expertise.

We enable access to a broad range of vehicles from passenger vehicles and motorbikes through to heavy trucks, commercial and municipal transport and we facilitate their continued use through Aftersales services. These products and services will evolve over time but our role and motivation to improve **mobility** for the customers and communities we work with will remain unchanged.

The brands we represent, the markets in which we operate and the customers we serve have unique characteristics. Borne of our heritage of trading throughout the world and embracing global diversity, Inchcape's ability to identify, understand and service the needs of our **communities** is one of our key strengths.

Our viability as an organisation is founded on how we perform **today** and how we embrace change and adapt to ensure our continued performance in the future. Inchcape has a rich history of surviving and thriving in our past; we aim to push into **tomorrow** with a continual focus on excellence and innovation.

For better has three meanings for Inchcape: capturing our pursuit of continuous improvement; reflecting our aspiration to be the trusted partner to OEMs; and outlining an ambition to achieve our goals while acting responsibly and sustainably for the benefit of all our stakeholders.

Our business model: OEM partnerships

Long-standing partner relationships

Inchcape has long-standing partnerships with the world's leading automotive groups, with a core focus on manufacturers of premium and volume passenger vehicles. In select markets we also represent commercial and agricultural vehicles and machinery as well as emergent passenger vehicle brands.

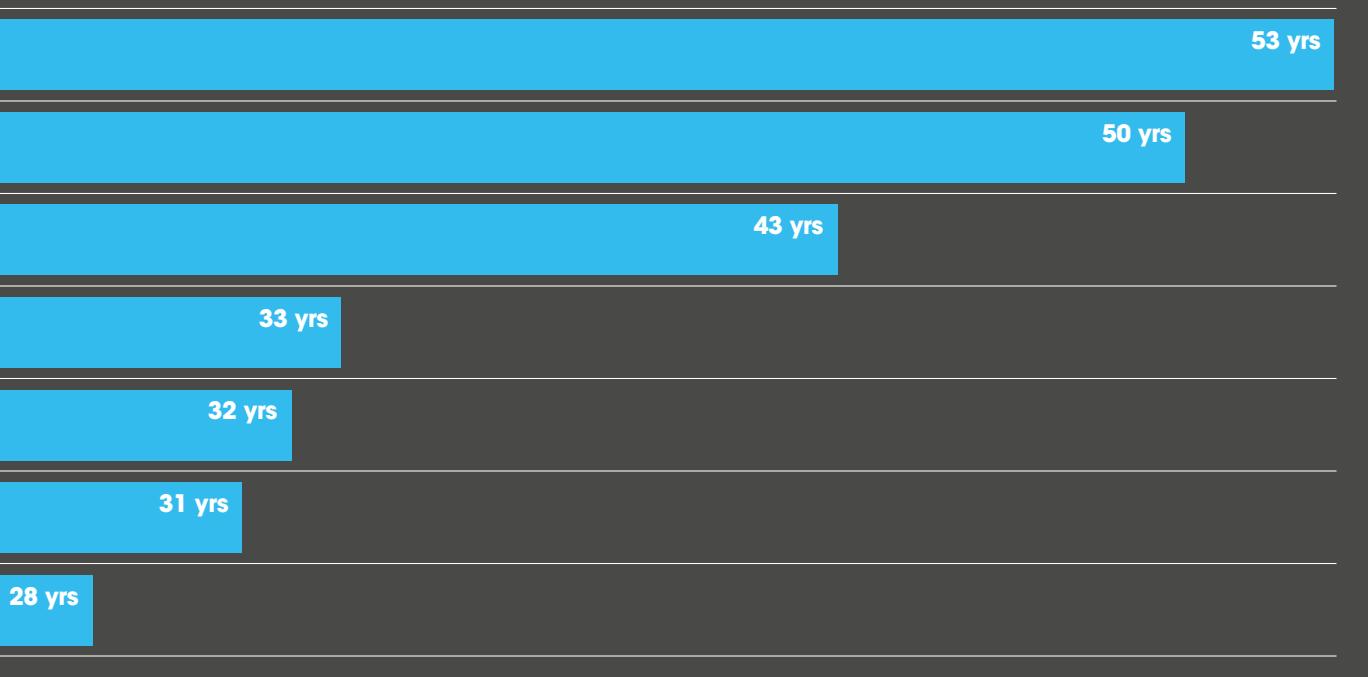
Seven core partnerships

We have long-standing relationships with each of our seven core OEM partners, the majority of which are built around exclusive Distribution contracts in multiple markets.

	Toyota
	Jaguar Land Rover
	Suzuki
	Mercedes-Benz
	Volkswagen
	BMW
	Subaru

<p>Passenger vehicle partners</p> <p>→</p>						
						
						
<p>Commercial vehicle partners</p> <p>→</p>						

The OEMs (original equipment manufacturers) with which Inchcape partners are some of the foremost drivers of technological innovation in the automotive industry, from advances in hybrid and battery electric drivetrains to future mobility solutions.



How we generate value

Our business model is unique in our industry, with our distinct routes to market and global footprint leveraged across the full Distribution value chain to deliver sustainable value to our stakeholders and superior returns to our shareholders. In the following pages, we explore our business model to demonstrate how we bring the best loved automotive brands to the world.

Our OEM partnerships

[SEE PAGE 10](#)

Our routes to market

[SEE PAGE 12](#)

Our value chain

[SEE PAGE 13](#)

Our global footprint

[SEE PAGE 17](#)

Delivering for our stakeholders

[SEE PAGE 18](#)

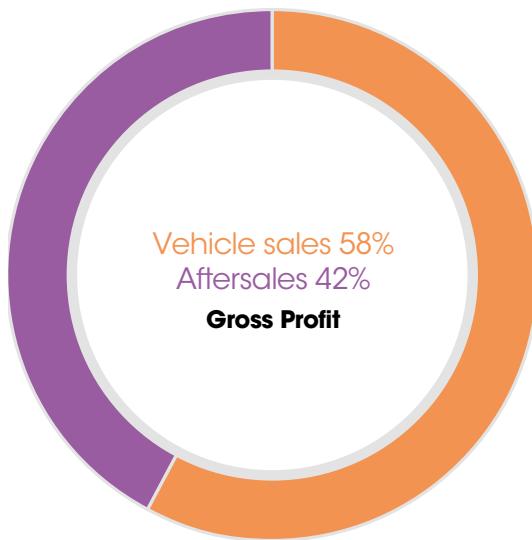
Our routes to market

Inchcape's organisational strength comes from a combination of parts that forms our business model: diversified revenue streams, our global portfolio of operations, our value chain, our stakeholders and how we engage them, our long-standing and deeply embedded brand partner relationships and our operating strategy.



Distinct routes to market

The Inchcape value chain spans both Distribution and Retail competencies, with a weighting towards higher margin Distribution contracts.

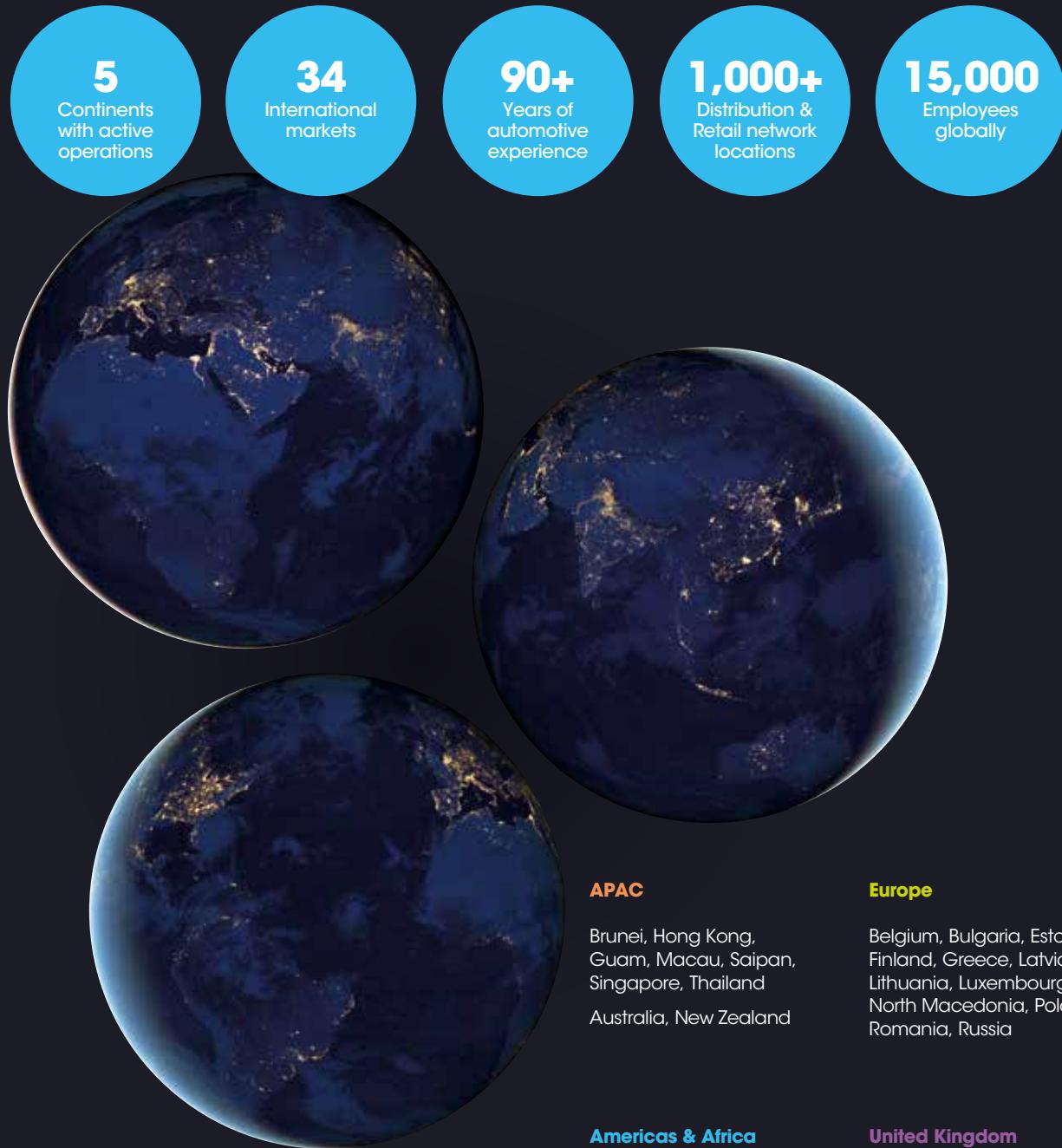


Diversified revenue streams

We have a balanced approach to revenue generation, maximising opportunities at all points in the value chain.

A growing global footprint

An independent, multi-brand automotive Distributor and Retailer with operations that span countries on five continents. A balanced and diverse portfolio of both mature and emerging markets to provide access and in-country expertise for some of the world's leading automotive manufacturers.



Our business is segmented in four regions along geographical lines:

Asia Pacific (APAC)

Americas & Africa

Europe

United Kingdom

Full spectrum Distribution

We have a unique and sustainable business model, providing full-spectrum Distribution capability for our OEM partners, operating throughout the value chain.

Acting as custodians of some of the world's most recognisable brands, we provide automotive manufacturers with a highly effective route to market and a vital link between the brand and the customer.

Product planning

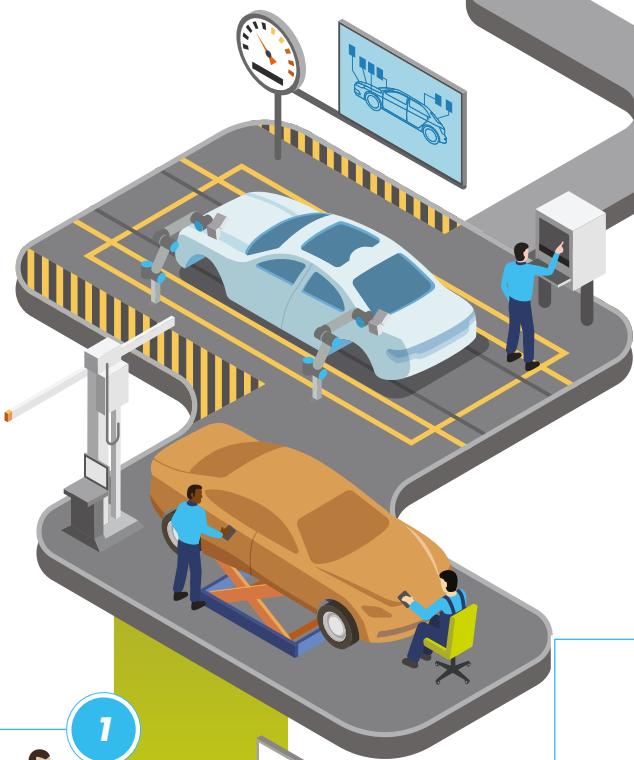
Our brand partners call upon our local market insights to inform the planning and design of new models, tailoring designs, specifications and sales volumes to the exacting needs of each market.

Brand positioning

With specialist understanding of the markets in which we operate, we are ideally placed to develop brand propositions that will resonate with local consumers, maximising brand penetration and market share positions on behalf of our partners.



2



1



3

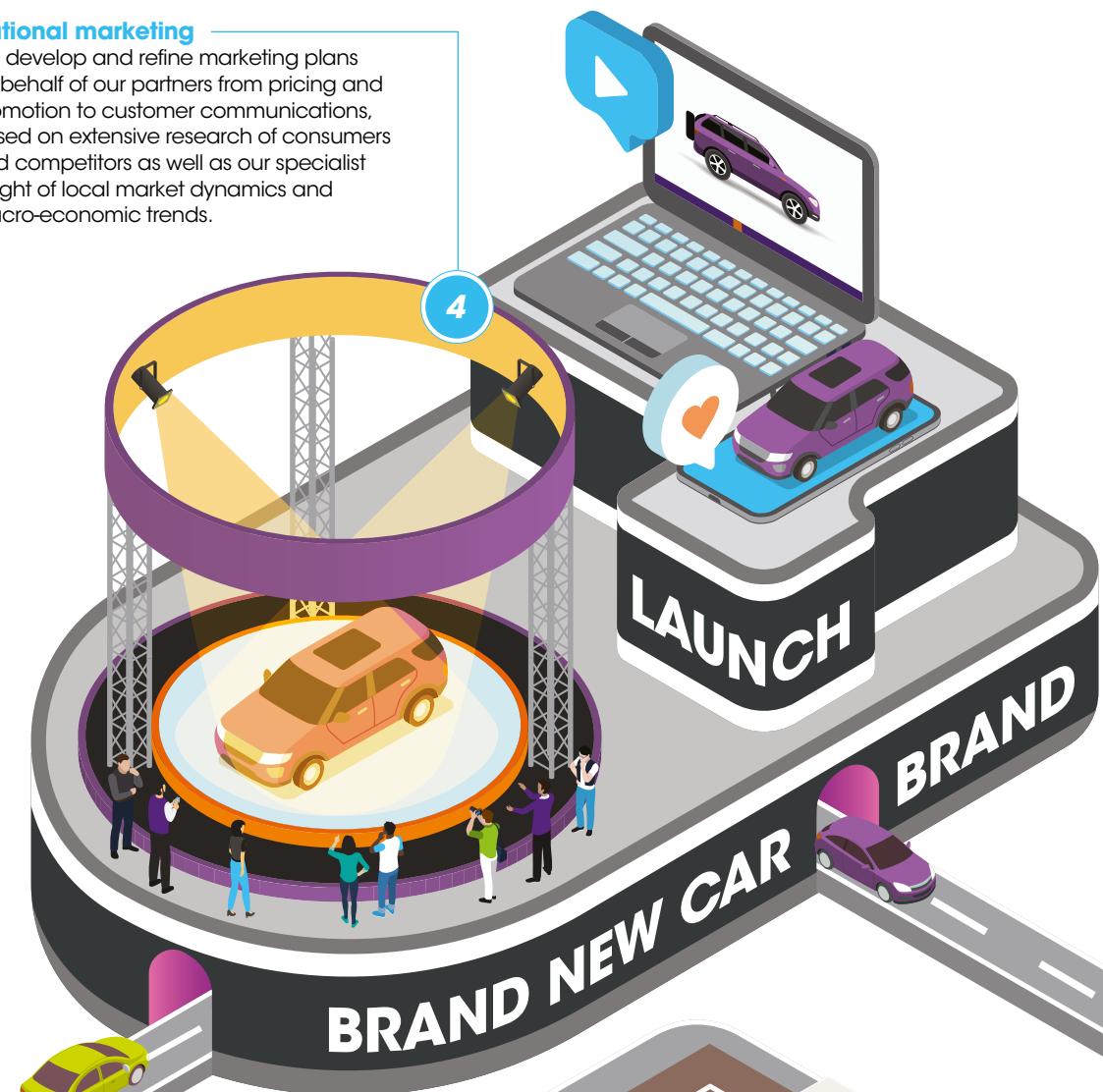


Import & logistics

Overseeing global transport and operating comprehensive port or border to showroom connections means that we are able to remove all logistical burdens from our partners.

National marketing

We develop and refine marketing plans on behalf of our partners from pricing and promotion to customer communications, based on extensive research of consumers and competitors as well as our specialist insight of local market dynamics and macro-economic trends.



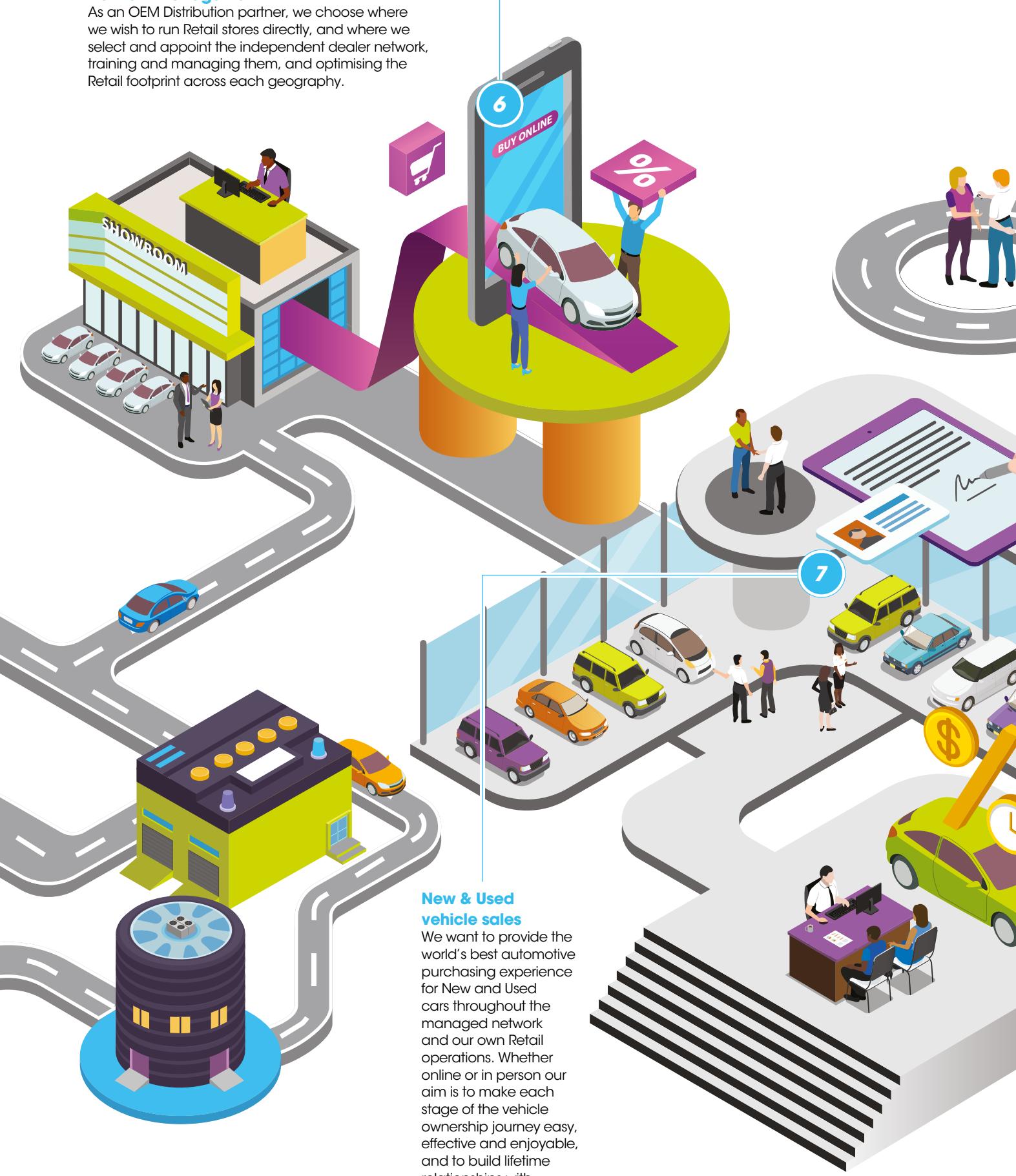
Parts distribution

With strong brand relationships, specialist Distribution capabilities and Retail networks, Inchcape is a trusted supplier of original equipment manufacturer parts and accessories throughout any given market.



Network management

As an OEM Distribution partner, we choose where we wish to run Retail stores directly, and where we select and appoint the independent dealer network, training and managing them, and optimising the Retail footprint across each geography.



Aftersales and servicing

With long-term investments in state-of-the-art facilities, expert technicians and first-class customer care, our objective is to create life-long Inchcape customers for all their Aftersales needs, from routine servicing to accident repair.

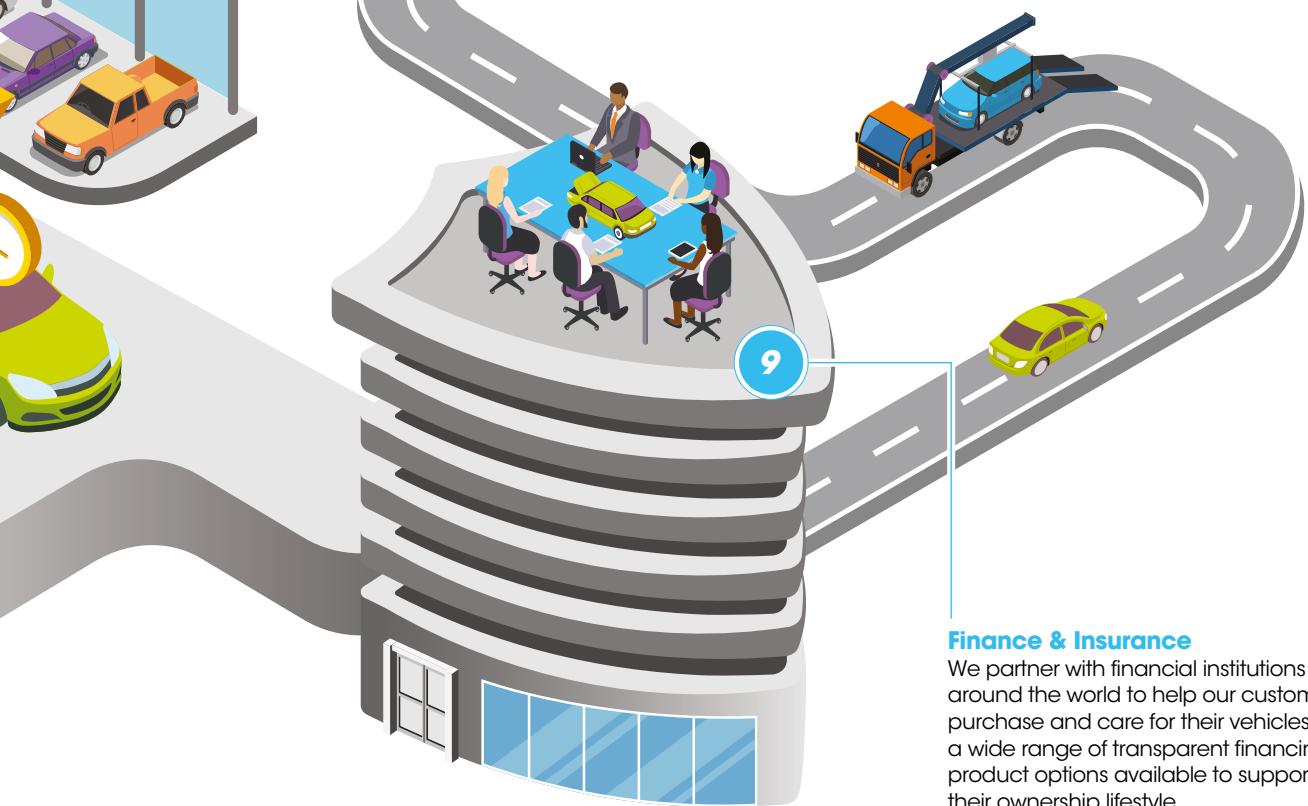
8



9

Finance & Insurance

We partner with financial institutions around the world to help our customers purchase and care for their vehicles with a wide range of transparent financing product options available to support their ownership lifestyle.



Stakeholder engagement

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.

Stakeholder	How we create value	Interests
Original Equipment Manufacturers (OEMs)	We provide our OEM brand partners with professional and efficient routes to market for the post-factory automotive chain	<ul style="list-style-type: none"> - Strategy - Long-term commercial sustainability and business viability - Trusted partnerships - Health and safety - Responsibility
		
Customers	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	<ul style="list-style-type: none"> - 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)
		
Employees	We aim to enable every colleague to achieve their personal goals at each stage of the employee journey; to recognise and develop talent; and to foster a socially conscious culture based on inclusion, empowerment and optimised potential through learning	<ul style="list-style-type: none"> - Reward, training and development, diversity and inclusion - Strong approach to health and safety – duty of care - Strategy - Company purpose - Long-term commercial sustainability - Security of employment stemming from business viability - Responsible employer
		
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 buyback	<ul style="list-style-type: none"> - Strategy - Long-term commercial sustainability and business viability - Company purpose - Capital allocation - Financial returns and strength of balance sheet - Investment in responsible business
		
Communities	We have a balanced approach to engagement with the communities in which we operate, empowering ownership at local level with structural support from Group	<ul style="list-style-type: none"> - Local employment - Health and safety, including local environmental concerns e.g. waste disposal - Support of local communities - Responsible approach to local law and regulations
		

In order to fully understand the interests of key stakeholders, the Board will engage either directly, for example a shareholder consultation on the Remuneration Policy, or indirectly, for example by considering the results of an employee consultation carried out by management.

How we engage	Outcomes and progress
Management <ul style="list-style-type: none"> – Regular top to top executive management meetings – Market level operational meetings – Pan-market brand development Board <ul style="list-style-type: none"> – Brand partner deep dive review annually – Presentations from OEM management at Strategy Day 	New distribution agreement with JLR in Poland, the first such contract for Inchcape in this market Distribution agreements with Daimler in Colombia and El Salvador, enhancing the new contracts with the OEM established in the Americas in 2019 Partnerships with Toyota in Singapore and Belgium to offer financial products to customers New Distribution contracts for MINI in Chile and for MINI and BMW Motorrad in Peru
Management <ul style="list-style-type: none"> – Daily reporting of customer feedback on reputation.com – Analysis of Salesforce customer journey management platform – Ongoing surveys at market level Board <ul style="list-style-type: none"> – Update on the customer satisfaction analytics from reputation.com at each meeting 	Customer omni-channel platform rolled out to all Subaru markets in South America Reputation.com: Total reviews in 2020: 35,748 <ul style="list-style-type: none"> – 89% of reviews positive – 3% of reviews neutral – 8% of reviews negative 71% of reviews included customer comments
Management <ul style="list-style-type: none"> – Management visits to sites – Pulse survey carried out against backdrop of COVID-19 and its impact on the business covering: <ul style="list-style-type: none"> – Impact on individual and their wellbeing – Communication – Leadership and management – Ways of working – Performance management framework (DRIVE5) – Employee intranet and Hive Learning collaborative platform provide two-way communications capability Group-wide Board <ul style="list-style-type: none"> – Reviews outcomes of engagement surveys and action plans prepared by management – UK pension consultation 	<ul style="list-style-type: none"> – Total employee experience increased from 59% to 64% – Overall satisfaction increased from 61% to 70% – 74% of employees think the Company has acted responsibly – 85% would recommend working at Inchcape – An 8% decrease in response rate which may be attributed to number of employees on furlough – 23 countries completed roll out of minimum three Risk Management Programmes – Health, Safety & Environment (HSE) system rolled out in 17 languages – Measurement of attrition Colleague communications frequency and content enhanced to drive better engagement during period of extreme challenge for individuals ‘Together in Spirit’ colleague video campaign emphasising a united global community Leadership communications framework established to improve top-down visibility including management townhalls and regular videos from Group CEO New UK pension scheme introduced, See page 60 for further details
Management <ul style="list-style-type: none"> – Regular dialogue with institutional investors – Webcasts – Annual Report and plc website – Capital Markets Day Board <ul style="list-style-type: none"> – AGM – Shareholder consultation – Chairman one to one meetings 	During the year a mixture of virtual and physical meetings were held with shareholders representing approx. 60% of issued share capital Votes from shareholders representing 88% of share capital at the 2020 AGM Upon the announcement of a new CEO, the Chairman contacted shareholders to discuss the appointment During his first few weeks with the Group, Duncan Tait met with a number of key shareholders representing 35% of share capital
Management Market-specific activity co-ordinated at local level Group-level support for extraordinary events affecting our market communities Board Updates on community activities included in regional market updates from CEOs	Around 15,000 people employed in 34 countries Strong levels of local community involvement reinforced during pandemic with support initiatives. See page 39 for further details

Toyota Motor Corporation

Our partnership with Toyota is the longest in our portfolio, with 53 years of representation as a distributor in geographies that reach from South East Asia to East Africa and from Europe to the Americas. Our partnership with TMC includes all variations of our business model – Distribution with exclusive Retail, such as in Hong Kong and Singapore; Distribution with a managed Retail network, such as Greece; and Retail only, such as our operations in the UK. The partnership also extends to both passenger and commercial vehicles, with which segment we have expanded more recently in South America.

Locations

Distribution

Belgium, Brunei, Bulgaria, Djibouti, Ethiopia, Greece, Guam, Hong Kong, Luxembourg, Macau, North Macedonia, Romania, Saipan, Singapore

Chile & Colombia (Hino only)

Retail

Russia, UK



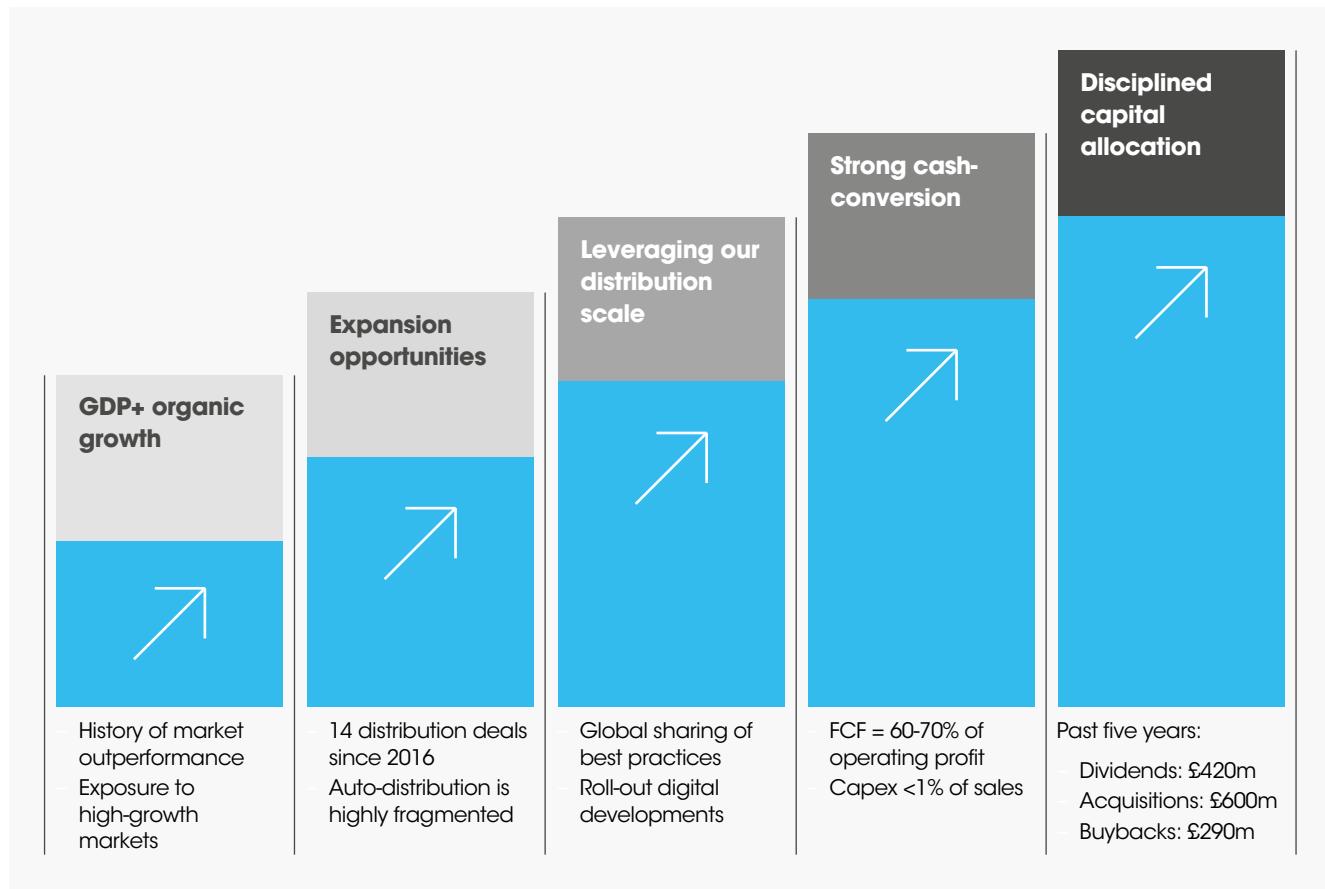
EXPERIENCE AMAZING



Our investment proposition

Growth and cash returns

Well positioned to deliver shareholder value through organic growth, consolidation and cash returns.



Continued consolidation in a fragmented market will create value		
Strategy		Sustainable business model
<ul style="list-style-type: none"> - Growth of existing Distribution markets expected to exceed global new car volumes - Driving innovation and optimising our processes to create the best conditions for growth in new markets 	<ul style="list-style-type: none"> - Highly fragmented industry - Inchcape is the largest global independent distributor - Inchcape has a 1% share of the addressable market of Distribution-led regions (c.14m TIV, 20% of global total) and envisages significant opportunity 	<ul style="list-style-type: none"> - Strong, long-term partnerships with OEMs - Strong track record of value creation - Investing for the future and to be the best



Subaru Corporation

Inchcape's Distribution partnership with Subaru is one of the most important in our portfolio and an example of the close collaboration between the Group and our brand partners. We distribute and operate the brand in Australia, maintaining Subaru's highest share globally in that market. Subaru was the OEM brand central to our first significant expansion in South America in 2016 which has helped to create a platform for further growth in the region.

Locations

Distribution

Argentina, Australia, Chile, Colombia, New Zealand, Peru



A strong position to grow the business

Inchcape has a disciplined capital allocation policy. We have a strong balance sheet and a highly cash generative business model. This results in excess free cash post investment in organic capex and payment of dividends. We look to utilise this strong position to grow the business inorganically, investing in value accretive acquisitions that will ensure longer-term growth of the business and value for shareholders. Beyond this we will look to return any excess cash to shareholders through share buybacks.

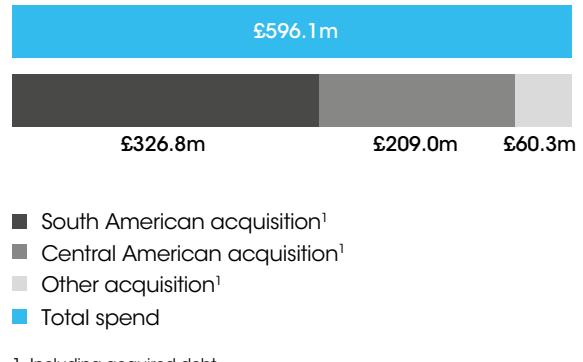
Cash utilisation priorities



Cumulative cash returns to shareholders

2011	£47m	£47m
2012	£146m	£146m
2013	£222m	£50m
2014	£303m	£150m
2015	£394m	£241m
2016	£485m	£349m
2017	£587m	£399m
2018	£702m	£399m
2019	£813m	£499m
2020	£813m	£531m

Acquisition spend since 2016



1. Including acquired debt

■ Dividends (cumulative) ■ Share buyback (cumulative)

1. In response to COVID-19, the Board cancelled the 2019 final dividend (£70m), and share buyback programme (£31m complete, £119m remaining).

2. Dividends and share buyback rounded to nearest £m.

Dividend strategy

- Target 40% annual payout ratio of basic adjusted EPS (pre exceptions).

- Interim dividend set at 1/3 of the prior year's total DPS.



BMW Group

Our partnership with BMW Group is over 30 years strong and has been a key focus for consolidated growth, especially in the Baltic region where we now represent the brand in all three countries: Estonia, Latvia and Lithuania. In 2020 we were awarded the Distribution contracts for MINI in Chile and for MINI and BMW Motorrad (the brand's motorcycle division) in Peru, consolidating our position in those markets. As well as holding Distribution contracts in South America, we also have significant operations of BMW Group's brands in our Retail-only markets: UK, Poland and Russia.

Locations

Distribution

Chile, Estonia, Guam, Kenya, Latvia, Lithuania, Peru

Retail

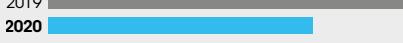
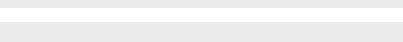
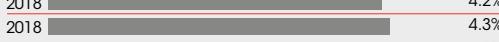
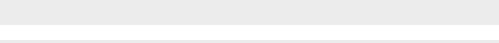
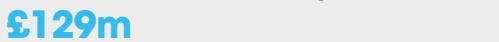
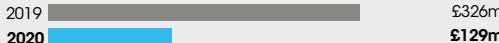
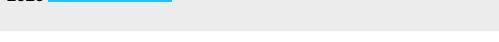
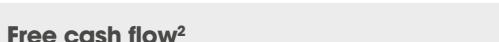
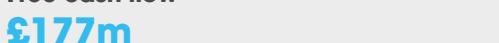
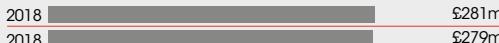
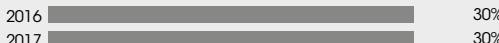
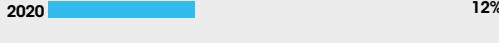
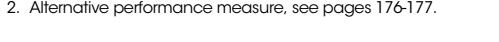
Poland, Russia, UK



Key performance indicators

Measuring progress

KPIs provide insight into how the Board and Executive Committee 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 176-177 provide definitions of key performance indicators and other alternative performance measures.

Revenue	Definition	Why we measure	2020 performance
£6.8bn 2019: £9.4bn	Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.	Top-line growth is a key financial measure of success.	The Group has delivered £6.8bn, down 19% organically and down 27% reported versus prior year. The decline reflects the impact of COVID-19, and a strategic reduction of our Retail exposure.
2016  £7.8bn			
2017  £9.0bn			
2018  £9.3bn			
2019  £9.4bn			
2020  £6.8bn			
Operating margin ²	Definition	Why we measure	2020 performance
2.4% 2019: 4.0%	Operating profit (before exceptional items) divided by sales.	A key metric of operational efficiency, ensuring that we are leveraging our scale to translate sales growth to profit.	Operating margin at 2.4% is 160bps lower than the operating margin achieved in 2019, reflecting the disruption from COVID-19.
2016  4.6%			
2017  4.5%			
2018  4.2% ¹			
2018  4.3% ¹			
2019  4.0%			
2020  2.4%			
Profit before tax and exceptional items ²	Definition	Why we measure	2020 performance
£129m 2019: £326m	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.	A key driver of delivering sustainable and growing earnings to shareholders.	In 2020 this decreased 61% to £129m, as profits were weighed down by the material impact of COVID-19 on the Group's performance.
2016  £349m			
2017  £382m			
2018  £357m ¹			
2018  £351m ¹			
2019  £326m			
2020  £129m			
Free cash flow ²	Definition	Why we measure	2020 performance
£177m 2019: £213m	Net cash flows from operating activities, before exceptional cash flows, less net capital expenditure and dividends paid to non-controlling interests.	A key driver of the Group's ability to fund inorganic growth and to make distributions to shareholders.	The Group delivered free cash flow (FCF) of £177m, a 17% decrease on 2019. FCF resilience is testament to the effective management of our working capital, and the inherently cash generative nature of our business model.
2016  £191m			
2017  £314m			
2018  £281m ¹			
2018  £279m ¹			
2019  £213m			
2020  £177m			
Return on capital employed ²	Definition	Why we measure	2020 performance
12% 2019: 22%	Operating profit (before exceptional 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.	The Group's ROCE dropped to 12%, reflecting the deterioration of our profitability.
2016  30%			
2017  30%			
2018  28% ¹			
2018  22% ¹			
2019  22%			
2020  12%			

1. 2018 and 2019 are not comparable with prior years due to adoption of IFRS 16.

2. Alternative performance measure, see pages 176-177.

Resilience evidenced through turbulent times, business well-placed for the opportunities ahead

Gijsbert de Zoeten
Chief Financial Officer



I am pleased to present the Group's Operating and Financial Review for 2020, a year of unprecedented challenge but one which also demonstrated the defensive qualities of the business.

We delivered a robust performance in the face of the challenges resulting from the COVID-19 pandemic. This time last year, nobody could have predicted the duration or scale of the pandemic, still less the impact it would have on business activity across all 34 markets where we operate. It is a testimony to the resilience of our diverse business, and all of our people, that we finished the year with results ahead of recently upgraded expectations. Our performance was underpinned by our ability to meet the resilient demand for both Vehicles and Aftersales services across our markets, in particular during the second half.

Key performance indicators

Our results are stated at actual rates of exchange. However, to enhance comparability we also present year-on-year changes in sales and operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Unless otherwise stated, changes are expressed in constant currency and figures are stated before exceptional items.

	2020	2019	% change reported	% change constant FX ¹	% change organic ²
Key financials					
Revenue	£6,838m	£9,380m	(27)%	(25)%	(19)%
Operating profit (pre exceptional) ¹	£166m	£373m	(56)%	(54)%	
Operating margin ¹	2.4%	4.0%	(160)bps	(150)bps	
Profit before tax (pre exceptional) ¹	£129m	£326m	(61)%	(59)%	
Basic EPS (pre exceptional) ¹	23.6p	59.9p	(61)%		
Dividend per share	6.9p	8.9p	(22)%		
Free cash flow ¹	£177m	£213m	(17)%		
Statutory financials					
Operating (loss) / profit	£(92)m	£449m			
(Loss) / Profit before tax	£(128)m	£402m			
Basic EPS	(35.6)p	79.0p			

1. These measures are alternative performance measures, see pages 176-177.

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

This was supported by our ability to continue delivering vehicles, provide a click-and-collect service, and to continue to perform Aftersales services in affected markets. We also implemented a cost-restructuring programme, targeting £90m of overheads reduction which is now substantially complete. These cost-mitigation measures have helped not only to support profitability during the year but created a leaner and stronger overhead base for 2021.

In spite of the operational challenges, our absolute focus on cash management contributed to the strong FCF result. We worked in collaboration with our OEM partners, managing our inventory levels and financing terms, and maintained a heightened level of working capital discipline across all markets. Supported by our highly cash generative business model, our overall financial position has strengthened further, and we closed the year in a net cash position of £266m. Against the backdrop of an improving trading performance and strong cash generation, we have announced our intention to recommence dividend payments and the Board has recommended a final dividend of 6.9p for 2020.

As we enter the next phase of the Group's growth strategy, our robust financial position and disciplined approach to capital allocation will ensure that the business is well-placed to leverage the many opportunities that lie ahead. It is an exciting journey that we are embarking on and one which will deliver benefits to all our stakeholders.

Gijsbert de Zoeten

CONTINUES ON PAGE 28



Jaguar Land Rover

Inchcape and Jaguar Land Rover's partnership is one of very long standing, reaching back around 50 years in total. We have continued our JLR growth story right up to the present day, with Distribution contracts awarded for Thailand in 2016, Colombia and Kenya in 2018, and in 2020 we were awarded our first Distribution contract in Poland with JLR. We now represent Jaguar and Land Rover as either a distributor or retailer in 12 markets on three continents.

Locations

Distribution

Colombia, Estonia, Finland, Hong Kong, Latvia, Lithuania, Kenya, Macau, Poland, Thailand

Retail

Russia, UK



Performance review

2020 was a year with three distinct periods. We made an encouraging start to the year but our operations were then materially impacted in Q2 by COVID-19. While several markets faced disruption in the second half, overall we observed an improving trend across our New, Used and Aftersales revenue streams. The trends we saw reflected to a certain extent pent-up demand, but also less stringent lockdown conditions – with Aftersales allowed to remain open, our ability to deliver vehicles to customers, and the offer of click-and-collect services.

Over the course of the year, the Group generated revenue of £6.8bn, operating profit pre-exceptionals of £166m and free cash flow of £177m.

Group revenue of £6.8bn was down 27% year-on-year reported and 25% in constant currency. During the period we disposed of several retail businesses, which further reduced our Retail revenue exposure. We completed four Distribution deals, most notably the acquisition of Daimler's Distribution business in Colombia, and the addition of the JLR Distribution contract in Poland.

On an organic basis revenue declined 19% in 2020, as most of our markets were weighed down by COVID-19. While the spread of the virus continued to cause disruption, our organic performance improved in the second half, falling 9% compared to the 29% decline in the first half.

The Group delivered an operating profit before exceptional items of £166m, down 56% year-on-year reported and 54% in constant currency. The decline reflects the profits lost as COVID-19 caused disruption to our operations across the globe. This was evident in the 120bps contraction of Group gross margins in the first half. In the second half, while our operations continued to be impacted, albeit to a lesser extent, gross margins remained stable. As a direct response to COVID-19, the Group took prompt action to reduce discretionary costs (e.g. marketing, office, travel), the Board / senior management took a 20% reduction in fees / salary in the second quarter and we accessed government support schemes in the first half in some markets (predominantly the UK). Subsequently, at the start of the third quarter we implemented a cost-restructuring programme – targeting £90m of overheads reduction – which is now substantially complete. These cost-mitigation measures have helped support profitability during the year and created a leaner overhead base for 2021. During the second half, the Board took the decision not to claim further government support in respect of the period from July onwards.

Profit before tax and exceptional items of £129m is down 61% year-on-year reported and 59% in constant currency. The decline in absolute terms is slightly below that observed at the operating profit level, owing to a lower (£10m) interest charge versus the prior year. This is a result of a combination of lower interest rates and strict inventory discipline, which reduced the related interest expenses.

During the period we booked exceptional charges of £257m, largely non-cash and primarily due to the impact of COVID-19. The majority (£223m) of this relates to goodwill and site impairments. As a result, the reported loss before tax was £128m, compared to a profit before tax of £402m in 2019 – which was supported by gains on disposal of our Retail assets.

In spite of the operational challenges our free cash flow (FCF) generation remained extremely resilient, with £177m (2019: £213m) generated over the 12 month period – this represents a conversion of 107% (57% in 2019), significantly higher than the long-term average of 60-70%. While operating profit pre-exceptionals was significantly lower, we mitigated this by a number of measures resulting in a meaningful improvement in the Group's working capital position, a more disciplined approach to capital expenditure programmes, and reduced tax and interest payments.

Other notable elements of the cash flow bridge include: net acquisitions and disposals, which amounted to an inflow of £40m (acquisition of Daimler Colombia offset by proceeds from Retail disposals), share buybacks (£31m of the £150m was completed prior to termination) and the cancellation of the 2019 final dividend in response to COVID-19.

The Group closed the reporting period in a net cash position of £266m (excluding lease liabilities), which compares to £103m at the end of December 2019, and £89m as at 30 June 2020. On an IFRS 16 basis (including lease liabilities), we ended the period with net debt of £67m (2019: £250m).

Return on capital employed over the period was 12%, compared to 22% for the equivalent period last year. The decline was driven by the steep reduction in profits.

Fourth quarter 2020

Group revenue for the fourth quarter was £1.9bn, down 16% reported. On an organic basis, revenue fell 9%, compared to a decline of 10% in Q3.

In Distribution, revenue contracted 13%, organically, following a 21% decline in Q3. Topline performance improved sequentially across most regions, with Asia, Australasia and the Americas all posting their highest quarterly growth rate since Q1. Revenue in Europe was held back by further COVID-19 related restrictions in Belgium, Greece and Romania, while Africa was solid in the context of a high prior year comparator.

In Retail, revenue contracted 2% organically (Q3: +5%; supported by the bounce-back) as a second lockdown in the UK weighed on sales. While the restrictions impacted performance, the deterioration was less pronounced than we experienced during the first lockdown, as we were able to continue delivering vehicles and permitted to perform Aftersales services.

Distribution

The Distribution segment saw revenue down 21% year-on-year, with performance significantly impacted by the spread of COVID-19 from March onwards. While the topline trend improved in the second half, with fewer and less severe closures, several markets continued to face disruption. In addition to our operational improvements, our cost-mitigation measures supported the overall result, particularly in the second half, culminating in an operating profit of £140m (2019: £333m). The operating margin fell 310bps to 3.7%.

	2020 £m	2019 £m	% change reported	% change constant FX	% change organic
Revenue					
Asia	1,026.6	1,522.5	(33)%	(32)%	(32)%
Australasia	876.0	1,070.9	(18)%	(17)%	(17)%
APAC	1,902.6	2,593.4	(27)%	(26)%	(26)%
Europe	1,120.2	1,329.6	(16)%	(17)%	(17)%
Americas & Africa	797.1	993.5	(20)%	(13)%	(24)%
Total Distribution	3,819.9	4,916.5	(22)%	(21)%	(23)%
Operating profit¹					
Asia	78.8	168.7	(53)%	(53)%	
Australasia	1.2	58.0	(98)%	(98)%	
APAC	80.0	226.7	(65)%	(64)%	
Europe	25.3	41.7	(39)%	(40)%	
Americas & Africa	34.4	65.0	(47)%	(42)%	
Total Distribution	139.7	333.4	(58)%	(57)%	
Operating margin					
Asia	7.7%	11.1%	(340)bps	(340)bps	
Australasia	0.1%	5.4%	(530)bps	(530)bps	
APAC	4.2%	8.7%	(450)bps	(450)bps	
Europe	2.3%	3.1%	(80)bps	(80)bps	
Americas & Africa	4.3%	6.5%	(220)bps	(210)bps	
Total Distribution	3.7%	6.8%	(310)bps	(310)bps	

1. Operating profit stated pre-exceptionals.

- **Asia** revenue contracted 32%, and operating profit¹ was down 53%. We expected 2020 would be a challenging year in Asia prior to COVID-19, forecasting volumes in both Singapore and Hong Kong would decline 25% and 20%, respectively. The spread of the virus exacerbated this decline, weighing on performance in all markets. Singapore endured a prolonged closure from early April to mid-June (resulting in the suspension of vehicle licence auctions), and upon reopening the government announced it would phase missed licences over a 12 month period – as such the number of vehicle licences available in 2021 is expected to exceed 2020. While our operations in Hong Kong remained open, demand was clearly subdued, albeit we observed an improving trend in the second half. In spite of the challenges, we retained our triple crown status (for being the number one in passenger cars, commercial vehicles and in the market as a whole) in both Singapore and Hong Kong.
- **Australasia** revenue contracted 17%, and operating profit¹ was down 98%. It was the only region to see a weaker revenue trend and margin result in the second half compared to the first half. Having remained open throughout the first half, COVID-19 related restrictions impacted the Australian operations in the third quarter. Profitability was substantially lower as gross margins came under pressure owing to lower volumes and competitive pressures, but also unfavourable currency effects. The transactional currency (AUD:JPY) headwind in the period was c.£15m. The launch of the new Outback (one of Subaru's most popular models) in the first quarter of this year should support the brand's market share performance in 2021.
- **Europe** revenue contracted 17%, and operating profit¹ was down 40%. It was the first of our regions to face widespread COVID-19 enforced market closures, starting in mid-March

and peaking in April. All impacted markets had reopened in May, although several markets did face subsequent restrictions following a second wave of the virus in the fourth quarter. While the environment was competitive, we gained market share across a number of markets in the second half. The launch of the new Toyota Yaris, an extremely popular model in several of our European markets, should drive further outperformance in 2021.

- **Americas & Africa** revenue contracted 13%, and operating profit¹ was down 42%. Geographic diversification meant that there were some pockets of good performance that helped offset challenges elsewhere. The Americas was hardest hit in terms of number of our markets forced to close, as governments tried to control the spread of the virus. This weighed heavily during the first half, but as markets began to reopen we noticed a meaningful improvement. In Africa, our operations remained open throughout the year with limited impact from COVID-19 and consequently made a significant contribution to the segment's operating profit. All markets remained open throughout the fourth quarter, and it was the strongest quarter for the region. Looking ahead, given the low penetration of vehicles per capita in the Americas & Africa region, we are optimistic about the growth prospects over the medium and long term.

Retail

The Retail segment saw revenue down 30% year-on-year, or down 14% on an organic basis (adjusting for the Retail disposals over the period). Prolonged shutdowns in both UK and Russia in the first half weighed heavily on sales, although demand proved to be more resilient in the second half. Operating profit¹ in the second half was supported by gross margin improvement and our cost-mitigation measures, resulting in a profit of £26m for the year compared to £40m in 2019. The operating margin improved in the second half, finishing the year flat overall.

	2020 £m	2019 £m	% change reported	% change constant FX	% change organic
Revenue					
Asia	-	159.5	(100)%	(100)%	
Australasia	9.4	272.0	(97)%	(96)%	
APAC	9.4	431.5	(98)%	(98)%	
UK & Europe	3,008.5	4,031.7	(25)%	(23)%	(15)%
Total Retail	3,017.9	4,463.2	(32)%	(30)%	(14)%

Operating profit¹

Asia	-	8.7	(100)%	(100)%
Australasia	0.4	(1.2)	nmf ²	nmf ²
APAC	0.4	7.5	(94)%	(95)%
UK & Europe	25.4	32.2	(21)%	(15)%
Total Retail	25.8	39.7	(35)%	(31)%

Operating margin

Asia	-	5.4%	n/a	n/a
Australasia	4.3%	(0.4)%	nmf ²	nmf ²
APAC	4.3%	1.7%	nmf ²	nmf ²
UK & Europe	0.8%	0.8%	0bps	0bps
Total Retail	0.9%	0.9%	(0)bps	(0)bps

1. Operating profit stated pre-exceptionals.

2. nmf = not meaningful.

- **UK & Europe** is home to the Group's remaining Retail operations in the UK, Russia and Poland. Revenue for the region was down 23% year-on-year (down 15% on an organic basis), as closures from late-March weighed on the performance of both the UK and Russia businesses. We experienced a step-up in the second half, with solid demand for New and Used Vehicles, as well as Aftersales services. During the first half, the UK business received £23m of government support (employment and business rates), but was nevertheless still heavily loss-making. We have not accessed any such support in the second half. Performance improved in the second half as we experienced higher Vehicle gross margins and the benefit from our cost-restructuring efforts. We finished the year with operating profit¹ of £25m (vs £32m in the prior period, which included profits from businesses disposed in December 2019, including Inchcape Fleet Solutions), and slightly higher margins than 2019.
- **Asia:** the China Retail business (disposed in December 2019) was reclassified from Distribution-Asia to Retail-Asia, and did not provide any contribution to the region's performance in 2020.
- **Australasia:** the majority of the Retail business in Australia was sold during 2019. Two additional sites were sold in 2020, and their contribution until the date of disposal has been included. The comparative includes these two sites, and the rest of the Australian Retail business that was sold in 2019. Following the disposals, there will be no further contribution to this segment.

Value drivers

We provide disclosure on the value drivers behind our gross profit (pre-exceptional). This includes:

- Gross profit attributable to Vehicles – New Vehicles, Used Vehicles and the associated F&I (Finance & Insurance) income; and
- Gross profit attributable to Aftersales – Service and Parts.

	2020 £m	2019 £m	% change reported	% change in constant FX
Group				
Vehicles	516.9	772.3	(33)%	(31)%
Aftersales	372.5	499.8	(25)%	(23)%
Total Retail	889.4	1,272.1	(30)%	(28)%

Weighed down by the effects of market closures caused by the spread of COVID-19, over the reporting period we saw a 31% decrease in Vehicles gross profit, while Aftersales gross profit was more resilient, decreasing 23%.

We operate across the automotive value chain and during 2020, we generated 42% of gross profit through Aftersales, compared to 39% in the prior year.

1. Operating profit stated pre-exceptionals.

Other financial items

Government support schemes

The Group has recognised an amount of £30m as a credit against employee costs and £3m as a credit against other operating expenses. These have been presented net within operating costs before exceptional items and the majority (£23m) was received by the UK Retail business. In some cases salaries were paid in excess of the amount received under the government support schemes, and these schemes were utilised instead of other cost reduction measures that would have adversely impacted employees (e.g. redundancies). During the second half of the year, the Board took the decision not to claim further government support. Due to the nature of the government support schemes, amounts claimed prior to the Board decision totalling £11m from governments in Australia and the UK have been recognised as a liability as at 31 December 2020 as they have not yet been repaid. The Group has also benefited from the deferral of tax payments due to governments amounting to £7m as at 31 December 2020.

Exceptional items

Exceptional charges in 2020 amounted to £257m, arising primarily as a result of COVID-19. Goodwill and site impairments totalled £223m, with the majority attributable to the Retail segment and booked in the first half. With the pandemic continuing to cause disruption in the second half, the impairment review resulted in a c.£37m write-off of intangible assets related to our acquisition of Grupo Rudelman (in 2018). Management remain confident about the attractiveness of the business in the medium term. In July we announced £70m of future restructuring costs linked to our cost-restructuring programme, of which c.£40m has been incurred in 2020, with the balance falling into 2021. We also incurred a £10m charge relating to the write down of inventory, and a net cost of £2m relating to acquisitions and disposals. We benefited from an £8m gain, primarily relating to the recycling of foreign exchange gains previously recognised in other comprehensive income, following the liquidation of a subsidiary. In 2019, the Group benefited from a £76m exceptional operating gain which reflected a £109m gain largely relating to the disposal of our UK fleet and China Retail businesses, offset by some restructuring costs and asset impairments relating to those disposals, as well as acquisition costs. Further details in note 3 to the consolidated financial statements on pages 133-134.

Net finance costs

Net finance costs were £37m (2019: £47m). The decrease is largely due to a reduction in the cost of financing inventory following the Retail disposals in Australia, the UK and China in 2019, further disposals in 2020 and the overall reduction in inventory and associated inventory financing in response to the COVID-19 pandemic. The interest charge is stated on an IFRS 16 basis, and excluding interest relating to leases, our net finance charge was £23m compared to £28m in 2019. We expect net financing costs in 2021 will amount to c.£40m.

Tax

The Group's effective tax rate for the year is 26% before exceptional items (2019: 23%). The increase compared to the prior year primarily arose because the Group was not able to recognise the tax benefit associated with losses in certain markets. This impact was partially offset by the release of a provision associated with the European Commission State Aid issue. We believe an effective tax rate of c.25% is appropriate for the mid-term.

Non-controlling interests

Profits attributable to our non-controlling interests were £3m (2019: £6m). The Group's non-controlling interests comprise a 33% minority holding in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend

The Board recommends a final ordinary dividend of 6.9p per ordinary share which is subject to the approval of shareholders at the 2021 Annual General Meeting. In reaching its decision, the Board has taken into account the extraordinary circumstances that the business endured during the year and a broad range of stakeholder perspectives. If approved, the dividend will be paid on 21 June 2021 to all shareholders on the register on 14 May 2021.

Cash flow and net debt

The Group generated free cash flow of £177m (2019: £213m) driven primarily by an improvement in the level of working capital. After the acquisition of four Distribution businesses, as well as the proceeds received from our Retail disposals, and £32m of share buybacks, the Group had net cash excluding lease liabilities of £266m (2019: £103m). Including lease liabilities (IFRS 16), our net debt stood at £67m (2019: £250m).

Capital expenditure

During 2020, the Group incurred net capital expenditure of £41m compared to £54m in 2019. The year-on-year reduction reflects lower investment in tangible assets in response to the economic uncertainty following the outbreak of the COVID-19 pandemic partially offset by lower disposal proceeds. Key 2020 projects included investments around our development of an omni-channel proposition and capacity investments in Ethiopia. In 2021 we expect net capital expenditure of c.£70m.

Financing

During the year, the Group was confirmed as an eligible issuer under the UK Government's COVID Corporate Financing Facility (CCFF). £100m was issued under this facility in May 2020 and repaid on 17 July 2020. As at 31 December 2020, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2019: £700m) and sterling Private Placement loan notes totalling £210m (2019: £210m). As at 31 December 2020, none of the £700m syndicated revolving credit facility was drawn (2019: £60m).

Pensions

At the end of 2020, the IAS 19 net post-retirement surplus was £20m (2019: £10m), with the increase driven largely by a higher value of plan assets and changes in demographic assumptions which were partially offset by changes in financial assumptions. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £4m (2019: £3m). Discussions with the Trustees of the Inchcape Motors Pension Scheme in respect of the actuarial valuation as at 5 April 2019 have been finalised and the Group has agreed to contribute an additional £3m per annum to the scheme over the next seven years.

Acquisitions and disposals

During 2020, the Group acquired the Mercedes-Benz passenger car and private vans distribution operations in Colombia from Daimler Colombia S.A. The business was acquired to strengthen the Group's partnership with Daimler-Mercedes-Benz in South America. In the second half of 2020, the Group acquired the Daimler distribution business in El Salvador, the MINI distribution business in Chile and the MINI and Motorrad distribution businesses in Peru. The aggregate cash consideration for these businesses was £32m.

During the year, the Group has continued to optimise its Retail portfolio and has disposed of 13 retail sites in the UK and two retail sites in Australia generating aggregate net disposal proceeds of £64m. The Group has also received £8m of deferred consideration relating to the disposal of retail operations in China in 2019.

Reconciliation of free cash flow¹

	2020 £m	2020 £m	2019 £m	2019 £m
Net cash generated from operating activities		254.8		327.2
Add back: Payments in respect of exceptional items		24.3		10.5
Net cash generated from operating activities, before exceptional items		279.1		337.7
Purchase of property, plant and equipment	(27.4)		(44.9)	
Purchase of intangible assets	(20.1)		(24.7)	
Proceeds from disposal of property, plant and equipment	6.7		15.7	
Net capital expenditure		(40.8)		(53.9)
Net payment in relation to leases		(56.7)		(65.1)
Dividends paid to non-controlling interests		(4.3)		(5.8)
Free cash flow		177.3		212.9

Included within free cash flow are movements in restricted cash balances described on page 156.

APM (alternative performance measure), see pages 176-177

Regional business models

Asia Pacific (APAC)

At the heart of the Asia region, we are the distributor and exclusive retailer for Toyota, Lexus, Hino and Suzuki and operate Distribution and exclusive Retail for Jaguar Land Rover in Hong Kong with additional Distribution and Retail franchises across the region. In Australasia we are the distributor for Subaru.

Country	Business model	Brands
Hong Kong	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Jaguar, Land Rover, Maxus
Macau		
Singapore	Distribution & Exclusive Retail	Toyota, Lexus, Hino, Suzuki
Brunei	Distribution & Exclusive Retail	Toyota, Lexus
Guam	Distribution & Exclusive Retail	Toyota, Lexus, BMW, Chevrolet
Saipan	Distribution & Exclusive Retail	Toyota
Thailand	Distribution & Exclusive Retail	Jaguar, Land Rover
Country	Business model	Brands
Australia	Distribution & Retail	Subaru, Peugeot, Citroen
	Retail	VW, Isuzu, Kia, Mitsubishi, Jeep
New Zealand	Distribution	Subaru

UK & Europe

We have scale Retail operations across the UK focused on premium and luxury brands. Our European operations are centred on Toyota and Lexus Distribution and Retail in Belgium, Greece and the Balkans, and both Distribution and Retail businesses across Northern Europe focused on BMW, Jaguar Land Rover and other brands.

Country	Business model	Brands
UK	Retail	Toyota, Lexus, Audi, BMW, MINI, Jaguar, Land Rover, Mercedes-Benz, VW, Porsche, Smart
Belgium	Distribution & Retail	Toyota, Lexus
Luxembourg		
Greece		
Romania		
Bulgaria		
N. Macedonia		
Finland	Distribution & Retail	Jaguar, Land Rover, Mazda
Estonia	Distribution & Retail	Jaguar, Land Rover, Mazda, BMW, MINI,
Latvia	Distribution & Retail	BMW, MINI, Ford, Jaguar, Land Rover, Mazda,
Lithuania	Distribution & Retail	Jaguar, Land Rover, Mazda, Ford, Hyundai, BMW, MINI, Rolls-Royce
Poland	Distribution & Retail	BMW, MINI, Jaguar, Land Rover
Russia	Retail	Toyota, Audi, BMW, MINI, Jaguar, Land Rover, Lexus, Rolls-Royce, Volvo

Americas & Africa

In South America, we have BMW Distribution and Retail businesses in Chile and Peru as well as Subaru operations across these markets, Colombia and Argentina. We also hold the Distribution contracts and operate Retail for Daimler across four markets in the region, and Suzuki in Costa Rica, Panama and Argentina. Our business in Ethiopia is centred on Distribution and exclusive Retail for Toyota, while in Kenya we are the distributor and retailer for premium marques Jaguar Land Rover and BMW.

Country	Business model	Brands
Ethiopia	Distribution & Exclusive Retail	Toyota, Suzuki, Komatsu, New Holland, Hino, BMW
Djibouti	Distribution	Toyota, BMW, Komatsu
Kenya	Distribution & Retail	Jaguar, Land Rover, BMW, BMW Motorrad
Chile	Distribution & Retail	BMW, BMW Motorrad, MINI, Subaru, Rolls-Royce, Hino, DFSK,
Peru	Distribution & Retail	BMW, BMW Motorrad, MINI, Subaru, DFSK, BYD
Colombia	Distribution & Retail	Subaru, Hino, Jaguar, Land Rover, Mercedes-Benz, DFSK, Mack, Doosan, Dieci,
Argentina	Distribution & Retail	Subaru, Suzuki
Costa Rica	Distribution & Retail	Suzuki, JAC, Changan, Kubota
Panama	Distribution & Retail	Suzuki
Uruguay	Distribution & Retail	Mercedes-Benz, Freightliner, Fuso
Ecuador	Distribution & Retail	Mercedes-Benz
El Salvador	Distribution & Retail	Mercedes-Benz

Daimler

In 2019 we signed our first ever **Distribution contracts** with Daimler for both passenger and commercial vehicles in Uruguay and Ecuador, followed swiftly by a further agreement in January 2020 to become the distributor for Mercedes-Benz passenger vehicles in Colombia. During 2020 we continued this consolidation of representation with expansion with the brand into El Salvador.

Locations

Distribution

Colombia, Ecuador, El Salvador, Uruguay

Retail

UK



Our business, our people, our future

Inchcape has long prided itself on a pioneering spirit of innovation, transformation and expansion which has been at the core of our success as a trading company.

The business that we are now looks very different from that which was founded in the nineteenth century, but it is our adaptability that will enable us to capitalise on the opportunities we find to enhance and grow our business in the future. While the goods and services that Inchcape provides have changed, our purpose retains the same pioneering spirit, motivating us to bring mobility to the world's communities, for today, for tomorrow and for the better.

Our refreshed strategy has not only redefined our purpose as a business, but it also elevates the necessity to do business responsibly. The Company is embarking upon a journey that will help to support global efforts towards a sustainable and responsible automotive industry and create positive impacts on the societies and environment in which we operate.

This is not a short-term initiative, but a lifetime commitment. We will continue to update our shareholders on our plans and progress regularly while we develop our position as a business known for taking its responsibility to all stakeholders seriously.

Our current CSR approach comprises three pillars: our people; health and safety; and the environment. For 2020, we continue to report in this format.

Key findings saw an uplift in overall employee experience as well as a significant improvement in satisfaction with the frequency and content of communications.

Satisfaction

Our employee experience, satisfaction and perception of Inchcape as a business has improved since the last full survey

+15%

Intent to recommend

Intent to recommend Inchcape as a place to work is very high and increasing – our people are happy to work for Inchcape

+6%

Communications

Significant improvement in satisfaction with communication, both content and frequency, vs. the last survey

+57%

1 Our people

Fundamental to achieving our objectives, whether commercial or strategic, is Inchcape's most important asset: its people. We aim, both at Group and market levels, to ensure that our people's value is recognised and rewarded; that talent is developed through learning and progression; that our people are engaged and communicated with effectively; and that all employees are empowered to achieve their personal goals at each stage of their career with Inchcape.

We are focused on creating a socially conscious culture based on inclusivity and learning.

- We believe that the business is strengthened by embracing diversity in the workplace and this is underpinned by market relevant policies and practices.
- We foster a learning culture to enable people to optimise their performance in role and truly realise their potential.
- We aim to empower our people to collaborate in communities of practice; to share and work together, knowing that their contribution is truly valued.

The approach we take to engaging and developing our employees is designed to proactively defend the business against Key risk L, see page 47.

Communication and engagement

Engaging with our community of colleagues is always important, and a responsibility to which we give continual focus, but during a year of unprecedented challenge for the business and its people, talking to and hearing from our employees was of greater significance than ever.

From the start of the year, with the COVID-19 crisis becoming apparent in Hong Kong, we increased the frequency of top-down communications from the Group CEO, also putting in place a 'cascade' framework to support local leadership communications. Regional, market and business unit communications via video, 'townhall' and face-to-face briefings were increased in regularity to ensure that managers, teams and individuals had the most up to date information and guidance throughout the period.

We adapted our usual Employee Experience Survey (EES) to a shorter pulse-check questionnaire of employees in July and August. The objective was to understand the employee experience in a more focused data set around the topics of Leadership, Communications and Wellbeing. Specifically, we wanted to know how the pandemic and its pressure had impacted people and how the business had performed to mitigate its effects and support the workforce.

Most of our employees were severely affected by lockdowns at some point during the year, leading to prolonged periods of working remotely for office-based workers or with a skeleton staff in our sales and service centres. Recognising an opportunity to build virtual connections between distanced teams and reinforce the notion of a united global business, we invited people to submit pictures or video clips of themselves sending greetings to their colleagues which we compiled in montages as 'Together in Spirit'. This engagement campaign spanned a week with a new montage sent to all colleagues via intranet communications channels on five consecutive days. Over 1,000 people participated, and we ran a similar campaign at the end of the year, again with many hundreds of employees contributing.



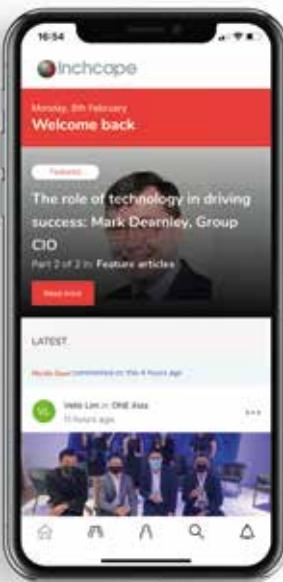
Leadership, talent and organisational design

Our Global Talent Review is conducted over a two-year cycle, alternating a deep dive review with organisational health checks to track progress, cement existing priorities, identify new or changed priorities and to further inform the longer-term Talent and Organisational Design Strategy. This is reviewed by the Board on an annual basis.

Informing this process with accurate data is crucial to the continued development of our long-term people strategy. Our People Dashboard was developed to improve the quality and availability of data, and this is now in use throughout the business, updated on a monthly basis. The dashboard provides insight that helps us to target improvements in diversity, retention of talent and identification of high-potential individuals as part of our succession strategy.

This succession strategy is designed to attract, develop and retain critical talent and to build a diverse bench of 'next-gen' leadership. With a matrix of levers at our disposal, from resourcing practice to facilitated learning and employee networking, we address critical skills and capability development to answer the requirements of our business strategy.

We continue to leverage the learning capabilities of our online development portal, hive, which gives a significant proportion of our employees access to thought leadership, and leading-edge industry and commercial insight relevant to our growth strategy.



2 Health and safety

The health and safety of all those who use our facilities, whether employees or customers, is of the utmost importance to us. We are committed to providing environments that can be trusted as spaces in which to work, that are clean, safe and promote a healthy work-life balance.

Our aim is to eliminate the occurrence of incidents and accidents by continually challenging ourselves, sharing best practices and investing in the systems and structure to support our objectives.

This commitment is underpinned by the creation of a pan-market Group HSE Community of Practice, whose primary function is to embed a deep understanding of the importance of a rigorous and supportive health and safety culture throughout our business.

In year one of our programme of global HSE integration we have made significant progress:

1. Inducted and trained regional and market level HSE team members to the management and rollout of health and safety standards
2. Implemented technology resource in all business units to digitalise safety monitoring and management
3. Approx. 13,000 employees trained on system use, and provided with access to safety processes and practice standards
4. Established regional and market level safety metrics
5. 130 Policies, Procedures, Safety Talk topics & work instructions translated into 17 languages, improving accessibility
6. Rolled out agreed Risk Management programmes for 2020

COVID-19 H&S response

In 2020, we were faced with an unprecedented challenge to the health and safety of our people and our customers as we worked hard to continue operating under very difficult circumstances. As soon as the impact of the pandemic to our business started to become clear, business continuity plans were implemented which included a pandemic plan to manage operations under strict compliance controls. Inchcape's global COVID-19 management control plans created strong disciplines for the protection of both employees and customers in line with local legislation. This, coupled with swift responses to changes in the legislation, targeted reducing the risk of exposure to infection at our sites and minimising a risk of extended business interruptions due to localised outbreaks.



Strict distancing measures and the provision of PPE materials were introduced across all operational sites and remained in place at the end of the year, continuing into 2021. Many support office functions across the global business switched to remote working which is still in place, including for the plc head office, in all cases following local government essential travel and commuting guidelines.

Main activities	How we have progressed in 2020
Group Risk Management programmes (RMP)	<ul style="list-style-type: none"> - Completed a review of risk management compliance - Five core Risk Management programmes rolled out through the year <ul style="list-style-type: none"> - Hoist Management - Consultation - Incident & Investigation - Hazard Reporting – COVID impacted rollout - Site Management Reviews – COVID impacted rollout - A planned audit of site behaviour and practices to be undertaken post lifting of COVID-19 travel restrictions
Providing expert support	<ul style="list-style-type: none"> - Management training in responsibility for HSE underway - Rollout of a diploma in health and safety targeting site operational managers to up-skill in HSE knowledge - Timeframe for completion end: Q2 2021
HSE Data Reporting capability	<ul style="list-style-type: none"> - Improving HSE reporting capability at both local and global levels is critical to internal monitoring of progress to identify and make improvements - Reporting functionality being developed with Power BI tools to provide all areas of the business with HSE reporting functionality
Managing Communities of Practice	<ul style="list-style-type: none"> - We set out to develop an internal 'Diploma in Operational Health & Safety' - Have now identified all Diploma training requirements and developed 60% of the training topics

3

Environment

There is increasing focus on climate-related issues from governments, investors, OEM brand partners and customers. Climate change has been considered by the Board in a broader context when looking at future trends impacting the industry such as electrification of the drivetrain. These trends can present both risks and opportunities for the Group and further information can be found in the Risk Management Report on pages 41-50.

To date consideration of the impacts has been carried out using best estimates, therefore in order to fully understand the impacts, the Board has appointed The Carbon Trust to assist the Group in analysing the transition and physical risks and improving the Group's climate-related disclosures as recommended under the Task Force on Climate-related Financial Disclosures ("TCFD"). The outcome of the assessment will be reported in next year's Annual Report and Accounts.

The Board will consider the broad landscape of climate-related topics, forward looking exploration of business model vulnerabilities and resilience, looking at financial impacts on the Group from climate change and to identify climate-related risks and opportunities and how they are managed.

In addition, the Board has updated its Matters Reserved for the Board to ensure that oversight of climate-related issues is at Board level.

The TCFD journey will cover the following aspects:

- Internal engagement workshops to enable senior management to assess potential climate challenges faced by the Group
- Interviews with key stakeholders to assess current climate-related activity
- Review of business model and strategy from a climate-change perspective
- Review of risks and opportunities not previously considered
- Review of climate-related risk processes and procedures
- Scenario analysis to understand impact on business model
- Disclose in line with the recommendations of the TCFD in the 2021 Annual Report & Accounts

It is anticipated that the outcomes of the TCFD project will assist in determining the appropriate emissions reduction targets for the Group.

Emissions measurement

We continue to monitor our energy and emissions usage and details of scope 1 and 2 emissions are given on page 98 of the Directors' Report. As many of our operations were closed due to the pandemic, this has reduced significantly. However, it is anticipated that business will return to more normal levels in 2021, and with it an increase in energy used.

Initiatives to reduce energy usage are implemented at local level, with businesses focusing on energy efficiency measures such as managing showroom lighting outside of business hours and assessing heating and cooling timers to ensure optimum efficiency.

CDP submission

During 2020, the Group participated in the CDP (formerly the Carbon Disclosure Project). Our overall score of C is in the awareness band indicating the Group has knowledge of impacts on, and of, climate issues. This is the same as the Europe regional average, and same as the Trading, wholesale, distribution, rental & leasing sector average.

The report highlighted the following areas for improvement which will be a focus for 2021:

- Governance
- Reduction initiatives
- Business strategy and financial planning

We will continue to participate in CDP with the ambition to improve our score as our businesses improve awareness around the impacts of climate change. The work being carried out as part of the TCFD project should enable us to improve considerably in all of these areas.

Non-financial information statement

The table sets out the non-financial information as required under the Non-Financial Reporting Directive.

Reporting requirement	Relevant policy	Where to read more	Page
Environmental matters	Code of Conduct Local Policies	CSR Report	37
Employees	Code of Conduct	CSR Report Directors' Report	34-35 98-100
Social matters	Code of Conduct	See below	
Human rights	Code of Conduct Modern Slavery Statement	See below	
Anti-bribery and corruption	Code of Conduct Gifts and Hospitality policy	Code of Conduct	
Business model	n/a	Our business model	10-19

The Group's business model, including the value chain, is on pages 10-19.

Engagement with key stakeholders is set out on pages 18-19.

Principal risks are given on pages 44-49.

The Code of Conduct is available at www.inchcape.com

Code of Conduct

The Group's Code of Conduct was launched in 2018 with training rolled out to all markets in 18 languages. Within the first three months of joining the Group, all new employees undertake training on the Code of Conduct as part of their induction process. Where employees do not have access to a computer, we have ensured that they are made aware of the Code and what is required of them through various non-digital means.

The purpose of the Code is to provide a guide to ethical business conduct. It is approved by the Board and is an important reference point for employees. It sets out the minimum standards of behaviour expected of employees, helps them to make ethical decisions and shows how they can identify potential misconduct. The Code aims to keep employees safe and protect the Group's reputation among customers, OEMs and other suppliers and shareholders.

The Code covers:

- Ethical decision-making
- Speakup! – the whistleblowing hotline
- Equal opportunities including diversity and inclusion
- Anti-harassment
- Health & Safety
- Business reputation
- Anti-bribery
- Gifts & hospitality
- Conflicts of interest
- Competition, anti-trust, trade laws
- Personal data
- Customer relations
- Commitment to OEM brand partners and suppliers
- Commitment to shareholders and stakeholders
- Commitment to community
- Protecting assets and financial integrity

Environmental matters

Each of our OEM brand partners have developed comprehensive sustainability programmes and the automotive industry in general has made significant progress in reducing vehicle emissions. We work with OEM brand partners who are at the forefront of technological advances to improve fuel

efficiency and to develop alternative powertrains, such as electric and hybrid. We ensure that our business model and the infrastructure are in place to support the changing industry and to be able to deliver cleaner technologies to our customers as their preferences change.

As an automotive distributor and retailer, we do not have a manufacturing footprint to manage, however, we use energy in our dealerships, transport cars and parts globally and have an impact from business travel. We measure and report our greenhouse gas emissions which are given on page 98. Further information on the Board's commitment to the Task Force on Climate-related Financial Disclosures can be found on page 37.

Whilst we do not have a global environmental policy, each business is committed to monitoring its energy usage and to managing energy in the most efficient way and the Code of Conduct sets out the expectation that employees:

- Seek all opportunities to reduce waste and energy usage, to recycle where possible and to switch off appliances when not in use;
- Favour the use of environmentally supplies and materials; and
- Look for opportunities to reduce business travel where possible.

Employees

Our employees are integral to the delivery of the Group's strategy. Failure to attract, retain and develop our people is a principal risk for the Group and the description, impact and mitigating actions taken by the Group are given on page 47. As the industry experiences a period of significant change, we continually review the skills of our employees to ensure we can deliver for customers and OEM brand partners. Training and development programmes are carried out within each business and include various initiatives such as technician programmes, apprenticeships and leadership development programmes.

An Employee Experience Survey is carried out globally to ensure that we understand the views of our employees. Further information is on page 35. The outcomes of the survey are reviewed by the CSR Committee which monitors action plans implemented by management to address any issues which arise. The Chair of the CSR Committee reports on this engagement process to the Board.

We are making improvements on how we collate and manage the data on our people and have created a 'People Dashboard' which will enable us to track the employee journey. This data will allow us to monitor people KPIs to gain an understanding of where improvements can be made. Employee-related policies are implemented at a local level and include policies on pay and rewards, flexible working, and maternity and paternity policies.

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.

We did not receive any reports of human rights abuses during 2020. We do not use or accept forced, bonded, involuntary or child labour. We only employ people who choose to work freely and respect their rights to equal opportunities and freedom of association.

Social matters

We believe in supporting the different cultures and communities in which we operate, often through sponsorship and support for local charities or local people. All our colleagues can be involved in such initiatives and can expect to be supported by Inchcape in their efforts to help local communities. We do not have a global policy covering specific social matters and any initiatives are governed by the local business.

Many of our local operations recognised an urgent need for logistical support and the role they could play as the COVID-19 pandemic took hold in communities across the world. Ranging from temporary donation of unused test-drive and courtesy vehicles to delivery services for hard-to-reach geographical areas, our people contributed time and the Company's temporarily under-utilised resources to help those in need.

Initiatives across the Group include:

Market	Community activity
Europe	In Greece, Toyota Hellas and our dealer network provided municipalities across the market with 150 vehicles, facilitating transport for medics to reach the elderly, unwell and people with reduced mobility as part of the government's 'Help at Home' scheme. In Finland, our teams have donated Land Rover vehicles to the Finnish Red Cross to help access vulnerable people in remote or hard-to-reach areas; and in Lithuania the JLR teams have given similar support to food bank initiatives to help with deliveries to the elderly.
APAC	In Brunei, our marketing team at the flagship showroom and head office used advertising hoardings to display health awareness information, helping to protect customers and staff. The prominent display also targeted passing commuters and road users, prompting recognition by several government ministers who expressed their appreciation to Inchcape Brunei's management. Malaysian workers opted to remain in Singapore after the borders between the two countries were closed, to enable operations to continue supporting local community needs at as close to normal levels as possible.
Americas & Africa	In Chile, the Subaru team donated eight vehicles for three months to health authorities in Santiago, allowing them to deliver medicines and food to 1,600 families including visits to elderly and isolated people. Far from being a temporary partnership, this is a continuation of a partnership between Subaru Chile and the municipality that has been in place for seven years. In Ethiopia, MOENCO donated Land Cruiser ambulances to the Ethiopian Federal and Regional Governments to support the fight against COVID-19. In Uruguay, our Mercedes-Benz business provided specialist technicians to the health service to help keep the ambulance network on the road.

Anti-bribery and corruption

We have a global policy which is available to all Group employees via iConnect, the Group's global intranet. The policy states our zero-tolerance stance to bribery and corruption and mandated procedures. In 2021, some employees will be required to complete an online training module. This will also be included in the induction programme for new employees whose role and remit require additional focus in this area. Programme compliance is monitored via reports to Speak Up!, the external whistleblowing channel, and adherence to other relevant policies such as the gifts and hospitality policy.

Reports to Speak Up! are monitored by an independent third party. Reports on anti-bribery and corruption matters are escalated to the Risk Committee and, if significant in nature, are reported to the Audit Committee. The Risk and Audit Committees monitor management's response to any issues and the implementation of any action plans deemed necessary.

As part of our monitoring and assurance procedures in 2020, the Internal Audit team carried out anti-money laundering audits across the Americas. The objective of these reviews was to assess the effectiveness of the Anti-Money Laundering ("AML") programme and specific compliance with local regulations. The audit also covered adequacy of AML Policies and Procedures; monitoring, supervision and compliance; and due diligence and knowledge of employees, customers, suppliers and training programmes in place. The review confirmed strong alignment to local regulations with opportunities to further strengthen the local framework, particularly in relation to reporting frequencies.

Suzuki

We have a long-standing partnership with Suzuki of over 40 years, the majority of that time being in Singapore. We significantly expanded this relationship in 2018 through acquisition and the awarding of Distribution contracts in Costa Rica and Panama. This expansion added to our established South America platform with our first move into Central America and the addition of two brand new markets to our global portfolio.

Locations

Distribution

Argentina, Costa Rica, Panama, Singapore



Resilience in a dynamic environment

Last year, the Chairman highlighted a resilient underlying performance in the face of short-term challenges. 2020 has presented a different set of risks and the resilience of our global business was again tested.

2020 marked the start of a decade in which the automotive industry will undergo a period of rapid change and disruption, driven by new technology and a changing climate. A decade in which flexibility and resilience will be key. It has begun with the arrival of the COVID-19 pandemic, which impacted our people and our operations worldwide and tested the resilience of our business. Risk levels in many areas – including cyber and health and safety – have increased and will remain elevated. We responded quickly to minimise the impact of the virus on our people, our operations and our financial performance. We reduced our cost base and deployed new ways to trade. We are encouraged that our results have exceeded expectations, but are mindful that the situation remains dynamic. Put in context, COVID-19 is just one of a number of material risks which all businesses in our sector must successfully navigate. Our approach to risk management and internal control will continue to evolve to meet these challenges.

We seek to identify and address our most material risks through our systems of risk management and internal control. In this section of the report, we summarise how this system works, along with management's assessment of our Principal Risks. We comment on our response to COVID-19 specifically, as well as our plans to evaluate and address longer-term, climate-related risks. In the Viability Statement, we consider the financial viability of the Company, should one or more of these risks materialise in a catastrophic manner.

Inchcape's systems of risk management and internal control

Throughout the year, the Group has maintained and improved its systems of risk management and internal control, which are designed around an established 'three lines of defence' model (see page 42). This model engages management teams, corporate functions and independent assurance to manage risk, overseen by the Board and its Committees.

These three 'lines of defence' implement, oversee and test the Company's system of risk management and internal control. This system is made up of a number of inter-connected activities and processes, including: our strategy and operating plans; budgeting and planning activities; our framework of policies and procedures; performance monitoring; internal controls (such as those over financial reporting or IT security, for example); our framework for managing enterprise-wide risks; our legal and regulatory compliance programmes; and our internal audit programme. Together, these and other activities identify, prioritise, manage and monitor key risks to our business. Our enterprise risk framework brings all of this information together to provide management with a single view of risk and control, allowing resources to be allocated efficiently to the areas of greatest risk.

In 2020, we improved our approach to internal financial controls, strengthening the Group's defences against risks of fraud and financial mis-statement.

As we approach a period of rapid change in our industry, the Group will continue to review and improve the effectiveness of its system of risk management and internal control each year.

Our response to COVID-19

COVID-19 began impacting our business at the start of the year, initially in Asia, before rapidly spreading to all markets. In the short term, the virus threatened the health and safety of our employees and our customers, forcing the closure of our operations and disrupting our OEM partners and our supply chain. In the longer term, the pandemic has the potential to continually disrupt operations through health exposures to employees and customers, to suppress demand, to reduce the availability of credit and to possibly delay the launch of new vehicles and models. It may accelerate the introduction of disruptive business models and it may trigger consolidation in our market place.

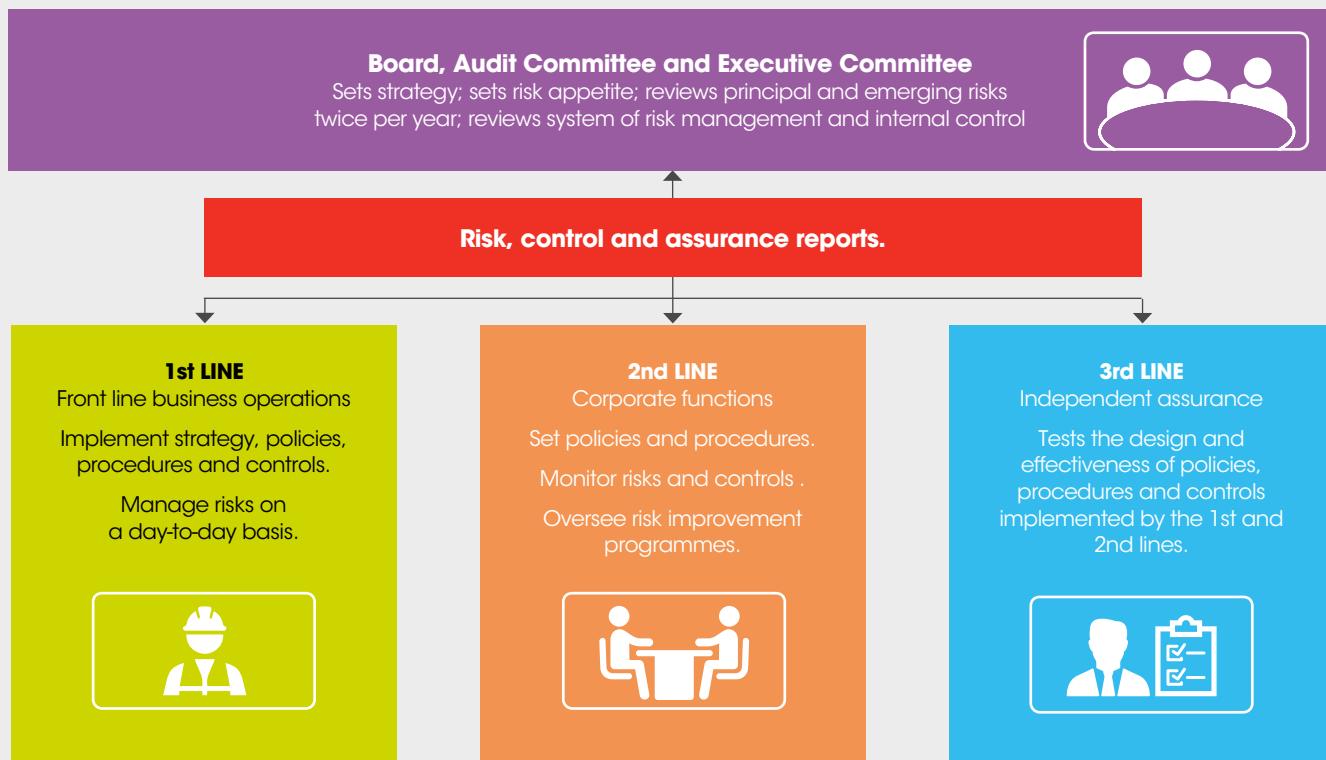
The Company responded quickly to address the immediate challenges, introducing a set of safe operating practices in all markets and auditing compliance. Employee wellbeing programmes were introduced and more frequent employee surveys were conducted. Website and other digital trading capabilities were upgraded during the year. We liaised with our OEM partners to optimise the allocation of vehicles and prevent the accumulation of excess stock. The Company accessed various government-sponsored 'furlough' schemes in the UK, Australia and Singapore and it secured a temporary £100m borrowing facility under the UK CCFF programme. This borrowing was repaid in full. The Board of Directors and senior management agreed to a temporary 20% reduction in their remuneration. Dividend payments and the share buyback scheme were suspended. The Group undertook a cost-reduction programme, which delivered over £90m in savings. These and other factors, such as our geographic diversity, enabled us to deliver resilient results for shareholders.

Looking further ahead, the Company began a review of its strategy to assess its continued relevance in light of current industry trends, many of which have been accelerated by the pandemic. The Company will also be reviewing its contingency planning arrangements in 2021.

Despite these measures, the impact of the virus remains material and will be closely monitored through 2021.

Our approach to risk management and internal control

Inchcape deploys 'three lines of defence' to manage risk, overseen by the Board and its Committees.



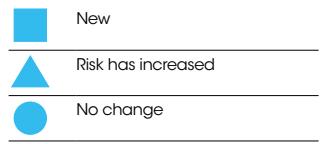
Risk management in 2020

Risk activity in 2020 was dominated by COVID-19 and its impact on the Group's risk profile. A dedicated taskforce was assembled early in the year to monitor and respond to the impacts of COVID-19. In addition to the immediate risks presented by the pandemic and managed by front line teams (1st line), elevated risks were identified by second line functions in relation to cyber risks, IT systems and health and safety. A series of internal audits (3rd line) were launched to test the effectiveness of key controls in light of COVID - especially those requiring a physical presence. As part of the routine risk management cycle, leadership teams in all markets and regions met twice during the year to reassess significant risks of all types; to review current mitigation and, if necessary, to initiate action plans. Reports were submitted to the Group Risk team, highlighting the most important risks and the measures being taken to address them. The Group Executive Team met in June and again in November to review the reports from each region and to reassess the Group's principal risks. An enhanced cyber security programme was initiated following updated risk assessments. In November, the Audit Committee met to review the overall effectiveness of the Company's system of risk management and internal control. The Board met to consider the Group's principal risks and review the Group's risk appetite.

Risk appetite: where are we willing to take risk?

A cornerstone of the Group's approach to risk management is the Board's determination of its risk appetite. This definition provides direction to all three lines of defence on acceptable levels of risk. The Board considered its risk appetite in relation to each of the Group's principal risks, using three broad categories to define the nature and extent of risks it is willing, or required, to accept.

	Strategic risks	Inherent risks	Managed risks
	<i>Risks directly addressed by our strategy</i>	<i>External risks where our influence is limited</i>	<i>Risks where we can exert significant influence</i>
Appetite	Moderate to high	Moderate to high	Low to moderate
Principal risks	<ul style="list-style-type: none"> - Acquisition ROI - Portfolio optimisation - Digitisation - Loss of OEM contract - Mobility solutions - Electrification 	<ul style="list-style-type: none"> - Availability of credit - OEM brand damage / supply chain disruption - Foreign exchange - Political risks - Legal and regulatory change - Pandemic (COVID-19) - 'Brexit' 	<ul style="list-style-type: none"> - Cyber incident, data breach - IT systems failure - Health and safety - Legal and regulatory compliance - Fraud - People

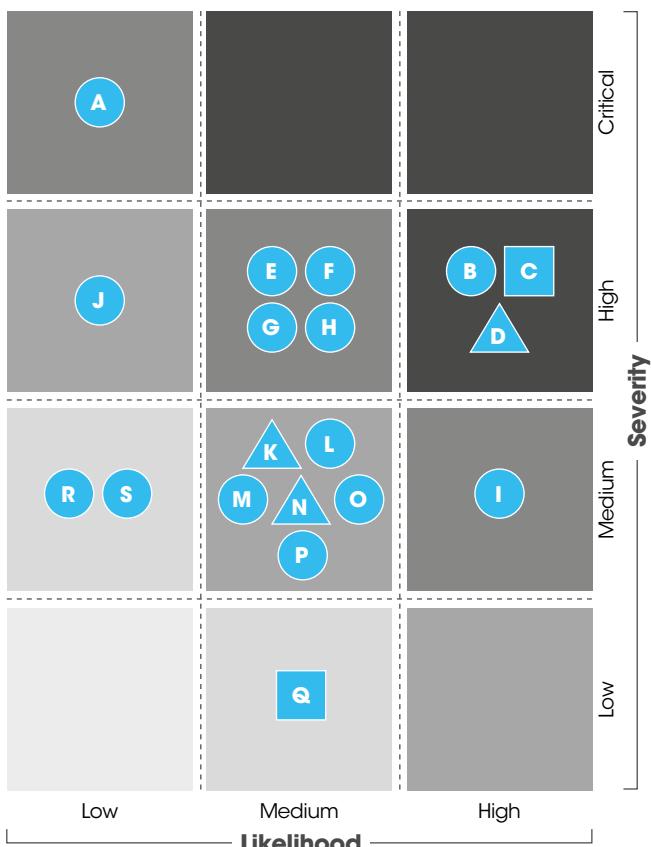


Principal risks to the achievement of our strategy

Changes this year

The COVID-19 pandemic and 'Brexit' were added to the heatmap of principal risks during the year under review. The potential for a material cyber incident or data breach (risk 'D') has increased, as the volume of cyber attacks increased during the pandemic. A major programme of work is underway to address recently-identified gaps in our cyber security capability. As a result, the related risk of IT systems failure or interruption (risk 'K') has also increased, particularly relating to some of our legacy technology systems and infrastructure. Health, safety and environment-related risks increased (risk 'N') as new ways of working were introduced and certain checks and controls operated less effectively during the pandemic. Health, safety and environmental risks were reassessed in more detail in 2020 and their rating has been increased as a result.

The risk heatmap below shows the Group's principal risks before mitigating measures are applied.



The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded.

The chart shows management's assessment of material risks before mitigation. Various strategies are employed to reduce these inherent risks to an acceptable level. These are summarised in the tables on the following pages. The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of management. The Risk Management programme, including risk assessments, can therefore only provide reasonable but not absolute assurance that risks are managed to an acceptable level.

The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, natural catastrophe and business interruption risks and certain financial risks. A summary of financial risks and their management is provided in note 24 on pages 161-168.

Risk

A	Loss of Distribution contract
B	Digitisation
C	COVID-19
D	Cyber incident, data breach
E	OEM brand damage / supply chain interruption
F	Acquisition ROI
G	Political risk, social unrest
H	Legal / regulatory compliance
I	Legal / regulatory change
J	Foreign exchange
K	IT systems failure / interruption
L	People: retention & development
M	Credit refrenchment
N	Health, safety, environment incident
O	Disruption: go-to-market model
P	Fraud, financial mis-statement
Q	'Brexit'
R	Electrification of the drivetrain
S	Portfolio optimisation

Risks and opportunities presented by climate change

As a distributor and retailer of petrol and diesel vehicles, climate change and the transition to a low-carbon economy present inherent risks and opportunities for Inchcape plc. Some of these are already Principal Risks for the Company, including the increasing electrification of vehicle drivetrains or future legislation banning the sale of petrol or diesel vehicles. These risks will materialise in some markets quicker than others and could impact the business model in various ways in the medium and longer term. To date the impacts of climate change have been best estimates. During 2021, the Company is undertaking an assessment of climate-related transition and physical risks as proposed by the Task Force on Climate-related Financial Disclosures and will report on those findings next year.

The following pages provide further information on each of our principal risks – what they are, how they have changed and how they are managed.

The Group's principal risks

A - Loss of Distribution contract		Risk level before mitigation: Severity: Critical	Trend ↔
Description and impact	Commentary for 2020		
<p>The Group has individual Distribution contracts, many of which are long-standing. 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.</p> <p>The underlying factors which could contribute to this risk may include:</p> <ul style="list-style-type: none"> - Unattractive value proposition for OEM partners; - Failure to meet OEM standards; - Non-compliance with the terms of Distribution agreements; - Failure to deliver growth strategy; - New competitors; - Major fraud, bribery, data security or other operational failure. 	<p>During the year, the Group won new Distribution contracts in South America and Europe. This further diversifies our contract base.</p> <p>During the pandemic, we have strengthened ties with many of our key OEM partners, who have worked closely alongside us to jointly address the challenges presented this year.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - OEM relationships held at all management levels. - Regular performance reviews of OEM standards and targets. - Partner Development Teams to solve common global issues. - Executive 'deep-dives' into core brand partners. - Dedicated training programmes on OEM criteria and expectations. - Employee reward linked to delivery of OEM standards. - Investments to improve customer experience and to efficiently deliver to volume expectations. - Targeted M&A. - Legal and regulatory compliance programmes. - Compliance and internal audit reviews to monitor adherence to OEM standards. 	
B - Digitisation		Risk level before mitigation: Severity: High	Trend ↔
Description and impact	Commentary for 2020		
<p>The digitisation of the customer journey and growth of online customer platforms present the opportunity to improve the customer offering and grow market share.</p> <p>At the same time, digital platforms may enable our OEM partners, or new competitors with new business models, to directly access our customer base. These trends might change the nature of both vehicle distribution and retail.</p> <p>If we fail to keep pace with the digital solutions offered by our competitors and others, we may lose market share, our OEM relationships may be weakened and our position in the value chain may be threatened.</p>	<p>COVID-19 has accelerated the need to transact digitally, with less physical interaction.</p> <p>Our OEM partners and new competitors continue to pilot and develop direct sales capabilities based on digital sales platforms. This may change the role of our Retail business in the sales process, or may make it redundant. It may change the way in which we stock and distribute vehicles.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Strategy review to ensure our plans for the future of the business reflect the latest market dynamics. - Execution of omni-channel experience, through development of digital capability: including enhanced data analytics, marketing capabilities, online service bookings, digital walk-around checks and e-commerce capabilities for parts and accessories. - Group and market level monitoring and management of social media sentiment. - Proactive engagement with our OEM partners to understand their 'Connected Vehicle' strategies. 	
C - COVID-19 pandemic		Risk level before mitigation: Severity: High	Trend NEW
Description and impact	Commentary for 2020		
<p>This risk relates to the possibility of continued or more severe incidences of COVID-19, along with continued restrictions on movement and commercial trading. These restrictions may stretch through H1 2021 with a subsequent delayed economic recovery beyond that period.</p> <p>A continuation or worsening of the pandemic could threaten the health and wellbeing of our colleagues and our customers. It would impact the Group's global trading performance and cash flows. It may lead to increased pressure on margins from OEMs; reduced capital availability for both the Company and for our customers; and supply chain interruptions. There is the potential for political and social unrest.</p> <p>In the longer term, it may accelerate trends such as digitisation and introduce new business models or new ways of working, to which the Group must successfully adapt (see risk 'B').</p>	<p>Following the initial impact of the virus in Q2, business performance has been resilient. The business saw an improving trend in New, Used and Aftersales revenue streams. The Group outperformed market volumes and cash flow generation was positive.</p> <p>Although regulatory approval for a vaccine has arrived in many markets, the virus continues to mutate and the situation remains dynamic and unpredictable. The long-term macro-economic impact of the pandemic is yet to be determined.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Measures at all sites to reduce infection risk. - Non customer-facing staff working at home. - Pandemic plans established, along with other health and safety measures and guidance for colleagues; a wellbeing programme to support colleagues through the pandemic and increased frequency of Employee surveys. - Frequent customer communications by email and on our websites. - Cost-reduction programmes; enhanced monitoring of working capital and delaying discretionary spend. - Accelerated roll-out of digital trading capabilities. - Optimising inventory levels and liaising with OEM partners to allocate supply. - Use of government-sponsored 'furlough' schemes in the UK, Australia and Singapore. - Temporary £100m borrowing facility under the UK CCFF programme, repaid in full. 	

D - Cyber incident / data breach		Risk level before mitigation: Severity: High Likelihood: High	Trend ↑
Description and impact		Commentary for 2020	
<p>As we invest in our digital capability, gather and hold more data and rely ever more heavily on technology and mobile devices, we open up new opportunities for cyber attacks, many of which are well-funded and well-organised. Attacks can be aimed at accessing confidential data, extracting money, or causing business interruption.</p> <p>The Group operates many websites and IT systems across its markets, some of which have been operating for many years. Some of these systems are provided by our OEM partners and are not under Inchcape's direct control.</p> <p>During the year, businesses in some markets experienced attacks, which interrupted business operations. While not material to the Group, these successful attacks indicate the challenges present in fully protecting our systems and data from an ever-changing threat.</p>		<p>A combination of factors drove an increase in the Group's exposure to cyber risks in 2020. There has been a general increase in the frequency and intensity of cyber attacks during the pandemic.</p> <p>As the Group grows its digital capabilities, it becomes more reliant on fewer IT systems and the data they hold.</p> <p>During the year, an assessment of the Group's IT security landscape was completed and a programme of work launched to address gaps identified. We appointed a new Chief Digital Officer in October and refreshed and strengthened our framework of IT security controls.</p>	
E - OEM brand damage / supply chain disruption		Risk level before mitigation: Severity: High Likelihood: Medium	Trend ↔
Description and impact		Commentary for 2020	
<p>As a distributor and retailer, our performance is intrinsically linked with that of our OEM partners. Our partners may be exposed to risks such as adverse publicity, product recalls or supply chain interruptions. Such events may adversely affect our customer experience and demand for the vehicles we offer. It may lead to reputational damage for our brand or may lead us to be involved in product recalls.</p> <p>While we work closely with our OEM partners to foresee and address issues, we may have limited control over the prevention and management of these risks.</p>		<p>COVID-19 has caused production backlogs at a number of our OEM partners, as manufacturing sites have been required to close or operate at reduced capacity. This has affected some brands in some markets, but has been managed and it has not materialised in a way that is significant to the Group.</p> <p>There remains the potential for short-term supply chain disruptions between the UK and EU member states as new trading arrangements become operational.</p>	
F - Acquisition Return on Investment (ROI)		Risk level before mitigation: Severity: High Likelihood: Medium	Trend ↔
Description and impact		Commentary for 2020	
<p>This risk relates to a failure to achieve sufficient return on investment from our acquisition strategy. This in turn would lead to higher leverage, reduced EPS and/or deterioration of relationships with OEM partners.</p> <p>Inorganic growth through selected acquisitions forms an active part of the Group's current strategy. Management will continue to actively pursue opportunities as they arise. Many of those opportunities are in developing markets or in markets that are new to us. Such acquisitions may comprise smaller operations with less sophisticated systems and processes.</p> <p>Failure to identify appropriate targets, acquire them on optimal terms, or to efficiently integrate new businesses into our operation will adversely impact our ability to deliver the benefits expected from those acquisitions.</p>		<p>Impairments were recorded in 2020 for previous acquisitions made.</p> <p>The Company continues to pursue inorganic growth opportunities and this risk remains relevant. In 2020, the Company completed new deals with Daimler in Colombia and El Salvador, MINI in Chile and Peru, BMW Motorrad in Peru and with JLR in Poland.</p>	
Mitigating actions		Mitigating actions	
<ul style="list-style-type: none"> - Data management policy and approach. - Dedicated Information Security resources. - IT security policy, setting out the standards and controls expected of each business. - Audits and other reviews to monitor compliance with those standards. - Mandatory cyber security training. - Global, standardised anti-virus and web-proxy solutions. - Programme of investment to address weaknesses identified. - Security assessments of third party vendors, which is vetted by the Group's Information Security Officer. - Incident response and disaster recovery plans. 		<ul style="list-style-type: none"> - Brand and geographic diversity. - Close engagement and dialogue with our key OEM partners. - Business continuity planning. - Inventory management and monitoring procedures. - Customer communication. 	



G - Political risk, social unrest		Risk level before mitigation:	Trend
Description and impact	Commentary for 2020	Severity: High	Likelihood: Medium
<p>There is a risk that political and social instability in one or more of our markets leads to economic uncertainty, market interruption and/or threats to the safety of our employees.</p> <p>The Group operates in emerging markets where there may be greater volatility in the political, economic and social environment.</p> <p>We accept that there is a risk of social and political instability globally and that certain political and social issues could have a destabilising effect on the global economy. Rising eco-activism could impact the automotive industry.</p>	<p>There was political and social unrest in some markets, including in Chile, Africa and Hong Kong during the year, which caused the temporary closure of some of our dealerships.</p> <p>There is the potential for further social unrest and political change as governments in all markets (including mature democracies) impose restrictions on individual freedoms in an effort to tackle COVID-19.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Close monitoring of political situation in higher-risk markets. - Business continuity planning. - Collaboration with OEM partners on stock allocation flexibility. - Greater emphasis on digital marketing and sales initiatives. - Where appropriate, industry-wide collaboration in response to political or social unrest. 	↔
H - Legal / regulatory compliance		Risk level before mitigation:	Trend
Description and impact	Commentary for 2020	Severity: High	Likelihood: Medium
<p>The Group, and its businesses, are subject to a wide range of existing laws and regulations across a range of markets, from those where regulatory frameworks are still developing to mature, highly-regulated markets. The consequences of a failure to comply with those laws and regulations can vary from small fines, and orders to take remedial actions, to significant financial consequences, reputational damage and imprisonment of directors and officers.</p> <p>Regulation to which the Group is subject includes, for example, anti-bribery and corruption, data protection, health and safety and anti-money laundering regulation or rules relating to the distribution and sale of finance and insurance products.</p>	<p>Restrictions on travel arising from the current pandemic have impacted aspects of our compliance monitoring programme, e.g. the ability to physically inspect sites or conduct certain audits to monitor compliance with health and safety legislation. We do not believe these constraints have had a material impact on our ability to meet our legal and regulatory compliance obligations.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Group-wide Code of Conduct, with associated training. - Nominated legal representative and/or retained counsel in major markets to monitor existing and emerging legislation. - Online training relating to specific laws and regulations. - Market-level policies and procedures, supported by Group-wide policies for higher risk areas. 	↔
I - Legal / regulatory change		Risk level before mitigation:	Trend
Description and impact	Commentary for 2020	Severity: Medium	Likelihood: High
<p>This risk relates to changes in legislation or the way that legislation is applied. These changes may directly affect customer demand for certain vehicle types or our ability to generate income from Aftersales.</p> <p>The most significant changes relate to proposed restrictions on vehicle emissions or restrictions on the sale of new petrol or diesel cars.</p>	<p>In response to a changing climate, governments in some markets have this year proposed legislation to further curb vehicle emissions or to ban sales of petrol and diesel vehicles beyond a certain date (e.g. UK - 2030). Other markets, such as Singapore and the EU, have also signalled their intention to introduce similar legislation.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Review of current strategy in light of changing market trends. - Nominated legal representative in major markets to monitor emerging legislation. - Close liaison with OEM partners on product development. - Natural hedge provided by working with a range of OEM partners in a range of markets. 	↔
J - Foreign exchange		Risk level before mitigation:	Trend
Description and impact	Commentary for 2020	Severity: High	Likelihood: Low
<p>This risk relates to fluctuations in exchange rates with negative impact on financial performance.</p> <p>We operate in many different countries with different functional currencies. In doing so we accept the risk that, outside of normal hedged transactions, we are exposed to currency fluctuations. These can be both positive and negative.</p>	<p>Currency markets have been significantly impacted by the COVID-19 pandemic in 2020.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Natural hedging from geographical diversity. - Local billing arrangements with brand partners in most markets (excl. certain brands in Australia and Americas). - Use of forward currency exchange contracts to hedge transactional exposures (e.g. Yen and AUD). - Analysis / stress testing of Group sensitivity to foreign exchange exposures. 	↔

K - IT systems failure / interruption		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↑
Description and impact	Commentary for 2020	Mitigating actions	
Our business performance and our ability to service our customers and OEM partners depends upon the ability of our systems to meet expected levels of operational reliability. We have a diverse and complex IT landscape with multiple potential points of failure. Some of our legacy IT systems have been operating for many years. We operate in emerging markets where technology infrastructures, such as the internet, may be unstable. Many of our core services are held on, or reliant on, cloud-based services provided by third parties.	We have continued our programme to standardise the core applications, processes and controls, which support our business. We appointed a new Chief Digital Officer in October. We refreshed our IT General Controls and our IT Security Controls. These changes are being implemented. They include for example, the increased use of two-factor authentication and the consistent deployment of anti-virus solutions.	<ul style="list-style-type: none"> - Back-ups and built in resilience for all major systems. - Resilience testing for all new implementations prior to go-live. - Incident management, disaster recovery and continuity plans. - IT General Controls in place and audited. - Availability criteria built into SLAs with third-party hosts. - Service providers all appropriately accredited. - Third-party providers are security risk-assessed. - Physical and logical security in place with active monitoring for core systems. 	
L - People retention and development		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↔
Description and impact	Commentary for 2020	Mitigating actions	
The fragmented nature of the automotive sector, coupled with remuneration strategies which typically reward short-term performance, mean that the industry is characterised by inherently high turnover rates, especially in retail businesses. Our strategy, as well as the impact of disruptive trends and emerging technologies in the automotive industry, mean that the skills and capabilities needed to succeed are constantly changing. Not having the right talent succession plans, and diversity at all levels, may compromise our ability to deliver our strategy.	COVID-19 has impacted our people in many ways. We have new operational procedures at our sites around the world and many colleagues are working from home. In response to COVID-19, we implemented a cost-reduction programme and parts of our business have undergone organisational restructures. All of these factors may adversely affect the motivation and engagement levels of our employees.	<ul style="list-style-type: none"> - Employee survey and measurement in all markets. - 'Together in Spirit' programme. - Global Talent Strategy to ensure resources are aligned to strategy. - Annual talent review of leadership and management teams in all markets and functions. - Organisational Health, Talent and Succession review with Executive team. - Recruitment, induction and continuous development policies in all markets. - Drive5 performance drivers (behaviours) underpin development process. - Performance-related pay structure calibrated to incentivise and drive talent retention. - Restructuring where necessary to right-skill the business. 	
M - Credit retrenchment impacts demand		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↔
Description and impact	Commentary for 2020	Mitigating actions	
Global economic uncertainty may ultimately lead to a reduction in readily-available, affordable credit. This is fundamental to our customers' ability to buy, and to our, and our dealers' ability to operate. Whilst we have various local initiatives in place to help our customers and dealers access appropriate finance, we are also reliant on our banking and OEM partners to provide suitably attractive options.	This risk did not materialise in 2020 in a way that has materially impacted our business. The longer-term impacts of COVID-19 are as yet unclear. Material macro-economic impacts, including a reduction in available credit, may materialise.	<ul style="list-style-type: none"> - Monitoring of credit availability. - If required, the Company would take appropriate cost-reduction or other measures to respond to a downturn in economic activity. 	

Key
 Climate change-related risk

N - Health, safety, environmental incident		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↑
<p>Description and impact</p> <p>The Group's activities include manual activities and the operation of machinery and vehicles, sometimes in confined spaces. These activities expose our colleagues to the risk of serious or fatal injury. The use of and disposal of chemicals and other substances risks harm to the environment.</p> <p>Our colleagues' mental and physical wellbeing could be harmed as a result of workload, organisational restructuring or as a result of external factors (such as the current pandemic).</p>		<p>Commentary for 2020</p> <p>We changed a number of our operating procedures in response to COVID-19. This, combined with reduced staffing levels in some locations, has restricted our ability to undertake certain physical checks and inspections and may temporarily increase health and safety exposures. We also reviewed and reassessed health and safety risks across the Group and continue to implement a new framework for managing health and safety risks.</p> <p>Employee uncertainty increased during the year as we faced the impact of COVID-19 and business cost reduction.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - HSE strategic plans developed in all markets. - Risk assessments updated. - Inchcape Global Standards of Safety continue to be implemented in local markets. - Targeted risk management programmes being rolled out to address key exposures. - Single H&S system and reporting tool implemented across 34 territories and 17 languages. - HSE Director has undertaken a global audit of H&S practices and standards. - Global Community of Practice implemented. - Global and Local Health & Safety policy rollout compliant with local legislation. - Qualified Health & Safety practitioners in major markets. - First responders appointed and trained in most markets. - Leading and lagging KPIs.
<p>O - Disruption: go-to-market model</p>		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↔
<p>Description and impact</p> <p>Technological advances have enabled the rapid growth of on-demand and shared mobility through the likes of Uber, Grab and Lyft.</p> <p>The impact of these services will vary by market, but provide both opportunity and threat to existing business models and to the way vehicles are distributed, retailed and used, particularly in major cities and advanced city states.</p> <p>A rapid growth in shared mobility, for example, could reduce demand for new and used vehicles. It could change the way vehicles are distributed and purchased, potentially moving from the current business-to-consumer model, to more business-to-business transactions.</p> <p>These changes may enable new entrants to enter our markets with new business models.</p>		<p>Commentary for 2020</p> <p>The pandemic has resulted in fewer people choosing to use shared modes of transportation, temporarily halting the growth of shared mobility solutions.</p> <p>It is yet to be determined if this change will be reversed once the pandemic is addressed.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Review of strategy in light of changing market trends and alternative business models. - Partnerships and pilot programmes with OEMs and emerging mobility-service businesses to better understand requirements and propositions.
<p>P - Fraud, financial mis-statement</p>		Risk level before mitigation: Severity: Medium Likelihood: Medium	Trend ↔
<p>Description and impact</p> <p>The Group may be subject to fraud or its financial performance may be misstated, either in error or deliberately.</p> <p>These risks may be heightened during the acquisition of new contracts in new markets; in periods of organisational restructuring or economic downturns; or when parts of the business are under-performing against targets.</p>		<p>Commentary for 2020</p> <p>The effectiveness of some of our financial controls (e.g. physical stocktakes) were compromised during 2020 due to the pandemic.</p> <p>During the year, the Group refreshed its system of internal financial controls, realigning controls to the areas of greatest risk of fraud or mis-statement.</p>	<p>Mitigating actions</p> <ul style="list-style-type: none"> - Code of Conduct. - 'InControl' framework of internal financial controls, assessed quarterly and monitored by management and the Audit Committee. - Fraud Management and Whistleblowing policies. - Delegation of Authorities policy. - Cyber security programme. - Whistleblowing hotline available in all countries. - Internal Audit monitoring.

		Key				
		Climate change-related risk				
Q - 'Brexit'		Risk level before mitigation:	Trend			
Description and impact <p>A change in the trading arrangements between the UK and the European Union has the potential to disrupt our business. This risk would be most acutely felt had both sides failed to reach an agreement on future trading arrangements. Our exposure to this risk is in our UK Retail business and our Northern Europe operation.</p> <p>In the short term, the principal impact on the Company relates to disruptions in the supply of new vehicles and parts. The medium-term macroeconomic impact on the UK economy also remains uncertain. A slowdown in economic activity or a retrenchment of credit availability in the UK would impact revenues and operating margins in our UK Retail business (see Risk 'M').</p>		Commentary for 2020 <p>In December 2020, the UK agreed the basis for its future trading arrangements with the EU. At that point, the Group's exposure to 'Brexit' risks reduced significantly.</p> <p>Contingency plans had been actioned in 2020 in anticipation of any disruption. The Board is actively monitoring developments and will take further action as required.</p> <p>Our analysis of the possible impacts was reviewed throughout the year.</p> <p>Action plans were implemented and updated as negotiations progressed.</p>	Mitigating actions <ul style="list-style-type: none"> - Close liaison with OEMs to anticipate and prepare for supply chain disruptions. - Optimisation of inventory levels. - In the UK and other markets, communicating potential impacts to customers (e.g. delivery delays and potential price rises). - Close monitoring of the macro-economic situation in the UK. 	Severity: Low	Likelihood: Medium	Trend NEW
R - Electrification of the drivetrain		Risk level before mitigation:	Trend			
Description and impact <p>In response to a changing climate, governments around the world are increasingly committing to phasing out fossil-fuel powered vehicles. This will happen at different speeds in different markets. A greater penetration of electric vehicles ("EVs") may reduce margins available through the value chain, as OEMs, distributors and retailers make additional investments in infrastructure.</p> <p>We have long-standing relationships with our OEM partners and rely on them to successfully bring new EV models to market. Some of these OEMs could fail to retain their current market share if they offer an unattractive range of EV products, impacting our performance.</p>		Commentary for 2020 <p>The growth in EV sales has continued in many markets in 2020, in spite of the pandemic.</p> <p>Governments continue to signal their intentions to phase out petrol and diesel vehicles. The UK government, for example, has brought forward its ban on new sales of those vehicles to 2030.</p> <p>We continued to bring market insights to our OEM partners to inform the planning, design and production volumes for new models, to support brand positioning and marketing.</p>	Mitigating actions <ul style="list-style-type: none"> - Review of our strategy in light of changing market dynamics and new legislation. - Ongoing collaboration with OEMs regarding product design and planning, brand positioning and marketing in the light of local market requirements and characteristics. - Preparation of Aftersales business in line with OEM EV requirements. 	Severity: Medium	Likelihood: Low	↔
S - Portfolio optimisation		Risk level before mitigation:	Trend			
Description and impact <p>As a global retailer we hold a significant portfolio of operational Retail assets. We acknowledge that the risk inherent in holding Retail-only assets is increasing. Our ongoing portfolio strategy is therefore focused on more attractive and less capital-intensive Distribution operations. Failure to dispose of Retail assets when maximum value creation has been achieved, or before anticipated internal or external factors lead to a sustained underperformance, may lead to inefficiency and impact on profit.</p>		Commentary for 2020 <p>We have continued to expand our Distribution footprint in 2020, acquiring contracts in South America and Europe. We continue to dispose of Retail assets when maximum value can be achieved.</p>	Mitigating actions <ul style="list-style-type: none"> - Continual monitoring of portfolio and disposal of assets where necessary. - Regular impairment reviews undertaken. - Disposal of non-strategic, higher risk Retail assets in progress. 	Severity: Medium	Likelihood: Low	↔

Viability of Inchcape plc

Three-year assessment period

The Directors have assessed the viability of the Group over a three-year period to December 2023, taking account of the Group's current financial position and the potential impact of our most material principal risks (or a combination of them). The Directors have determined three years to be the most appropriate period for the viability assessment. Our continued viability is dependent upon the continuation of our relationships with OEMs and many of our OEM contracts have terms of less than three years; three years is a key timeline for new car changeover in mature retail markets with good personal finance penetration; and the number of Units in Operation (UIO) up to three years old is a key driver of our Aftersales business.

Process and scenarios considered

Our financial planning process incorporates an Annual Operating Plan ("AOP") for the next financial year (2021), together with financial forecasts 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 2023. 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 four most significant risks, unlikely but realistic worst-case scenarios are created and their impact projected onto the three-year projections. These risks are (i) loss of a material Distribution contract, (ii) continued and more severe incidence of the current pandemic, (iii) a major cyber incident and (iv) digital disruption to our markets and pricing. These risks have been modelled individually and concurrently, i.e. assuming all four materialise during the three-year period. Modelling these risks tests the Group's ability to withstand a material reduction in revenue (Distribution contract and COVID risks); a material degradation in margins (digital disruption); and the impact of an unexpected operational expense (cyber attack).

The models assume that a portion of our uncommitted facilities (inventory financing) are 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 23 to the financial statements on pages 159-160.

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 100.

UK trading arrangements with the European Union ('Brexit')

In late December 2020, the UK agreed the basis for its future trading arrangements with the European Union. At that point, the Group's exposure to 'Brexit' risks reduced significantly. The risk is still displayed on the heatmap of principal risks, as it had remained a material risk up to 23 December – the date on which an agreement was announced.

Any remaining exposure is not considered material and relates principally to our UK Retail business, where we are the retailer for major German brands. We also import certain Toyota and JLR models from the UK into Europe. In the short term, any impact on the Company relates to disruptions in the supply of new vehicles and parts, which we believe is manageable. Given the nature of our business, we are reliant upon the actions taken by our OEM partners in response to any disruption and we continue to work closely with them. The medium-term macro-economic impact on the UK economy also remains uncertain. A slowdown in economic activity or a retrenchment of credit availability in the UK would impact our UK Retail business.

Contingency plans were implemented in 2020 and in 2021 in anticipation of any disruption. The Board is actively monitoring developments and will take further action as required.

Directors' approval of the Strategic Report

Our 2020 Strategic Report, from pages 1-51, has been reviewed and approved by the Board of Directors on 24 February 2021.



Duncan Tait
Group Chief Executive



VW Group

Inchcape has a retail-only partnership with VW Group and represents the core VW and Audi brands as well as the performance marque Porsche. Our VW Group relationship extends to over 30 years and we are present today as a Retail operator in the UK and Russia.

Locations
Retail
UK, Russia



A governance culture

Nigel Stein
Chairman



Dear Shareholder

I am pleased to present the Corporate Governance Report for the year ended 31 December 2020. 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.

COVID-19 began impacting the Group at the beginning of 2020, forcing the closure of businesses in several markets. The Board met regularly during March, April and May to assess the quickly evolving situation. The immediate focus was on the health and safety of our employees and customers and to protect the strength of the balance sheet. Further information on the Board's decisions as a response to COVID-19 are given on page 53.

The management teams adapted quickly, creating a global COVID-19 taskforce, holding weekly business review calls, and implementing stock management key controls and a set of safe-operating practices for all markets which remained open. Regular meetings with OEM brand partners were held to ensure optimal vehicle allocation to support both their businesses and our own during this challenging time. Employee wellbeing programmes were put in place and more frequent communication processes were implemented to ensure that our employees remained updated at all times.

The Board also needed to change the way it carried out meetings which were all held virtually from March onwards. More meetings were held to monitor the situation and agendas were considered carefully to ensure that there was sufficient time to deal with all the issues as they arose. The Board members have given their time generously during the year and I would like to thank them for their support.

Both the Board and the CSR Committee regularly monitored the number of COVID-19 cases impacting our employees, all of which we believe were contracted outside the workplace,

which sadly resulted in five deaths during 2020. Our sincere condolences go to their families and the Group has offered every support to assist them at this very difficult time.

Board changes

Duncan Tait joined the Group as Chief Executive Officer in June 2020 and I am confident that he has the necessary skills and experience to lead the Group into the future. Please see Duncan's review on pages 4 to 6. As mentioned last year, Alex Jensen joined the Board as a Non-Executive Director in January 2020 and was appointed as the Chair of the CSR Committee with effect from 1 January 2021 and I am sure her experience at bp plc will add insight to the Committee's discussion.

Till Vestring completed nine years on the Board during 2020 and had planned to stand down at the AGM in May however, Till has agreed to extend his tenure until we have successfully appointed and inducted a new Non-Executive Director onto the Board. See page 56 for statement of code compliance.

It is also with regret that Rachel Empey will leave the Board in April 2021 due to other commitments. I would like to thank Rachel for her strong contribution and the sound advice she has provided since she joined in May 2016 and I wish her all the best for the future.

Climate change

As an automotive distributor and retailer, climate change will impact the business in the future and is considered within the broader discussions on strategy, risks and opportunities. As noted in my letter on pages 2 and 3, the Board reviews the major disruptive trends affecting the global automotive industry which includes those emerging as a result of climate change. Climate-related issues are considered under some of our principal risks and our best estimates are made on the impacts to the business; further details can be found on pages 42 to 49.

The Financial Reporting Council published a climate thematic in November 2020 noting that UK businesses needed to improve reporting in this area and with the introduction of mandatory reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD"), the Board has appointed The Carbon Trust to assist the Group in improving its disclosures in line with the recommendations as set out in the TCFD, during 2021.

Brexit

The Group's exposure to Brexit is principally in our UK Retail business where we are retailer for major German brands and also where we manufacture in the UK for export to EU countries. Engagement with our OEM brand partners is key to working closely with them to mitigate disruption. In the medium term, contingency plans have been implemented and the Board will monitor developments and take further action as required throughout 2021. Further details are given in the Risk Report on page 50.

Looking forward

2020 was a challenging year, and I would like to once again thank our people for their resilience throughout such difficult times. The Board and I look forward to our continuing recovery and success in 2021 and beyond as we move forward with our strategy for growth.

I thank you for your support during 2020 and look forward to the coming year.



Nigel Stein
Chairman

COVID-19

The Board had to make several difficult decisions to support the business as the pandemic took hold around the world. The Board had regard for the interests of the Group's stakeholders during the decision-making process and weighed up the adverse impacts of some of those decisions with the continued success of the business during such unprecedented times. At the beginning of the pandemic the focus was on liquidity and short-term cost savings and as the year progressed the Board's focus was on preparing the business for returning to structural profitability and for further potential disruption.

The Board announced a £150m share buyback in February 2020, £30m of which was completed by March. As soon as it became apparent that businesses would be forced to close the Board made the decision to cancel the buyback to preserve cash in the short term. A final dividend had also been proposed which would have been payable in June 2020. The Board closely monitored the rapidly evolving situation but it soon became clear that the closures would last longer than anyone had hoped. The Board decided to withdraw the dividend in April 2020 to further preserve cash. Further details can be found on page 60.

As markets shut under government lockdowns approx. 60% of the workforce were placed on furlough and a further 40% were working remotely. In order to support employees who were unable to work during this time, the Group utilised government sponsored furlough schemes in the UK, Australia and Singapore. Where government support was not available or was provided at a low-level, salaries of furloughed staff were topped up to an average of 50% of salary, which was necessary in a number of markets to prevent redundancy situations. The situation was monitored on a market-by-market basis to ensure the solutions were fair, competitive and affordable against a continually evolving landscape. In addition, the following cost-saving measures were introduced:

- a 20% reduction in salary for senior executives;
- a 20% reduction in fees for Board members;
- a salary freeze for some employees.

In April, the Board decided to apply for temporary borrowing under the UK Covid Credit Financing Facility programme as the duration of the global lockdowns was still uncertain at that time. Of the funding secured by the Group £100m was drawn down in May, but as the financial impacts became clearer the Group was able to repay the funding in July.

The regional management teams engaged with our OEM brand partners to materially cut production orders and negotiate extended payment terms. These actions together with supplier related credit extensions secured with the Group's financial partners further strengthened the Group's position. The successful outcomes were driven by the constructive partnership approach the management teams and our OEM partners have taken during this time.

Despite the actions above, the continued COVID crisis impacted the business significantly during the first half of 2020 and the outlook was uncertain. In planning for the future of the Group, the Board approved a cost restructuring programme to ensure the Group was able to remain agile in the medium and longer term. Reflecting how material employee costs are on the business, and the expected lower demand in 2021, the Board made the difficult decision to approve redundancies of circa 10% of employees across the Group. In addition, the reduction of the Retail footprint was accelerated to reduce overheads further. The restructuring programme was significant and the Board considered detailed plans orchestrated by the regions and Group Executive Team when making its decisions. Key to achieving the desired outcomes was continuing the strong relationships built up with local unions and consultation groups, and with our OEM partners who have remained fully supportive throughout the process. Overall the cost restructuring programme is expected to deliver a cost benefit of £90m of which 50% will be retained when revenue recovers.

Board of Directors

The Board is collectively responsible for agreeing, developing, and continually reviewing the strategy to ensure that it delivers long-term sustainable success. The Board is also responsible for ensuring that the appropriate people are employed to deliver the strategic objectives and that they have adequate financial resources in order to do so. Underpinning this, the Board must ensure that there is the right development and training in place to support the strategy, along with the necessary controls, processes and procedures to drive a strong ethical culture to facilitate the delivery of the strategic goals.



Nigel Stein



Duncan Tait



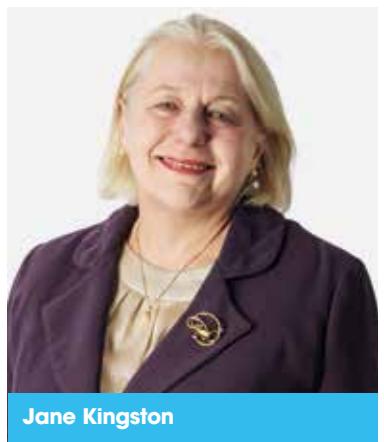
Gijsbert de Zoeten



Jerry Buhlmann



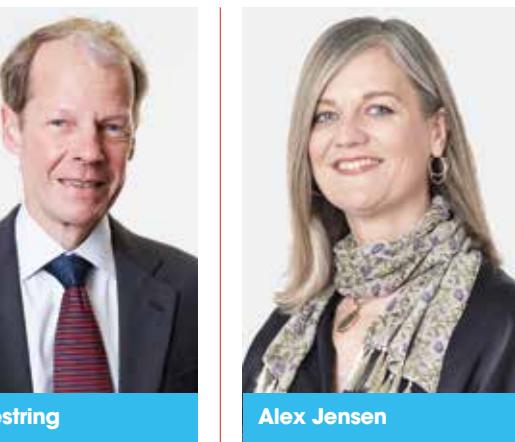
Rachel Empey



Jane Kingston



John Langston



Till Vestring



Alex Jensen

FULL BIOGRAPHIES, INCLUDING PAST EMPLOYMENT HISTORY, CAN BE FOUND ON WWW.INCHCAPE.COM

<p>Nigel Stein Chairman</p> <p>Appointed October 2015</p> <p>Skills and experience Nigel was Chief Executive of GKN plc until his retirement in December 2017. He has a wide range of international, general management and finance experience gained in various roles at GKN plc and also has experience in the automotive and manufacturing sectors.</p> <p>Nigel is a chartered accountant.</p> <p>Committee membership Chair of the Nomination Committee and member of the Remuneration and CSR Committees.</p>	<p>Duncan Tait Chief Executive Officer</p> <p>Appointed July 2020</p> <p>Skills and experience Duncan was on the Board of Fujitsu Ltd, a global technology services company with responsibility for EMEA & Americas, a business with \$10bn turnover and 35,000 people. He has significant international experience, holding senior roles at Unisys, Hewlett Packard and Compaq in a technology focused career of over 30 years.</p> <p>Other appointments Duncan is also non-executive director at Agilisys.</p>	<p>Gijsbert de Zoeten Chief Financial Officer</p> <p>Appointed August 2019</p> <p>Skills and experience Gijsbert was CFO at LeasePlan Corporation NV, the international fleet management and mobility services company. Previously, Gijsbert has held a range of senior financial and operational roles at Unilever plc over 27 years, including his six-year position as the CFO of Unilever Europe.</p> <p>Other appointments Gijsbert is also a member of the supervisory board of Technical University Delft.</p>	<p>Jerry Buhlmann Non-Executive Director</p> <p>Appointed March 2017</p> <p>Skills and experience Jerry has over 30 years' experience in the media and advertising industries. He was CEO of Dentsu Aegis Network from 2013 until 2018. Prior to its acquisition by Dentsu Inc, Jerry was the CEO of Aegis Group PLC.</p> <p>Jerry is also Non-Executive Chairman of Croud, a director of Tulchan Limited and Senior Advisor for OC&C's TMT Practice.</p> <p>Committee membership Audit, Remuneration, CSR and Nomination Committees.</p>
---	---	---	---

<p>Rachel Empey Non-Executive Director</p> <p>Appointed May 2016</p> <p>Skills and experience Rachel was appointed Chief Financial Officer of Fresenius SE & Co. KGaA, a top healthcare company listed on the DAX index, in August 2017. Previously Rachel was Chief Financial and Strategy Officer of Telefónica Deutschland Holding AG. Rachel is a chartered accountant.</p> <p>Committee membership Audit and Nomination Committees.</p>	<p>Jane Kingston Non-Executive Director</p> <p>Appointed July 2018</p> <p>Skills and experience Jane served as Group Human Resources Director for Compass Group PLC from 2006 until her retirement in 2016. Jane also held senior positions at Enodis PLC, Blue Circle PLC (now Lafarge SA) and Coats Viyella PLC. Jane has significant remuneration experience and is Remuneration Committee Chair of Spirax-Sarco Engineering plc.</p> <p>Committee membership Chair of Remuneration Committee and member of Nomination Committee.</p>	<p>John Langston Non-Executive Director</p> <p>Appointed August 2013</p> <p>Skills and experience John has corporate finance, accounting and international experience acquired in senior financial roles in the engineering sector. He is an experienced Non-Executive Director who has a strong governance background and was the Audit Committee Chair of Rexam PLC until its sale to Ball Group in 2016. John is a chartered accountant.</p> <p>Committee membership Chair of Audit Committee and member of Nomination Committee.</p>	<p>Till Vestring Non-Executive Director</p> <p>Appointed September 2011</p> <p>Skills and experience Till is an Advisory Partner with Bain & Co, based in Singapore. He has extensive experience advising multinationals on growth strategy across Asia and leading Asian companies on strategy, M&A and organisation. Till is also a Non-Executive Director of Keppel Corporation.</p> <p>Committee membership Chair of CSR Committee and member of Remuneration and Nomination Committees.</p>	<p>Alex Jensen Non-Executive Director</p> <p>Appointed January 2020</p> <p>Skills and experience Alex is currently CEO Mobility and Convenience, Europe and Southern Africa at bp plc. She leads the region's fleet, retail and convenience food business across 14 countries.</p> <p>Alex joined bp plc in 1991 and held roles based in the UK and China. She graduated from Oxford University with a degree in Chinese, holds a Masters from Stanford and is on the Board of the charity Mind.</p> <p>Committee membership Nomination and CSR Committees.</p>
--	--	--	--	---

Compliance with the 2018 UK Corporate Governance Code

The 2020 report has been structured in accordance with the 2018 UK Corporate Governance Code and details how we have applied the principles accordingly:

Board leadership and company purpose

- 54 Board of Directors
- 56 Purpose and strategy
- 58 Governance structure
- 59 Board activities
- 18 Engagement with stakeholders

Division of responsibilities

- 61 Roles of the Board

Composition, succession and evaluation

- 62 Nomination Committee Report
- 64 Board evaluation

Audit, risk and internal control

- 65 Audit Committee Report

Remuneration

- 74 Directors' Report on Remuneration
- 77 Remuneration at a glance
- 78 Directors' remuneration policy
- 85 Annual Report on Remuneration

Statement of Code compliance

The Company complied with the provisions of the 2018 UK Corporate Governance Code throughout the year.

Under Code provision 5, the Company has appointed the CSR Committee chair as the designated non-executive director with responsibility for engagement with the workforce. Unfortunately, some of the planned engagement was not able to be carried out in 2020 due to travel restrictions however a programme of engagement has been planned for 2021. Further details are on page 73.

Under Code provision 10, the criteria for independence is set out. Till Vestring has been on the Board for over nine years which is considered a circumstance which could impair independence. However the Board is satisfied that Till continues to have independent character and judgement despite the length of time served.

THE CODE CAN BE FOUND ON THE FRC'S WEBSITE

WWW.FRC.ORG.UK

**THE INFORMATION REQUIRED UNDER DTR 7 IS GIVEN
ON PAGES 52 TO 100 AND FORMS PART OF THIS REPORT**

Purpose and strategy

On joining in June 2020, Duncan Tait reviewed the strategic direction as the Group embarks on the next phase of its journey. Working with Duncan and the Group Executive Team, the Board sought to establish a clear articulation of what drives Inchcape and reflects our stakeholder commitments. The Group's purpose 'Bringing mobility to the world's communities – for today, for tomorrow and for the better', encompasses who we are, what shapes our decisions and the future direction of the business.

The strategy is designed to create long-term sustainable success for all our stakeholders by delivering financial returns to shareholders, a robust route to market for our OEM brand partners, fulfilling careers for our people, trusted vehicles sales and aftersales for our customers and contribute to wider society by offering valued employment opportunities, an established distribution network and an ethical business. The process of implementation planning and developing commercial objectives under the refreshed strategy will continue during 2021.

The Group's purpose, strategy and business model are set out on pages 8 to 16 of the Strategic Report. The principal risks and uncertainties which could impact the delivery of the Group's strategy and therefore the long-term success are given on pages 41 to 50.

System of risk management and internal control

The Group has a solid controls platform from which to manage the business in an effective and efficient way, with a control environment which can help identify and address emerging risks as they arise. Further details of the refreshed InControls framework is given on page 69. The Board believes it addresses the requirements of the current UK Corporate Governance Code through the maintenance and continuous improvement of the Group's risk management framework. This includes:

- established planning, budgeting and forecasting cycles, including the approval of the Strategic Plan by the Board;
- Board consideration of the principal risks relating to that Strategic Plan;
- reviews by the Group Executive Team of the Group's principal risks and agreement as to their management (incorporating risks identified by the Board);
- reviews by the Audit Committee of the management of principal risks;
- an annual effectiveness review by the Audit Committee of the Group's system of risk management and internal control;
- ownership of the risk management programme by the Group Executive, facilitated by the Chief Financial Officer;
- dedicated resource: a Group Head of Internal Audit and Group Risk Manager to lead and continuously improve risk management;
- a network of risk champions across the Group's regions and markets;
- a Group risk management policy, along with other Group-wide policies and procedures to address selected key risks;
- definition of the level of risk the Company is willing to take ('risk appetite') through the use of structured risk rating scales and qualitative statements;

- a six-monthly risk assessment, action planning and reporting cycle;
- a standardised, mandatory control framework (InControl) to address key areas of operational risk;
- periodic self-certifications of compliance with Group policies;
- reviews of operating companies' risk mitigation actions by the Group Risk Manager and other Group functions;
- periodic reports to senior management of the status of individual risks and their mitigation;
- an Internal Audit function, which is independent of business unit management and whose audit plans are informed by the Group's principal risks. The Board carries out a robust assessment of principal and emerging risks, which include those that would threaten the business model, future performance, solvency and liquidity, and is responsible for reviewing and agreeing the Group's principal risks and for considering its risk appetite in relation to those risks.

Each risk is considered in the context of the strategy with a focus on:

- The description of the risk;
- The current risk footprint showing gross risk, net risk and the target position;
- Background information that underpins the risk;
- Key mitigation actions; and
- The risk appetite statement for each of the risks.

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

The Board has determined that there were no significant failings or weaknesses identified during the review of the risk management and internal control processes during the year and further confirms that these systems were in place during 2020 and up to the date of this report. 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. Further information is given in the Audit Committee Report on pages 65 to 71 and the Risk Report on pages 41 to 50.

Culture

In order to operate effectively, it is important that the appropriate culture is embedded throughout the business and this is approached in several ways:

- The Code of Conduct outlines the behaviours expected of employees. All new employees receive training on the Code of Conduct within the first month of joining the business.
- The whistleblowing line enables employees to report anything that they feel is inappropriate and the Audit Committee reviews reports made to the line at each meeting.
- Remuneration policies and practices are designed to promote the right behaviour. The work of the Remuneration Committee looks at all elements of the remuneration structure to ensure that this ethos is being carried out across the Group and focus is given to appropriate target setting and performance achievement. Further information can be found on pages 74 to 95.
- Setting an appropriate AOP and monitoring performance against targets throughout the year to ensure that undue pressure is not being placed on employees to behave in inappropriate ways to achieve results.
- Employee survey carried out regularly to understand the thoughts and views of employees.
- Delegated authorities at Group and local level sets out the responsibilities of management in decision making.
- Policies, practices and controls designed to drive the right behaviours.

Concerns on Board operations

If a Director has a concern about the running of the Company which cannot be resolved, it would be recorded in the Board minutes. No such concerns arose in 2020.

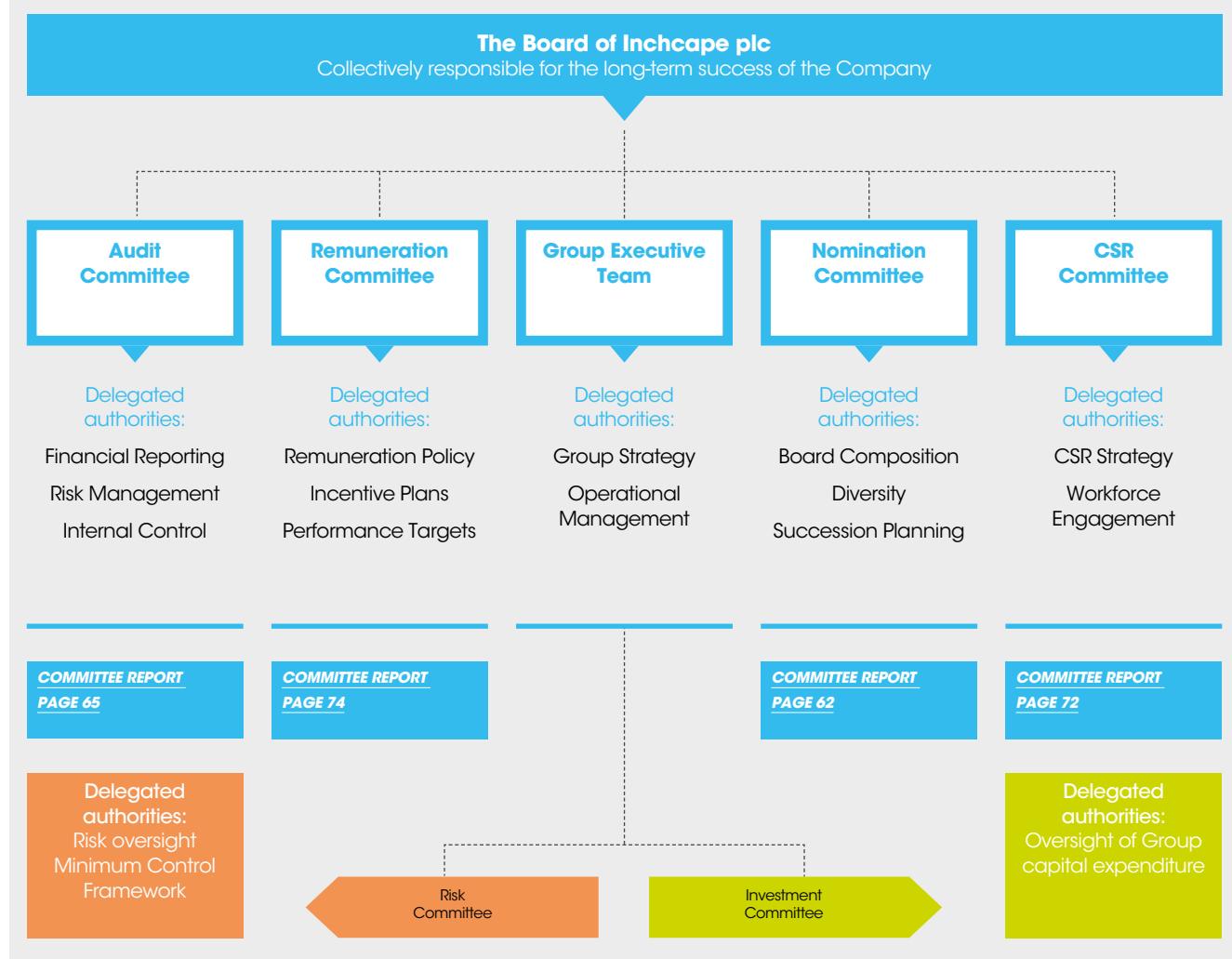
Meetings held during 2020

The table below shows the Board and Committee meetings held during the year. The Board held an additional four ad hoc meetings during 2020. Further details on ad hoc Committee meetings held are given in the committee reports.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	CSR Committee
	Scheduled/Attended	Scheduled/Attended	Scheduled/Attended	Scheduled/Attended	Scheduled/Attended
Stefan Bomhard*	3/3				1/1
Jerry Buhlmann	7/7	4/4	2/2	2/2	2/2
Gijsbert de Zoeten	7/7				
Rachel Empey	7/7	4/4		2/1	
Alex Jensen	7/7			2/2	1/1
Jane Kingston	7/7		2/2	2/2	
John Langston	7/7	4/4		2/2	
Nigel Stein	7/7		2/2	2/2	2/2
Duncan Tait*	4/4				1/1
Till Vestring	7/7		2/2	2/2	2/2

* Duncan Tait joined the Group on 1 June 2020 and Stefan Bomhard left the Group on 30 June 2020.

Governance structure



The Chairman ensures that there is a culture of openness and transparency on the Board to facilitate constructive debate on all matters considered during the year. The Directors provide feedback on how the Board operates, its culture and effectiveness during the evaluation process. The formal schedule of Matters Reserved for the Board can be found at www.inchcape.com/governance.

Objective in 2020	What we achieved	Focus for 2021
Response to COVID-19	<p>The Board held several ad hoc meetings to monitor the impact of COVID-19 on the Group's businesses. The Board spent time assessing:</p> <ul style="list-style-type: none"> - Health & safety of employees and customers - OEM brand partners and supply issues - CCF and government support programmes - Dividend and share buyback - Financial scenarios and liquidity - Cost restructuring programme 	<p>The Board will continue to monitor the impact of the pandemic throughout 2021</p>
Strategy	<p>Regional updates were given throughout the year covering the UK, Europe, Australasia, the Americas and Africa</p> <p>Expanded representation of Daimler in the Americas, secured distribution rights for MINI in Chile and MINI and BMW Motorrad in Peru, agreed a distribution JV with JLR in Poland</p> <p>Successful disposal of a number of UK dealerships as part of the Retail optimisation programme</p>	<p>Approval of refreshed strategy</p> <p>Global industry and market trends</p> <p>Disruptive and future trends</p> <p>Impact of climate change on business model and value chain</p>
Risk	<p>The Board undertook a review of its risks this year and identified two new emerging risks: change programmes and margin pressure</p> <p>The Board also considered the impact of climate change and Brexit. Further details are given in the Risk Management Report on pages 41 to 50</p>	<p>Annual review of principal risks and mitigating actions</p> <p>Annual review of risk appetite</p> <p>Review of climate-related risks and opportunities</p>
Financial reporting and business performance	<p>The Board held a number of ad hoc meetings to consider the impact of COVID-19 on the Group's trading performance and to assess whether the Group had sufficient financial resources to navigate the disruption</p> <p>The Board spent additional time assessing whether the Group would be able to report its financial results within the usual timescales given the continued disruption and the challenges presented by remote working</p>	<p>Approval of annual operating plan</p> <p>Review of delegated authorities policy and capital expenditure processes</p>
Leadership	<p>The Board reviewed the Organisational Health Check for 2020 to assess the global talent review, performance and potential, succession planning, diversity and leadership development</p> <p>The Board successfully appointed a new Chief Executive Officer, Non-Executive Director and approved the appointment of four new members of the Group Executive Team during 2020</p>	<p>Review of action plans to drive performance, transform diversity, realise potential and retain critical talent</p>
Governance and culture	<p>An external Board evaluation was carried out in 2020. Further details can be found on page 64</p> <p>The Board received a governance update from external advisors during the year which focused on developments in the Corporate Governance landscape including sustainability and climate-related matters, listing regime update, diversity and audit reform</p> <p>The Board carried out a review of the Group's Environment, Health & Safety programmes during the year with additional focus on the measures in place to protect employees and customers during the pandemic. Further information can be found on page 36</p>	<p>Compliance with the recommendations of the Task Force on Climate-related Financial Disclosures</p>

Section 172 case studies

Cancellation of dividend

The Board closely monitored the rapidly evolving COVID-19 situation in its markets with the safety of our employees and customers of paramount importance during this time. Swift action was taken to protect the balance sheet in such uncertain times including immediate cancellation of the buyback, reducing costs, 20% salary/fee reduction for senior management and the Board, temporary salary increase freeze, utilising government support, reducing stock and extending credit terms.

It was in this context of cash preservation in the short term that the Board made the decision to withdraw the recommendation to pay the final dividend for the year ended 31 December 2019. The Board had regard to the impact this would have on shareholders, many of whom rely on income from company dividends. However it was felt that it was the correct decision during such unprecedented times. The Board also had regard for some shareholders' views on paying a bonus to employees whilst cancelling a dividend. The bonus had already been paid to employees by this time and the Remuneration Committee did not feel it would be appropriate to operate clawback, with the high likelihood that employees would not receive a bonus for 2020, and the Board's intention was to resume the payment of dividends as soon as possible ensuring the impact to shareholders was short term. Details of the proposed dividend for the year ended 31 December 2020 are given on page 96.

Change in pension scheme

The Board was required to consider and make a decision on the current UK pension scheme. As part of the decision making process the Board compared the pension arrangements of its competitors, OEM brand partners and other UK listed companies. The Company undertook a comprehensive consultation process and due to COVID-19, additional steps were taken to ensure all affected employees could fully engage in the process. The consultation process included the following measures:

- Consultation with pension trustees
- A consultation email inbox was set up, through which employees provided feedback
- An informal group of employee representatives, the Employee Feedback Group ("EFG") was assembled to give affected employees another way in which they could engage in the consultation process
- A detailed briefing session was held for the members of the EFG to address their questions on the proposed changes
- A series of 10 online information sessions during the consultation period which were open to all affected employees

A total of 68 points were raised for consideration by the Company and approx. 150 employees joined the online briefing sessions. All questions raised were addressed at a mid-consultation update. This engagement ensured that the Board understood the views of the UK pension members and other relevant stakeholders when making its decision. The Board concluded that the new arrangement would be a benefit to the Company by reducing volatility and costs and would be simpler to understand and give increased flexibility to employees. After considering all the factors, the Board decided to close the previous pension scheme with effect from 31 December 2020 and the new scheme was introduced with effect from 1 January 2021. Ensuring that employees are able to save sufficiently towards their income in retirement and that the new pension offering was fair were key factors in the Board's decision making.

Climate change and TCFD

The impact of climate change on the Group is considered in general terms as it is intrinsically linked to various risks and opportunities impacting the automotive industry and therefore the Group's business model and value chain and to date our best estimates have been used to judge those impacts. Further information is given in the Risk Management Report on page 43 and in the Financial Statements on pages 125 and 146. During the year investors have begun asking companies how they are considering climate change and this interest, along with guidance from the proxy advisors and the publication of the Financial Reporting Council's climate-related thematic issued in November 2020, the Board will consider the risks and opportunities in further detail. The Board agreed that the impacts of climate change will affect all of the Group's stakeholders in the longer term therefore it is imperative that the Board fully understands the impact of climate change to the Group. The Board's decisions include:

- Ensuring the Group's strategy fully encompasses the risks and opportunities presented by climate change
- Update the Matters Reserved for the Board to ensure oversight of climate-related matters is considered at Board level
- Appoint The Carbon Trust to assist the Company with its disclosures under the recommendation set out under the Task Force on Climate-related Financial Disclosures.

Roles of the Board



Nigel Stein
Chairman

As Chairman, Nigel Stein sets the Board's strategic agenda which covers routine items, strategic priorities and ad hoc matters as they arise. Most Board meetings in 2020 were held via video conference, and at the beginning of the year many were called on short notice. A key priority has been ensuring the meetings are focused on the decisions which need to be taken, that each Board member has opportunity to express their views, that the supporting papers contain the detail required for effective decision making and that the Directors are aware of their responsibilities. Time is set aside for the Chairman and Board members to communicate outside of the Boardroom.

Nigel Stein was considered independent upon appointment.



Jerry Buhlmann
Senior Independent Director

As Senior Independent Director ("SID"), Jerry Buhlmann acts as a sounding board for the Chairman, to serve as an intermediary to other members of the Board and is available to shareholders if they do not want to speak to the Chairman or the Group Chief Executive Officer. Jerry leads the annual Non-Executive Director only meeting during which they appraise the performance of the Chairman.

During the year, Jerry and Nigel worked together to ensure a seamless transition of CEO and to support Duncan in his new role.



Duncan Tait
Group Chief Executive Officer

Duncan Tait, as Group Chief Executive Officer, is responsible for developing the Group's strategy, running the day-to-day operations, reporting to the Board on performance, implementation of strategy and any significant developments, leading the Group Executive Team including managing risk and internal control and engaging with shareholders.

Non-Executive Directors

The Non-Executive Directors are appointed to offer a wide range of skills and experience which enable them to advise, support and constructively challenge management, and to provide strategic guidance and independent judgement on the Board's discussions. Explanatory notes on their contribution to the business are given in the Notice of Meeting for the 2020 Annual General Meeting ("AGM") to accompany the resolution to re-appoint each Director. All Non-Executive Directors are considered independent in accordance with the UK Corporate Governance Code. None of the Directors or their connected persons have, or have had, a material relationship with the Company and its subsidiaries. Non-Executive Directors receive a fee only and do not participate in share award schemes or the pension scheme. There are no cross directorships. The Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office and at the AGM.

Till Vestring joined the Board in September 2011 and has been a member of the Board for just over nine years. Due to the challenges of recruiting Non-Executive Directors during the pandemic, Till has agreed to remain with the Board to assist with the recruitment and induction of two new Non-Executive Directors during 2021. His experience on the Board and knowledge of the Asia region have been of invaluable assistance to both Duncan Tait and Alex Jensen who joined during 2020 and will support the new Directors when they join the Board.

The Non-Executive Directors are required to allocate sufficient time to the Company to discharge their responsibilities and Board dates are agreed two years in advance to ensure that Directors are able to plan accordingly and for other commitments to be taken into account. Non-Executive Directors are informed of the time commitment expected from them upon appointment and this is reviewed annually to ensure that the time expected is still relevant in light of the Company's strategic agenda. The Board's policy on multi-board appointments requires Directors to obtain prior approval from the Nomination Committee and the Board before taking on another directorship.

Executive Directors

The Board understands that the Executive Directors can gain valuable business experience as a Non-Executive Director of another company. The Board's policy is to limit non-executive directorships within a FTSE 100 company to one appointment only. The policy requires Directors to obtain prior approval from the Nomination Committee and the Board before taking on another directorship.

The Group Company Secretary supports the Board by providing advice, including access to independent advice, and ensuring that the Board has the appropriate policies, information, time and resources in order to function effectively.

Nomination Committee report

Nigel Stein
Chair of Nomination Committee



Dear Shareholder

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2020.

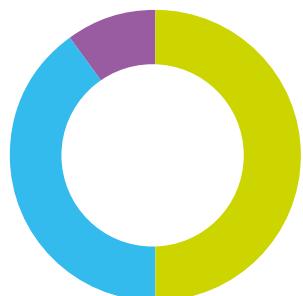
During the first few months of 2020, the Committee's focus was on the recruitment of a new Group Chief Executive and I am delighted that Duncan Tait joined the business on 1 June.

Committee members and attendance at meetings

	Scheduled / attended	Ad hoc meetings
Nigel Stein – Chair	2/2	4/4
Jerry Buhlmann	2/2	4/4
Rachel Empey*	2/1	4/4
Alex Jensen	2/2	4/4
Jane Kingston	2/2	4/4
John Langston	2/2	4/4
Till Vestring	2/2	4/4

* Rachel Empey was unable to attend the meeting in November due to a prior commitment.

Allocation of time spent



- Succession planning
- Board composition
- Corporate governance

As noted last year, Alex Jensen joined as a Non-Executive Director in January 2020 and was appointed as Chair of the CSR Committee in January 2021. Her experience as a senior executive at bp plc adds insight and knowledge to the Committee's discussions as the Group continues its ESG journey.

Duncan and Alex both faced the additional challenge of having remote inductions due to lockdown restrictions, with face to face meetings and site visits severely restricted. During 2020, Duncan was able to visit the Group's operations in the UK, Belgium and Greece, making sure that all government guidelines relating to COVID-19 and travel were adhered to.

When appointing new Directors, the Committee considers the longer-term strategy and the skills needed to help deliver this successfully. In addition, the Committee considers breadth of perspective on the Board which is achieved by appointing Directors from a diverse range of backgrounds, with knowledge and skills relevant to the Group's strategic direction in the longer term. The appointment of a CEO is crucial for an organisation and the Board spent time considering what skill set would be appropriate for the business during times of unprecedented changes in the automotive industry and, as noted in previous Annual Reports, with digital expertise as a key priority. We believe that Duncan's digital experience with Fujitsu will be invaluable in the delivering the future strategy of Inchcape. When recruiting for a pivotal role such as CEO, it is also important that personal attributes are taken into consideration and the Board believes that Duncan possesses traits which strongly support our values and will allow him to make a positive contribution to the business.

As noted on page 61, Till Vestring completed nine years' service in 2020. The Committee felt that it is important to maintain continuity in what has been a year of significant change and Till has kindly agreed to stay on the Board to assist with the recruitment and induction of new Non-Executive Directors during the year. The Committee is satisfied that despite having over nine years on the Board, Till remains independent as he meets the remaining independence criteria as set out in the UK Corporate Governance Code and continues to demonstrate independent character, judgement and objectivity.

In February 2021, it was announced that Rachel Empey has also decided to step down from the Board and will leave in April 2021. The focus for the Committee in early 2021 will be the appointment of two new Non-Executive Directors to fill the vacancies which will be left by Till and Rachel, and to assist in the process two recruitment consultants have been appointed. Having two consultancy firms will assist the Committee in ensuring that a diverse candidate pool can be considered.

Succession planning below Board level, with a focus on developing a diverse executive pipeline, is also considered by the Board on an annual basis. Diversity will be a key area of focus for 2021 with a Women in Leadership programme being launched in early 2021 and a review of all aspects of recruitment being undertaken to analyse how we attract and recruit diverse candidates. The Committee will review the outcomes of these initiatives during the year.

Nigel Stein
Chairman

Our 2020 objectives	What we achieved	Priorities for 2021
Board appointments and succession planning	Appointment of Duncan Tait as Group Chief Executive Officer Appointment of Alex Jensen as Non-Executive Director	Appointment of two Non-Executive Directors
Board composition	Review of skills, experience and diversity in the context of the requirements of the Ignite strategy, taking into account length of service	Strategy refresh and likely skills gap in the next five years
Governance	Review of policy on multiple board appointments, time commitments and assessment of Non-Executive Director independence	Monitor other commitments of Board members to avoid overboarding and lack of time
Committee evaluation	An external evaluation carried out in 2020. See page 64 for further details	Review of people metrics to be considered by the Committee and reported to the Board

Skills, experience and diversity

The review of skills, experience and diversity is carried out by the Committee annually by way of an assessment completed by the Board members. Of the skills, knowledge and experience considered necessary for the Board members, digital remains key as this is a rapidly evolving area for the automotive industry and as such is a key consideration for succession planning. The Board has been strengthened in this area by the appointment of Duncan Tait and Alex Jensen and the digital capabilities below Board level have been enhanced with the appointment of a new Chief Information Officer to the Group Executive Team.

The experience of the Board members covers a wide range of sectors and industries and in addition we also have several Board members from outside the traditional UK plc background and this diversity of thought adds to our decision making. However, we recognise that this is a constantly evolving environment and ensuring that we have the right mix of individuals to support and challenge management, to avoid group think and to make the right decisions to facilitate the long-term success of the Group remains paramount. This assessment assists with the search for suitable candidates and forms part of the recruitment process.

Succession planning

The Committee's continual succession assessment looks at length of service in addition to the review of skills in the context of the Group's strategy over the longer term to ensure that vacancies are filled as they arise. There are cases when a Director's resignation is unplanned and therefore a list of potential candidates is kept up to date for these circumstances. A search is currently underway for a Non-Executive based in the Asia region and for an additional Non-Executive Director with strong financial experience to replace Rachel Empey. Till Vestring, who is resident in Singapore, is assisting with the succession plan for the role which has been invaluable due to current travel restrictions. The appointment of two further recruitment consultants will provide the Board with a diverse candidate pool to assist in meeting the recommendations set out in the Parker Review.

Appointment process

Despite the challenges posed by the global lockdown, the recruitment process for a new CEO ran smoothly. The Lygon Group were appointed to assist in the recruitment and after an appropriate job specification was agreed, a long-list of candidates was considered. From this, the short-list was agreed consisting of internal candidates identified during the succession planning process, and external candidates identified by the recruitment consultant. Potential candidates met with the Chairman, the outgoing CEO, and other Board members after which the Committee made its recommendation to the Board for approval. During the recruitment process a comprehensive assessment was carried out to evaluate each candidate's capability, strengths, potential and personal attributes needed to drive the business.

The Lygon Group is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not have any other connection to the Company or any individual Director.



DIVERSITY POLICY STATEMENT

The Committee recognises the benefits of having a diverse Board and sees this as an essential element in delivering the Group's strategic objectives. We value diversity of skills and industry experience as well as background, race, age, gender, educational and professional background as we believe this adds fresh perspectives which enrich our decision making and the aim of the policy is to reflect this ethos.

The Board's policy on diversity is a verbally agreed principles-based policy. It is clearly understood by our recruitment consultants and is taken into account when considering succession planning and external hires. The Board considers all aspects of diversity to be relevant and all Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective, however its minimum target is to achieve the recommendations set out in the Hampton-Alexander and Parker Reviews. With the appointment of Alex Jensen in January 2020, the Board has 33.33% female representation therefore has reached its minimum diversity requirement.

The Board philosophy on diversity is also reflected throughout Inchcape where we employ a diverse workforce across 34 countries. We value the unique contribution that each person brings to Inchcape and we aim to employ people who reflect the diverse nature of society, regardless of age, sex, disability, sexual orientation, race, colour, religion, ethnic origin and political belief.

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

Group Executive Team and its direct reports:

	Male	Female
Group Executive Team	8	1
Direct reports	37	19

Diversity throughout the organisation, including on the Group Executive Team, will be a key area of focus for the newly formed Responsible Business group. Further details are on page 72.

Board evaluation

In line with the Code, an external Board evaluation was carried out in 2020 by Lisa Thomas of Independent Board Evaluation ("IBE"). IBE has no other connection to the Company or any individual Director and this disclosure has been approved by IBE. The Chairman spent time agreeing a detailed brief with Lisa prior to the commencement of the review.

The process of review consisted of one to one interviews with the members of the Board and several non-Board contributors ("NBCs") including members of the Group Executive Team, the external auditor and remuneration consultants. Board and Committee meetings were also observed with supporting materials provided to support the evaluation. The findings covered feedback from the Board and NBCs, benchmarking data, and IBE's recommendations of Board effectiveness. Feedback was also given to each Committee chair on the performance of each of the Committees.

Jerry Buhlmann, the Senior Independent Director, received feedback on the performance of the Chairman. Board members gave positive feedback on the Chairman, particularly his approach to mentoring new members and steering the Board through its agenda during a time of crisis.

The feedback confirmed that the culture on the Board is inclusive, engaged and supportive, but challenging when necessary. The review showed that the Board works well together and there are already strong relationships between new Board members. The Board has engaged well with senior management and spent time understanding the issues presented by COVID-19.

The feedback highlighted the following:

Strengths	Areas to progress
Board focus	Board composition
Risk management	Strategy
Relationship with senior management	CSR Committee
Decision making	Nomination Committee
Board meetings	Data metrics
Audit and Remuneration Committees	

Areas of focus for 2021

IBE made a number of recommendations, which the Board discussed at a meeting with Lisa present. It was agreed that the main areas of focus for 2021 would be as follows:

Board

- Ensure sufficient focus on refreshed strategy and oversight of purpose
- Oversight of climate-related reporting and the broader ESG agenda

CSR Committee

- Determine scope and remit beyond current terms of reference
- Interplay with the refreshed strategy, and how it can enhance the main Board agenda on ESG
- Workforce engagement
- Climate change reporting

Nomination Committee

- Board composition – planning for the departure of two long-standing Board members and on-boarding their replacements
- Diversity at Board level and throughout the organisation
- Identify appropriate people metrics and KPIs
- Review of culture alignment with refreshed strategy and purpose

Please see the Committee Reports for further details on each Committee's evaluation.

Update from 2019 internal evaluation actions

The actions arising from the internal evaluation in 2019 were:

Further management engagement – the travel restrictions as a result of COVID-19 meant the Board was unable to meet senior executives in person however regular dialogue took place throughout the year, with the new Group Executive Team members invited to present at Board meetings in 2020.

Diversity – the newly formed Responsible Business group will focus on diversity and how this is reviewed and monitored at Board level remains an action for 2021.

Wider reward landscape – the Remuneration Committee received reports during the year on the reward landscape throughout the organisation.

Stakeholder engagement – the Board will continue to assess stakeholder engagement during 2021.

Audit Committee report



John Langston
Chair of the Audit Committee

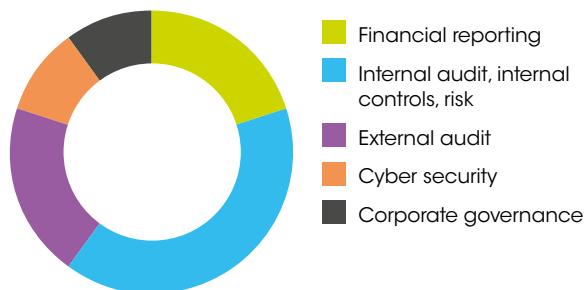
Dear Shareholder

I am pleased to present the report of the Audit Committee for the year ended 31 December 2020.

Committee members and attendance at meetings

	Scheduled / attended	Ad hoc meetings
John Langston – Chair	4/4	1/1
Jerry Buhlmann	4/4	1/1
Rachel Empey	4/4	1/1

Allocation of time spent



The aim of the 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 considers also whether the Annual Report and Accounts, when taken as a whole, is considered fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Further details can be found on pages 4 to 50.

The viability statement is given on page 50. The Committee considered the length of time used to assess the Company's viability and is of the view that three years remains appropriate given the nature of the business.

COVID-19

As mentioned throughout the 2020 Annual Report, the COVID-19 pandemic brought unprecedented uncertainty. During these times, it is of paramount importance to ensure that the processes and procedures in place are working effectively as disruptions such as these can derail usual management and governance processes. The Committee has focused on the control environment and cyber security to ensure that the right procedures are in place to protect the business and its assets.

Additional focus was also placed on the accounting judgements and disclosures relating to the impact of COVID-19 on the Group's businesses. This included government support, tax deferral initiatives, liquidity and the impact on financial covenants, the cost-restructuring programme and impairment of site and intangible assets. The Committee also spent time monitoring the financial reporting timetable to ensure that the appropriate resources and robust processes were in place in light of the additional challenges from working remotely and to ensure the deadlines were achievable.

Internal controls

The Group had planned to introduce a new control framework during the year, and I am pleased to report that this was achieved successfully despite the challenges of 2020. The feedback from the businesses has been overwhelmingly positive and is a testament to the strong governance culture within the Group. Further information on the new InControl Standards is given on page 69.

In April, the Internal Controls team issued COVID-19 key control guidance to ensure continued compliance with key controls and processes especially where these relate to areas of heightened fraud risk or the health and wellbeing of employees.

Cyber security

COVID-19 also impacted security risks faced by the business as IT activity moved to remote working. The Committee reviewed the additional security measures put in place as part of the COVID response including cyber security training for all finance teams, communications to employees on examples of criminal cyber activity, enhanced monitoring of malware and other alerts on the business and a review of data held by third parties. During the year, the Group experienced a cyber attack which interrupted operations briefly but was not material and did not result in the loss of any customer data. The Group's principal risks have been updated to reflect the increased exposure in this area. See page 43 for further details.

Financial Reporting Council ("FRC") letter

In 2020, we received a letter from the Conduct Committee of the FRC following a review of the cash flow and liquidity disclosures in last year's Annual Report and Accounts. The FRC stated it would be incorporating some of our cash flow disclosures, as examples of better disclosures, in their thematic review of cash flow and liquidity disclosures which was published in November 2020.

John Langston
Chair of the Audit Committee

Our 2020 objectives	Decisions made in respect of 2020	Priorities for 2021
Annual Report and Accounts including financial statements and accounting judgements	<p>The Committee considered all key audit issues, accounting treatment and judgements in relation to the financial statements. This includes challenging management on the assumptions used and the judgements that have been applied, with assurances given from both external and internal sources. The Committee carried out an assessment of whether the Annual Report and Accounts were fair, balanced and understandable. See page 68 for further details.</p> <p>The timetable for interim reporting was monitored closely to ensure that it was achievable in light of the challenges presented by remote working for the management teams and the external auditor.</p> <p>Key disclosures include the viability statement on page 50, going concern, which can be found on page 100, and goodwill, which can be found on page 145.</p>	Review of key assumptions used by management on key accounting standards
Deloitte independence and objectivity	<p>The Committee considered the report from the auditor in relation to the financial statements and the 2019 Annual Report and Accounts as a whole and assessed the auditor's approach to, and findings in relation to, the audit to assess independence and objectivity.</p>	Continuous assessment of audit quality and effectiveness
Deloitte 2020 audit plan	<p>The Committee discussed the audit plan and agreed materiality, scope and fees.</p>	Review of the effectiveness of the external audit
Internal Audit Report	<p>The Committee reviewed and monitored:</p> <ul style="list-style-type: none"> – progress against the 2020 plan throughout the year; – the status of open audit issues; – any internal control failings; and – the appropriateness of mitigation actions put in place by management. 	Monitor progress against 2021 plan, resolving open issues and improvement plans in relation to identified internal control gaps
	<p>The Committee approved the re-prioritised IA plan which was updated to reflect business risks arising from COVID-19.</p> <p>The Committee also reconfirmed the Internal Audit Strategy and the Internal Audit Charter and approved the 2020 Internal Audit Plan.</p> <p>The Committee reviewed the COVID-19 key controls guidance issued during the year designed to ensure continued compliance with controls and processes especially in areas with a heightened risk of fraud.</p>	
Risk Management Report	<p>The Committee consider the risk management environment, major whistleblowing reports and any mitigating plans implemented by management throughout the year. Progress against plans is monitored closely and management are challenged appropriately on areas where a satisfactory outcome is not evident. Further details can be found on pages 41 to 50.</p>	<p>Review of the Enterprise Risk Management system</p> <p>Review of climate-related risks</p>
Non-Audit Services Policy and review of non-audit services	<p>The Committee reviewed the non-audit services supplied by the external auditor to ensure that they are in line with the Group's Non-Audit Services Policy and best practice guidelines. Further details can be found on page 71.</p>	<p>Review of non-audit services supplied</p> <p>Application of the Non-Audit Services Policy</p>
Tax update and litigation update	<p>The Committee reviewed the Group's tax costs, tax risks, efficiency and effectiveness of tax policies along with updates on tax audits. It also reviewed any significant litigation issues.</p>	<p>Monitor the tax strategies within markets and at Group level</p> <p>Monitor the level, frequency and type of litigation within the Group</p>
Cyber security	<p>The Committee reviewed the increased security processes and measures put in place as part of the COVID response plan, the short-term strategy focusing on core security hygiene items and areas of current exposure and risk. The Committee also considered the principal cyber risks and mitigating actions. See page 43 for further details.</p>	A review of the Group's cyber security risks, mitigation plans, and incidents will be carried out annually
Committee evaluation	<p>A external evaluation was carried out in 2020. See page 68 for further details.</p>	An internal review will be carried out in 2021

Significant issues considered by the Committee during the year

Impairment - see notes 11, 12 and 13 on pages 145-152

Impairment reviews are carried out annually in respect of goodwill and indefinite life assets, and if there is an indicator of impairment, reviews are carried out on a more frequent basis. 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 supplied by external sources, and with appropriate challenge from the external auditor.

The Committee focused on the following aspects of the impairment:

- 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 reviewed the approach to scenario analysis in light of the uncertainty arising from COVID-19 and the range of possible outcomes and the appropriateness of basing this on market recovery rather than improved business performance;
- The Committee assessed the reliability of data provided by external advisors and independent specialists used in key assumptions; and
- The Committee also discussed the appropriateness of the disclosures to be made in the Annual Report 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 and supporting evidence from Deloitte LLP, the Committee concluded that management's impairment reviews of non-financial assets were appropriate and that an impairment charge of £222.5m relating to goodwill, indefinite life assets, property, plant and equipment and right-of-use assets should be recognised for the financial year ending 31 December 2020. The Committee and management continue to closely monitor the impact of COVID-19 on the business during 2021 and the implications for cash flow forecasts.

Acquisitions - see note 29 on page 172-173

Part of the Group's strategy is to invest to accelerate growth and the acquisition of Autolider, a distributor of Mercedes-Benz passenger and commercial vehicles in Uruguay and Ecuador in late 2019, and the acquisition of Mercedes-Benz car and private van distribution operations in Colombia in March 2020, typify this approach. 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. Overall, it is the Committee's view that the Group's approach to acquisition accounting is appropriate.

The Committee focused on the following aspects of acquisition accounting:

- The Committee considered whether the calculation of the fair value of assets and liabilities and the adjustments made were appropriate;
- The Committee debated the assessment of the identification of distribution agreements as an indefinite life asset;
- The Committee discussed the robustness of the information provided by the external advisors to support the approach taken by management and the proportion of the purchase price that was allocated to the value of distribution agreements acquired; and
- The Committee reviewed the allocation of the business to a cash generating unit representing the totality of the Group's Daimler business operations.

The Committee concluded that it was satisfied with management's valuations of these 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.

Inventory and receivable provisioning – see notes 16 and 18 on pages 154-155 and 156

The Committee considered that the impact of the COVID-19 pandemic on the markets in which we operate and the implications for the business of deteriorating credit and increased inventory levels, may result in increased probability of customer default and a need to reduce selling prices to stimulate demand. In response to this, the Committee reviewed management's approach to inventory and receivable provisioning in 2020.

The Committee's review focused on:

- Consideration of the net realisable value of inventory and the assumptions used to establish the estimated selling price and the expected impact of COVID-19 closures resulting in obsolescence and slow-moving stock;
- Assessment of the pandemic's impact on lifetime credit losses including a review of historic credit loss experience and the adjustments made to those historic loss rates in arriving at expected credit losses; and
- The appropriate disclosure of the provisions / losses incurred as a direct consequence of COVID-19.

After considering all available information and reviewing the findings and supporting evidence from Deloitte LLP the Committee concluded that the application of the accounting principles was appropriate throughout 2020 and the provisions recognised for inventory of £54.4m and for trade receivables of £10.4m are appropriate.

Exceptional items – see note 2 on page 132-133

Exceptional items and alternative performance measures have been an area of focus and challenge by regulators, which has been heightened in response to the way that companies have reported on the impact of COVID-19.

The Committee's overall assessment is that the Group's Exceptional Items Policy adheres to the key principles as set out in guidance issued by the Financial Reporting Council and the European Securities and Markets Authority during 2020.

In line with the acquisition strategy, the Committee debated whether the business development costs incurred in identifying, exploring and researching opportunities to participate in industry consolidation should be treated as exceptional, given that such costs are recurring in nature due to the Group's M&A activity. The Committee concluded that the reporting of such costs as exceptional should only occur where they are material and relate to acquisitions that have completed as at the reporting date.

The Audit Committee consists of three independent Non-Executive Directors. John Langston and Rachel Empey are qualified chartered accountants and are considered to have recent and relevant financial experience. In addition, the Committee as a whole has competence in the sector in which the Company operates.

The Committee met four times during the year to coincide with the financial calendar and held an additional meeting to review key developments.

Only members of the Committee are entitled to attend Committee meetings. However, the Chairman, Group Chief Executive Officer, Chief Financial Officer, Group Financial Controller and Group Head of Internal Audit attend the Committee meetings along with the external auditor. Other senior executives, such as the Group Tax Director and Group General Counsel, attend during the year to present to the Committee.

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

The Committee reviews its terms of reference annually. The terms can be found on www.inchcape.com.

Committee evaluation

An external evaluation was carried out in 2020 noting the Committee is functioning well with good processes in place to give appropriate oversight by the Committee. Committee members believe there is good input from all and challenge is forthright when needed. The Group Head of Internal Audit has

brought renewed focus to Internal Audit and Risk and will be supporting further strengthening of the control environment in 2021. To date the balance of the agenda between Audit and Risk has been appropriate, but it is anticipated that more time will be spent on the Risk agenda in 2021 to consider risks in light of the refreshed strategy. A further meeting in January will be scheduled to allow further consideration of the accounting judgements and estimates prior to approval of the year end financial statements.

Financial reporting

The role of the Committee in relation to financial reporting is to review with both management and the external auditor the appropriateness of 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 where significant issues have been 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 providing assurance to support the long-term viability statement.

Fair, balanced and understandable

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects in the Annual Report and Accounts, the interim

financial statements and the trading updates. The Board considers the weight given to published information to ensure that it is of equal weight and there are no omissions. The Board also ensures that narrative reporting is consistent with the financial statements.

The Audit Committee also carries out its own assessment of the financial statements, and the Annual Report 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.

A statement of the Directors' responsibilities is set out on pages 99 to 100. The going concern statement is set out on page 100 and the strategy and business model are set out on pages 2 to 24.

Risk management

The Audit Committee has delegated responsibility for ensuring that:

- There is an appropriate mechanism in place to identify the risks the Group faces;
- Management teams have the correct focus on those risks and the action plans in place to mitigate or respond to those risks;
- A compliance programme is in place in all markets 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.

Internal control

The Internal Control framework encompasses all controls including those relating to financial reporting processes, preparation of consolidated Group accounts, operational and compliance controls and risk management processes.

InControl Standards

InControl Standards ("ICS") is the newly implemented internal control replacing the Group's Minimum Control Framework ("MCF"). The key theme being the enhanced simplification and standardisation of our control framework in line with a risk-based approach covering financial, operational and IT processes. The ICS were approved by the Committee and rolled out across the Group in 2020. ICS has been 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 also following any investigation activity.

The standards form part of the broader control environment consisting of:

- Culture and behaviours
- Code of Conduct
- Group, regional and local policies and procedures, including legal and regulatory compliance
- Delegation of authorities
- Risk management process
- Roles and responsibilities

The ICS has been designed to mitigate the most significant risks across the Group providing robust governance and a sound controls framework to ensure:

- Reliability of financial reporting
- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations

They are also there to help protect us from:

- Fraud and misappropriation of cash and assets
- Material error in the financial statements

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 which in turn enables management to monitor the effectiveness of controls in the business and to implement actions plans where improvement is required. 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 easy to follow.

The Audit Committee receives regular reports from the Group Head of Internal Audit covering Internal Audit, Internal Controls and Risk Management. The reports provide an update on the Internal Audit activities including an overall opinion on the control environment for the period; the Internal Control environment, with particular focus on the status of compliance with the Group's InControl Standards for both Business Controls, IT general controls and the Risk Management programme including the risk process, assessment and mitigating activities. The reports are available to all Board members to allow them to keep informed, and other Board members are also able to attend any Committee meetings should they wish. However, the Audit Committee also provides an update on the control and risk environment to the full Board following each Committee meeting.

Whistleblowing

Speak Up!, the Group's externally hosted whistleblowing line, is a compliance and ethics reporting solution which allows both hotline and web reporting capabilities in multiple languages, integrated with case management software to support efficient and effective investigation, remediation and reporting. The Group Head of Internal Audit reports to the Committee at each meeting on fraud and whistleblowing claims that have been received since the last Audit Committee meeting, and significant currently open issues. The new and open cases which are reported to the Committee are those of sufficient significance to warrant attention, however a list of all reports is also provided to the Committee along with a breakdown by market, report type and source.

The Audit Committee chair reports to the Board on any significant issues following each meeting. All Directors have full access to the whistleblowing reports and other Audit Committee papers.

Internal Audit

The aim of the Internal Audit function is to provide independent and objective risk-based assurance for the Group by bringing a systematic and disciplined approach to evaluate the effectiveness of risk management, governance and control. An annual programme of audit activity is approved by the Audit Committee; this is flexed if required throughout the year in accordance with the risk profile of the organisation and any subsequent amendments are discussed in detail and agreed by the Committee.

The function carries out audits across a selection of Group businesses, functions and programmes which include the management of risks and controls over financial, operational, IT and other compliance areas such as GDPR and anti-bribery and corruption.

The Internal Audit function, led by the Group Head of Internal Audit, consists of appropriately qualified and experienced employees with an in-depth understanding of the business culture, systems, and processes. The Group Head of Internal Audit reports to the Audit Committee and has direct access to, and has regular meetings with, the Audit Committee Chair, prepares formal reports for Audit Committee meetings on the activities and key findings of the function and reports on progress against mitigation plans. The purpose, authority and responsibility of Internal Audit are defined in the Internal Audit Charter, which the Committee reviews annually.

Due to the impact of the COVID-19 pandemic, the Internal Audit function re-prioritised their plan during the year with additional focus on ensuring that key controls to mitigate the heightened fraud and operational risk in a COVID-19 environment were in place. The COVID-19 Key Control reviews assessed a selection of markets with particular focus on treasury, payroll, master data management, segregation of duties, IT security and key control account reconciliations.

During the year the Internal Audit function carried out 64 audits which included reviews of the key business and IT controls in the UK, Europe, Asia, Australia and across Central and South America. The team also carried out a number of risk based reviews across the Group including Data Privacy, Business Continuity and Anti Money Laundering. In addition to undertaking a full programme of audit activities, the function also provided a number of advisory engagements (where risk and control systems and processes have recently been introduced) and participated in investigation activities where appropriate.

Internal Audit effectiveness review

The Internal Audit function continually assesses its effectiveness by measuring performance against key performance indicators, results of feedback from satisfaction surveys following each audit, self-evaluation of compliance against the Internal Audit Charter and Global Internal Audit methodology and regular monitoring of its plans, performance and outputs by the Audit Committee.

In addition, the Company Secretary facilitated an independent review of the effectiveness of Internal Audit and reported the findings to the Audit Committee in February 2021. The review consisted of an online questionnaire completed by the members of the Audit Committee, the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the

external audit lead partner, and the regional CFO for Australasia, UK, Emerging Markets and Europe. The aim of the independent review is to enable Internal Audit to develop an action plan to address any areas where improvement is required.

The review is split into five areas covering independence, skills and experience, assurance and business improvement, improvement of the IA function, communication and performance.

The review concluded that the IA function is objective and independent and has evolved to become more aligned with the key issues of concern for the Audit Committee. The team responded quickly to the COVID crisis demonstrating their ability to deal with key business issues well. Progress on the control agenda has been exemplary during a challenging year however the focus for 2021 should be on the evolution towards a more risk-based approach.

External audit

Following an audit tender process during 2017, Deloitte LLP was appointed as the Group's auditor. Deloitte assumed responsibilities from PwC in May 2018 following shareholder support for the appointment at the Annual General Meeting. Anna Marks is the lead audit partner and has been in position since the appointment of Deloitte LLP.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

Auditor effectiveness, independence and objectivity

Ensuring that the external auditor provides a high quality audit is a key activity of the Audit Committee as a high quality audit provides stakeholders with assurance that the financial statements give a true and fair view. 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 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 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.

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.

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.

When evaluating the quality of the external audit the Committee considers:

- **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 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.
- **Feedback from business** – the Committee received feedback from management on the quality of the auditor's delivery, communication and interaction with the various finance teams across the Group.

The above attributes support the auditor in making reliable and objective judgements and the Committee continually seeks to assure itself that they are in place.

The auditors' 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 that 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.

Deloitte continually monitor their independence and ensure 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.

After considering all of the above elements, the conclusion of the Committee is that the auditor carried out their audit effectively and that the auditor is independent and objective.

Non-audit services

Implementing a Non-Audit Services Policy (the "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 have an understanding of the Group's business can be a benefit and the Committee will consider non-audit services supplied on an ongoing basis. The Policy was updated in line with the revised version of the Ethical Standard for auditors issued by the Financial Reporting Council in December 2019.

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 UK 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.

In 2020, the fees for permitted non-audit services largely relate to dealer benchmarking services provided by Deloitte in Australia and the Group remains within the Audit Committee approved ratio of audit to non-audit fees.

The following non-audit fees incurred with Deloitte were:

	2020 £'000	2019 £'000
Regulatory services	25	11
Permitted non-audit services	349	281

The ratio for audit/non-audit work for the year ended 31 December 2020 is 0.01:1. Full details are shown in note 3d of the notes to the financial statements.

Audit fees paid to the auditor

Fees paid for services provided by Deloitte (three year average) were:

	2020 £'000	2019 £'000
Audit fees	3,365	3,149

CSR Committee report

Till Vestring
Chair of the CSR Committee



Dear Shareholder

I am pleased to present the report of the CSR Committee for the year ended 31 December 2020.

During the year, the Committee's focus has been on the health and safety of our employees and the businesses around the world have worked incredibly hard to keep each other, and our customers, safe throughout the global crisis.

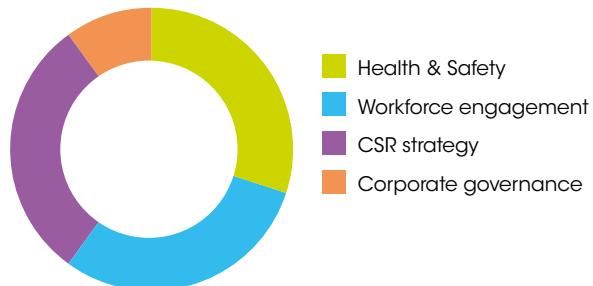
	Scheduled / attended
Till Vestring - chair	2/2
Jerry Buhlmann	2/2
Alex Jensen*	1/1
Duncan Tait*	1/1
Nigel Stein	2/2

* Alex Jensen joined the Committee in November 2020. Duncan Tait joined the Group in June 2020.

As I have been on the Board for over nine years I am pleased to announce that I will hand over the role of Chair of the CSR Committee and designated non-executive director ("DNED") to Alex Jensen with effect from 1 January 2021. It has been a pleasure to be involved in Inchcape's emerging CSR journey and I am delighted that I will stay on as a member of the Committee until I step down from the Board to support Alex as the CSR journey moves forward.

We had planned to hold an employee townhall in Singapore in early 2020 but that was put on hold as COVID-19 spread. We had hoped the pandemic would be over quickly but following the initial global lockdown, the markets experienced local closures for the remainder of the year. As a result it was decided to postpone the DNED townhall event until 2021. Alex joined Duncan at the first virtual employee townhall event held in February 2021 and the outcomes from the workforce engagement programme will be disclosed in the 2021 CSR

Allocation of time spent



Committee Report. At the current time, these events will be held virtually however the Committee will keep the situation under review with a view to holding physical events when possible.

In order to obtain the views of the workforce in such a challenging year, management carried out a pulse survey covering specific areas due to the pandemic: impacts on the individual and their wellbeing; communication; leadership and management; and ways of working. Detailed action plans are generated on a market by market basis. These are created and owned by management with HR support and facilitation. Global and regional outcomes, themes and trends are considered by the Group Executive Team in a session led by the Chief Human Resources Officer with each market CEO presenting their action plan. Actions are closely monitored, with short Pulse Survey questions aligned to areas of focus measuring progress/improvement. The results from the survey are discussed by the Committee and any issues arising are communicated to the Board as a whole following each update. Further details can be found on pages 34 and 35.

During the year Duncan also rolled out a new Responsible Business ("RB") working group to move the CSR strategy to its next stage with a fully holistic approach that includes our benefit to society, and to all groups of stakeholders, which is woven into our business strategy. The RB group is made up of over 22 colleagues from around the world covering all areas of the business. This remit of the RB strategy will be developed alongside the Group strategy to ensure close alignment of vision and purpose. Further information can be found on pages 8 and 9.

The Committee reviewed the global health and safety programme during the year, monitoring progress against action plans which included a single HSE system and an HSE reporting tool to track compliance implemented globally. These tools will give the Committee further transparency into the health and safety culture within the organisation with reports against KPIs being provided at each meeting.

In addition, the Committee monitored the COVID-19 HSE response, including monthly and year to date cases within the Group, health and safety processes in all businesses and the risk assessment and flexible work assessments created for home working risk assessments. Further information can be found on page 36.

Till Vestring
Chair of the CSR Committee

Evaluation

The external evaluation of the Committee carried out during the year highlighted the need for the remit of the CSR Committee to evolve to align with the refreshed Group strategy. During 2021, the Committee will focus on defining its role so that it supports the Group's strategic agenda and working with the other committees to report into the Board to enable full oversight of all aspects of environmental, social and governance matters. To date it has focused on elements of the social agenda, and we anticipate that this will broaden out during the course of 2021.

Environment

The Group continued to monitor its GHG emissions during the year and details of the energy used are given on page 98. The impact of climate change will be a key focus for the Committee and the Board with its commitment to reporting in line with the recommendations under the Task Force on Climate-related Financial Disclosures ("TCFD"). To date the best estimates have been used to judge the impact of climate change however the analysis to be carried out under TCFD will improve those estimates and allow fuller disclosure next year. The Committee will monitor progress throughout 2021.

COVID-19

The pandemic presented opportunities for management to re-focus how they communicate more proactively with employees with greater focus on regular cadence with senior leaders being more visible and a leadership communications platform launched in the second half of 2020. The Committee also spent time reviewing the many community projects throughout the year, as the regions provided support by providing resource and expertise to hospitals, charities and people in need throughout the year such as in the Americas where they provided vehicles to transport key workers to and from work at local hospitals and produced videos to explain social distancing and hygiene measures in place and donations of personal protective equipment; in Northern Europe the donation of demo vehicles for Red Cross use and the delivery of food and supplies to isolated and vulnerable people; and in Brunei where the team carried out a public awareness campaign early in the pandemic.

Workforce engagement mechanism - role of the DNED

The Board agreed that the CSR Chair would also take the role of the designated non-executive director with responsibility for obtaining the views of the workforce. This is primarily done through reviewing the outcomes of the employee survey which are discussed with management in detail, with attention given to those areas with lower scores or indicating areas for improvement. Following each meeting, the DNED updates the Board on the findings and any action plans. During 2021, the DNED will attend the quarterly townhalls and the Committee will focus on building the engagement plan during the year.

Our 2020 objectives	What we achieved	Priorities for 2021
CSR strategy	Establishment of Responsible Business working group to develop approach alongside the refreshed strategy to ensure alignment of vision and purpose	Develop communication strategy to ensure effective stakeholder engagement Set Responsible Business vision and build action plan Measure and report impact and success
Modern Slavery Statement	Review training rolled out to procurement teams to enable them to recognise key risks to the Company, and action needed to manage the risks	Carry out analysis to identify high risks suppliers and agree due diligence processes to mitigate risks associated with those suppliers
Employee Experience Survey	Pulse survey completed in 2020 on the impact of COVID-19 on employees, focusing on key areas: <ul style="list-style-type: none"> - Impact on individual and their wellbeing - Communication - Leadership and management - Ways of working 	DNED to join quarterly virtual townhall to run a Director-only session for employees
Committee evaluation	An external evaluation carried out in 2020, noting that the feedback on the CSR Committee focused on determining the scope and remit of the Committee	An internal evaluation will be carried out in 2021

Directors' Report on Remuneration

Jane Kingston

Chair of the
Remuneration
Committee



Dear Shareholder

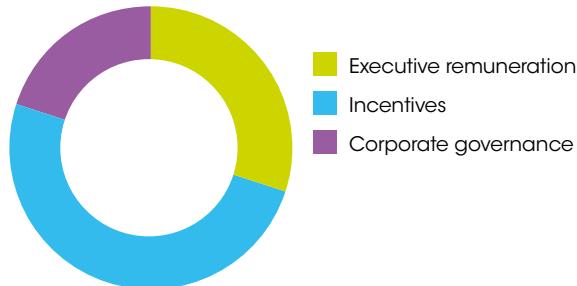
On behalf of the Board, I am pleased to present the Directors' Report on Remuneration ("DRR") for the year ended 31 December 2020. During the year, the Remuneration Committee focused on the policy renewal, change of our CEO, together with managing and mitigating the impact of COVID-19.

As discussed throughout the Annual Report and Accounts, COVID-19 impacted the business in all of our markets. Throughout, our primary concern has been to ensure the health, safety and wellbeing of our employees across the world. The Committee, together with the Board, would like to thank all of our colleagues who have demonstrated incredible courage and resilience throughout this extraordinary year.

Membership

	Number of meetings held/attendance	Ad hoc meetings held/attendance
Jane Kingston – Chair	2/2	3/3
Jerry Buhlmann	2/2	3/3
Nigel Stein	2/2	3/3
Till Vestring	2/2	3/3

Allocation of time



2020 Remuneration policy

During the early part of 2020, the Committee focused on finalising our revised 2020 remuneration policy which we set out in last year's Annual Report. I would like to thank shareholders for their advice and support, and we were pleased that the remuneration policy received a significant vote in favour, at 94.5%, at the Annual General Meeting on 21 May 2020. Our renewed policy ensures we meet important governance standards and addresses both incumbent and new Directors' pension arrangements.

In this DRR we explain in detail what actions were taken by the Committee during the year as a result of the pandemic and how we propose to implement the policy going forward.

COVID-19's impact on remuneration

The actions taken in response to the pandemic are given on page 60. The Committee continually monitored remuneration decisions taken across the Group and considered all decisions on executive and senior management pay during 2020 in this context, together with the impact on our other stakeholders including shareholders and the wider societies within which we operate. The Committee was mindful of how remuneration decisions contribute to wider cost saving initiatives aimed at mitigating the impact of the pandemic on our business and our colleagues. As a result, the following actions were taken:

- Salary increases were postponed for some employees in 2020, including the planned 3% increase for Gijsbert de Zoeten, the Chief Financial Officer.
- Given the timing of the lockdowns, the 2019 bonus payment had already been paid and the Committee made the decision not to claw this back. There will be no bonus payments for 2020 for the Executive Directors, Group Executive Team ("GET") and across most businesses within the Group.
- The revision in the new remuneration policy around the increase in bonus pay-out at target performance (from 40% to 50% of max) was not applied to the 2020 bonus.
- Members of the GET and the Board agreed to take a 20% salary or fee cut, applied for three months for the GET and nine months for Non-Executive Directors. Also, senior managers below the GET agreed to take temporary salary cuts between 10% to 15% depending on grade.
- Duncan Tait, who joined as Group Chief Executive Officer in June, also volunteered a salary reduction of 20% for his first three months of service.

Business performance in 2020

Shareholders will be aware that, in addition to the challenges of COVID-19, the global automotive industry is undergoing a period of significant change and disruption, and against this backdrop we are pleased with the Group's financial performance, reliably delivering results that, whilst below the original goals that we set ourselves for 2020 before the pandemic, exceed mid-year expectations.

The Group delivered revenue of £6.8bn, profit before tax of £129m, EPS of 23.6p (basic adjusted) and ROCE of 12.3%. Furthermore, we are delighted with the significant strategic progress which continues to be made through the implementation of the Group's strategy, and the focus on our Distribution business.

Remuneration outcomes for 2020

2020 Targets

Notwithstanding the severe affect the pandemic has had on our business and the financial implications for employees at all levels, no changes have been made to the targets which were determined pre-COVID-19 for either the annual bonus or the 2018 PSP/CIP awards.

2020 Bonus

As the financial targets for the 2020 bonus were not achieved, this, coupled with the experience of shareholders and other stakeholders, has resulted in the decision to make no payments to Executive Directors, members of the GET and most management participants (not notwithstanding that good progress has been made versus strategic goals).

2018 PSP/CIP

Achievement of the 2018 PSP/CIP performance targets was significantly impacted by the detrimental effects of COVID-19, and will vest at an overall rate of 28.5% with only the ROCE target being within range.

2020 PSP/CIP award

Long-term incentive awards are usually granted immediately following the AGM at which a policy is approved by shareholders. Mindful of two newly-appointed executives and the need to provide long-term motivation for the wider PSP population (of approximately 300 employees), the Committee agreed it would be important to continue to grant the 2020 PSP/CIP with the targets which had been determined before the global pandemic and which had already been disclosed in the 2019 DRR. However, the Committee considered the share price to be used to calculate the 2020 awards, to ensure that any awards granted in 2020 would not result in considerably higher numbers of shares, compared to 2019, due to fluctuations in share price as a result of COVID-19. As a result, a 10% reduction was applied to the number of shares granted to the Executive Directors, GET and other senior managers to ensure that the awards reflect shareholder experience and alignment with other stakeholders.

Plans and targets for 2021

As already noted, the Committee considered the implementation of the approved 2020 remuneration policy in light of these challenges and agreed the planned increase in bonus pay-out at target (from 40% to 50% of max) would not be implemented until the 2021 bonus cycle.

2021 Bonus

The matrix style bonus, combining revenue and profit, will continue to apply to executives and senior managers for the 2021 performance year. Performance ranges have been widened compared to those used in 2020, to take account of the uncertain trading conditions in all of our markets. Furthermore, assumptions around the impact of the continuing COVID-19 pandemic on our ability to trade in our geographic markets fundamentally influence these performance ranges, and the Committee will review the pre-defined external market assumptions that underpin the annual bonus plan to ensure they continue to be relevant.

2021 LTIPs

At the time of writing, the Committee intends that the 2021 LTIP targets will continue to be three-year average ROCE, cash conversion and three-year cumulative EPS. However, given the significant and continuing COVID disruption to trading, the Committee was not able to finalise and therefore disclose targets at the time of writing. We hope to be in a position to do so over the coming months and will disclose these targets as soon as we are able.

CEO appointment

Duncan Tait joined as CEO on 1 June 2020 with a base salary of £780,000, a pension contribution of 10% of salary and incentives and benefits consistent with the remuneration policy. He did not receive any amounts in lieu of awards forfeited at his previous employer. We are delighted that Duncan immediately demonstrated his commitment to the Group by purchasing 11,502 shares.

Stefan Bomhard, former CEO, left the Group on 30 June 2020. In line with the remuneration policy, and his leaving status, Stefan Bomhard did not receive a bonus for 2020 and all his outstanding PSP and CIP awards (i.e. those granted in 2018 and 2019) lapsed in full. Stefan did not receive any exit payments. Prior to leaving the Group, Stefan was entitled to receive shares due under the 2017 PSP and CIP award in May and June 2020 respectively. These shares are held in a nominee account for the required two-year post vesting holding period.

Resulting performance outcomes

The Committee is satisfied that the total remuneration received by Executive Directors in 2020 appropriately reflects the Company's performance over the year, is in line with policy and is consistent with the approach taken for other employees. The Committee is also satisfied that the approach to setting remuneration for 2021 underpins the effective and proper management of risk by rewarding fairly for sustainable profit growth and long-term returns for shareholders.

Shareholder consultation

On behalf of the Committee, and together with the Chairman, I had the opportunity to speak with a number of our key shareholders whose advice was reflected in the renewal of the remuneration policy. Their input guided the Committee's decisions around appropriate phased pension payment reductions for the former Executive Directors, post-termination shareholding guidelines and maintaining the co-investment plan as an effective mechanism through which to encourage alignment with shareholders.

As soon as it became apparent that the pandemic was impacting operations globally, the Committee wrote to shareholders to inform them of the immediate remuneration decisions being made so that shareholders had the opportunity to give their feedback.

Committee evaluation

In line with the UK Corporate Governance Code, an external Board evaluation was carried out in 2020. As part of that evaluation, a review of the Committee was undertaken which covered membership, meetings, the performance of the chair, clarity of objectives and terms of reference and quality of external advice. The Committee was satisfied with the performance of the Committee and discussed some minor changes for improvement.

Looking forward

2020 has undoubtedly been the most challenging year for us in living memory. The Executive Directors, our Group Executive Team, along with all of our employees across the world, have worked tirelessly to ensure the business remains strong and stable, and that customers, and each other, have been able to stay safe throughout. The Committee is committed to ensuring the remuneration arrangements continue to support the efforts of the workforce and the objectives of the strategy, whilst aligning pay with strong performance, and the interests of executives and senior management with those of shareholders and good corporate governance.

Having reviewed the year end results, management proposed to reinstate the 2020 pay review planned for April 2020 and which was subsequently deferred. This was applied with effect from January 2021. There will be no back-dating of this award to those who receive it. The Committee decided that the same principle should apply to Gijsbert de Zoeten and members of the GET, but not to Duncan Tait who joined subsequently.

The Committee also approved the global average workforce annual salary review of 3.28% and the average workforce annual salary review for Group employees of 2.5%. Duncan Tait will receive an increase of 2.5% in line with this average. Gijsbert de Zoeten has been awarded an increase of 3.8% which is above this average as the Committee believes this is in recognition of significant additional responsibilities he now has following the departure of the Group Strategy Director, and his performance and contribution to the business to date.

The Committee is mindful of the fact that our two recently-recruited Executives received no long-term incentive awards to compensate them for forfeited awards from their prior employment and now, as a result of the pandemic, have a significantly reduced opportunity to build shareholding via the 2020 long-term incentives. This situation will be kept under review.

During 2020, under Duncan's leadership, the Group renewed its focus on our Responsible Business agenda incorporating ESG initiatives. In 2021, the Committee will be mindful of the need to reflect this strategic thrust in our remuneration framework at an appropriate point in the future.

We hope to have your support at the upcoming AGM.

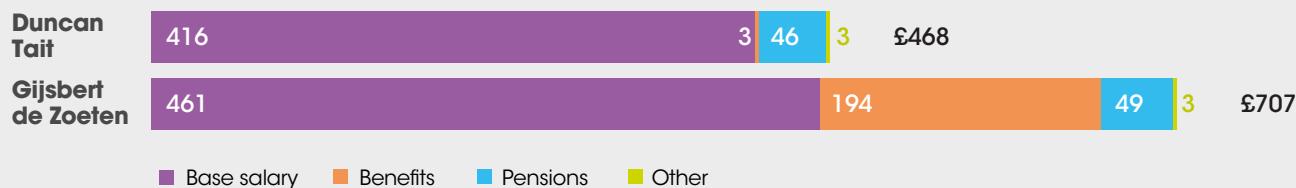


Jane Kingston

Chair of the Remuneration Committee

Executive Directors' remuneration in 2020

What Executive Directors earned during 2020 (£'000)



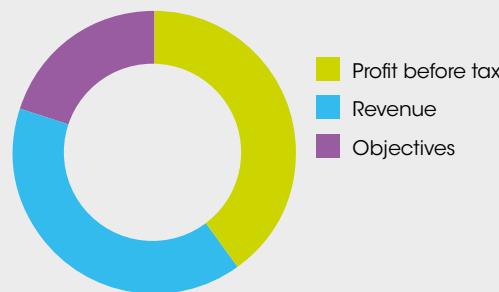
DETAILS OF ACTUAL PERFORMANCE ACHIEVED ARE GIVEN ON PAGES 87 TO 91

How we performed in 2020

Despite the challenges of COVID-19, the Group's performance reliably delivered results that, whilst below the targets set before the pandemic, are in line with revised expectations.

Furthermore, we are delighted with the significant strategic progress which continues to be made through the implementation of the Group's strategy, and the focus on our Distribution business.

Measures used for annual bonus



Revenue



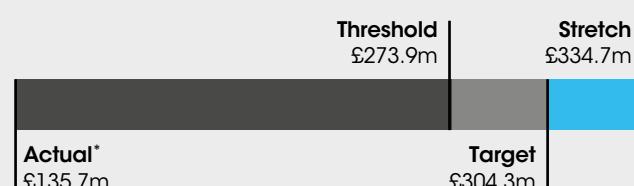
Measures used for long-term incentive plans



EPS (Earnings per share)

23.6p

Profit before tax



ROCE (Return on capital employed)

12.3%

FURTHER INFORMATION ON ANNUAL BONUS AND LONG-TERM INCENTIVE PLANS CAN BE FOUND ON PAGES 88 TO 91

* Actual performance for determining bonus outcomes has been calculated using the same currency rates as used to set the bonus targets, and both targets and performance have been determined on an IFRS 16 basis. This approach helps ensure that the bonus is linked to underlying financial performance.

Part 1 —

Directors' remuneration policy

This section of the report sets out the policy that was approved by shareholders at the 2020 Annual General Meeting held on 21 May 2020.

Alignment of the remuneration policy

This section outlines how clarity, simplicity, risk, predictability, proportionality and alignment to culture were addressed when reviewing the remuneration policy and its implementation as required under provision 40 of the UK Corporate Governance Code.

- The Committee believes that the disclosure of the design of remuneration arrangements is transparent with clear rationale provided on maintenance and changes to policy. The Committee remains committed to consulting with shareholders on the policy and its implementation
- The Committee believes the performance measures used in the long-term incentive plans, along with those in the bonus, 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 to be stretching and achievable, with discretion to adjust formulaic bonus and PSP outcomes and expanding the circumstances in which malus and clawback can be applied
- The link to strategy of the performance measures used and the setting of targets balances predictability and proportionality by ensuring outcomes do not award poor performance in the short and long term. The policy is consistent with Inchcape's culture as well as strategy, therefore driving behaviours which promote the long-term success of Inchcape

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.	<p>Salaries are reviewed annually and any increases typically take effect from 1 April of each year.</p> <p>Adjustments to salary will take account of:</p> <ul style="list-style-type: none"> - 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. 	<p>Increases are not expected to exceed the average increase for senior management, unless a change in scope or complexity of role applies.</p>
Annual bonus	To motivate and reward for the achievement of the Company's strategic annual objectives.	<p>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.</p> <p>Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the CIP.</p> <p>Bonus payouts are subject to malus and clawback provisions.</p>	<p>150% of salary maximum payable for achieving stretch performance against all measures.</p> <p>75% of salary payable for target performance.</p> <p>15% of salary payable for entry level performance.</p>
Performance Share Plan (PSP)	<p>To provide a meaningful reward to senior executives linked to the long-term success of the business.</p> <p>The use of performance shares enables the delivery of median pay for median performance and upper quartile pay for upper quartile performance.</p>	<p>Vesting of the PSP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year.</p> <p>Vested awards will be subject to an additional two-year holding period.</p> <p>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.</p> <p>Current practice is for dividends to be paid as shares.</p> <p>PSP awards are subject to malus and clawback provisions.</p>	<p>Normal PSP opportunities will be 180% of salary.</p> <p>Award levels are subject to an individual limit of 300% of salary.</p> <p>Threshold level performance will result in 25% vesting of the PSP award.</p>

Remuneration policy for Executive Directors continued

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Co-Investment Plan (CIP)	<p>To encourage executive share ownership and reinforce long-term success.</p> <p>A voluntary investment opportunity in return for a performance-based match.</p> <p>Any annual bonus earned over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p>	<p>Any bonus earned over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p> <p>Invested 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.</p> <p>Vesting of the CIP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year.</p> <p>For awards granted to the Executive Directors, vested awards will be subject to an additional two-year holding period.</p> <p>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.</p> <p>CIP awards granted are subject to malus and clawback provisions.</p>	<p>Executive Directors may invest up to an overall maximum of 50% of salary. Maximum match of 2:1, threshold of 0.5:1.</p> <p>Maximum matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary.</p>
Save As You Earn (SAYE)	To encourage share ownership.	UK employees are able to make monthly savings, over a three-year period. 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 UK tax authorities from time to time.
Pension	To provide market competitive pension benefits where it is cost-effective and tax-efficient to do so.	Receive a salary supplement in lieu of pension contributions. In addition and in line with other UK-based employees, Executive Directors are also entitled to participate in the Group's pension scheme, Cash+, which is a cash balance retirement scheme which accrues 16% of earnings (capped at £250,000 p.a.) paid as a lump sum at the age of 65. In this scheme, members are required to contribute 7% of pensionable salary. The scheme closed on 31 December 2020.	<p>Executive Directors are entitled to a cash supplement of up to 10% of salary.</p> <p>Executive Directors who were appointed prior to 2019 were entitled to a pension contribution of up to 30% of salary.</p>
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.	<p>It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for existing Executive Directors.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation).</p>
In-post shareholding guidelines	To encourage share ownership and alignment of executive interest with those of shareholders.	Executive Directors are required to accumulate, over a maximum period of five years from date of appointment, a number of shares equivalent to a shareholding worth 200% of base salary.	n/a
Post-exit shareholding guidelines	To reinforce long-term alignment of executive interests with those of shareholders post-termination.	<p>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.</p> <p>Enforcement of this guideline will be facilitated through a holding requirement for Executive Directors applied to share-based incentives awards from 2020 onwards.</p> <p>The application of this requirement will be at the Committee's discretion (which will be applied only in exceptional circumstances).</p>	n/a

Notes to the policy

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the remuneration policy detailed in this report. Such awards include vested but unexercised options.

Selection of performance measures and target setting

As part of the remuneration policy review, the Committee reviewed the appropriateness of performance measures used by the Group and determined the following:

- 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 cash initiatives. 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 Group's cash

initiatives of controlling working capital and capital expenditure. When ROCE is used in combination with EPS, it ensures there is a balance between growth and returns. The new cash conversion measure reflects the criticality of cash generation for Inchcape, which is required to support its continued evolution.

- Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates.
- 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.
- 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 only be achievable for truly outstanding performance. Please see pages 88 to 91 for further details on the target ranges.
- The Committee retains discretion to adjust the annual bonus outcome up or down to ensure that it is a fair reflection of the Group's underlying performance. The Committee also has the ability to adjust the number of shares vesting under the

PSP to ensure it is a fair reflection of underlying performance during the performance period.

- The Committee also has the discretion to adjust the performance conditions for long-term incentive plans 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 will be fully explained to shareholders in the relevant Annual Report on Remuneration. If the discretion is material and upwards, the Committee will consult with major shareholders in advance.

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:

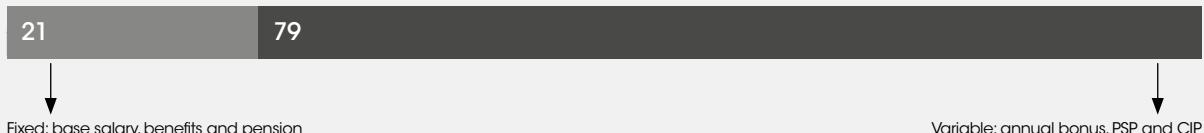
- reduce bonus, PSP and/or CIP;
- cancel entitlement of bonus;
- prevent vesting of the PSP and/or CIP; or
- allow the Company within two years of payment/vesting of award to claim back up to 100% of the award.

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.

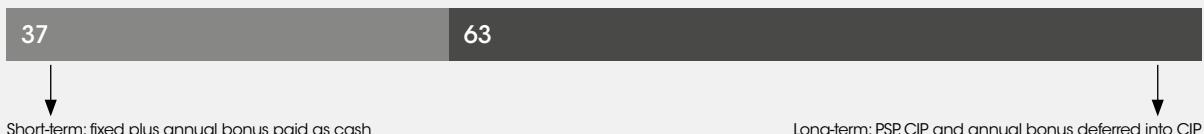
Composition of remuneration arrangements

A significant proportion of Executive Directors' pay is variable, long term and remains 'at risk' (i.e. subject to malus and clawback provisions). Charts are based on maximum payout scenarios for Executive Directors.

Fixed vs. variable (%)



Short-term vs. long-term (%)



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. In-post share ownership guidelines apply to Executive Directors.

All UK 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 UK employees to be 10% of salary.

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.	<p>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.</p> <p>Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's Committees (excluding the Nomination Committee).</p> <p>The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors.</p> <p>Non-Executive Directors may elect to receive up to 20% of their net fees p.a. as Company shares.</p>	<p>Appropriate adjustments may be made to fee levels, taking account of:</p> <ul style="list-style-type: none"> - 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 £1,000,000, was last approved by shareholders at the 2015 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).

Jerry Buhlmann	01 March 2017	One month
Rachel Empey	26 May 2016	One month
Alex Jensen	29 January 2020	One month
Jane Kingston	25 July 2018	One month
John Langston	01 August 2013	One month
Nigel Stein	08 October 2015	Six months
Till Vestring	01 September 2011	One month

Consideration of conditions elsewhere in the Group

The Committee reviews and approves all remuneration arrangements for the Group Executive Team and the Company Secretary. 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 and therefore pay levels and structures vary to reflect local market conditions. Although the Company has not carried out a formal employee consultation regarding executive remuneration, it does comply with local regulations and practices regarding employee consultation more broadly. This includes the Employee Experience Survey conducted in 2020, more detail of which is provided in the CSR Report on page 72.

The remuneration policy is published in the Annual Report and Accounts and is available to all employees for their review. The Remuneration Committee is available to answer any questions employees may have about the policy or to provide clarification on any remuneration matters. Elements of the policy are cascaded down the organisation such as bonus and long-term incentive plans. The new policy also aligns the pension contribution for newly appointed Executive Directors with the UK employee average which is currently 10% of salary.

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 remuneration policy and arrangements. We are committed to undertaking shareholder consultation in advance of any proposed changes to remuneration policy, as evidenced by our recent consultation with shareholders representing 70% of

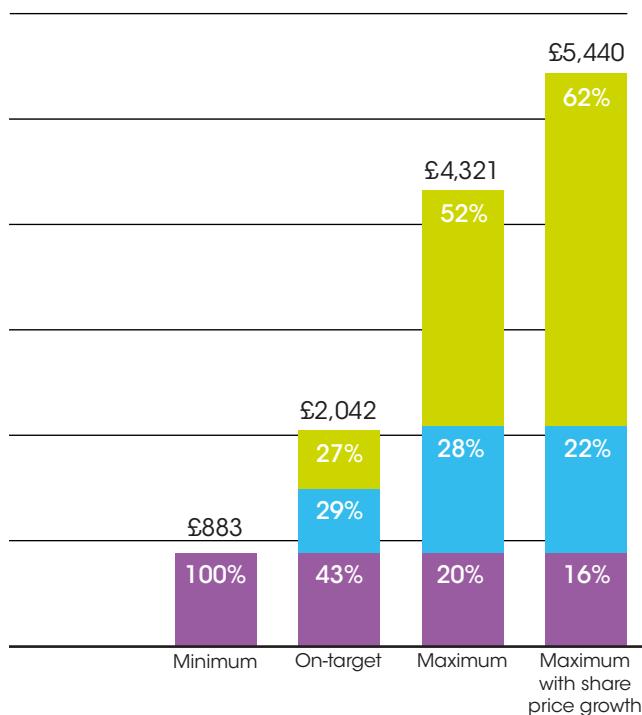
the Company's issued share capital. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Performance scenarios

The charts below show the remuneration that Executive Directors 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. The charts have been updated for their 2021 salary.

Duncan Tait - Group Chief Executive

Total remuneration (£'000s)



■ Fixed remuneration

■ Annual bonus

■ Long-term incentives (PSP and CIP)

Gijsbert de Zoeten - Chief Financial Officer

Total remuneration (£'000s)



Notes on the performance scenarios:

Element	Assumptions
Fixed remuneration	<ul style="list-style-type: none"> - Total remuneration comprises base salary, benefits and pensions - Base salary – effective from 1 April 2021 - Benefits – as provided in the single figure table on page 87 - Pension – 10% cash in lieu of pension

Element	Assumptions	Performance scenarios			
		Minimum	On-target	Maximum	Maximum with share price growth
Fixed remuneration	- Total remuneration comprises base salary, benefits and pensions - Base salary – effective from 1 April 2021 - Benefits – as provided in the single figure table on page 87 - Pension – 10% cash in lieu of pension				
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 participate in the Group's pension plan and receive a cash supplement on similar terms to Executive Directors appointed after 2019.	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.	150% of salary	
PSP	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	300% of salary	The combined maximum is not intended 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	<p>The Committee will consider on a case-by-case basis if all or some of the incentives forfeited on leaving a previous employer will be 'bought-out'.</p> <p>If the Committee decides to buy-out forfeited awards, the award will be structured on a comparable basis, taking into account any performance conditions attached, time to vesting and share price at the time of buy-out.</p> <p>The Committee retains the discretion to make use of the relevant Listing Rule to facilitate such a buy-out.</p>	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 81. 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.

In addition, the Company retains discretion to settle any other amount reasonably due to the Executive Director, for example, to meet 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.

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 (subject to any Committee discretion):

Component	Circumstance	Treatment	Payment/vesting date (if relevant)
Annual bonus	Resignation.	Bonus will lapse unless the date of leaving is after the year end and the individual is not serving their performance period or at the notice period. The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved.	Either the end of the Committee's discretion.
	Death, ill-health, redundancy, retirement or any other reason which the Committee may, in its absolute discretion, permit.	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved.	Either the end of the performance period or at the Committee's discretion.
	Change of control.	Any bonus payment will be pro-rated for time served during the year.	Either the end of the performance period or at the Committee's discretion.
PSP and CIP	Resignation.	Unvested awards will lapse on date of leaving. Any vested awards can be exercised.	At the normal release date (save where the Committee has discretion to determine otherwise or the rules provide otherwise).
	Death, ill-health, redundancy, retirement (CIP only) or any other reason which the Committee may, in its absolute discretion, permit.	Any unvested awards will be pro-rated for time and performance.	At the normal release date (save where the Committee has discretion to determine otherwise or the rules provide otherwise).
	Change of control.	Any unvested awards will be pro-rated for time and performance.	At the time of change of control.

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
Gijsbert de Zoeten	27 August 2019	12 months	To retirement

The Company may terminate an Executive Director's contract by paying a sum equal to base salary and, in certain circumstances, benefits including pension and life assurance, company car and entitlement to holiday pay for the 12-month period. Executive Directors' service contracts are available to view at the Company's registered office.

Part 2 –

Annual report on remuneration

The following section provides details of how the Company's remuneration policy was implemented during the financial year to 31 December 2020 and how it will be implemented in the financial year to 31 December 2021.

The Remuneration Committee consists of three independent Non-Executive Directors and the Chairman, who was independent on appointment. The Committee invites other individuals such as the Group Chief Executive, Chief Human Resources Officer and external consultants to attend its meetings. No Director takes any part in any decision affecting his or her own remuneration.

The Committee reviews its terms of reference on an annual basis. The terms can be found at www.inchcape.com.

The table below details the decisions the Committee made in 2020 and its focus for 2021.

Focus area	Decisions made in respect of 2020	Priorities for 2021
Bonus scheme	<p>The Committee reviewed the outcome of the 2019 bonus scheme and set targets for the 2020 bonus scheme.</p> <p>The Committee agreed to delay the on-target increase from 40% to 50% of maximum as part of the Group's COVID-19 response. Further details are given on page 88.</p> <p>As the financial performance targets were not achieved no bonus will be paid to the Executive Directors for 2020.</p>	The Committee will review the bonus measures and targets applicable for the 2021 bonus within the framework of the remuneration policy
Long-term incentives	<p>The Committee reviewed the outcome of the 2017 PSP and CIP awards and agreed the grants for 2020. Details are on pages 90 to 91.</p> <p>A third measure was introduced into the PSP and CIP based on cash. The weighting is 40% on each of EPS and ROCE, and 20% on cash. See page 91 for further details.</p> <p>The Committee considered the approach to the grant of the 2020 long-term incentive awards taking into account shareholder expectations as a result of COVID-19. Further details are given on page 91.</p>	The Committee will review the 2018 PSP and CIP outcomes and agree the grants for 2021 within the framework of the remuneration policy
Executive Directors' remuneration	<p>The Committee approved the overall 2020 remuneration for the Executive Directors.</p> <p>As part of the Group COVID-19 response, the Committee approved a 20% salary reduction for Executive Directors from 1 April 2020 to 30 June 2020 with the new CEO taking a salary reduction on his first three months of service from 1 June 2020 to 31 August 2020.</p> <p>The 3% salary increase approved by the Committee for the CFO was postponed from April 2020 to January 2021.</p>	The Committee will set targets for performance-related remuneration and consider appropriate salary levels and other benefits
Group Executive Team remuneration	<p>The Committee reviewed the remuneration for senior executives taking into account pay for employees across the Group.</p> <p>As part of the Group COVID-19 response, the Committee approved a 20% salary reduction for the Group Executive Team from 1 April 2020 to 30 June 2020. Salary increases previously approved by the Committee were postponed to January 2021.</p>	The Committee will set targets for performance-related remuneration and consider salary levels and other benefits
Wider remuneration	<p>The Committee considered the reward landscape for the wider workforce including total bonus outcomes for all senior management, regional financial element and the distribution of performance outcomes for personal objectives.</p> <p>The Committee also reviewed data on the 2020 salary review across the whole organisation. As part of the Group COVID-19 response, approximately 60% of the workforce were unable to work. Further details are given on page 53.</p>	The Committee will continue to review executive remuneration in the context of wider workforce remuneration
Chairman's fee	The Committee reviewed the Chairman's fee in November 2020 and agreed an increase of 2.5% with effect from 1 April 2021.	Review benchmarking criteria to ensure the Chairman fee is in line with the market

Focus area	Decisions made in respect of 2020	Priorities for 2021
Share plans	The Committee approved an update to the share plan rules to include reputational damage and corporate failure as circumstances in which malus and clawback provisions could be applied.	The share plans have been in place for 10 years therefore the updated plan rules will be put to shareholders for approval at the Annual General Meeting in 2021
UK pension arrangements	Following the Board's decision to close the Cash+ scheme, the Committee reviewed the progress made on the closure of the Cash+ scheme and the establishment of a new DC scheme, the Inchcape Retirement Savings Plan ("IRSP"). Further details on the decisions are given in the S172 case study on page 60.	Full details of the plan rules can be found in the annex to the Notice of Meeting and will be available for inspection at the Company's registered office
Gender pay gap report	The Committee reviewed the gender pay gap results and the initiatives being introduced to close the gap. The report can be found on www.inchcape.co.uk .	The Committee will review the impact of the initiatives and the results of the 2021 gender pay analysis
CEO pay ratio	The Committee approved the methodology and assumptions made in the calculation of the CEO pay ratio and approved the statement made in last year's DRR. The Committee analysed the results of the 2020 CEO pay ratio and approved the statement made on page 93.	The Committee will continue to monitor the results of the CEO pay ratio calculations
Committee evaluation	An external Board evaluation was carried out in 2020. Please see pages 64 and 76 for further details.	The Committee will focus on wider workforce policies
Executive Director and GET appointments	The Committee approved the remuneration package for: - Group Chief Executive Officer - CEO Europe - Chief Human Resources Officer - Chief Information Officer.	New appointments and changes to the Group Executive Team will be reviewed and approved by the Committee
Governance	The external advisors updated the Committee on governance and remuneration trends. The Committee reviewed and approved the disclosures for the pay scenarios and impact of share price appreciation.	The Committee will continue to monitor investor views on the remuneration landscape The appropriateness of any ESG metrics will be considered by the Committee during 2021

Single total figure of remuneration (audited)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2020:

Name	Base salary /fees ^(a) £'000		Taxable benefits ^(b) £'000		Single-year variable ^(c) £'000		Multiple-year variable ^(d) £'000		Pension ^(e) £'000		Other ^(f) £'000		Total £'000		Total Fixed ^(a+b+e+f) £'000		Total variable ^(c+d) £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Current Executive Directors																		
Duncan Tait*	416	-	3	-	0	-	0	-	46	-	3	-	468	-	468	-	0	-
Gijsbert de Zoeten	461	169	194	100	0	115	0	-	49	17	3	0	707	401	707	286	0	115
Current Non-Executive Directors																		
Nigel Stein	277	321	2	1	-	-	-	-	-	-	-	-	279	322	279	322	-	-
Jerry Buhlmann	70	73	-	-	-	-	-	-	-	-	-	-	70	73	70	73	-	-
Rachel Empey	55	60	-	-	-	-	-	-	-	-	-	-	55	60	55	60	-	-
Jane Kingston	67	67	-	-	-	-	-	-	-	-	-	-	67	67	67	67	-	-
John Langston	65	77	-	-	-	-	-	-	-	-	-	-	65	77	65	77	-	-
Till Vestring	63	74	-	-	-	-	-	-	-	-	-	-	63	74	63	74	-	-
Alex Jensen*	48	-	-	-	-	-	-	-	-	-	-	-	48	-	48	-	-	-
Former Executive Directors																		
Stefan Bomhard*	343	757	10	18	0	0	0	520	114	227	4	0	471	1,522	471	1,002	0	520
Total	1,865	1,598	209	119	0	115	0	520	209	244	10	0	2,293	2,596	2,293	1,961	0	635

* Stefan Bomhard left on 30 June 2020. Alex Jensen joined on 29 January 2020 and Duncan Tait joined on 1 June 2020.

a. Base salary/fees include the voluntary 20% pay cut taken by the Directors during the year.

b. Taxable benefits comprise car allowance, medical cover and mileage allowance. Gijsbert de Zoeten received a relocation allowance of £173,904 during 2020. As disclosed in last year's report, Gijsbert was eligible for a relocation allowance to facilitate moving his family to the UK. The allowance was payable for a 12 month period only.

c. Payment for performance under the annual bonus, including amounts paid in shares.

d. The 2019 figure for Stefan Bomhard has been revised from last year's report to reflect the share price on the date of vesting (valued using the market price at the date of vesting of 491p and 489p for the 2017 PSP and CIP awards respectively) and includes a dividend equivalent of £43,366. The 2019 value includes a movement of -£312,168 which was due to a reduction in share price over the period. Full details of the awards exercised in 2020 are given on page 92.

e. During the year Stefan Bomhard received a cash pension supplement of 30% of base salary prior to 21 May 2020, and 23.3% thereafter until date of leaving. Gijsbert de Zoeten and Duncan Tait received a pension supplement of 10% of salary.

f. The 2020 figure for both Duncan Tait and Gijsbert de Zoeten includes the value of the 2020 SAYE and is based on the embedded value at date of grant. In 2020, Stefan Bomhard received a one-off payment of £4,391.10 in lieu of holiday entitlement at time of leaving.

The fees of the Chairman, Non-Executive Directors and the Senior Independent Director are given on page 88.

Base salary

Salaries are reviewed annually and typically take effect from 1 April each year. The Committee agreed to postpone the 2020 salary increases as part of the Group COVID-19 response. Additionally, Board members agreed to take a 20% salary or fee cut, applied for three months for the Executive Directors and nine months for Non-Executive Directors.

The quantum of total executive remuneration was reviewed against four comparator groups: retailers, distributors, companies of a similar market cap, and companies with similar revenues.

The salaries for 2019, 2020 and 2021 are set out below, together with the average increases across the Group.

Name	1 April 2019	(or date of appointment, if later)	1 April 2021
Duncan Tait	-	£780,000	£799,500
Gijsbert de Zoeten*	£485,000	£499,550	£518,533
Average increase across Group	2.43%	3.18%	3.28%

* Gijsbert de Zoeten was awarded a salary increase of 3% in April 2020 but implementation was delayed until January 2021. He was awarded a salary increase of 3.8% with effect from 1 April 2021. Further details are on page 76.

Chairman and Non-Executive Directors' fees

The Remuneration Committee agreed an increase of 2.5% p.a. for the Chairman's fee with effect from 1 April 2021. The Chairman's fee will be £334,560 p.a. from that date.

The Board agreed a fee increase of 2.5% p.a. for the Senior Independent Director and Non-Executive Directors with effect from 1 April 2021. The revised fees will be £83,025 for the SID, and £63,500 for the NEDs. The additional fee of £15,000 p.a. for the chair of the Audit and Remuneration Committees, and £12,000 for the chair of the CSR Committee remain the same.

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 matrix is designed to provide a balanced focus between commercial and cash initiatives. The strategic objectives are selected each year to reinforce the Group's strategic priorities and may include personal objectives linked to the delivery of the Ignite strategy.

The principles for setting the 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
- Has clear measures and targets

2020 bonus

For 2020, 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 Ignite strategy.

The maximum opportunity was 150% of salary which is payable for achieving stretch performance against all measures.

The structure of the 2020 bonus

Up to 80% of total bonus or 120% of salary is earned according to the following matrix of financial measures (% are of salary):

Revenue

Stretch	24%	72%	120%
Target	16%	48%	96%
Threshold	12%	36%	72%
Threshold	Target	Stretch	Profit before tax

Up to 20% of the total bonus, or 30% of salary, is earned for the achievement of strategic objectives linked to the Ignite strategy.

Actual performance against bonus targets

Achievement of financial targets (80% of total bonus or 120% of salary)

In 2020, revenue performance and profit before tax was below threshold. The table below provides further detail on the revenue and profit before tax targets.

Actual performance for determining bonus outcomes has been calculated using the same currency rates as used to set the bonus targets, and both targets and performance have been determined on an IFRS 16 basis. This approach helps ensure that the bonus is linked to underlying financial performance.

Measure	Targets			Actual performance	Outcome for element of bonus % of salary
	Threshold	Target	Stretch		
Revenue	£8,065.0m	£8,489.5m	£8,914.0m	£7,036.4m	
Profit before tax	£273.9m	£304.3m	£334.7m	£135.7m	0%

Adjustments made during the year

The revenue and profit before tax targets for 2020 were adjusted to take into account strategic acquisitions and disposals during the year, to ensure target and performance outcomes were assessed on a like-for-like basis.

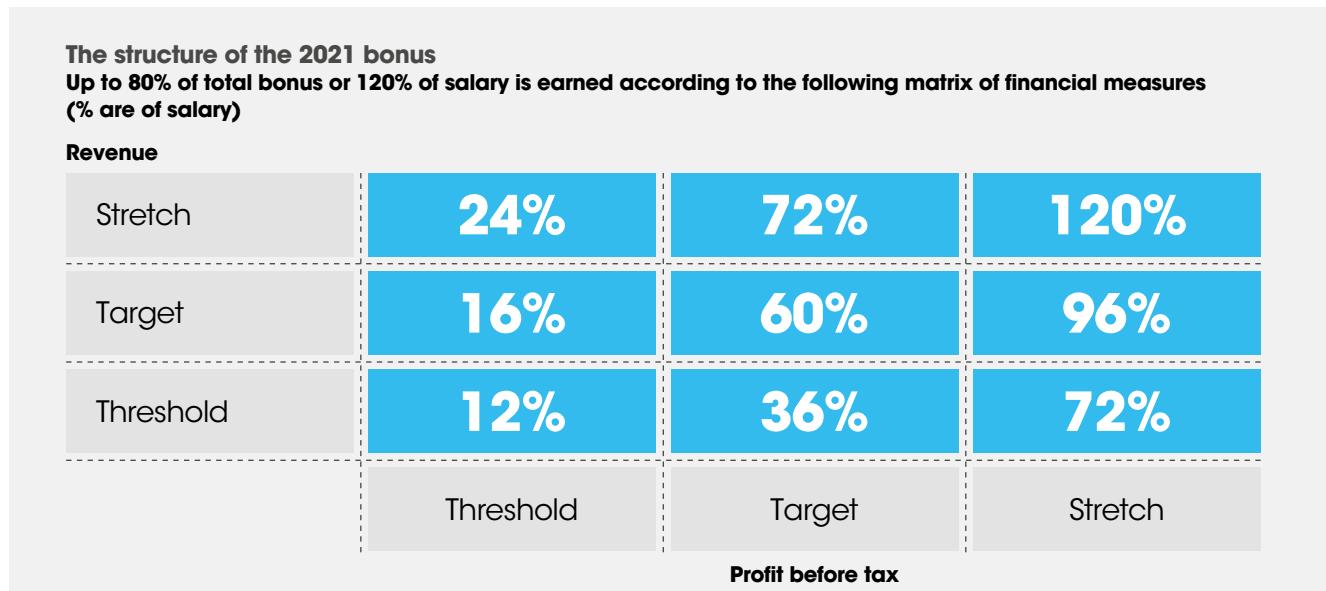
Achievement of strategic targets (20% of total bonus, or 30% of salary)

Below we provide as much detail as commercially appropriate on the objectives linked to the strategic part of the 2020 bonus and the resulting outcomes. As the financial performance targets were not achieved there is no bonus payable for the year ended 31 December 2020, however, the Executive Directors achieved the strategic objectives as detailed below.

Executive Director	Objective	Weighting (%)	Further details on objectives	Weighted outcomes (%)
Duncan Tait	Strategy	10%	<ul style="list-style-type: none"> Defined the new strategic direction of the Group focusing on two key growth pillars: Distribution Excellence; and Vehicle Lifecycle Services Successfully maintained strategic progress during COVID-19 pandemic 	n/a
	Digital capability	10%	<ul style="list-style-type: none"> Successful roll out of omni-channel platform in Argentina, Colombia and Chile with staggered implementation plan agreed for other markets. 	n/a
Gijsbert de Zoeten	Improve management information flow	10%	<ul style="list-style-type: none"> Improvement in executive information resulting in: <ul style="list-style-type: none"> a) highly effective navigation through COVID-19 crisis; and b) increased quality of information on business performance between regions and central functions including frequency, improvement in forward looking data and market detail. 	n/a
	Finance and IT transformation	10%	<ul style="list-style-type: none"> A comprehensive transformation plan of the Finance function was created, and the first milestones have been achieved despite the challenges presented by COVID-19. Significant improvement of Finance IT tools globally and initiation of shared services project. Substantial progress on the Cyber Security action plan. 	n/a

Annual bonus for 2021

The maximum annual bonus opportunity in 2021 will remain unchanged from previous years and will be 150% of salary. For the Executive Directors, 80% of the bonus will be based on a financial performance matrix, linked to revenue and profit before tax, and 20% of the bonus will be based on a basket of specific, measurable objectives that relate to the Group's strategy. 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 2021 targets for the Executive Directors 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 DRR.

PSP and CIP awards vesting in respect of the year

In 2018, awards were granted under the PSP and CIP schemes which vested dependent on certain performance targets measured over three years to 31 December 2020. These awards are also subject to an additional post-vest two-year holding period.

2018 PSP/CIP performance targets

Three-year EPS growth p.a. (60% weighting)	Vesting %
Less than 4%	0%
4%	25%
12%	100%
Between 4% and 12%	Straight line basis

Three-year average ROCE* (40% weighting)	Unexpired term
Less than 16.5%	0%
16.5%	25%
20.5%	100%
Between 16.5% and 20.5%	Straight line basis

* Targets have been adjusted for IFRS 16.

Vesting of 2018 PSP/CIP awards

Over the 2018-2020 performance period an EPS growth of -63% and three-year average ROCE of 19% were achieved, which resulted in the following vesting outcomes:

Award	Performance measure	Wtg.	Vesting outcome (% of element)
PSP	EPS	60%	0%
	ROCE	40%	71.3%
Total (overall vesting outcome of PSP)			28.5%

Award	Performance measure	Wtg.	Vesting outcome (% of element)
CIP	EPS	60%	0%
	ROCE	40%	71.3%
Total (overall vesting outcome of CIP)			28.5% = 0.57:1 match

Due to their relatively recent appointments, neither of the Executive Directors were participants in the 2018 PSP/CIP award cycle. The awards granted in 2018 to Stefan Bomhard and Richard Howes (former Directors) lapsed on their cessation of employment with the Group.

PSP and CIP awards granted during the year

During 2020, PSP and CIP awards were granted to Duncan Tait and Gijsbert de Zoeten. PSP awards were granted at 180% and 230% of salary respectively and under the CIP, Duncan Tait and Gijsbert de Zoeten invested 50% of salary and were granted a matching award of 100% of salary. As disclosed in last year's report, it was agreed that Gijsbert's PSP awards would be enhanced to 230% of salary for 2020 only (versus a regular award of 180%), reflecting that no PSP award was granted to him in 2019.

Due to the share price decline, a 10% reduction was applied to the actual number of shares granted to ensure that the awards reflected the shareholder experience and alignment with other stakeholders.

The performance targets for the 2020 PSP/CIP grants are as follows:

2020 PSP/CIP

Three-year cumulative EPS (40% weighting)	Vesting %	Three-year average ROCE (40% weighting)	Unexpired term
Less than 169p	0%	Less than 16.5%	0%
169p	25%	16.5%	25%
191p	100%	20.5%	100%
Between 169p and 191p	Straight line basis	Between 16.5% and 20.5%	Straight line basis
<hr/>			
Cash conversion (20% vesting)	Vesting %		
Less than 55%	0%		
55%	25%		
70%	100%		
Between 55% and 70%	Straight line basis		

Threshold level performance will result in 25% of the 2020 PSP and CIP awards vesting.

	Date of grant	Share price (p) ¹	Number of shares/options awarded	Face value at grant ²	Performance period	Exercise period
Duncan Tait						
PSP	2 June 2020	514.5p	251,342	£1,293,155	Jan 2020 – Dec 2022	Jun 2023 - Jun 2024
CIP	26 June 2020	488.8p	139,682	£682,766	Jan 2020 – Dec 2022	Jun 2023 - Dec 2023

Gijsbert de Zoeten

PSP	2 June 2020	514.5p	199,695	£1,027,431	Jan 2020 – Dec 2022	Jun 2023 - Jun 2024
CIP	26 June 2020	488.8p	86,841	£424,479	Jan 2020 – Dec 2022	Jun 2023 - Dec 2023

1. Mid-market share price on date of grant.

2. Face value has been calculated using the share price at date of grant.

Long-term incentives for 2021

Given the current uncertainty in our core markets as a result of recent local and national lockdowns, the Committee has delayed setting the targets for the 2021 awards. The current intention is to make the awards in May and the specific targets applying to the awards will be disclosed to shareholders in an RNS at the time of grant.

Pension

During 2020, the outgoing CEO, Stefan Bomhard, received a cash supplement of 30% of base salary to 21 May 2020. He then received a cash supplement of 23.3% of salary until he left the Group on 30 June 2020. Duncan Tait and Gijsbert de Zoeten receive a pension contribution of 10% of salary which is aligned to the UK employee average.

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 2020.

	Shares held at 31 December 2020	Share awards held		Options held		Vested but not yet exercised	Guideline met
		Subject to performance conditions	Subject to deferral	Not subject to performance targets	Subject to deferral		
Duncan Tait	55,055	391,024	0	0	4,774	0	No
Gijsbert de Zoeten	68,156	286,536	0	0	4,774	0	No
Nigel Stein	66,834	n/a	n/a	n/a	n/a	n/a	n/a
Jerry Buhlmann	15,000	n/a	n/a	n/a	n/a	n/a	n/a
Rachel Empey	6,760	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
John Langston	8,303	n/a	n/a	n/a	n/a	n/a	n/a
Till Vestring*	46,547	n/a	n/a	n/a	n/a	n/a	n/a
Alex Jensen	0	n/a	n/a	n/a	n/a	n/a	n/a
Stefan Bomhard**	485,507	n/a	n/a	n/a	0	40,252	n/a

* Till Vestring's shares were mis-stated last year, shares held at 31 December 2019 were 44,308.

** Shares and awards held by Stefan Bomhard on his date of leaving 30 June 2020.

There have been no changes to the number of shares held by the Directors between 31 December 2020 and 24 February 2021.

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.

Duncan Tait and Gijsbert de Zoeten held 49% and 97% of salary respectively as at 31 December 2020, using the share price as at 31 December 2020 of 643.5p.

Awards exercised during 2020

Stefan Bomhard exercised the award granted to him under the 2017 Performance Share Plan on 27 May 2020. He sold sufficient shares to cover costs and tax and retained the remaining shares.

Plan	Shares exercised	Dividend shares	Share price	Shares sold	Shares retained
PSP	60,393	5,491	499.9p	31,028	34,856

Percentage change in Board remuneration

The table shows the percentage change in Board remuneration from 2019 to 2020 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.

	Salary	Benefits	Annual Bonus
Duncan Tait	n/a	n/a	n/a
Gijsbert de Zoeten	3% ^{1,2}	0% ³	- 100% ⁴
Nigel Stein	2% ^{1,2}	0%	n/a
Jerry Buhlmann	0% ²	n/a	n/a
Rachel Empey	0% ²	n/a	n/a
Jane Kingston	0% ²	n/a	n/a
John Langston	0% ²	n/a	n/a
Till Vestring	0% ²	n/a	n/a
Alex Jensen	0% ²	n/a	n/a
Average pay based on senior management	3.16% ^{1,2}	0%	- 82.91% ⁵

1. Change in salaries and fees are shown as difference between position at April 2019 against April 2020 when scheduled annual reviews take place.

2. As noted on page 87, the implementation of April 2020 salary increases was deferred to January 2021. Additionally, the Board and the majority of the management took voluntary reductions to their fees/salaries.

3. Gijsbert de Zoeten's relocation allowance provided on appointment for a defined period ceased in 2020.

4. Gijsbert de Zoeten received a prorated bonus for time spent in service in FY2019 and nil bonus for FY2020.

5. In line with performance outcomes for FY2020, limited bonus payments were made for this year.

As Inchcape plc has no direct employees, employees representing the most senior executives have been selected as this group is large enough to provide a robust comparison, whilst also providing data that is readily available on a matched sample basis. These employees also participate in bonus schemes of a similar nature to 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 employee population, a large proportion of whom are in customer-facing roles in retail outlets 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 employee pay variability will be primarily driven by UK market conditions.

The ratio has declined year-on-year due to the reduction in the reportable remuneration for the role of Chief Executive Officer in 2020; the figure reflects the part-year earnings for Stefan Bomhard and Duncan Tait, neither of whom received any variable pay for 2020.

As a substantial proportion of the CEO's total remuneration opportunity is derived from variable pay, the Committee expects the ratio is likely to increase over time as full-year earnings are reported for the CEO and performance merits pay-outs under the bonus and PSP/CIP.

Financial year	Calculation methodology	P25 (Lower quartile)	P50 (median)	P75 (Upper quartile)
2020	C	40:1	28:1	19:1
2019	C	67:1	48:1	32:1

Consistent with 2019, calculation methodology C was used. Full-time equivalent remuneration was calculated for all UK employees using the single total figure valuation methodology with two amendments: using 2019 bonus outcomes as a proxy for 2020 bonus outcomes and excluding SAYE grants. The employees at the 25th, 50th and 75th percentile (P25, P50, P75) were identified. The total remuneration for 2020 of the three employees identified was then 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 whilst taking account of operational constraints. The Committee is satisfied that the selected employees are representative.

The table below sets out the remuneration details for the individuals identified:

Year	Salary	CEO	P25	P50	P75
2020	Basic salary (£'000)	£759	£23	£32	£34
	Total remuneration ¹ (£'000)	£939	£24	£33	£49
2019	Basic salary (£'000)	£757	£15	£28	£28
	Total remuneration ¹ (£'000)	£1,639	£24	£34	£52

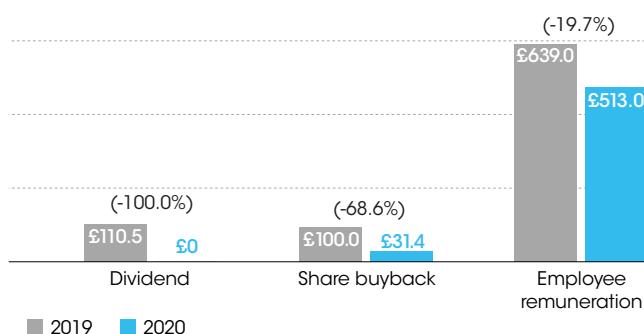
1. Reflects part-year earnings for Stefan Bomhard and Duncan Tait.

The Committee is satisfied that the overall picture presented by the 2020 pay ratios is consistent with the reward policies for Inchcape's UK employees. The Committee takes into account 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 employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from 2019 to 2020.

Relative importance of spend on pay (£M)



The Directors are proposing a final dividend for 2020 of 6.9p per share. (Due to the effects of COVID-19, the Directors decided to preserve cash and rescinded the recommendation for the payment of a final dividend for the year ended 31 December 2019.)

Dilution limits

During the year, options and awards granted under the Group's incentive plans were satisfied on exercise by market purchase shares. Dilution limits are monitored throughout the year by the Committee and the Company complies with the limits set by the Investment Association.

Issued share capital as at 31 December 2020	393m
All schemes – 10% over 10-year rolling period	39m
Remaining headroom for all schemes	20m
Executive schemes – 5% over a 10-year rolling period	20m
Remaining headroom for executive schemes	6m

Pay for performance

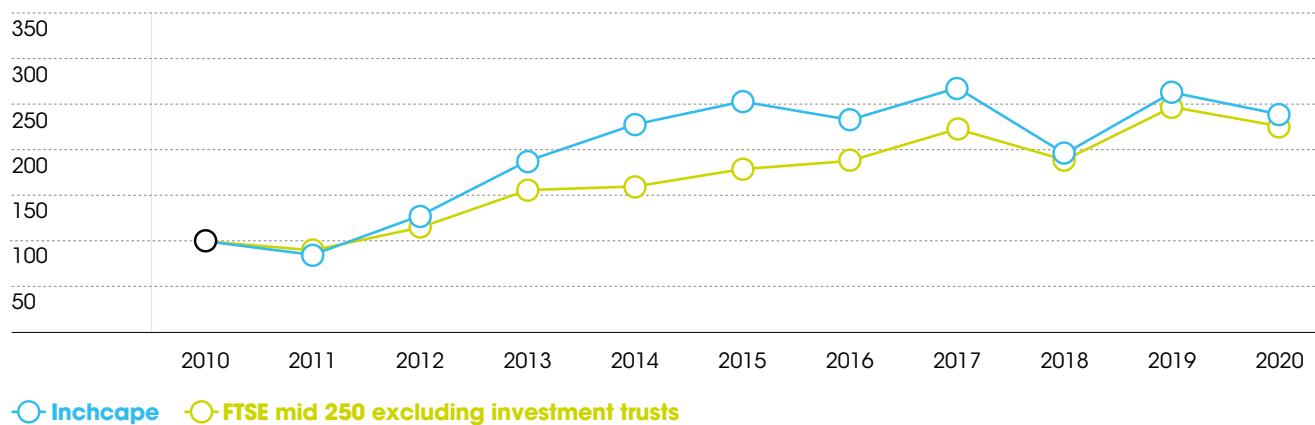
The graph below shows the Total Shareholder Return (TSR) of the Company over the 10-year period to 31 December 2020.

The FTSE mid 250 excluding investment trusts 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 2020.

Value of £100 invested at 31 December 2010



	Group Chief Executive	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CEO single figure of remuneration (£'000)	André Lacroix	2,993	2,165	4,400	5,265	294 ¹	n/a	n/a	n/a	n/a	n/a
	Stefan Bomhard	n/a	n/a	n/a	n/a	2,906	1,403	3,006	2,430	1,522	471 ²
	Duncan Tait	n/a	n/a	n/a	n/a	b/a	n/a	n/a	n/a	n/a	468
Annual bonus outcome (% of maximum)		52%	68%	48%	100%	56.8%	40.3%	67.6%	38.5%	n/a ⁶	0%
LTI vesting ³ outcome (% of maximum)		100%	100%	66%	68%	n/a ⁴	n/a ⁵	79.6%	58%	40%	n/a ⁷

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, 'enhanced' PSP and options prior to 2013.

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.

Shareholder context

The table below shows the advisory vote on the Remuneration Report at the 2020 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	277,213,236	84.10%
Against	52,429,638	15.90%
Total votes cast (excluding votes withheld)	329,642,874	100%
Votes withheld ¹	17,159,945	
(Total votes cast including votes withheld)	346,802,819	

The Committee recognises the vote on the Remuneration Report at the 2020 AGM was lower than in previous years and has considered the reasons why shareholders voted against the Remuneration Report.

Reasons for voting against include the level of disclosure in the Report. This year, the Committee has reviewed all its disclosures in detail to ensure they meet the standards required by shareholders. The Committee will continue to keep an open dialogue with shareholders to help ensure support for remuneration decisions is strong.

The table below shows the binding vote on the remuneration policy at the 2020 AGM:

	Total of votes	% of votes cast
For (including discretionary)	323,620,872	94.50%
Against	18,822,513	5.50%
Total votes cast (excluding votes withheld)	342,443,385	100%
Votes withheld ¹	4,359,434	
(Total votes cast including votes withheld)	346,802,819	

1. 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

No exit payments were made to Directors during the year.

Stefan Bomhard left the Group on 30 June 2020 after serving five months of his 12 month notice period. He received no further payments upon leaving, he did not receive a bonus for 2020 and all his outstanding PSP and CIP awards (i.e. those granted in 2018 and 2019) lapsed in full.

Payments to past Directors

No payments were made to past Directors in 2020.

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.

Gijsbert de Zoeten is a member of the supervisory board of Technical University Delft, for which he received a fee of €17,000 during 2020.

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 2020.

Advisors to the Committee

Mercer | Kepler, a brand of Mercer (and part of the MMC group), acted as the independent remuneration advisor to the Committee until 31 December 2020. Mercer | Kepler was appointed by the Committee in 2010 after a comprehensive tendering process carried out by the Committee. Mercer | Kepler was paid fees of £76,804 for its services during the year, excluding expenses and VAT. Mercer also supplied unrelated services to the Group in relation to IAS 19. Following the lead advisor moving to Ellason LLP, Ellason LLP was appointed as the independent remuneration advisor to the Committee effective 1 January 2021.

Mercer and Ellason are both signatories 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 (which can be found at www.remunerationconsultantsgroup.com). None of the individual Directors have a personal connection with Mercer or Ellason. The Committee is satisfied that the advice it receives is objective and independent and confirms that neither Mercer | Kepler nor Ellason 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 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 2020 comprises pages 96 to 100 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 32; principal risks and uncertainties on pages 41 to 50; a description of the Group's internal control framework is given on pages 56 and 57; a description of the Board's activities and the structure of its Committees is given on pages 52 to 95.

Corporate governance statement

The statement of compliance with the 2018 UK Corporate Governance Code is given on page 56. 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 52 to 95.

Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Stefan Bomhard – left 30 June 2020

Jerry Buhlmann

Gijsbert de Zoeten

Rachel Empey

Alexandra Jensen – joined 29 January 2020

Jane Kingston

John Langston

Nigel Stein

Duncan Tait – joined 1 June 2020

Till Vestring

In accordance with the 2018 UK Corporate Governance Code, all Directors will stand for election or re-election at the Annual General Meeting (AGM) on 27 May 2021. 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 (the Articles), the UK Corporate Governance Code, the Companies Act 2006 and related legislation.

Subject to the Articles, the UK Corporate Governance Code and relevant legislation, the business of the Company is managed by the Board which may exercise all the powers of the Company.

Shareholders

Engaging with our shareholders is important to the Company so that we are able to understand their views on the business and the key issues of importance to them. Any updates regarding the business, including presentations by the CEO, are available on the Group's website so that all shareholders have access to the same Company information at the same time.

As the top 20 shareholders own over 70% of the business, shareholder consultations, such as the remuneration policy approved in 2020, 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.

During 2020, shareholders were unable to attend the AGM in person due to the ongoing COVID-19 restrictions. A dedicated email was set up to allow shareholders to contact the Board

members with any questions. This resource will remain in place to allow all shareholders to engage with the Company on any matters of interest to them.

Webcasts are held with the CEO and CFO following the release of any financial results with analysts and investors invited to attend. Details of how to join will be available on the Company's website prior to the event.

Conflicts of interest

The Articles of Association permit the Board to authorise any matter which would otherwise involve a Director breaching his 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 Company's Articles of Association 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, judgment is given against the Director. The indemnity has been in force for the financial year ended 31 December 2020 and until the date of approval of this report.

Results and dividends

The Group's audited consolidated financial statements for the year ended 31 December 2020 are shown on pages 112 to 187. The level of distributable reserves is sufficient to pay a dividend.

The Board recommends a final ordinary dividend of 6.9p per ordinary share. If approved at the 2021 AGM, the final ordinary dividend will be paid on 21 June 2021 to shareholders registered in the books of the Company at the close of business on 14 May 2021.

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. See page 23 for more information on the dividend policy.

Share capital

As at 31 December 2020, the Company's issued share capital of £39,327,439 comprised 393,274,393 ordinary shares of 10.0p. Holders of ordinary shares are entitled to receive the Company's 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 of Association of the Company.

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 21 May 2020, the Company was authorised to make market purchases of up to 39,860,597 ordinary shares (representing approximately 10.0% of its issued share capital).

In the year ended 31 December 2020, the Company purchased for cancellation, 5,858,343 ordinary shares of 10.0p each at a cost of £31.4m, representing 1.5% of the issued share capital as at that date as part of the share buyback programme announced in February 2020. The programme was cancelled in March 2020 due to COVID-19.

The Directors have authority to issue and allot ordinary shares pursuant to article 9 of the Articles of Association 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

During the year, the Company had been notified of the following interests pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have changed since notified to the Company. However, further notification of any change is not required until the next threshold is crossed.

Shareholder	Number of shares	Date notified	Percentage notified
George Horesh	25,842,484	11/01/2021	6.57%
Standard Life			
Aberdeen plc	36,807,638	23/11/2020	9.36%
Norges Bank	11,751,536	26/08/2020	2.99%

Source TR-1 notifications. These are updated on the Company's website.

Restrictions on voting rights

There are no restrictions on voting rights.

Employee benefit trust

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (the "Trust") and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2020, the Trust's shareholding totalled 167,312 ordinary shares.

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 2020 is shown in the Directors' Report on Remuneration on page 92.

There have been no changes to the number of shares held by Directors between 31 December 2020 and 24 February 2021.

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 23 of the financial statements on page 159.

The Group's relationships with its OEM brand 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 of the contracts may terminate on a change of control of the local contracting company.

The Company does not have agreements with any Director or employee 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 employees 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 2020, or was entered into during the year for any Director and/or connected person (2019: none).

Other information – Listing Rules

For the purposes of LR 9.8.4 R, the information required to be disclosed by LR 9.8.4 R 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	94 (TSR graph)
4	Details of long-term incentive schemes	90 – 91
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	97
13	Shareholder waiver of future dividends	97
14	Agreements with controlling shareholders	Not applicable

Greenhouse gas emissions

As a distributor and retailer Inchcape has no manufacturing footprint to minimise, however 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 three key performance indicators:

- Energy – our global gas and electricity usage.
- Transport – the movement of cars and parts from the point of ownership (which means legal and contractual ownership) to the point we cease to have legal ownership.
- Travel – the movement of our people.

Methodology

The methodology used to calculate the Group's greenhouse gas emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard, and Mandatory Greenhouse Gas Reporting in line with HM Government guidance. The methodology uses conversion factors as published by the Department for Business, Energy and Industrial Strategy in 2020 and international electricity emission factors as published in the International Energy Agency's 'CO₂ Emissions from Fuel Combustion (2020 edition)'.

Data collection and reporting period

Data has been collected for all markets from 1 January 2020 to 31 December 2020. 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 is revenue per tonne of CO₂e. This allows for a fair comparison over time of CO₂e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity.

Total greenhouse gas emissions in 2020

	Total emissions (tonnes CO ₂ e)		
	Year ended 31 Dec 2020	Year ended 31 Dec 2019	Change in emissions
Scope 1 and 2 emissions			
Scope 1 (Direct emissions from combustion of fuels and operation of facilities)	8,780	10,744	-18%
Scope 2 (Electricity, heat, steam and cooling purchased for own use)	41,179	46,629	-12%
Total Scope 1 and 2 emissions	49,959	57,374	-13%
Operational emissions intensity			
Intensity metric – total revenue (£m)	7,033	9,391	-25%
Total Scope 1 and 2 emissions (tonnes CO ₂ e)	49,959	57,374	-13%
Scope 1 and 2 emissions per £m (tCO ₂ e/£m)	7.1	6.1	16%

COVID-19

Due to the impact of COVID-19 during 2020, many of our businesses were required to close. This has resulted in a dramatic reduction in the energy used in the year and as markets return to more normalised operating activities the energy used is likely to increase.

Streamlined Energy and Carbon Reporting

Regulations ("SECR")

As required under the SECR regulations the following information relates to the energy consumed in our UK operations.

	Year ended 31 Dec 2020
UK energy use (kWh)	42,598,398.63
Associated GHG emissions (tCO ₂ e)	8,780
Emissions from activities which the company own or control including combustion of fuel & operation of facilities (scope 1) (tCO ₂ e)	41,179
Emissions from the purchase of electricity, heat, steam, cooling purchased for own use (scope 2 – location-based) (tCO ₂ e)	49,959
Total energy used to calculate above emissions (kWh)	142,111,220.52
Intensity ratio: tCO ₂ e (gross scope 1+2)/ intensity metric	7.1

Methodology

Our carbon footprint is calculated by gathering monthly and quarterly energy consumption data. Emission factors used are a combination of BEIS 2020 emission factors and IEA grid mix factors for specific markets.

Energy efficiency measures

During the reporting period, no new energy efficiency actions have been taken however our energy management programme is ongoing, including monitoring and targeted reporting of energy consumption on a daily basis at the majority of sites. Through the service provided by our energy consultants, the energy management programme we run enables us to identify and address any consumption issues as and when they arise, allowing us to eliminate unnecessary energy waste.

Employees and employee 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 employees, 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.

Our performance and talent framework, DRIVE5, sets performance expectations, behaviours and values for our people. It was developed using inputs from colleague and customer focus groups and incorporates our OEM brand partners' existing frameworks of skills and behaviours to ensure that we can deliver against our stakeholders' expectations in support of our ambition to be the world's most trusted distributor and retailer.

The Company has various employee 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. UK employees are eligible to join the SAYE scheme, which is offered annually. Further details can be found in the Directors' Report on Remuneration on pages 78 to 79.

Employee communication

Townhall meetings are held in each market on a regular basis and also following the release of any financial updates by the Company. The townhall meetings provide employees with information on the Group's performance and provide an opportunity for consulting employees on new initiatives or other matters that concern them. The Group's global intranet, iConnect, also provides a means of communicating important issues to employees.

The Employee Experience Survey is the primary tool for obtaining the views of employees 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 employees to the Board and he reports the findings to the Board following each meeting.

The consultation enables the Board to gain an understanding of how the employee experience is perceived and what actions can be taken to enhance this experience so employees feel challenged, excited, engaged and supported in their roles.

Further details can be found in the CSR Report on page 72.

Diversity

The breakdown of the number of female and male employees who were (i) Directors of the Company, (ii) senior managers and (iii) employees of the Company as at 31 December 2020 is as follows:

	Male	Female	Total
Board	6	3	9
Senior	57	12	69
All employees	10,878	3,887	14,765

The Nomination Committee is responsible for succession planning on the Board and as such considers the recommendations of the Hampton-Alexander Review and Parker Review as part of the recruitment process. The Board has decided not to set targets and has achieved the recommendation of 33% female representation by 2020 as recommended by the Hampton-Alexander Review.

The Nomination Committee ensures that a broad mix of suitable candidates is put forward for consideration for vacancies. Management are also focusing on diversity as part of the talent planning process to strengthen diversity within the talent pipeline. The Diversity Policy Statement is given on page 64.

Principal financial risk factors

These risks are shown on pages 41 to 50.

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 24 to the financial statements on pages 161 to 168.

Branches outside the UK

The Company does not have any branches outside the UK.

Events after the reporting period

None.

Political donations

The Company did not make any political donations in 2020 and does not intend to make any political donations in 2021.

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 Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- 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 and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report 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 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 prepared in accordance with IFRSs as adopted by the European Union, 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.

Business relationships

Having positive relationships with our OEM brand partners, our main suppliers, and our customers is imperative for the long-term success of the Company. Our OEM brand partner relationships are key to every part of our value chain and the length of these relationships, which are given on pages 10 and 11, is testament to this strength.

Culture

The Board monitors the culture of the Company by reviewing reports received from the whistleblowing line, Speak Up!, via reporting to the Audit Committee, reviewing the employee voice via the results of the Employee Experience Survey, which is monitored by the CSR Committee, and reviewing the number of employees who have undertaken the Code of Conduct training. The Board also carries out an annual global talent and leadership review as part of its succession planning activities which enable the monitoring of key metrics such as internal promotions and development programmes. The Remuneration Committee considers wider pay and practices when reviewing Executive remuneration and has an annual update on remuneration practices which allows it to assess whether they drive the right behaviours within the businesses in accordance with the DRIVE5 performance drivers, see page 99.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 50, 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.

So 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.

Annual General Meeting

The AGM will be held at 11.00 a.m. on Thursday, 27 May 2021 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 secretary of the Company.



Tamsin Waterhouse
Group Company Secretary

Financial statements

- 102** Independent auditor's report to the members of Inchcape plc
- 112** Consolidated income statement
- 113** Consolidated statement of comprehensive income
- 114** Consolidated statement of financial position
- 115** Consolidated statement of changes in equity
- 116** Consolidated statement of cash flows
- 117** Accounting policies
- 127** Notes to the financial statements
- 176** Alternative performance measures
- 178** Five year record
- 179** Company statement of financial position
- 180** Company statement of changes in equity
- 181** Company accounting policies
- 184** Notes to the Company financial statements

Other information

- 197** Shareholder 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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 statement 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 34 to the consolidated financial statements and the related notes 1 to 14 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, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. 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 the non-audit services prohibited by the FRC's Ethical Standard were not provided 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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> - UK goodwill and site impairment - Central America goodwill and indefinite-life intangible asset impairments <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ! Newly identified ↗ Increased level of risk ↔ Similar level of risk ↘ Decreased level of risk
Materiality	<p>The materiality that we used for the Group financial statements was £10.7 million which was determined on the basis of 1.0% of net assets and equates to 8.3% of profit before tax and exceptional items.</p> <p>We changed the benchmark used in determining materiality in the current year to net assets from profit before taxation and exceptional gains and losses on business disposals, impairments and restructuring costs, which was used in the prior year. Volatility in profit in the current year when compared to previous years, resulting from the impact of the COVID-19 pandemic on the Group's operations and consumer demand in the markets in which the Group operates, was the reason that we have deemed the use of only a profit based benchmark to be inappropriate in the current year.</p>
Scoping	<p>We conducted our work in 18 countries (2019: 19 countries), with 23 components subject to audit procedures (2019: 25 components).</p> <p>The reporting units where we conducted our audit work accounted for 90% of the Group's revenue (2019: 88%), 90% of the Group's profit before taxation and exceptional items (2019: 95%) and 90% of the Group's net assets (2019: 89%).</p>
Significant changes in our approach	<p>We identified a 'Goodwill impairment assessment' key audit matter in the prior year, focussed on the UK. In the current year we have identified a 'UK goodwill and site impairment' key audit matter, given the increased judgement relating to the impairment of certain site assets.</p> <p>As a result of the impact of the COVID-19 pandemic on the performance of the Group and the economic environment of the markets in which the Group operates we identified increased risk of impairments in certain cash generating units (CGUs). A new key audit matter was identified in the current year relating to Central America goodwill and indefinite-life intangible asset impairments as a result of the significant judgement related to the level of impairment recognised.</p> <p>In the prior year we had identified a key audit matter relating to disposal accounting as a result of the Group's strategy to dispose of a significant number of retail sites and businesses across multiple geographies; in the current year there is a lower level of accounting complexity and judgement relating to disposed of sites and therefore we have not identified as a key audit matter.</p> <p>Given the Group completed its transition to the IFRS 16 'Leases' accounting standard in the prior year, the ongoing application of the standard does not require the same level of accounting complexity or judgement, and consequently we have not identified a key audit matter in relation to leases in the current year.</p>

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 processes and related controls over the assumptions in the going concern assessment;
- Assessing the Group's available facilities, with a separate assessment performed on Government assistance (CCFF) and assess whether this facility is not included in the liquidity headroom as they are not committed facilities;
- Considering the reasonableness of the projections and the appropriateness of the sensitivities performed by management;
- Engaging valuation specialists to perform integrity checks of the going concern model, including checking for mathematical and clerical accuracy;
- Evaluating the accuracy and completeness of covenants calculation within the model;
- Confirming consistency of the forecasted cash flows with the forecasts prepared for the impairment models;
- Performing additional sensitivity scenario tests; and
- Assessing the disclosures relating to going concern.

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 goodwill and site impairment

Key audit matter description	<p>Account balances: Intangible assets, property, plant and equipment and right-of-use assets. Refer to the Audit Committee report on page 65, the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section on page 117, note 2 Exceptional items on page 132, note 11 Intangible assets on page 145, note 12 Property, plant and equipment on page 149 and note 13 Right-of-use assets and Lease liabilities on page 151.</p>
	<p>At December 2020 the Group has goodwill of £119.0 million (2019: £215.7 million), property, plant and equipment of £569.8 million (2019: £695.1 million) and right-of-use assets of £257.3 million (2019: £313.3 million). £nil (2019: £80.2 million) of the goodwill, £203.6 million (2019: £262.2 million) of property, plant and equipment and £73.6 million (£78.6 million) of right-of-use assets relate to the UK.</p>
	<p>As a result of the impact of the COVID-19 pandemic, the Group was required to close its dealerships in the UK for a period of time which severely impacted the Group's performance in the market. As such, indicators of impairment were identified prior to the reporting of the Group's interim results as of 30 June 2020 and an impairment review of the UK goodwill and site assets was carried out at that date. Impairment reviews of assets at the Group's sites were performed initially, followed by the UK operation as a whole, which is the level of aggregation that the associated goodwill is assessed. Management concluded that the recoverable amount of certain sites was lower than their carrying amount and recorded impairment charges of £6.4 million against computer software, £29.5 million against property, plant and equipment and £8.1 million against right-of-use assets. Subsequently an impairment review of the UK group of CGUs, which is the level at which the goodwill is reviewed, was performed which resulted in the impairment of the total remaining goodwill amount of £80.2 million.</p>
	<p>At 31 December 2020 management performed updated impairment reviews which resulted in the reversal of £7.9 million of previously recognised property, plant and equipment impairments, offset by the additional impairment of £0.4 million of right-of-use assets. In accordance with the accounting standards, once goodwill has been fully impaired no subsequent impairment reviews need to be performed.</p>
	<p>The estimation of the recoverable amount requires management to assess the 'value in use' of the individual sites as well as the whole UK operation for goodwill purposes. This is particularly judgemental due to the forecasting of future cash flow assumptions, and accordingly we determined these to be the key estimates in management's determination of the level of impairment charge to record. Given the impact of the COVID-19 pandemic on consumer confidence, forecasting demand for vehicles and aftersales services in the short and medium term is particularly uncertain. Further, with the announcement that the sale of new petrol and diesel vehicles will be banned from 2030, the electrification of the UK's car parc adds further complexity to forecasting cash flows. Management also engaged specialists to assess the fair values of each of its sites which showed indicators of impairment. In line with the accounting standard, the impaired assets were written down to the higher of its value in use or fair value less cost to sell.</p>
How the scope of our audit responded to the key audit matter	<p>Our procedures in response to the key audit matter identified included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of relevant controls over the preparation and use of cash flow forecasts used in the impairment reviews; - Assessing the integrity of the models used by management including reviewing their mechanical accuracy; - Assessing management's historical forecasting accuracy by comparing budgets to actuals; - Benchmarking management's assumptions against views of internal industry experts, reputable third party industry growth forecasts, publications, news articles, government legislation and economic data; - Challenging management's analysis of the risks and opportunities arising from the transition to electric vehicles and the impact this has on forecast future cash flows; - Evaluating the competence, capabilities and objectivity of management's expert; - Engaging internal real estate valuation specialists to assist in assessing valuation reports prepared by management's expert; - Engaging internal valuations specialists to independently evaluate the appropriateness of inputs and methodology used in determining the discount rates used; - Performing sensitivities in order to challenge the reasonableness of management's assumptions; and - Assessing the appropriateness of management's disclosures.
Key observations	<p>We concluded that the judgements management have made are reasonable.</p> <p>There are sources of estimation uncertainty which remain, particularly the strength of the recovery in demand for vehicles and aftersales services after the impact of the COVID-19 pandemic and the risks and opportunities resulting from the transition to electric vehicles.</p> <p>We are satisfied that the Group's disclosures in the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section, in note 11 Intangible assets, note 12 Property, plant and equipment and note 13 Right-of-use-assets and Lease liabilities appropriately highlight these uncertainties.</p>

5.2. Central America goodwill and indefinite-life intangible asset impairments !

Key audit matter description	<p>Account balances: Intangible assets. Refer to the Audit Committee report on page 65, the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section on page 117, note 2 Exceptional items on page 132 and note 11 Intangible assets on page 145.</p> <p>In addition to goodwill of £119.0 million (2019: £215.7 million) the Group has distribution agreements of £246.6 million (2019: £261.1 million) which are classified as indefinite-life intangible assets. £37.6 million (2019: £44.8 million) of the goodwill is allocated to Central America and £52.2 million (2019: £85.3 million) of the value of the distribution agreements relates to the exclusive right to distribute Suzuki vehicles in Costa Rica and Panama.</p> <p>The goodwill and distribution agreement assets were recognised after the acquisition of the Grupo Rudelman business in 2018. Since acquisition, political instability, in Costa Rica in particular, has impacted demand for vehicles in that market. The COVID-19 pandemic has had a significant impact on the economies in Costa Rica and Panama and profitability fell further in the current year.</p> <p>Management performed impairment reviews on the Suzuki CGU and then the Central America group of CGUs, which resulted in an impairment of £31.2 million against the value of the distribution agreement and £6.2 million against the value of the goodwill. There are significant uncertainties over the strength and timing of the recovery of the market, increasing the uncertainty in management's forecast cash flow assumptions, which were modelled through different scenarios considered as part of their impairment review.</p> <p>Although the penetration of electric vehicles in each market is currently low, in Costa Rica as part of its 'National Decarbonization Plan' there are commitments to move to full electrification of its transport network by 2050.</p>
How the scope of our audit responded to the key audit matter	<p>Our procedures in response to the key audit matter identified included:</p> <ul style="list-style-type: none">- Obtaining an understanding of relevant controls over the preparation and use of cash flow forecasts used in the impairment reviews;- Assessing the integrity of the models used by management including reviewing their mechanical accuracy;- Assessing management's historical forecasting accuracy by comparing budgets to actuals;- Benchmarking management's assumptions against views of internal industry experts, reputable third party industry growth forecasts, publications, news articles, government legislation and economic data;- Challenging management's analysis of the risks and opportunities arising from the transition to electric vehicles and the impact this has on forecast future cash flows;- Evaluating the competence, capabilities and objectivity of management's expert;- Engaging internal valuations specialists to independently evaluate the appropriateness of inputs and methodology used in determining the discount rates used;- Performing sensitivities in order to challenge the reasonableness of management's assumptions; and- Assessing the appropriateness of management's disclosures.
Key observations	<p>We concluded that the judgements management have made are reasonable.</p> <p>There are uncertainties which remain, particularly the strength of the recovery in demand for vehicles and aftersales services after the impact of the COVID-19 pandemic, in what has historically been a volatile market, and the risks and opportunities resulting from the transition to electric vehicles.</p> <p>We are satisfied that the Group's disclosures in the Critical accounting judgements and sources of estimation uncertainty in the Accounting policies section and note 11 Intangible assets appropriately highlight these uncertainties.</p>

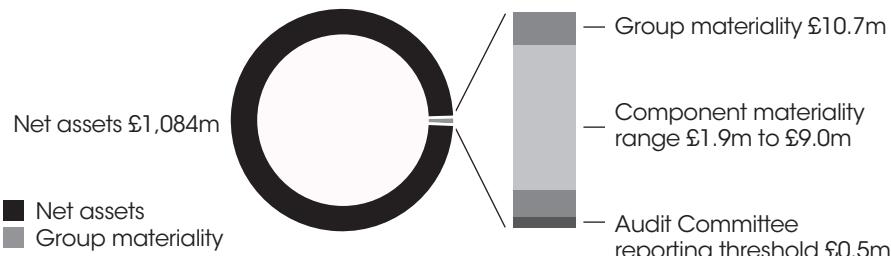
6. Our application of materiality

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	£10.7 million (2019: £16.1 million)	£9.0 million (2019: £16.0 million)
Basis for determining materiality	<p>Our materiality was determined on the basis of 1.0% of net assets and equates to 8.3% of profit before tax and exceptional items.</p> <p>Prior year materiality was determined based on 5% profit before taxation adjusted for other asset impairments, restructuring costs and gains and losses on the disposal of sites and businesses.</p>	<p>Parent company materiality equates to 1.1% of net assets.</p> <p>In the prior year parent company materiality equated to 1% of net assets, capped lower than Group materiality.</p>
Rationale for the benchmark applied	We consider net assets to be an important benchmark for the Group for 2020 given the volatility in profit in the current year when compared to previous years. This volatility resulted from the impact of the COVID-19 pandemic on the Group's operations and consumer demand in the markets in which the Group operates. Further, net assets continues to reflect the ability of the Group to meet ongoing obligations as they fall due.	As the 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	70% (2019: 70%) of Group materiality	70% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We set our performance materiality after considering: <ul style="list-style-type: none"> - our cumulative experience from prior year audits, including the low value of misstatements identified in prior periods and management's willingness to correct any misstatements identified; - our risk assessment, including our understanding of the entity and its environment and the impact of COVID-19 on the financial statements; and - our assessment of the Group'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 £0.5 million (2019: £0.8 million), 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

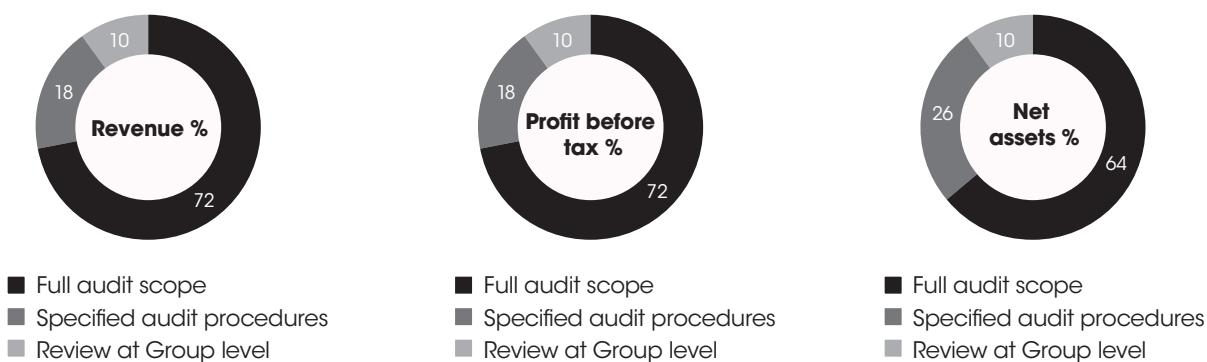
In selecting the components which are in scope for audit procedures to be performed as part of the Group audit, we consider:

- 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/loss and net assets; and
- the nature of any acquisitions and disposals within the year.

We conducted our work in 18 (2019: 19) countries, engaging 18 (2019: 21) component audit teams with 23 (2019: 25) reporting units subject to audit procedures. Changes in the number of components identified were driven by the disposal of certain of the Group's operations, as well as acquisitions and changes in the relative prominence and risk of other components within the Group.

Our significant components which were subject to full audit procedures were in Australia, Chile, Colombia, Ethiopia, Hong Kong, Russia, Singapore and the UK. Our components performed audits of specific account balances in Brunei, Belgium, Costa Rica, Ecuador, Greece, Guam, Peru, Poland, Romania and Uruguay.

The range of component materialities applied, excluding the parent company, is £1.9 million to £9.0 million (2019: £1.0 million to £6.8 million). The reporting units where we conducted our audit work accounted for 90% (2019: 88%) of the Group's revenue, 90% (2019: 95%) of the Group's profit before taxation and 90% (2019: 89%) of the Group's net assets.



7.2. Working with other auditors

We engaged component auditors from Deloitte member firms to perform procedures at these components under our direction and supervision. This approach also allows us to engage local auditors who have appropriate knowledge of local regulations to perform the audit work, under a common Deloitte audit approach. We issued detailed instructions to the component auditors and held planning meetings, interim update meetings and year end close meetings with each component team. In response to the COVID-19 pandemic which limited our ability to make component visits, frequent calls were held between the Group and component teams throughout the year and remote access to relevant documents was provided. A dedicated senior member of the Group audit team was assigned to facilitate an effective and consistent approach to component oversight, which focused on their audit work over key judgements.

In addition to the work performed at a component level the Group audit team also performed audit procedures on the parent company and consolidated financial statements, corporate activities such as treasury and pensions, goodwill and intangible asset impairments, litigation provisions, the consolidation, going concern assessment and financial statement disclosures. The Group audit team also performed analytical reviews on out-of-scope components.

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;
- results of our enquiries of management, internal audit, in-house legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- 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;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT 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 the following areas: the judgements related to goodwill and other asset impairment reviews, and the valuation of used vehicle inventory. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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 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. These included the Group's environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified UK goodwill and site impairment and Central America goodwill and indefinite-life intangible asset impairments as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those 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 HMRC;
- in addressing the risk of fraud through inappropriate valuation of used vehicle inventory, testing the value of vehicles with reference to third party data sources; and assessing whether the value of vehicles sold after year end provide information about the value of vehicles at the balance sheet date; 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 100;
- 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 50;
- the Directors' statement on fair, balanced and understandable set out on page 100;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 70; and
- the section describing the work of the Audit Committee set out on page 65.

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 the 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 three years, covering the years ending 31 December 2018 to 31 December 2020.

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.

Anna Marks FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

24 February 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	Before exceptional items 2020 £m	Exceptional items (note 2) 2020 £m	Total 2020 £m	Before exceptional items 2019 £m	Exceptional items (note 2) 2019 £m	Total 2019 £m
Revenue	1, 3	6,837.8	-	6,837.8	9,379.7	-	9,379.7
Cost of sales		(5,948.4)	(11.6)	(5,960.0)	(8,107.6)	-	(8,107.6)
Gross profit		889.4	(11.6)	877.8	1,272.1	-	1,272.1
Net operating expenses	3	(723.9)	(245.5)	(969.4)	(899.0)	75.5	(823.5)
Operating profit / (loss)		165.5	(257.1)	(91.6)	373.1	75.5	448.6
Share of profit after tax of joint ventures and associates	14	-	-	-	0.3	-	0.3
Profit / (loss) before finance and tax		165.5	(257.1)	(91.6)	373.4	75.5	448.9
Finance income	6	14.4	-	14.4	24.1	-	24.1
Finance costs	7	(51.0)	-	(51.0)	(71.2)	-	(71.2)
Profit / (loss) before tax		128.9	(257.1)	(128.2)	326.3	75.5	401.8
Tax	8	(33.2)	24.2	(9.0)	(75.6)	2.5	(73.1)
Profit / (loss) for the year		95.7	(232.9)	(137.2)	250.7	78.0	328.7
(Loss) / profit attributable to:							
- Owners of the parent				(140.1)			322.9
- Non-controlling interests				2.9			5.8
				(137.2)			328.7
Basic (loss) / earnings per share (pence)	9			(35.6)p			79.0p
Diluted (loss) / earnings per share (pence)	9			(35.6)p			78.4p

The notes on pages 127 to 175 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
(Loss) / profit for the year		(137.2)	328.7
Other comprehensive (loss) / income:			
Items that will not be reclassified to the consolidated income statement			
Changes in the fair value of equity investments at fair value through other comprehensive income		(2.7)	-
Defined benefit pension scheme remeasurements	5	14.8	(71.7)
Current tax recognised in consolidated statement of comprehensive income		-	-
Deferred tax recognised in consolidated statement of comprehensive income	17	(2.5)	10.1
		9.6	(61.6)
Items that may be or have been reclassified subsequently to the consolidated income statement			
Cash flow hedges	26	(3.2)	(25.9)
Exchange differences on translation of foreign operations		(51.5)	(98.6)
Current tax recognised in consolidated statement of comprehensive income		0.3	-
Deferred tax recognised in consolidated statement of comprehensive income	17	(0.9)	7.0
		(55.3)	(117.5)
Other comprehensive loss for the year, net of tax		(45.7)	(179.1)
Total comprehensive (loss) / income for the year		(182.9)	149.6
Total comprehensive (loss) / income attributable to:			
- Owners of the parent		(186.2)	146.8
- Non-controlling interests		3.3	2.8
		(182.9)	149.6

The notes on pages 127 to 175 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Intangible assets	11	450.2	577.9
Property, plant and equipment	12	569.8	695.1
Right-of-use assets	13	257.3	313.3
Investments in joint ventures and associates	14	2.4	4.3
Financial assets at fair value through other comprehensive income	15	3.6	6.9
Trade and other receivables	16	49.2	38.7
Deferred tax assets	17	68.6	58.3
Retirement benefit asset	5	101.0	78.7
		1,502.1	1,773.2
Current assets			
Inventories	18	1,216.2	1,566.9
Trade and other receivables	16	369.6	512.3
Financial assets at fair value through other comprehensive income	15	0.2	0.2
Derivative financial instruments	24	13.3	16.2
Current tax assets		20.6	21.6
Cash and cash equivalents	19	481.2	423.0
		2,101.1	2,540.2
Assets held for sale and disposal group	20	31.2	149.4
		2,132.3	2,689.6
Total assets		3,634.4	4,462.8
Current liabilities			
Trade and other payables	21	(1,610.3)	(1,996.4)
Derivative financial instruments	24	(42.4)	(27.4)
Current tax liabilities		(65.0)	(82.4)
Provisions	22	(26.8)	(23.0)
Lease liabilities	13	(58.5)	(56.8)
Borrowings	23	(6.1)	(50.1)
		(1,809.1)	(2,236.1)
Liabilities directly associated with the disposal group	20	(7.7)	(106.1)
		(1,816.8)	(2,342.2)
Non-current liabilities			
Trade and other payables	21	(69.3)	(77.2)
Provisions	22	(19.8)	(12.9)
Deferred tax liabilities	17	(79.1)	(96.7)
Lease liabilities	13	(274.3)	(296.0)
Borrowings	23	(210.0)	(270.0)
Retirement benefit liability	5	(81.4)	(69.2)
		(733.9)	(822.0)
Total liabilities		(2,550.7)	(3,164.2)
Net assets		1,083.7	1,298.6
Equity			
Share capital	25	39.4	40.0
Share premium		146.7	146.7
Capital redemption reserve		141.2	140.6
Other reserves	26	(248.5)	(190.4)
Retained earnings	27	985.6	1,141.4
Equity attributable to owners of the parent		1,064.4	1,278.3
Non-controlling interests		19.3	20.3
Total equity		1,083.7	1,298.6

The notes on pages 127 to 175 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 112 to 175 were approved by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Duncan Tait,
Group Chief Executive

Gijsbert de Zoeten,
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves (note 26) £m	Retained earnings (note 27) £m	Total equity attributable to owners of the parent £m	Non- controlling interests £m	Total shareholders' equity £m
At 1 January 2019		41.6	146.7	139.0	(75.9)	1,093.1	1,344.5	23.3	1,367.8
Profit for the year		-	-	-	-	322.9	322.9	5.8	328.7
Other comprehensive loss for the year		-	-	-	(114.5)	(61.6)	(176.1)	(3.0)	(179.1)
Total comprehensive income for the year		-	-	-	(114.5)	261.3	146.8	2.8	149.6
Share-based payments, net of tax	4,17	-	-	-	-	6.8	6.8	-	6.8
Share buyback programme	25	(1.6)	-	1.6	-	(100.0)	(100.0)	-	(100.0)
Net purchase of own shares by the Inchcape Employee Trust		-	-	-	-	(9.3)	(9.3)	-	(9.3)
Dividends:									
- Owners of the parent	10	-	-	-	-	(110.5)	(110.5)	-	(110.5)
- Non-controlling interests		-	-	-	-	-	-	(5.8)	(5.8)
At 1 January 2020		40.0	146.7	140.6	(190.4)	1,141.4	1,278.3	20.3	1,298.6
(Loss) / profit for the year		-	-	-	-	(140.1)	(140.1)	2.9	(137.2)
Other comprehensive loss for the year		-	-	-	(58.1)	12.0	(46.1)	0.4	(45.7)
Total comprehensive loss for the year		-	-	-	(58.1)	(128.1)	(186.2)	3.3	(182.9)
Share-based payments, net of tax	4,17	-	-	-	-	3.7	3.7	-	3.7
Share buyback programme	25	(0.6)	-	0.6	-	(31.4)	(31.4)	-	(31.4)
Dividends:									
- Owners of the parent	10	-	-	-	-	-	-	-	-
- Non-controlling interests		-	-	-	-	-	-	(4.3)	(4.3)
At 31 December 2020		39.4	146.7	141.2	(248.5)	985.6	1,064.4	19.3	1,083.7

The notes on pages 127 to 175 are an integral part of these consolidated financial statements.

Share-based payments include a net tax credit of £0.4m (current tax charge of £nil and a deferred tax credit of £0.4m) (2019 – net tax credit of £0.7m (current tax charge of £nil and a deferred tax credit of £0.7m)).

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash generated from operating activities			
Cash generated from operations	28a	338.8	445.9
Tax paid		(51.8)	(74.1)
Interest received		13.9	22.0
Interest paid		(46.1)	(66.6)
Net cash generated from operating activities		254.8	327.2
Cash flows from investing activities			
Acquisition of businesses, net of cash and overdrafts acquired	29	(31.5)	(41.2)
Net cash inflow from sale of businesses	29	71.8	230.4
Net cash inflow from disposal of investments in joint ventures and associates		2.0	0.1
Purchase of property, plant and equipment		(27.4)	(44.9)
Purchase of intangible assets		(20.1)	(24.7)
Proceeds from disposal of property, plant and equipment		6.7	15.7
Proceeds from disposal of intangible assets		0.2	-
Receipt from sub-lease receivables		0.7	0.6
Net cash generated from investing activities		2.4	136.0
Cash flows from financing activities			
Share buyback programme		(32.1)	(99.3)
Net purchase of own shares by the Inchcape Employee Trust		-	(9.3)
Cash inflow from Covid Corporate Financing Facility	23	99.6	-
Repayment of Covid Corporate Financing Facility	23	(99.6)	-
Repayment of Private Placement loan notes		-	(75.4)
Net cash outflow from other borrowings		(66.1)	(122.0)
Payment of capital element of lease liabilities		(57.4)	(65.7)
Equity dividends paid	10	-	(110.5)
Dividends paid to non-controlling interests		(4.3)	(5.8)
Net cash used in financing activities		(159.9)	(488.0)
Net increase / (decrease) in cash and cash equivalents	28b	97.3	(24.8)
Cash and cash equivalents at beginning of the period		379.2	463.4
Effect of foreign exchange rate changes		(0.2)	(59.4)
Cash and cash equivalents at the end of the year		476.3	379.2
Cash and cash equivalents consist of:			
- Cash at bank and cash equivalents	19	378.5	321.5
- Short-term deposits	19	102.7	101.5
- Bank overdrafts	23	(6.1)	(43.8)
- Cash at bank and cash equivalents included in disposal groups held for sale	20	1.2	-
		476.3	379.2

The notes on pages 127 to 175 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 51.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of 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 be able to operate within the level of its committed facilities for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing its financial statements. In assessing whether the Group is a going concern, the implications of COVID-19 have been considered together with measures taken to mitigate its impact on the Group. In making this assessment the Group has considered available liquidity in relation to net debt and committed facilities, the Group's latest forecasts for 2021 and 2022 cash flows together with COVID-19 adjusted scenarios. The forecasts used reflected the likely economic downturn triggered by COVID-19, with a key emphasis on the Board approved operating plan for 2021 and a forecast for 2022 based on a set of reasonably defined forecast principles.

Given the global political and economic uncertainty resulting from the COVID-19 pandemic, we expect to see volatility, business disruption and the impact of economic downturns in the markets in which the Group operates during 2021 and into 2022. During 2020 and the early part of 2021, the business has been impacted by government action to control the COVID-19 pandemic with a number of the Group's businesses suffering restricted trading from time-to-time and to a greater or lesser extent.

During 2020, action was taken to strengthen the Group's resilience to the trading volatility and liquidity position in light of the environment and circumstance. These actions included:

- initiation of a major cost-restructuring programme to rationalise the Group's footprint, a reduction in the global workforce and re-negotiation of third-party expenditure;
- temporary reduction in advertising and promotional expenditure, reducing executive pay for four months, freezing other pay and recruitment and reductions in operating expenditure;
- in the first half of 2020, the utilisation of government support measures such as the UK job retention scheme combined with UK business rates suspension and international government support measures, where available;
- collaborating closely with OEMs and banks to manage inventory and inventory financing levels;
- suspending the share buyback programme; and
- cancelling the final dividend for 2019 and not declaring an interim dividend for 2020.

Committed bank facilities and Private Placement borrowings totalling £910m, of which £210m was drawn at 31 December 2020, 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. While the UK Government's Covid Corporate Financing Facility (CCFF) scheme remains available to the Group, the CCFF is not considered to be a committed facility for the purposes of the going concern assessment.

The Board approved operating plan for 2021 and the Group's forecast for 2022 indicate that the Group is expected to be compliant with this covenant throughout the forecast period and to have sufficient liquidity to continue in operation 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:

- further periods of COVID-19 restrictions similar in nature and impact to those seen in the second half of 2020, impacting half of the Group's markets simultaneously throughout 2021;
- an overall reduction in gross margins;
- an appreciation in Sterling against the Group's main trading companies; combined with
- working capital sensitivities.

In a scenario where all of the above sensitivities occur at the same time, the Group has modelled the possibility of the interest cover covenant being breached in 2021. With the interest cover covenant measured on a trailing 12 month basis, the sensitised forecasts indicate that the Group is not expected to breach any covenants and would be compliant with the interest cover requirements at December 2021 and throughout the forecast period. Additionally, under these circumstances, the Group expects to have sufficient funds to meet cash flow requirements. In a scenario where such restrictions impacted half of the Group's markets simultaneously for a period of 24 months, the Group is forecasted to be compliant with the interest cover covenant.

Accounting policies continued

Reverse stress test scenario analysis has been applied to the forecasts to assess particular scenarios in which the Group would breach its covenant or have insufficient funds to meet cash flow requirements. One such scenario was to model more severe trading restrictions in all markets simultaneously with the impact comparable to those experienced in a few markets in H1 2020, which amounts to a material cessation in operations and revenue. Under this scenario, the Group could sustain such restrictions for a period of approximately five months before breaching the interest cover covenant, but even in this circumstance, would still have sufficient liquidity. We deem this circumstance to be highly unlikely due to the geographic diversity of the Group's operations and our increased ability to trade digitally through the trading restrictions.

The Board therefore concluded that the Group will be able to operate within the level of its committed facilities for the foreseeable future and the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements for the year ending 31 December 2020.

Newly adopted accounting policies

From 1 January 2020, the following standards became effective in the Group's consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform; and
- Amendment to IFRS 16 in relation to COVID-19 Related Rent Concessions

The accounting policies have been applied consistently throughout the reporting period, other than in respect of the amendment to IFRS 16, which has been newly adopted. The other standards that became applicable for the current period did not have any impact on the Group's accounting policies and did not require adjustments.

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

Amendment to IFRS 16 – COVID-19 Related Rent Concessions

The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In applying the practical expedient a lessee would generally account for a forgiveness or waiver of lease payments as a variable lease payment, and recognise the concession in the period in which the event or condition that triggers those payments occurs. The lessee also makes a corresponding adjustment to the lease liability, in effect derecognising the part of the lease liability that has been forgiven or waived. On adoption of the amendment, the Group has recognised a credit of £1.1m in the consolidated income statement.

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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2;
- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- IFRS 17 – Insurance Contracts; and
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;

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.

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 arising on long-term foreign currency borrowings used to finance foreign currency investments 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 of foreign operations are translated into Sterling at the average rates of exchange for 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.

Revenue, other income and cost of sales

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

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

Revenue from the rendering of services to the customer is considered to have been satisfied when the service has been undertaken.

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

Where a vehicle is sold to a leasing company and the Group undertakes to repurchase the vehicle for a specified value at a predetermined date, the sale is not recognised on the basis that the possibility of the buyback being exercised is highly likely. Consequently, such vehicles are retained within 'property, plant and equipment' in the consolidated statement of financial position at cost and are depreciated to their residual value over the life of the lease. The difference between the initial amounts received from the leasing company 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 lease. 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 subject to a buyback commitment and the possibility of the buyback being exercised by the customer is not highly likely as the buyback price set is below the expected market value, revenue is recognised in full when the vehicle is sold. However, an estimate of the value of the buyback payments is deducted from revenue and deferred to the balance sheet. Similarly, an estimate of the value of the vehicles to be returned is deducted from cost of sales and also deferred to the balance sheet. These balances are considered to be contract liabilities.

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 standalone 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.

Accounting policies continued

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 at the point at which it is invoiced to the customer.

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.

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

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.

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 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 any penalties, if applicable, as part of the income tax expense.

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.

Exceptional 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 exceptional items within their relevant consolidated income statement category. Exceptional items are those items that, in the judgement of the Group, need to be disclosed separately by virtue of their nature, size or incidence. The separate reporting of exceptional items helps provide additional useful information regarding the Group's business performance and is used by management to facilitate internal performance analysis. Items that may be considered exceptional in nature include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Any reversal of an amount previously recognised as an exceptional item would also be recognised as an exceptional 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). 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 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'.

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 indefinitely without substantial cost. The Group therefore expects these agreements to be renewed indefinitely 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 books and customer contracts. These intangible assets are amortised on a straight-line basis over their estimated useful life, which is generally less than a year.

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 'interest in leased vehicles' 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%
Interest in leased vehicles	over the lease term

The residual values and useful lives of all assets are reviewed at least at the end of each reporting period and adjusted if necessary.

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.

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

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.

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 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. 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 (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.

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. 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 countries or 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.

Financial instruments

The Group classifies its financial instruments 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. They are initially measured at original cost, less amortisation or provisions raised.

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

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 money market funds.

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 24 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 in the next period are discussed below:

Impairment of goodwill, indefinite life intangible assets, intangible assets, property, plant and equipment and right-of-use assets

In the year, a total impairment charge of £222.5m has been recognised in the income statement. The most significant judgement that could materially impact the charge is in relation to the sensitivity of the assumptions applied to the value in use calculations performed over the Americas - Suzuki and Americas - Daimler CGU groups.

Goodwill and other indefinite life intangible assets are tested at least annually for impairment. 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. 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 notes 11, 12 and 13).

The value in use calculations mainly 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. For CGU groups in the Americas and Africa reporting segment, cash flows after the five-year period are extrapolated for a further five years using declining growth rates which reduces the year five 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. For all other markets, a terminal value calculation is used to estimate the cash flows after year five.

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 the impact of COVID-19 and the UK trading arrangements with the European Union. They also reflect expectations about continuing relationships with key brand 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. See notes 11, 12 and 13.

Tax

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised (see notes 8 and 17). In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future periods or extend the period over which the deferred tax assets are utilised.

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 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 13 for additional disclosures relating to leases.

Exceptional 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 exceptional items and profit before tax and exceptional 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 exceptional items requires significant management judgement after considering the nature and intentions of a transaction. The Group's definitions of exceptional items are outlined within the Group accounting policies and note 2 provides further details on current year exceptional 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 brand partners. In assessing whether the liabilities arising under these arrangements should be classified within trade and other payables rather than as an additional component of the Group's net debt within borrowings, the Group considers a number of factors including whether the arrangement is a requirement of the relationship with the OEM, in relation to specific, separately identifiable vehicles held as inventory and whether payment terms are the shorter of the agreed terms of the arrangement or until the specific vehicle being funded is sold to the end customer. Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables requires significant management judgement. See also note 21.

Notes to the financial statements

1 Segmental analysis

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

Following the disposal of the Group's business in China and the Retail disposals in Australia in 2019, the management and reporting of the previous Asia and Australasia regions has changed to encompass the combination of these to form an Asia Pacific (APAC) region. The Retail businesses in the APAC region which were disposed of in 2019 and 2020 have been maintained as a separate reportable segment. This segment solely represents the disposed of businesses in both Australia and China, as the Group previously aggregated its small Retail business in China with its larger Distribution activities in the Asia region.

In addition, reflecting the OEM partners represented and the management of the European region, the Retail operations in Russia, previously representing its own separate Retail segment, are now combined within the UK and Europe Retail segment. The new region encompasses Retail operations in the UK, Poland and Russia.

The Group has historically reported the performance of its reporting segments before unallocated central costs. These represent costs of Group functions and, previously, these costs were reported separately from the results of the Group's reportable segments. The Group now fully allocates these costs in arriving at the results reported for each segment.

Comparatives for the prior period have been restated to reflect the above changes.

Distribution	APAC	Exclusive distribution and sale of New vehicles and parts in Asia-Pacific markets, together with associated Aftersales activities of service and bodyshop repairs. Distribution of New vehicles and parts in Australia and New Zealand together with associated marketing and logistics operations. Sale of New and Used vehicles in Australia where the Group is also the distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Distribution of New vehicles and parts, together with associated marketing activities, in mature European markets. Sale of New and Used vehicles in Europe where the Group is also the distributor of those vehicles, together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	Americas and Africa	Distribution of New vehicles and parts in growing markets, together with associated Aftersales activities of service and bodyshop repairs.
Retail	APAC	Sale of New and Used vehicles in Australia and China together with associated Aftersales activities of service, bodyshop repairs and parts sales.
	UK and Europe	Sale of primarily New and Used premium vehicles in mature markets, together with associated Aftersales activities of service, bodyshop repairs and parts sales.

1 Segmental analysis continued

	Distribution				Retail				Total £m
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m		
2020									
Revenue									
Total revenue	1,902.6	1,120.2	797.1	3,819.9	9.4	3,008.5	3,017.9	6,837.8	
Results									
Operating profit before exceptional items	80.0	25.3	34.4	139.7	0.4	25.4	25.8	165.5	
Operating exceptional items								(257.1)	
Operating loss after exceptional items								(91.6)	
Share of profit after tax of joint ventures and associates								-	
Loss before finance and tax								(91.6)	
Finance income								14.4	
Finance costs								(51.0)	
Loss before tax								(128.2)	
Tax								(9.0)	
Loss for the year								(137.2)	

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:

2020	£m
UK	1,978.9
Russia	835.6
Australia	838.7
Rest of the world	3,184.6
Group	6,837.8

1 Segmental analysis continued

2020	Distribution				Retail			
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m	Total £m
Segment assets and liabilities								
Segment assets	402.7	281.6	361.7	1,046.0	-	618.4	618.4	1,664.4
Other current assets								515.3
Other non-current assets								1,454.7
Segment liabilities	(602.1)	(295.8)	(299.3)	(1,197.2)	-	(566.4)	(566.4)	(1,763.6)
Other liabilities								(787.1)
Net assets								1,083.7

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

2020	Distribution				Retail			
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m	Total £m
Other segment items								
Capital expenditure:								
- Property, plant and equipment	6.0	2.4	9.2	17.6	-	9.9	9.9	27.5
- Interest in leased vehicles	2.3	0.7	0.1	3.1	-	-	-	3.1
- Right-of-use assets	10.4	3.4	3.5	17.3	-	5.3	5.3	22.6
- Intangible assets	7.3	3.3	3.5	14.1	-	6.4	6.4	20.5
Depreciation:								
- Property, plant and equipment	9.5	4.0	9.3	22.8	-	13.1	13.1	35.9
- Interest in leased vehicles	3.1	0.1	0.8	4.0	-	0.1	0.1	4.1
- Right-of-use assets	28.5	4.7	10.6	43.8	-	10.4	10.4	54.2
Amortisation of intangible assets	8.5	3.5	3.3	15.3	-	3.5	3.5	18.8
Impairment of goodwill	11.1	-	6.2	17.3	-	80.2	80.2	97.5
Impairment of distribution agreements	-	-	31.2	31.2	-	-	-	31.2
Impairment of other intangible assets	5.7	1.2	1.5	8.4	-	9.4	9.4	17.8
Impairment of property, plant and equipment	9.7	1.2	1.4	12.3	-	30.4	30.4	42.7
Impairment of right-of-use assets	24.7	-	0.2	24.9	-	8.4	8.4	33.3
Net provisions charged / (credited) to the consolidated income statement	15.9	4.7	11.8	32.4	-	(3.4)	(3.4)	29.0

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

Notes to the financial statements continued

1 Segmental analysis continued

	Distribution				Retail			Total £m
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m	
2019 (restated)								
Revenue								
Total revenue	2,593.4	1,329.6	993.5	4,916.5	431.5	4,031.7	4,463.2	9,379.7
Results								
Operating profit before exceptional items	226.7	41.7	65.0	333.4	7.5	32.2	39.7	373.1
Operating exceptional items								75.5
Operating profit after exceptional items								448.6
Share of profit after tax of joint ventures and associates								0.3
Profit before finance and tax								448.9
Finance income								24.1
Finance costs								(71.2)
Profit before tax								401.8
Tax								(73.1)
Profit for the year								328.7

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

2019	£m
UK	2,808.8
Russia	1,026.8
Australia	1,287.0
Rest of the world	4,257.1
Group	9,379.7

	Distribution				Retail			Total £m
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m	
2019 (restated)								
Segment assets and liabilities								
Segment assets	504.3	332.5	413.2	1,250.0	30.0	810.9	840.9	2,090.9
Other current assets								636.8
Other non-current assets								1,735.1
Segment liabilities	(746.9)	(305.3)	(297.9)	(1,350.1)	(17.8)	(716.6)	(734.4)	(2,084.5)
Other liabilities								(1,079.7)
Net assets								1,298.6

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

1 Segmental analysis continued

2019 (Restated)	Distribution				Retail			
	APAC £m	UK and Europe £m	Americas and Africa £m	Total Distribution £m	APAC £m	UK and Europe £m	Total Retail £m	Total £m
Other segment items								
Capital expenditure:								
- Property, plant and equipment	6.0	4.2	10.3	20.5	0.4	22.4	22.8	43.3
- Interest in leased vehicles	7.5	0.3	0.5	8.3	-	0.8	0.8	9.1
- Right-of-use assets	6.3	0.2	5.0	11.5	4.7	10.1	14.8	26.3
- Intangible assets	8.3	4.1	5.1	17.5	2.8	4.9	7.7	25.2
Depreciation:								
- Property, plant and equipment	12.2	3.4	8.5	24.1	2.0	16.5	18.5	42.6
- Interest in leased vehicles	4.1	-	1.4	5.5	-	1.4	1.4	6.9
- Right-of-use assets	34.7	4.6	11.9	51.2	3.7	11.4	15.1	66.3
Amortisation of intangible assets	6.5	2.2	1.7	10.4	0.1	5.5	5.6	16.0
Impairment of other intangible assets	-	-	-	-	0.7	-	0.7	0.7
Impairment of property, plant and equipment	1.8	-	-	1.8	-	3.0	3.0	4.8
Impairment of right-of-use assets	3.8	-	-	3.8	4.9	-	4.9	8.7
Impairment of disposal group	-	-	-	-	-	2.8	2.8	2.8
Net provisions charged / (credited) to the consolidated income statement	(1.5)	4.6	0.7	3.8	(1.4)	26.0	24.6	28.4

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

2 Exceptional items

	2020 £m	2019 £m
Goodwill and distribution agreement impairments (see note 11)	(128.7)	-
Other asset write-offs and impairments (see notes 11, 12 and 13)	(94.3)	(21.9)
Inventory and other provisions	(11.9)	-
Disposal of businesses (see note 29)	1.9	108.8
Restructuring costs	(28.4)	(8.9)
Acquisition of businesses	(4.1)	(2.5)
Other operating exceptional items	8.4	-
Total exceptional operating items before tax	(257.1)	75.5
Exceptional tax (see note 8)	24.2	2.5
Total exceptional items	(232.9)	78.0

Total exceptional items are analysed as follows:

Exceptional cost of sales	(11.6)	-
Exceptional net operating expenses	(245.5)	75.5
Exceptional tax (see note 8)	24.2	2.5
Total exceptional items	(232.9)	78.0

In the first half of the year, due to the initial impact of COVID-19 and the subsequent temporary closure of operations across the Group's many markets, impairment assessments were carried out using cash flow forecasts updated for latest available market data and estimates of fair value less costs of disposal. As a result of these reviews, the Group recognised goodwill impairment charges of £80.2m and £11.1m in the UK and Australia respectively. A further full impairment review was conducted across the Group in connection with the results for the year ending 31 December 2020. The impact of the impairment assessment performed was to recognise further impairment charges against the Americas – Suzuki CGU of £6.2m and £31.2m against goodwill and distribution agreement assets respectively. Exceptional items also include asset impairments and write-offs of £94.3m following an impairment review of site-based assets across the Group, primarily in the UK, Australia and Russia.

The Group sells New and Used vehicles which are subject to changing consumer demands. As a direct result of the restrictions imposed in various markets in relation to the COVID-19 pandemic and the subsequent lifting of those restrictions, where relevant, our ability to sell certain vehicles has been significantly impacted. Accordingly, management have reviewed the level and quality of inventory and applied assumptions in relation to estimated selling prices, together with costs to be incurred in marketing and selling those vehicles. As a result, additional inventory provisions to write-down inventory to net realisable value have been required. In certain instances, management have determined that inventory provisions have been required that are directly attributable to the COVID-19 pandemic, principally in relation to inventory in the Peugeot Citroën Distribution business in Australia and commercial vehicles in Ecuador. The impact of COVID-19 on the Australian economy has been severe and, as disclosed in relation to goodwill and other non-financial assets, there has been a material decline in the forecast performance of the Peugeot Citroën Distribution business. Estimated selling prices have been revised downwards which has required a provision to be recognised to write-down inventory to net realisable value. In Ecuador, the COVID-19 pandemic has impacted the economy and had a significant impact on the market for buses with operators delaying purchasing decisions and a build-up of inventory by competitors resulting in falling prices. Management have therefore revised estimated selling prices downwards and recognised a provision to write-down bus chassis inventory to estimated net realisable value. Management have concluded that the provisions recognised in these markets are directly attributable to the COVID-19 pandemic and have therefore been disclosed as an exceptional charge.

In addition, in Guam and Saipan, the Group sells vehicles which are financed through loans offered by banks. In some circumstances of consumer default, the Group carries an obligation to repurchase the vehicle from the bank on repossession, absorbing any loss or gain between net realisable value and the outstanding amount on the loan (up to a cap). Due to the impact of COVID-19 on the tourism industry in those markets, management have concluded that an increase in provision for losses totalling £1.3m is required following an expected increase in consumer default rate which is directly attributable to the COVID-19 pandemic and therefore should be disclosed as an exceptional charge.

The Group has continued to optimise its Retail market portfolio and an exceptional operating profit of £1.9m has been recognised, mainly related to the disposal of Retail sites in the UK and Australia.

Due to the expected medium-term impact of COVID-19 on the Group's operations a proposal was presented to the Board to rationalise and restructure operations. This proposal was approved by the Board and has led to significant restructuring activity being undertaken by the Group, the costs incurred being recognised as exceptional costs in line with the Group's policy. Restructuring costs have only been recognised once formal plans are in place and their implementation has commenced or announced to those affected. Furthermore, additional restructuring costs have been recognised, mainly in relation to Group-wide transformation projects impacting across the front and back office, encompassing a review of organisational structures, internal processes and the Group's physical setup. Execution of the Group-wide restructuring commenced in the first half of 2020 and significant progress has been made by the year-end, with some COVID-19 related restructuring activities to continue into 2021.

2 Exceptional items continued

During the year exceptional operating costs of £4.1m have been incurred in connection with the acquisition and integration of businesses. These primarily relate to the Daimler businesses acquired in South and Central America. Other operating items of £8.4m includes the recycling of a cumulative gain previously recorded in other comprehensive income (OCI) which arises due to the reorganisation of the ownership structure for some of the Group's operations in the APAC region.

In 2019, an exceptional operating profit of £108.8m was recognised related to the disposal of the Group's Retail operations in China and the Fleet Solutions business in the UK, together with several retail sites in Australia and the UK. As a direct result of the Group's optimisation of its Retail market portfolio, asset write-offs of £4.9m and impairments of £17.0m, including leasehold improvements and right-of-use assets, and £8.9m of restructuring costs were incurred, principally following the disposal of several Retail sites in the UK and Australia. The restructuring costs incurred comprised headcount reduction and costs associated with exiting certain properties. During the year exceptional operating costs of £2.5m were incurred in connection with the acquisition and integration of business, primarily the Krasta Auto business in Lithuania and the Autolider business in South America.

3 Revenue and expenses

a. Revenue

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

	2020 £m	2019 £m
Sale of goods	6,312.1	8,580.0
Provision of services	525.7	799.7
	6,837.8	9,379.7

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

	Net operating expenses before exceptional items 2020 £m	Exceptional items 2020 £m	Net operating expenses 2020 £m	Net operating expenses before exceptional items 2019 £m	Exceptional items 2019 £m	Net operating expenses 2019 £m
Distribution costs	375.0	-	375.0	532.6	-	532.6
Administrative expenses	347.2	255.8	603.0	370.1	33.3	403.4
Other operating expenses / (income)	1.7	(10.3)	(8.6)	(3.7)	(108.8)	(112.5)
	723.9	245.5	969.4	899.0	(75.5)	823.5

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

	2020 £m	2019 £m
Depreciation of tangible fixed assets:		
- Property, plant and equipment	35.9	42.6
- Interest in leased vehicles	4.1	6.9
- Right-of-use assets	54.2	66.3
Amortisation of intangible assets	18.8	16.0
Impairment of goodwill	97.5	-
Impairment of distribution agreements	31.2	-
Impairment of other intangible assets	17.8	0.7
Impairment of property, plant and equipment	42.7	4.8
Impairment of right-of-use assets	33.3	8.7
Impairment of disposal group	-	2.8
Impairment of trade receivables	2.8	2.0
Loss / (profit) on sale of property, plant and equipment	0.9	(0.5)
Operating lease rentals – short-term leases	3.3	4.7
Operating lease rentals – variable lease payments	2.2	0.6
Rent concessions recognised	(1.1)	-
Sub-lease income of right-of-use assets	(0.7)	(0.8)

Loss on the sale of property, plant and equipment in 2020 relates to the sale of surplus assets in South America and the UK (2019 – profit on sale of surplus assets in Australia and the UK).

The Group has utilised government support measures in the geographies in which it operates, including employee furlough schemes. The total government grant income, predominantly received from the UK, Australia and Singapore governments, recognised in the year in relation to these schemes was £30.8m.

Notes to the financial statements continued

3 Revenue and expenses continued

The Group also benefited from the business rates holiday for the retail sector in the UK of £2.6m.

Based on a decision taken by the Board, during the second half of the year, to reduce the level of government support received, the majority of support was recognised in the period to 30 June 2020.

In addition, the Group has made use of government-backed tax deferral schemes, resulting in a benefit to net cash generated from operating activities of £7.4m.

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:

	2020 £m	2019 £m
Audit services:		
Fees payable to the Company's auditor and its associates for the audit of the parent company and the consolidated financial statements	0.6	0.5
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	3.1	3.0
- Audit related assurance services	0.3	0.1
- All other services	0.1	0.2
Total fees payable to the Company's auditor	4.1	3.8
Audit fees – firms other than the Company's auditor	0.1	0.2

e. Staff costs

	2020 £m	2019 £m
Wages and salaries	443.7	558.5
Social security costs	41.6	48.4
Other pension costs	24.3	26.0
Share-based payment charge	3.3	6.1
	512.9	639.0

Other pension costs correspond to the current service charge and past service cost in relation to defined benefit schemes and contributions to the defined contribution schemes (see note 5).

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 74 to 95 of this document. Information on compensation of key management personnel is set out in note 32b.

f. Average monthly number of employees

	Distribution		Retail		Total	
	2020 Number	2019 Number (Restated) ¹	2020 Number	2019 Number (Restated) ¹	2020 Number	2019 Number (Restated) ¹
APAC	3,417	3,528	47	733	3,464	4,261
UK and Europe	1,636	1,664	7,161	8,454	8,797	10,118
Americas and Africa	3,493	3,670	–	–	3,493	3,670
Total operational	8,546	8,862	7,208	9,187	15,754	18,049
Central					161	156
					15,915	18,205

1. See note 1.

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 £3.3m (2019 – £6.1m), all of which was equity-settled.

The Other Share Plans' 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:

2020	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£5.11	4,886,187	3,226	2,368,907	960,156
Granted	£3.77	2,342,210	–	1,757,394	575,199
Exercised	£5.39	(357,861)	(3,224)	(50,589)	(167,162)
Lapsed	£5.02	(1,486,381)	(2)	(1,290,944)	(391,070)
Outstanding at 31 December	£4.31	5,384,155	–	2,784,768	977,123
Exercisable at 31 December	£6.66	256,048	–	124,733	34,292

2019	Weighted average exercise price*	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Outstanding at 1 January	£5.61	4,708,409	5,841	2,576,229	1,253,929
Granted	£4.59	2,182,473	–	1,432,380	489,364
Exercised	£4.79	(827,423)	(2,612)	(404,953)	(457,527)
Lapsed	£5.70	(1,177,272)	(3)	(1,234,749)	(325,610)
Outstanding at 31 December	£5.11	4,886,187	3,226	2,368,907	960,156
Exercisable at 31 December	£5.54	148,366	3,226	84,162	2,641

* The weighted average exercise price excludes nil cost awards made under the Performance Share Plan and Other Share Plans.

The weighted average remaining contractual life for the awards outstanding at 31 December 2020 is 2.5 years (2019 – 2.7 years).

The range of exercise prices for options outstanding at the end of the year was £3.77 to £6.66 (2019 – £3.10 to £6.66). See note 25 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 2020 and 31 December 2019:

	Performance Share Plan		Save As You Earn Plan		Other Share Plans	
	2020	2019	2020	2019	2020	2019
Weighted average share price at grant date	£5.14	£5.95	£4.46	£6.27	£5.71	£6.19
Weighted average share price at date of exercise	£4.84	£6.08	£6.66	£6.32	£4.88	£6.02
Weighted average exercise price*	n/a	n/a	£3.77	£4.59	n/a	n/a
Vesting period	3.0 years	3.0 years	3.0 years	3.0 years	2.8 years	2.8 years
Expected volatility	n/a	n/a	31.4%	23.4%	n/a	n/a
Expected life of award	3.0 years	3.0 years	3.2 years	3.2 years	2.8 years	2.8 years
Weighted average risk-free rate	n/a	n/a	1.0%	1.0%	n/a	n/a
Expected dividend yield	n/a	n/a	3.8%	4.3%	n/a	n/a
Weighted average fair value per option	£5.14	£5.95	£0.91	£1.38	£5.71	£6.19

* 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 2020 or 2019.

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, Motors, Normand and Cash+ sections. The Group, Motors and Normand sections provide benefits linked to the final salary of members, are closed to new members and largely closed to future benefit accrual.

The Cash+ section is a defined benefit cash balance scheme. Following a consultation process with relevant employees this section closed to future benefit accrual on 31 December 2020. From 1 January 2021 UK employees are offered membership of the Inchcape Retirement Savings Plan, a defined contribution workplace personal pension scheme, which is designed to comply with auto enrolment legislation.

The Group also operates the Inchcape Overseas Pension Scheme which is non-UK registered.

Benefit structure

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.

Cash balance schemes like Cash+ 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.

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 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 is comprised of two independent trustee companies appointed by the Group. The Trustees are required to act in the best interest of the members and have responsibility for the scheme's governance. The Trustees consult with the Group over decisions relating to matters such as funding and investments.

The Inchcape Retirement Savings Plan (a workplace personal pension scheme) 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.

5 Pensions and other post-retirement benefits continued

Scheme specific cash obligation / investment detail

Inchcape Motors Pension Scheme

Group, Motors and Normand sections (closed sections)

The Group considers two measures of the pension deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to IMPS. The Trustees have finalised the latest actuarial valuations as at 5 April 2019 for the four sections of IMPS. As part of the valuation process the Trustees and Group have agreed future levels of contributions required to be made by the Group to IMPS.

The last completed actuarial valuations for the Group, Motors and Normand sections were carried out at 5 April 2019 on a market-related basis and determined in accordance with the advice of the Scheme Actuary based on the defined accrued benefit method. The actuarial valuation determined that the duration of the liabilities was approximately 17 years and that an aggregate deficit of £18.3m existed. The Group currently contributes £0.6m per annum towards the administrative costs of running these sections. For the Normand section, the Group also currently pays deficit reduction contributions of £1.2m per annum, rising by 3.0% per annum up until 5 April 2025 (at which point the funding shortfall is expected to be eliminated).

Each section's investment strategy sees it holding a proportion of its assets in matching assets (broadly 75% for the Group section, 45% for the Motors section and 46% for the Normand section) with the remainder in growth assets. The matching assets are invested in a liability-driven investment solution complemented with absolute return bonds. They are expected to hedge inflation and interest rate risk in a capital efficient manner. The growth assets are invested in assets that are expected to grow at rates significantly faster than each section's liabilities and include equities, diversified growth funds and property.

Cash+ section

This scheme is a defined benefit scheme under which members accrued benefits up until 31 December 2020. The latest actuarial valuation was carried out at 5 April 2019 on a market-related basis and determined in accordance with the advice of the Scheme Actuary based on the projected unit method. The valuation showed a funding deficit of £17.6m, with the Trustee expecting the shortfall to be removed by deficit recovery contributions and returns on the assets held. Under the agreed Schedule of Contributions the Group will contribute approximately £2.8m per annum in deficit recovery contributions up until 5 April 2028 (at which point the funding shortfall is expected to be eliminated) and £0.2m per annum towards the administrative costs of running the scheme.

The investment strategy is to be 60% invested in diversified growth funds which are designed to grow at a rate significantly faster than the liabilities, whilst spreading investment risk across a broad spectrum of asset classes. The remaining 40% is split equally between multi-factor equities and emerging market multi-asset funds.

Inchcape Overseas Pension Scheme

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 2018 and determined in accordance with the advice of the Scheme Actuary based on the projected unit credit method. The actuarial valuation determined that the duration of the liabilities was approximately 12 years and that the scheme was approximately 77% funded on a prudent funding basis. To make good the funding deficit of £16.2m, it has been agreed that deficit contributions of £1.5m per annum will be paid by means of an annual lump sum for 10 years, ending with the payment due in July 2029. 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 most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. 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 £5.9m (2019 – £7.1m). There are no outstanding contributions at 31 December 2020 (2019 – 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.

5 Pensions and other post-retirement benefits continued

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2020 %	2019 %	2020 %	2019 %
Rate of increase in salaries	3.0	3.0	3.5	4.0
Rate of increase in pensions	2.9	2.9	1.6	1.8
Discount rate	1.3	2.0	0.6	1.8
Rate of inflation:				
– Retail price index	3.0	2.9	1.5	1.9
– Consumer price index	1.8	1.8	n/a	n/a
– Medical inflation	6.0	6.0	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 22.5 years (2019 – 23.0 years) for current pensioners and 23.9 years (2019 – 24.4 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The asset / (liability) recognised in the consolidated statement of financial position is determined as follows:

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Present value of funded obligations	(949.7)	(872.8)	(41.3)	(46.0)	(991.0)	(918.8)
Fair value of plan assets	971.8	887.6	41.2	43.0	1,013.0	930.6
Net surplus / (deficit) in funded obligations	22.1	14.8	(0.1)	(3.0)	22.0	11.8
Present value of unfunded obligations	(0.5)	(0.5)	(1.9)	(1.8)	(2.4)	(2.3)
	21.6	14.3	(2.0)	(4.8)	19.6	9.5

The net pension asset is analysed as follows:

	United Kingdom		Overseas	
	2020 £m	2019 £m	2020 £m	2019 £m
Schemes in surplus	99.9	78.4	1.1	0.3
Schemes in deficit	(78.3)	(64.1)	(3.1)	(5.1)
	21.6	14.3	(2.0)	(4.8)
			19.6	9.5

The amounts recognised in the consolidated income statement are as follows:

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Current service cost	(17.1)	(16.1)	(0.9)	(2.8)	(18.0)	(18.9)
Past service cost	(0.4)	–	–	–	(0.4)	–
Scheme expenses	(1.4)	(1.4)	–	(0.1)	(1.4)	(1.5)
Interest expense on plan liabilities	(16.6)	(21.0)	(0.6)	(0.9)	(17.2)	(21.9)
Interest income on plan assets	17.1	23.8	0.5	0.8	17.6	24.6
	(18.4)	(14.7)	(1.0)	(3.0)	(19.4)	(17.7)

5 Pensions and other post-retirement benefits continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Actuarial gains / (losses) on liabilities:						
- Experience (losses) / gains	(4.1)	(10.3)	0.5	0.7	(3.6)	(9.6)
- Changes in demographic assumptions	27.2	(5.2)	-	(0.2)	27.2	(5.4)
- Changes in financial assumptions	(100.1)	(123.6)	(2.0)	(0.4)	(102.1)	(124.0)
Actuarial gains on assets:						
- Experience gains	88.8	64.7	4.5	2.6	93.3	67.3
	11.8	(74.4)	3.0	2.7	14.8	(71.7)

Analysis of the movement in the net asset / (liability):

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	14.3	88.4	(4.8)	(6.5)	9.5	81.9
Amount recognised in the consolidated income statement	(18.4)	(14.7)	(1.0)	(3.0)	(19.4)	(17.7)
Contributions by employer	13.9	15.0	1.0	1.6	14.9	16.6
Actuarial gains / (losses) recognised in the year	11.8	(74.4)	3.0	2.7	14.8	(71.7)
Effect of foreign exchange rates	-	-	(0.2)	0.4	(0.2)	0.4
At 31 December	21.6	14.3	(2.0)	(4.8)	19.6	9.5

Changes in the present value of the defined benefit obligation are as follows:

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	(873.3)	(727.6)	(47.8)	(51.5)	(921.1)	(779.1)
Current service cost	(17.1)	(16.1)	(0.9)	(2.8)	(18.0)	(18.9)
Past service cost	(0.4)	-	-	-	(0.4)	-
Interest expense on plan liabilities	(16.6)	(21.0)	(0.6)	(0.9)	(17.2)	(21.9)
Actuarial gains / (losses):						
- Experience (losses) / gains	(4.1)	(10.3)	0.5	0.7	(3.6)	(9.6)
- Changes in demographic assumptions	27.2	(5.2)	-	(0.2)	27.2	(5.4)
- Changes in financial assumptions	(100.1)	(123.6)	(2.0)	(0.4)	(102.1)	(124.0)
Contributions by employees	(0.3)	(0.2)	-	-	(0.3)	(0.2)
Benefits paid	34.5	30.7	5.8	4.6	40.3	35.3
Plan settlements	-	-	1.1	0.7	1.1	0.7
Effect of foreign exchange rate changes	-	-	0.7	2.0	0.7	2.0
At 31 December	(950.2)	(873.3)	(43.2)	(47.8)	(993.4)	(921.1)

5 Pensions and other post-retirement benefits continued

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	887.6	816.0	43.0	45.0	930.6	861.0
Interest income on plan assets	17.1	23.8	0.5	0.8	17.6	24.6
Scheme expenses	(1.4)	(1.4)	-	(0.1)	(1.4)	(1.5)
Actuarial gains:						
– Experience gains	88.8	64.7	4.5	2.6	93.3	67.3
Contributions by employer	13.9	15.0	1.0	1.6	14.9	16.6
Contributions by employees	0.3	0.2	-	-	0.3	0.2
Benefits paid	(34.5)	(30.7)	(5.8)	(4.6)	(40.3)	(35.3)
Plan settlements	-	-	(1.1)	(0.7)	(1.1)	(0.7)
Effect of foreign exchange rate changes	-	-	(0.9)	(1.6)	(0.9)	(1.6)
At 31 December	971.8	887.6	41.2	43.0	1,013.0	930.6

At the end of the reporting period, the percentages of the plan assets by category were as follows:

	United Kingdom		Overseas		Total	
	2020	2019	2020	2019	2020	2019
Equities (quoted)	6.1%	5.9%	49.8%	67.4%	7.9%	8.8%
Corporate bonds (quoted)	-	-	40.8%	19.3%	1.7%	0.9%
Investment funds (quoted)	-	-	-	0.2%	-	-
Government bonds	-	-	1.0%	-	-	-
Investment funds (unquoted)	58.1%	62.4%	-	-	55.7%	59.5%
Other (quoted)	-	-	2.2%	5.1%	0.1%	0.2%
Other (unquoted)	35.8%	31.7%	6.2%	8.0%	34.6%	30.6%
	100%	100.0%	100%	100.0%	100%	100.0%

The investments shown as quoted equities and bonds are held through funds where the underlying investments of the fund are quoted. Investment funds and other assets include equities, bonds, property, derivatives and liability driven investments. Virtually all the equities and bonds held within the investment funds have prices in active markets. Derivatives, property and liability driven investments 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).

5 Pensions and other post-retirement benefits continued

The following disclosures relate to the Group's defined benefit plans only.

e. 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, the Trustees reduce investment risk by increasing the allocation to defensive assets, which are designed to better match scheme liabilities. However, the Trustees believe that due to the long-term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the long-term investment strategy.

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. The Trustees of the schemes hedge this risk by adopting a prudent approach in their assumption for future improvements.

f. 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	
	2020 £m	2019 £m
Discount rate -0.5% (2019 - 0.25%)	+87.5	+28.8
Discount rate +0.5% (2019 - +0.25%)	-77.1	-26.3
RPI Inflation -0.25%	-12.1	-10.7
RPI Inflation +0.25%	+12.6	+12.0
CPI Inflation -0.25%	-10.4	-8.8
CPI Inflation +0.25%	+11.0	+10.4
Life expectancy + 1 year	+43.0	+38.1

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 fluctuations.

g. Expected future cash flows

The Group has agreed to pay approximately £6.5m to its UK defined benefit plans in 2021 under the prevailing Schedules of Contributions (following the 5 April 2019 actuarial valuations for the Motors, Group, Cash+ and Normand sections of the Inchcape Motors Pension Scheme and 31 March 2018 valuation for the Inchcape Overseas Pension Scheme). From 1 January 2021 (following the closure of the Cash+ section to future benefit accrual on 31 December 2020) the Group will pay 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 17 years for the UK schemes.

6 Finance income

	2020 £m	2019 £m
Bank and other interest receivable	11.6	17.2
Net interest income on post-retirement plan assets and liabilities	0.4	2.7
Sub-lease finance income	0.5	0.6
Other finance income	1.9	3.6
Total finance income	14.4	24.1

7 Finance costs

	2020 £m	2019 £m
Interest payable on bank borrowings	6.5	12.9
Interest payable on Private Placement	6.6	6.9
Finance costs on lease liabilities	13.9	20.0
Fair value adjustment on Private Placement	-	3.3
Fair value gain on cross currency interest rate swaps	-	(3.4)
Stock holding interest (see note 21)	18.5	27.6
Other finance costs	5.5	4.0
Capitalised borrowing costs	-	(0.1)
Total finance costs	51.0	71.2

The Group capitalisation rate used for general borrowing costs in accordance with IAS 23 was a weighted average rate for the year of 2.0% (2019 – 2.9%).

8 Tax

	2020 £m	2019 £m
Current tax:		
– UK corporation tax	(0.7)	0.1
– Overseas tax	47.9	78.6
	47.2	78.7
Adjustments to prior year liabilities:		
– UK	(4.8)	4.4
– Overseas	(2.7)	(2.6)
Current tax	39.7	80.5
Deferred tax (see note 17)	(30.7)	(7.4)
Total tax charge	9.0	73.1

The total tax charge is analysed as follows:

– Tax charge on profit before exceptional items	33.2	75.6
– Tax credit on exceptional items	(24.2)	(2.5)
Total tax charge	9.0	73.1

Details of the exceptional items for the year can be found in note 2. Not all of the exceptional items will be taxable/allowable for tax purposes. Therefore, the tax credit on exceptional items represents the total of the current and deferred tax on only those elements that are assessed as taxable/allowable.

Factors affecting the tax expense for the year

The effective tax rate for the year after exceptional items is -7.0% (2019 – 18.2%). The underlying effective tax rate before the impact of exceptional items is 25.8% (2019 – 23.2%). The weighted average tax rate is 25.9% (2019 – 20.6%). The weighted average tax rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits and losses.

On 25 April 2019, the European Commission issued a Decision that the Group Financing Exemption ("GFE") in the UK's controlled foreign company legislation could, in some circumstances, constitute unlawful State Aid in respect of periods to 31 December 2018. After applying the Commission's Decision to Inchcape's circumstances, HMRC has now confirmed that Inchcape's use of the GFE did not result in the receipt of State Aid.

Inchcape had previously recognised a provision of £5.4m for the estimated amount of the alleged State Aid. Given the confirmation from HMRC, the provision has been released and the impact has been included in the results for the year ended 31 December 2020.

8 Tax continued

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

	2020 £m	2019 £m
(Loss) / profit before tax	(128.2)	401.8
(Loss) / profit before tax multiplied by the weighted average tax rate of 25.9% (2019 – 20.6%)	(33.2)	82.8
– Permanent differences	8.1	5.4
– Non-taxable income	(2.4)	(2.6)
– Prior year items	(5.1)	(5.5)
– Derecognition / (recognition) of deferred tax assets	26.9	(0.4)
– Tax audits and settlements	(4.8)	6.5
– Taxes on undistributed earnings	1.6	2.0
– Other items (including tax rate differentials and changes)	(0.6)	0.4
– Goodwill impairment (see note 11)	20.5	–
– Acquisition and disposals of businesses	(1.8)	(20.5)
– Other asset write-offs and impairment (see notes 11, 12 and 13)	(0.2)	5.0
 Total tax charge	9.0	73.1

Factors affecting the tax expense of future years

The Group's future tax expense, and effective tax rate, could be affected by several factors including: the resolution of audits and disputes, changes in tax laws or tax rates, the ability to utilise brought forward losses and business acquisitions and disposals. In addition, a change in profit mix between low and high taxed jurisdictions will impact the Group's future tax expense.

The utilisation of brought forward tax losses or the recognition of deferred tax assets associated with such losses may also give rise to tax charges or credits. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon an assessment of whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. In the event that actual taxable profits are different to those forecast, 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 17.

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

Notes to the financial statements continued

9 Earnings per share

	2020 £m	2019 £m
(Loss) / profit for the year	(137.2)	328.7
Non-controlling interests	(2.9)	(5.8)
Basic (loss) / earnings	(140.1)	322.9
Exceptional items	232.9	(78.0)
Adjusted earnings	92.8	244.9
Basic (loss) / earnings per share	(35.6)p	79.0p
Diluted (loss) / earnings per share	(35.6)p	78.4p
Basic Adjusted earnings per share	23.6p	59.9p
Diluted Adjusted earnings per share	23.4p	59.5p
	2020 number	2019 number
Weighted average number of fully paid ordinary shares in issue during the year	394,448,982	409,513,387
Weighted average number of fully paid ordinary shares in issue during the year:		
- Held by the Inchcape Employee Trust	(535,394)	(763,509)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	393,913,588	408,749,878
Dilutive effect of potential ordinary shares	2,616,104	2,988,393
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted EPS	396,529,692	411,738,271

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

Basic Adjusted earnings (which excludes exceptional 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. Dilutive potential ordinary shares comprise share options and other share-based awards.

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

10 Dividends

The following dividends were paid by the Group:

	2020 £m	2019 £m
Interim dividend for the six months ended 30 June 2020 of nil per share (30 June 2019 of 8.9p per share)	-	36.3
Final dividend for the year ended 31 December 2019 of nil per share (31 December 2018 of 17.9p per share)	-	74.2
	-	110.5

The Board previously recommended a final ordinary dividend for the year ended 31 December 2019 of 17.9p per ordinary share. The dividend was due to be paid on 19 June 2020. As announced on 7 April 2020, given the impact of COVID-19, the Group decided to preserve cash and no longer recommend the payment of the previously announced final ordinary dividend. The Directors did not propose an interim dividend for 2020.

A final proposed dividend for the year ended 31 December 2020 of 6.9p per share amounting to £27.2m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2020.

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 2020, Inchcape plc's company-only distributable reserves were £472.6m. 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.

11 Intangible assets

	Goodwill £m	Distribution agreements £m	Computer software £m	Other intangible assets £m	Total £m
Cost					
At 1 January 2019	634.2	249.8	214.1	0.1	1,098.2
Businesses acquired (see note 29)	10.1	33.2	0.3	-	43.6
Businesses sold (see note 29)	(34.1)	-	(1.8)	-	(35.9)
Additions	-	-	25.2	-	25.2
Disposals	-	-	(2.1)	-	(2.1)
Retirement of fully amortised assets not in use	-	-	-	(0.1)	(0.1)
Reclassified to assets held for sale (see note 20)	(10.6)	-	-	-	(10.6)
Effect of foreign exchange rate changes	(5.5)	(21.9)	(3.7)	-	(31.1)
At 1 January 2020	594.1	261.1	232.0	-	1,087.2
Businesses acquired (see note 29)	1.2	14.2	(0.1)	-	15.3
Additions	-	-	20.5	-	20.5
Disposals	-	-	(2.0)	-	(2.0)
Reclassifications	-	-	1.9	-	1.9
Reclassified to assets held for sale (see note 20)	-	-	(0.4)	-	(0.4)
Effect of foreign exchange rate changes	(17.8)	2.1	(1.4)	-	(17.1)
At 31 December 2020	577.5	277.4	250.5	-	1,105.4
Accumulated amortisation and impairment					
At 1 January 2019	(374.4)	-	(117.7)	(0.1)	(492.2)
Amortisation charge for the year	-	-	(16.0)	-	(16.0)
Impairment charge for the year	-	-	(0.7)	-	(0.7)
Business sold (see note 29)	-	-	1.4	-	1.4
Disposals	-	-	1.0	-	1.0
Retirement of fully amortised assets not in use	-	-	-	0.1	0.1
Effect of foreign exchange rate changes	(4.0)	-	1.1	-	(2.9)
At 1 January 2020	(378.4)	-	(130.9)	-	(509.3)
Amortisation charge for the year	-	-	(18.8)	-	(18.8)
Impairment charge for the year	(97.5)	(31.2)	(17.8)	-	(146.5)
Disposals	-	-	1.4	-	1.4
Reclassifications	-	-	(1.8)	-	(1.8)
Reclassified to assets held for sale (see note 20)	-	-	0.3	-	0.3
Effect of foreign exchange rate changes	17.4	0.4	1.7	-	19.5
At 31 December 2020	(458.5)	(30.8)	(165.9)	-	(655.2)
Net book value at 31 December 2020	119.0	246.6	84.6	-	450.2
Net book value at 31 December 2019	215.7	261.1	101.1	-	577.9

The asset impairments of £146.5m which arose due to the impact of COVID-19 and the subsequent temporary closure of operations across the Group's many markets (2019 - £0.7m which arose following the disposal of businesses in Australia), are included within exceptional items (see note 2). Further details on the impairment of computer software are disclosed in note 12.

At 31 December 2020, assets under construction total £26.9m (2019 - £28.0m).

Goodwill and distribution agreements

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.

Indefinite-life intangible assets, principally distribution agreements acquired in a business combination, are also allocated to the CGUs or CGU groups that are expected to benefit from the cash flows associated with the relevant agreements.

11 Intangible assets continued

These CGU groups represent the lowest level within the Group at which the associated goodwill or indefinite-life intangible asset is monitored for management purposes. The carrying amount of goodwill and indefinite-life intangible assets has been allocated to CGU groups within the following reporting segments:

Reporting segment	CGU group	Goodwill 2020 £m	Distribution agreements 2020 £m	Total 2020 £m	Goodwill 2019 £m	Distribution agreements 2019 £m	Total 2019 £m
UK and Europe Retail	UK Retail	–	–	–	80.2	–	80.2
UK and Europe Distribution	Baltics – BMW	6.2	28.9	35.1	5.8	27.4	33.2
Americas and Africa Distribution	Americas – Daimler	4.4	27.7	32.1	3.8	13.8	17.6
	Americas – Hino/Subaru	47.2	137.8	185.0	45.7	134.6	180.3
	Americas – Suzuki	37.6	52.2	89.8	44.8	85.3	130.1
	Kenya	1.1	–	1.1	1.2	–	1.2
APAC Distribution	Singapore	22.5	–	22.5	22.8	–	22.8
	Australia Retail	–	–	–	9.6	–	9.6
	Peugeot Citroën Australia	–	–	–	1.8	–	1.8
		119.0	246.6	365.6	215.7	261.1	476.8

In accordance with the Group's accounting policy, goodwill and other indefinite-life intangible assets are tested at least annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests were performed for all CGU groups during the year ended 31 December 2020.

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.

If the carrying amount of a CGU or CGU group exceeds its recoverable amount, an impairment loss is recognised and allocated between the assets of the unit to reduce the carrying amount. This allocation is initially applied to any site-based assets within a CGU based on the results of impairment testing performed over individual site CGUs and then to any indefinite-life intangible assets. If a further impairment charge still remains, then to the carrying amount of any goodwill allocated to the CGU or CGU group.

The value in use calculations mainly 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.

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), Units in Operation (UIO) and market share. 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 the impact of COVID-19 and the UK trading arrangements with the European Union. They also reflect expectations about continuing relationships with key brand partners and the impact climate change may have on our 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.

For CGU groups in the Americas and Africa reporting segment, cash flows after the five-year period are extrapolated for a further five years using declining growth rates which reduces the year five 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. For all other markets, a terminal value calculation is used to estimate the cash flows after year five.

Where applicable, the Group has adopted a probability weighted scenario approach for the discounted cash flows used in the impairment assessment. A range of expected outcomes was modelled including a base case, which reflected management's best estimate of future performance, an optimistic case scenario incorporating a better than expected recovery from COVID-19 and a pessimistic scenario incorporating an extended closure period / lower recovery from COVID-19.

Cash flows are discounted back to present value using a discount rate specific to each CGU. 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. Each CGU's weighted average cost of capital is then adjusted to reflect the impact of tax in order to calculate an equivalent pre-tax discount rate.

11 Intangible assets continued

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 CGUs are shown below:

Goodwill:

2020	UK Retail	Baltics	Americas - Daimler	Americas - Hino/Subaru	Americas - Suzuki	Kenya	Singapore	Australia Retail	Peugeot Citroën Australia
Pre-tax discount rate (%)	7.8	6.4	12.8	9.8	12.2	13.5	7.2	10.3	10.3
Long-term growth rate (%)	2.0	2.1	2.7	2.7	2.6	5.0	1.5	2.0	2.0

2019	UK Retail	Baltics	Americas - Daimler ¹	Americas - Hino/Subaru	Americas - Suzuki	Kenya	Singapore	Australia Retail	Peugeot Citroën Australia
Pre-tax discount rate (%)	8.8	9.1	n/a	12.8	13.3	17.3	8.9	10.2	10.2
Long-term growth rate (%)	2.0	2.0	n/a	2.5	2.5	2.5	2.01	2.0	2.0

1. Due to the proximity of the acquisition of the Autolider business being immediately prior to the reporting date, no impairment test was carried out.

Indefinite-life intangible assets:

2020	Baltics - BMW	Americas - Daimler	Americas - Hino	Americas - Subaru	Americas - Suzuki
Pre-tax discount rate (%)	6.3	12.8	12.1	9.7	12.2
Long-term growth rate (%)	2.1	2.7	2.9	2.7	2.6

2019	Baltics - BMW	Americas - Daimler ¹	Americas - Hino	Americas - Subaru	Americas - Suzuki
Pre-tax discount rate (%)	9.1	n/a	12.9	12.7	13.3
Long-term growth rate (%)	2.0	n/a	2.5	2.5	2.5

1. Due to the proximity of the acquisition of the Autolider business being immediately prior to the reporting date, no impairment test was carried out.

Impairment

Central America

The Group acquired the Suzuki focused Distribution businesses in Costa Rica and Panama in 2018 with the aim of establishing a presence in markets with structural growth potential. Since acquisition, prior to the impact of COVID-19, the TIV in both markets had declined by an average of 19% based on externally available data. In the period to 30 June 20, the impact of COVID-19 contributed to a further steep decline in TIV and the impairment assessment carried out indicated a low headroom. As a result, sensitivity disclosures were included in the 2020 interim financial statement relating to the key assumptions included in the model.

The current ongoing situation with respect to the spread of COVID-19 in Central America has continued to cause uncertainty regarding the impact of the pandemic on the region. As the situation deteriorated, both markets, particularly Costa Rica, were late into lockdown and the two markets have some of the highest numbers of confirmed cases of COVID-19 in the region. Management have updated the impairment assessment, with revised revenue forecasts based on historical market growth in the region and average market share achieved for the Suzuki brand. Margin assumptions were aligned to those achieved by the business in prior years.

The recoverable value of the CGU was determined based on value in use calculations, consistent with the approach used as at both 31 December 2019 and 30 June 2020. Cash flows were discounted back to present value using a pre-tax discount rate of 12.2% (2019 - 13.3%) and resulted in the impairment of the goodwill balance of £6.2m and an impairment of the distribution agreement of £31.2m.

As at 31 December 2020, the recoverable amount of the CGU was £146.5m. The cash flows used within the impairment model 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 impairment model using reasonably possible changes in these key assumptions.

	Increase / (decrease) in assumption	Effect on value in use calculation £m
Revenue CAGR (%)	(1.0)	(30.7)
Pre-tax discount rate (%)	1.0	(16.7)
Average gross margin (%)	(0.5)	(11.4)
Long-term growth rate (%)	(0.5)	(7.1)

11 Intangible assets continued

In addition to the above, management has performed a sensitivity analysis in relation to the potential impact of climate change on the value in use model, which we expect to manifest itself primarily in an accelerated adoption of electric vehicles in the market. The scenario modelled reflected an increase to 30% electric vehicles penetration in the market over the period 2030 to 2040 and a 100bps change in market share while holding all other assumptions constant. Under this scenario, the impact on the value in use model would be c£6m.

UK Retail

In 2019, the UK New car market declined by a further 2.4% (source: SMMT) broadly in line with previous forecasts and the UK Retail business made meaningful progress in reshaping its Retail footprint through the selective sale of less productive UK Retail sites. In light of the reduction in the UK Retail footprint, the Board revisited its short and medium-term forecast for the UK Retail CGU group and updated the value in use calculations. The results of the impairment review indicated that the value in use calculation exceeded the carrying value of the assets attributable to the UK Retail CGU group by c £70m as at 31 December 2019.

The UK Retail business was materially impacted by the COVID-19 pandemic with sites closed at the end of March and only reopening again in June. The Group continued to reshape its Retail footprint through further disposals against a backdrop of an uncertain outlook and forecasts for the business were updated for the goodwill impairment assessment carried out in the period to 30 June 2020. The cash flows used for impairment testing were based on the latest short-term forecasts for the business, covering a two-year period, and took into account historical performance and knowledge of the current market, including the expected volume and gross margin impact from COVID-19. Cash flows beyond the forecast initial period were extrapolated using externally sourced volume projections. Margin assumptions were largely aligned to the prior year impairment exercise and our expectation of future performance, again supported by historical performance and current market data available.

Cash flows were discounted back to present value using a pre-tax risk discount rate of 7.8% (2019 – 8.8%). The results of the impairment review carried out indicated that the estimated recoverable value was now less than the carrying value of the assets attributable to the UK Retail CGU group and an impairment charge of £80.2m was recognised, fully impairing the remaining goodwill attributable to the UK Retail CGU group.

Australia Retail and Peugeot Citroën Australia

In the period to 30 June 2020, the impact of COVID-19 on the Australian economy has been severe and the country entered its first recession in 29 years in the period. The Retail business, having undertaken significant restructuring through the disposal of selective Retail operations that completed in February 2020, had expected to see an improvement in performance in 2020. The Peugeot Citroën Distribution business was initially expected to deliver an improvement in performance in 2020 in light of recent changes to operations within the country. However, the impact of COVID-19 materially affected both businesses, with a decline in performance expected over the forecast period, due to a reduction in New car sales leading to a decline in the car parc which, in turn, impacts higher margin aftersales.

The recoverable value of the two CGUs was determined based on value in use calculations, consistent with the approach used as at 31 December 2019. Cash flows were discounted back to present value using a pre-tax discount rate of 10.3% (2019 – 10.2%) and resulted in the full impairment of the goodwill balance of £11.1m attributable to these two CGUs.

Other CGUs

The Group's value in use calculations are sensitive to a change in the key assumptions used. However, except for the cash generating unit represented by the Daimler business in Americas, a reasonably possible change in a key assumption will not cause a material impairment of goodwill or indefinite-life intangible assets in any of the CGU groups.

The recoverable amount of Americas – Daimler is estimated to exceed the carrying amount of the CGU at 31 December 2020 by £12.0m. Due to the impact of COVID-19, the level of headroom for the cash generating unit represented by the Daimler business in the Americas is considered low. As such, management have performed sensitivity analysis on the key assumptions in the models using reasonably possible changes in key assumptions to determine what change is required that would cause the carrying amount to exceed the recoverable amount calculated in the model.

The table below shows by how much key assumptions would have to change in order for the recoverable amount of this CGU to equal its carrying amount, while holding all other assumptions constant:

	Increase / (decrease) in assumption
Revenue CAGR (%)	(0.7)
Pre-tax discount rate (%)	1.8
Average gross margin (%)	(0.5)

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Americas – Daimler CGU to exceed its recoverable amount.

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and equipment £m	Subtotal £m	Interest in leased vehicles £m	Total £m
Cost					
At 1 January 2019	887.1	258.1	1,145.2	63.8	1,209.0
Businesses acquired (see note 29)	7.5	2.5	10.0	0.2	10.2
Businesses sold (see note 29)	(72.5)	(10.4)	(82.9)	(8.7)	(91.6)
Additions	21.9	21.4	43.3	9.1	52.4
Disposals	(14.0)	(12.4)	(26.4)	(0.1)	(26.5)
Transferred to/from inventory	-	0.1	0.1	(23.0)	(22.9)
Other ¹	-	18.7	18.7	-	18.7
Reclassified to assets held for sale (see note 20)	(53.5)	(5.0)	(58.5)	-	(58.5)
Effect of foreign exchange rate changes	(13.3)	(7.9)	(21.2)	(1.9)	(23.1)
At 1 January 2020	763.2	265.1	1,028.3	39.4	1,067.7
Businesses acquired (see note 29)	0.3	(0.2)	0.1	(0.1)	-
Businesses sold (see note 29)	(29.8)	(5.3)	(35.1)	-	(35.1)
Additions	13.9	13.6	27.5	3.1	30.6
Disposals	(5.5)	(18.8)	(24.3)	-	(24.3)
Reclassifications	(0.4)	(1.4)	(1.8)	(0.1)	(1.9)
Transferred to/from inventory	-	4.4	4.4	(22.7)	(18.3)
Retirement of fully depreciated assets	-	(1.0)	(1.0)	-	(1.0)
Reclassified to assets held for sale (see note 20)	(0.6)	(4.2)	(4.8)	-	(4.8)
Effect of foreign exchange rate changes	(19.7)	(4.7)	(24.4)	(0.2)	(24.6)
At 31 December 2020	721.4	247.5	968.9	19.4	988.3
Accumulated depreciation and impairment					
At 1 January 2019	(202.3)	(167.8)	(370.1)	(17.2)	(387.3)
Businesses sold (see note 29)	15.2	6.7	21.9	3.7	25.6
Depreciation charge for the year	(18.1)	(24.5)	(42.6)	(6.9)	(49.5)
Impairment charge for the year	(4.8)	-	(4.8)	-	(4.8)
Disposals	7.0	7.8	14.8	-	14.8
Transferred to/from inventory	-	0.3	0.3	8.8	9.1
Other ¹	-	(18.7)	(18.7)	-	(18.7)
Reclassified to assets held for sale (see note 20)	23.9	4.4	28.3	-	28.3
Effect of foreign exchange rate changes	4.7	4.7	9.4	0.5	9.9
At 1 January 2020	(174.4)	(187.1)	(361.5)	(11.1)	(372.6)
Businesses sold (see note 29)	0.6	1.8	2.4	-	2.4
Depreciation charge for the year	(20.1)	(15.8)	(35.9)	(4.1)	(40.0)
Impairment charge for the year	(33.1)	(9.6)	(42.7)	-	(42.7)
Disposals	2.4	14.3	16.7	-	16.7
Reclassifications	-	1.7	1.7	0.1	1.8
Transferred to/from inventory	-	(2.4)	(2.4)	7.9	5.5
Retirement of fully depreciated assets	-	1.0	1.0	-	1.0
Reclassified to assets held for sale (see note 20)	-	3.5	3.5	-	3.5
Effect of foreign exchange rate changes	3.1	2.8	5.9	-	5.9
At 31 December 2020	(221.5)	(189.8)	(411.3)	(7.2)	(418.5)
Net book value at 31 December 2020	499.9	57.7	557.6	12.2	569.8
Net book value at 31 December 2019	588.8	78.0	666.8	28.3	695.1

1. This represents a correction of a historic adjustment to cost and accumulated depreciation of acquired plant, machinery and equipment. It has no net impact on net book value at any balance sheet date presented.

The asset impairments of £42.7m, which arose due to the impact of COVID-19 and the subsequent temporary closure of operations across the Group's many markets (2019 - £4.8m in the UK and Australia as a result of the Retail disposals in those markets), are included within exceptional items (see note 2).

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in 'interest in leased vehicles' in the table above.

12 Property, plant and equipment continued

The book value of land and buildings is analysed between:

	2020 £m	2019 £m
Freehold	376.0	423.5
Leasehold with over 50 years unexpired	18.9	45.1
Short leasehold	105.0	120.2
	499.9	588.8

Land and buildings include properties with a net book value of £6.1m (2019 – £9.7m) that are let to third parties on a short-term basis.

Borrowing costs of £nil were capitalised during the year (2019 – £0.1m).

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. In light of the COVID-19 pandemic, impairment triggers were identified in a number of markets and impairment reviews were performed where appropriate. 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 impairment charges totalling £93.5m were required against site and other assets, principally in relation to Retail businesses in the UK, Australia and Russia.

	2020 £m	2019 £m
Computer software	17.8	0.7
Property, plant and equipment	42.7	4.8
Right-of-use assets	33.0	8.7
At 31 December	93.5	14.2

The cash flows used within the site-based asset impairment models for the UK, Australia and Russia CGUs are based on assumptions where small movements in the assumptions could lead to further impairments. As such, management have performed sensitivity analysis on the key assumptions in the models using reasonably possible changes in key assumptions to determine what change is required that would cause the carrying amount to exceed the recoverable amount calculated in the model. In other CGUs, management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause a significant increase in the impairment charge.

	2020 £m	UK	Australia	Russia
	Increase / (decrease) in assumption	UK	Australia	Russia
Pre-tax discount rate (%)	0.5	5.8	0.1	1.7
Long-term growth rate (%)	(0.5)	4.2	0.5	0.6

The impairment charge in relation to computer software includes a charge in respect of an omni-channel digital solution. The Group initiated a programme to develop an omni-channel digital solution in late 2018, with the aim of implementing the solution in various markets and franchises across the globe. In response to the COVID-19 pandemic, we have revisited the solution, its associated technology and the way in which the solution will be delivered. As a result of this review, an alternative solution has been identified that can be delivered quicker and to more markets to meet the changing needs of consumers. However, certain developments will no longer be used or will need to be re-worked, resulting in an impairment charge of £8.6m. The remaining carrying value recognised within computer software at 31 December 2020 is £10.1m.

13 Right-of-use assets and lease liabilities

a. Amounts recognised in the balance sheet

	Land and buildings £m	Other £m	Total £m
Cost			
At 1 January 2019	678.9	4.6	683.5
Businesses acquired (see note 29)	11.7	-	11.7
Businesses sold (see note 29)	(48.3)	-	(48.3)
Additions	25.8	0.5	26.3
Derecognition	(48.1)	-	(48.1)
Transferred to assets held for sale	(42.6)	-	(42.6)
Remeasurement	8.8	0.6	9.4
Effect of foreign exchange rate changes	(20.2)	(0.2)	(20.4)
At 1 January 2020	566.0	5.5	571.5
Businesses acquired (see note 29)	1.1	-	1.1
Additions	21.8	0.8	22.6
Lease payments at or before commencement date	0.3	-	0.3
Derecognition	(20.1)	(2.0)	(22.1)
Transferred to assets held for sale (see note 20)	(4.1)	-	(4.1)
Remeasurement	15.2	-	15.2
Effect of foreign exchange rate changes	2.1	-	2.1
At 31 December 2020	582.3	4.3	586.6
Accumulated depreciation and impairment			
At 1 January 2019	(265.8)	(2.5)	(268.3)
Businesses sold (see note 29)	12.0	-	12.0
Depreciation charge for the year	(64.9)	(1.4)	(66.3)
Derecognition	44.4	0.1	44.5
Impairment charge for the year	(8.7)	-	(8.7)
Transferred to assets held for sale	19.4	-	19.4
Effect of foreign exchange rate changes	9.0	0.2	9.2
At 1 January 2020	(254.6)	(3.6)	(258.2)
Depreciation charge for the year	(53.1)	(1.1)	(54.2)
Derecognition	15.3	2.0	17.3
Impairment charge for the year	(33.3)	-	(33.3)
Transferred to assets held for sale (see note 20)	2.1	-	2.1
Effect of foreign exchange rate changes	(2.9)	(0.1)	(3.0)
At 31 December 2020	(326.5)	(2.8)	(329.3)
Net book value at 31 December 2020	255.8	1.5	257.3
Net book value at 31 December 2019	311.4	1.9	313.3

Asset impairments total £33.3m, of which £33.0m arose due to the impact of COVID-19 and the subsequent temporary closure of operations across the Group's many markets (2019 – £8.7m in Australia as a result of the Retail disposals in the market) and are included within exceptional items (see note 2). Further details on the impairment of right-of-use assets are disclosed in note 12.

Remeasurements of £15.2m (2019 – £9.4m) were made to leases during the year, primarily in the UK, due to either a change in the lease term or a change in an index or rate applicable to the underlying lease.

	2020 £m	2019 £m
Lease liabilities		
Current	58.5	56.8
Non-current	274.3	296.0
At 31 December	332.8	352.8

13 Right-of-use assets and lease liabilities continued

b. The Group's leasing activities and how these are accounted for

The Group leases various retail and other locations, primarily in the UK, Australia, Hong Kong, South America and Russia. Rental contracts are typically made for fixed periods of 2 to 25 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by 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. term, country, currency and security.

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

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

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

Payments associated with short-term leases and all leases of low-value assets 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.

14 Investments in joint ventures and associates

Details of the interests held by the Group in joint ventures and associates can be found in note 14 to the Inchcape Plc Company financial statements on pages 188 to 196.

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

	2020 £m	2019 £m
At 1 January	4.3	4.3
Share of profit after tax of joint ventures and associates	-	0.3
Disposals	(2.0)	(0.1)
Effect of foreign exchange rate changes	0.1	(0.2)
At 31 December	2.4	4.3
Net assets of joint ventures and associates		
	2020 £m	2019 £m
Current assets	5.3	9.1
Total assets	5.3	9.1
Current liabilities	(0.4)	(0.4)
Total liabilities	(0.4)	(0.4)
Net assets	4.9	8.7
Results of joint ventures and associates		
	2020 £m	2019 £m
Revenue	-	-
Other income	-	0.6
Profit before tax	-	0.6
Tax	(0.1)	-
(Loss) / profit after tax of joint ventures and associates	(0.1)	0.6
Summarised financial information of joint ventures and associates		
	2020 £m	2019 £m
Opening net assets at 1 January	8.7	8.6
(Loss) / profit for the year	(0.1)	0.6
Disposals	(4.0)	(0.2)
Other comprehensive income / (loss) for the year	0.3	(0.3)
Closing net assets at 31 December	4.9	8.7
Carrying value of interest in joint ventures and associates	2.4	4.3

During the year, the Group received £2.0m following the liquidation of Inchcape Financial Services Limited.

As at 31 December 2020, no guarantees were provided in respect of joint ventures and associates' borrowings (2019 - £nil).

15 Financial assets at fair value through other comprehensive income

	2020 £m	2019 £m
At 1 January	7.1	7.4
Losses recognised in other comprehensive income	(2.7)	-
Effect of foreign exchange rate changes	(0.6)	(0.3)
At 31 December	3.8	7.1

Analysed as:

	2020 £m	2019 £m
Current	0.2	0.2
Non-current	3.6	6.9
	3.8	7.1

Assets held are analysed as follows:

	2020 £m	2019 £m
Equity securities	3.6	6.9
Other	0.2	0.2
	3.8	7.1

'Equity securities' includes a 15% equity interest in Hino Motors Manufacturing Company SAS.

'Other' includes debentures that are not subject to interest rates and do not have fixed maturity dates. They are valued by reference to traded market values.

16 Trade and other receivables

	Current	Non-current		
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	208.0	329.0	10.8	12.6
Less: allowance for expected credit losses	(10.4)	(8.7)	-	-
Net trade receivables	197.6	320.3	10.8	12.6
Prepayments	54.4	55.8	8.0	7.1
Accrued income	41.1	62.1	1.2	-
Other receivables	76.5	74.1	29.2	19.0
	369.6	512.3	49.2	38.7

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

	2020 £m	2019 £m
At 1 January	(8.7)	(11.4)
Charge for the year	(2.8)	(2.0)
Amounts written off	0.6	1.1
Unused amounts reversed	0.4	3.6
Effect of foreign exchange rate changes	0.1	-
At 31 December	(10.4)	(8.7)

At 31 December, the analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired			Impaired £m
			0 - 30 days £m	30 - 90 days £m	> 90 days £m	
2020	218.8	118.3	43.2	20.0	26.9	10.4
2019	341.6	228.2	53.9	24.7	26.1	8.7

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

The concentration of credit risk with respect to trade receivables is very limited due to 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. 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.

16 Trade and other receivables continued

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.

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 is applied to the majority, if not all, of 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 Inchcape's markets 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.

17 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	Distribution agreements £m	IFRS 16 £m	Total £m
At 1 January 2019	(14.4)	(3.4)	2.0	11.1	(4.8)	12.7	(73.1)	10.9	(59.0)
Credited / (charged) to the consolidated income statement	-	0.1	(0.4)	8.0	0.6	(2.3)	-	1.4	7.4
(Charged) / credited to equity and other comprehensive income	10.1	7.0	0.7	-	-	-	-	-	17.8
Businesses acquired / disposed	(0.1)	-	-	(0.2)	(0.5)	(0.5)	(6.4)	(1.1)	(8.8)
Effect of foreign exchange rate changes	0.2	(0.2)	-	(0.6)	(0.3)	(1.0)	6.5	(0.4)	4.2
At 31 December 2019	(4.2)	3.5	2.3	18.3	(5.0)	8.9	(73.0)	10.8	(38.4)
Credited / (charged) to the consolidated income statement	0.1	-	(1.5)	(2.8)	11.7	6.3	11.0	5.9	30.7
(Charged) / credited to equity and other comprehensive income	(2.8)	(1.7)	0.4	0.8	-	0.3	-	-	(3.0)
Businesses acquired / disposed	-	-	-	-	(0.3)	(0.2)	-	-	(0.5)
Effect of foreign exchange rate changes	-	0.1	-	(0.7)	0.9	0.8	(1.0)	0.6	0.7
At 31 December 2020	(6.9)	1.9	1.2	15.6	7.3	16.1	(63.0)	17.3	(10.5)

Analysed as:

	2020 £m	2019 £m
Deferred tax assets	68.6	58.3
Deferred tax liabilities	(79.1)	(96.7)
	(10.5)	(38.4)

Measured at relevant local statutory rates, the Group has an unrecognised deferred tax asset of £35m (2019 – £22m) relating to tax relief on trading losses. The unrecognised asset represents £167m (2019 – £108m) of losses which exist within legal entities where forecast taxable profits are not probable in the foreseeable future.

The Group has unrecognised deferred tax assets of £30m (2019 – £25m) relating to capital losses. The asset represents £154m (2019 – £147m) of losses. The primary territory holding the losses is the UK.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries on the basis that the Group can control the timing of dividends. In addition, the majority of overseas reserves can now be repatriated to the UK with no tax cost. There are a small number of territories that do not qualify for this treatment. This principally relates to Ethiopia where dividend tax of £1.6m (2019 – £2.0m) is accrued based on current year after tax earnings.

The net deferred tax asset on provisions and other timing differences is principally made up of a deferred tax liability on non-qualifying property £9.9m (2019 – £11.4m) offset by deferred tax assets on trade related accounting provisions in the Group's operating companies of £26.0m (2019 – £20.3m).

The deferred tax liability on distribution agreements of £63.0m (2019 – £73.0m) has been recorded as a result of the business acquisitions since 2016.

The deferred tax asset on tax trading losses of £15.6m (2019 – £18.3m) relates to territories and entities where future taxable profits are considered probable.

Notes to the financial statements continued

18 Inventories

	2020 £m	2019 £m
Raw materials and work in progress	45.7	33.2
Finished goods and merchandise	1,170.5	1,533.7
	1,216.2	1,566.9

Vehicles held on consignment which are in substance assets of the Group amount to £159.2m (2019 – £167.2m). 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 £54.4m (2019 – £44.8m) 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 £5,656.1m (2019 – £7,504.9m). The write-down of inventory to net realisable value recognised as an expense during the year was £21.2m (2019 – £22.2m). All of these items have been included within 'cost of sales' in the consolidated income statement.

19 Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and cash equivalents	378.5	321.5
Short-term deposits	102.7	101.5
	481.2	423.0

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 LIBOR or the local equivalent). At 31 December 2020, the weighted average floating rate was 0.28% (2019 – 0.42%).

£81.2m (2019 – £88.0m) of cash and cash equivalents is held in Ethiopia where prior approval is required to transfer funds abroad, and currency may not be available locally to effect such transfers.

At 31 December 2020, short-term deposits have a weighted average period to maturity of 15 days (2019 – 25 days).

20 Assets and liabilities held for sale and disposal group

	2020 £m	2019 £m (Restated) ¹
Assets held for sale	7.5	10.4
Assets directly associated with the disposal group	23.7	139.0
Assets classified as held for sale and disposal group	31.2	149.4
Liabilities directly associated with the disposal group	(7.7)	(106.1)

1. Classification has been reassessed to conform to the current presentation.

The assets and liabilities in the disposal group comprise the following:

	2020 £m	2019 £m
Goodwill	–	7.6
Property, plant and equipment	5.4	24.9
Right-of-use assets	2.2	22.9
Cash and cash equivalents	1.2	–
Trade and other receivables	0.9	–
Inventories	13.7	83.6
Other assets	0.3	–
Assets directly associated with the disposal group	23.7	139.0
Trade and other payables	(5.1)	(76.4)
Lease liabilities	(1.3)	(29.7)
Other liabilities	(1.3)	–
Liabilities directly associated with the disposal group	(7.7)	(106.1)

Assets held for sale relate to surplus properties within the UK, Russia and Colombia which are actively marketed with a view to sale.

The disposal groups relate to the assets and liabilities attributable to Retail centres in the UK and Belgium. These sites are expected to be disposed of during the next 12 months.

21 Trade and other payables

	Current		Non-current	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	147.8	241.2	–	–
Payments received on account	82.5	60.3	2.4	4.3
Vehicle funding agreements	1,013.8	1,367.9	1.9	–
Other taxation and social security payable	32.0	48.3	–	–
Accruals	211.0	193.7	1.9	9.5
Deferred income	78.3	58.6	54.8	60.8
Other payables	44.9	26.4	8.3	2.6
	1,610.3	1,996.4	69.3	77.2

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 is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle funding facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest (see note 7). At 31 December 2020, amounts outstanding under vehicle funding facilities and on which interest was payable were subject to a weighted average interest rate of 1.3% (2019 – 1.5%).

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:

	2020 £m	2019 £m
Extended warranties	44.8	36.6
Service packages	55.5	38.1
Other services	32.8	44.7
	133.1	119.4

Revenue recognised in 2020 that was included in deferred revenue at the beginning of the year was £61.4m (2019 – £65.3m).

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.

22 Provisions

	Product warranty £m	Leasehold £m	Litigation £m	Other £m	Total £m
At 1 January 2020	10.6	0.5	1.7	23.1	35.9
Reclassifications		9.1	0.3	(9.4)	-
Businesses acquired	-	-	-	2.1	2.1
Transferred to liabilities held for sale	-	-	-	(0.1)	(0.1)
Charged to the consolidated income statement	8.3	0.5	0.9	11.3	21.0
Released to the consolidated income statement	(0.4)	(0.4)	(0.5)	(4.1)	(5.4)
Effect of unwinding of discount factor	0.1	-	-	0.1	0.2
Utilised during the year	(1.1)	-	(0.1)	(7.0)	(8.2)
Effect of foreign exchange rate changes	0.9	-	0.1	0.1	1.1
At 31 December 2020	18.4	9.7	2.4	16.1	46.6

Analysed as:

	2020 £m	2019 £m
Current	26.8	23.0
Non-current	19.8	12.9
	46.6	35.9

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. This includes taking into account existing subtenant arrangements. The category also includes the future obligation relating to the maintenance of 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 recognised on acquisition of a business, residual values on leased vehicles and provisions relating to restructuring activities. Acquisition related provisions total £4.2m, of which there is an offsetting indemnity asset recognised in trade and other receivables. These provisions are expected to be utilised within three years.

23 Borrowings

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2020 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
2020							
Current							
Bank overdrafts	6.1	-	-	-	6.1	-	6.1
Non-current							
Private Placement	-	-	210.0	3.0	210.0	-	210.0
Total borrowings	6.1	-	210.0	3.0	216.1	-	216.1

Bank overdrafts include £6.1m (2019 – £43.8m) held in cash pooling arrangements which have not been offset in the consolidated statement of financial position (see note 24b).

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2019 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
2019							
Current							
Bank overdrafts	43.8	0.8	-	-	43.8	-	43.8
Bank loans	6.3	1.0	-	-	6.3	-	6.3
	50.1	0.8	-	-	50.1	-	50.1
Non-current							
Bank loans	60.0	1.1	-	-	60.0	-	60.0
Private Placement	-	-	210.0	3.0	210.0	-	210.0
	60.0	1.1	210.0	3.0	270.0	-	270.0
Total borrowings	110.1	1.0	210.0	3.0	320.1	-	320.1

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

At 31 December 2020, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2019 – £700m) and sterling Private Placement loan notes totalling £210m (2019 – £210m). At 31 December 2020, £nil of the £700m was drawn down (2019 – £60m of £700m).

In February 2019, the Group entered into a syndicated revolving credit facility of £700m with an initial expiry date of February 2024 and options, at lender discretion, to extend until 2026. Lenders approved the 1st extension option in February 2020 resulting in the £700m commitment extending to 2025. Lenders with total commitments of £620m approved the 2nd extension option in February 2021, resulting in £620m of commitments being further extended to 2026. This facility replaced the Group's existing syndicated revolving credit facility agreement for £400m and existing bilateral facility agreements of £221m.

The £210m Sterling Private Placement loan notes are held at amortised cost. They have a fair value of £234.7m (2019 – £212.1m) 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 Group applied and qualified for the Bank of England's Covid Corporate Financing Facility ('CCFF') in April 2020. During the year, the Group issued £100m under this facility with an original repayment date of 18 December 2020. The £100m issued under the CCFF was fully repaid on 17 July 2020.

£nil of the Group's bank loans are secured by term deposits placed under a standby letter of credit and related facility arrangements (2019 – £nil). The Group's bank overdrafts are secured by related offsetting cash balances held under pooling arrangements. The Group's remaining borrowings are unsecured.

23 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%

All of the Group's remaining US\$161m US dollar Private Placement loan notes were repaid in May 2019.

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

2020	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							
Private Placement	-	-	-	70.0	-	140.0	210.0
Floating rate							
Bank overdrafts	6.1	-	-	-	-	-	6.1
2019	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							
Private Placement	-	-	-	-	70.0	140.0	210.0
Floating rate							
Bank overdrafts	43.8	-	-	-	-	-	43.8
Bank loans	6.3	-	-	-	60.0	-	66.3

24 Financial instruments

The Group's financial liabilities, other than derivatives, comprise overdrafts, loan notes, 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.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk.

a. Classification of financial instruments

	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
2020				
Financial assets				
Financial assets at fair value through other comprehensive income	-	3.8	-	3.8
Trade and other receivables	336.4	-	-	336.4
Derivative financial instruments	-	0.2	13.1	13.3
Cash and cash equivalents	481.2	-	-	481.2
Total financial assets	817.6	4.0	13.1	834.7
Financial liabilities				
Trade and other payables	(1,395.5)	-	-	(1,395.5)
Derivative financial instruments	-	(7.5)	(34.9)	(42.4)
Lease liabilities	(332.8)	-	-	(332.8)
Borrowings	(216.1)	-	-	(216.1)
Total financial liabilities	(1,944.4)	(7.5)	(34.9)	(1,986.8)
	(1,126.8)	(3.5)	(21.8)	(1,152.1)

	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
2019				
Financial assets				
Financial assets at fair value through other comprehensive income	-	7.1	-	7.1
Trade and other receivables	490.2	-	-	490.2
Derivative financial instruments	-	0.9	15.3	16.2
Cash and cash equivalents	423.0	-	-	423.0
Total financial assets	913.2	8.0	15.3	936.5
Financial liabilities				
Trade and other payables	(1,885.4)	-	-	(1,885.4)
Derivative financial instruments	-	(3.3)	(24.1)	(27.4)
Lease liabilities	(352.8)	-	-	(352.8)
Borrowings	(320.1)	-	-	(320.1)
Total financial liabilities	(2,558.3)	(3.3)	(24.1)	(2,585.7)
	(1,645.1)	4.7	(8.8)	(1,649.2)

24 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			Net amount £m
				Financial instruments £m	Cash collateral received £m		
As at 31 December 2020							
Derivative financial assets	13.3	-	13.3	(13.1)	-		0.2
Cash and cash equivalents	481.2	-	481.2	(6.1)	-		475.1
Total	494.5	-	494.5	(19.2)	-		475.3
As at 31 December 2019							
Derivative financial assets	16.2	-	16.2	(8.3)	-		7.9
Cash and cash equivalents	423.0	-	423.0	(43.8)	-		379.2
Total	439.2	-	439.2	(52.1)	-		387.1

	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			Net amount £m
				Financial instruments £m	Cash collateral paid £m		
As at 31 December 2020							
Derivative financial liabilities	(42.4)	-	(42.4)	13.1	-		(29.3)
Bank overdrafts	(6.1)	-	(6.1)	6.1	-		-
Total	(48.5)	-	(48.5)	19.2	-		(29.3)
As at 31 December 2019							
Derivative financial liabilities	(27.4)	-	(27.4)	8.3	-		(19.1)
Bank overdrafts	(43.8)	-	(43.8)	43.8	-		-
Total	(71.2)	-	(71.2)	52.1	-		(19.1)

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.

24 Financial instruments continued

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, is intended to illustrate the sensitivity to changes in market variables, being primarily UK interest rates and the Japanese yen exchange rate with both the Australian dollar and Chilean peso.

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 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.

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 loan notes that expired in 2019, 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 in interest rates on bank borrowings, supplier related finance and cash balances as at 31 December 2020 with all other variables held constant.

	Increase in basis points	Effect on profit before tax £m
2020		
Sterling	75	(7.4)
Euro	50	0.1
Russian rouble	500	0.8
Australian dollar	100	3.0
US dollar	75	0.3
2019		
Sterling	75	(10.6)
Euro	50	0.3
Russian rouble	500	0.7
Australian dollar	100	3.1
US dollar	75	0.4

24 Financial instruments continued

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 recognised in the consolidated statement of comprehensive income to the extent it is effective and recycled into the consolidated income statement at the same time as the underlying hedged transaction affects the consolidated income statement. Under IFRS 9 hedges are documented and tested for the hedge effectiveness on an ongoing basis.

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
2020		
Yen	+10%	(0.1)
Yen	-10%	0.1
2019		
Yen	+10%	-
Yen	-10%	(0.1)

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.

24 Financial instruments continued

The table below analyses the Group's short-term deposits and derivative assets by credit exposure excluding bank balances and cash in hand:

Credit rating of counterparty	2020		2019	
	Derivative assets £m	Short-term deposits £m	Derivative assets £m	Short-term deposits £m
AA-	1.6	-	0.5	1.0
A+	0.4	-	1.5	-
A	8.0	20.0	9.3	2.0
A-	2.0	-	1.6	1.0
BBB+	-	-	0.1	1.0
BBB	-	6.9	-	22.0
BBB-	0.7	-	0.1	-
No rating*	0.6	75.8	3.1	74.5
	13.3	102.7	16.2	101.5

* 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 £378.5m (2019 – £321.5m) 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.

24 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 2020 based on contractual expected undiscounted cash flows:

2020	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	473.7	7.5	-	-	481.2
Trade and other receivables	227.8	70.1	31.9	6.6	336.4
Financial assets at fair value through other comprehensive income	0.2	-	-	3.6	3.8
Derivative financial instruments	11.7	1.6	-	-	13.3
	713.4	79.2	31.9	10.2	834.7
Financial liabilities					
Interest bearing loans and borrowings	(6.1)	(6.3)	(92.1)	(148.5)	(253.0)
Lease liabilities	(17.7)	(49.8)	(174.4)	(171.5)	(413.4)
Trade and other payables	(1,140.9)	(241.3)	(12.9)	(0.4)	(1,395.5)
Derivative financial instruments	(23.1)	(19.3)	-	-	(42.4)
	(1,187.8)	(316.7)	(279.4)	(320.4)	(2,104.3)
Net outflows	(474.4)	(237.5)	(247.5)	(310.2)	(1,269.6)

2019	Less than 3 months £m (Restated) ¹	Between 3 to 12 months £m (Restated) ¹	Between 1 to 5 years £m (Restated) ¹	Greater than 5 years £m (Restated) ¹	Total £m (Restated) ¹
Financial assets					
Cash and cash equivalents	414.3	8.7	-	-	423.0
Trade and other receivables	387.1	59.9	33.3	13.0	493.3
Financial assets at fair value through other comprehensive income	0.2	-	-	6.9	7.1
Derivative financial instruments	10.6	5.6	-	-	16.2
	812.2	74.2	33.3	19.9	939.6
Financial liabilities					
Interest bearing loans and borrowings	(44.0)	(6.8)	(156.9)	(150.4)	(358.1)
Lease liabilities	(19.2)	(54.1)	(209.2)	(209.5)	(492.0)
Trade and other payables	(1,619.6)	(251.4)	(14.4)	-	(1,885.4)
Derivative financial instruments	(18.7)	(8.7)	-	-	(27.4)
	(1,701.5)	(321.0)	(380.5)	(359.9)	(2,762.9)
Net outflows	(889.3)	(246.8)	(347.2)	(340.0)	(1,823.3)

1. The comparative has been restated to ensure undiscounted cash flows for lease liabilities are disclosed appropriately.

24 Financial instruments continued

h. Fair value measurement

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

- 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:

	2020				2019			
	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	-	13.3	-	13.3	-	16.2	-	16.2
Financial assets at fair value through other comprehensive income	0.5	-	3.3	3.8	0.5	-	6.6	7.1
	0.5	13.3	3.3	17.1	0.5	16.2	6.6	23.3
Liabilities								
Derivatives used for hedging	-	(42.4)	-	(42.4)	-	(27.4)	-	(27.4)

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 15). 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 2020.

The Group's derivative financial instruments comprise the following:

	Assets		Liabilities	
	2020 £m	2019 £m	2020 £m	2019 £m
Forward foreign exchange contracts	13.3	16.2	(42.4)	(27.4)

The ineffective portion recognised in the consolidated income statement that arises from fair value hedges amounts to £nil (2019 – loss of £0.1m). The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to £nil (2019 – £nil).

Cash flow hedges

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 (2019 – 12 months) of the end of the reporting period.

The nominal principal amount of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2020 was £1,056.0m (2019 – £804.5m).

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (see note 26) on forward foreign exchange contracts as at 31 December 2020 are expected to be released to the consolidated income statement within 12 months of the end of the reporting period (2019 – 12 months).

24 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. Due to the impact of COVID-19, some limited exceptions to policy are in place, to reflect the significant amount of cash the Group currently holds, to increase the counterparty risk limits set for certain counterparties.

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.

	2020	2019
Return on capital employed	12.3%	22.2%

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 net debt to EBITDA and the ratio of net debt to market capitalisation. The leverage tests are measured excluding the impact of IFRS 16.

	2020	2019
Adjusted EBITA interest cover (times)*	97.2	133.3
Net debt to EBITDA (times)**	n/a	n/a
Net debt / market capitalisation (percentage)***	n/a	n/a

* Calculated as Adjusted EBITA / interest on consolidated borrowings.

** Calculated as net debt / earnings before exceptional items, interest, tax, depreciation and amortisation.

*** Calculated as net debt / market capitalisation as at 31 December.

25 Share capital

a. Allotted, called up and fully paid up

	2020 Number	2019 Number	2020 £m	2019 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	399,132,736	415,127,453	40.0	41.6
Allotted under share option schemes	-	75,353	-	-
Cancelled under share buyback	(5,858,343)	(16,070,070)	(0.6)	(1.6)
At 31 December	393,274,393	399,132,736	39.4	40.0

b. Share buyback programme

During 2020, the Company repurchased 5,858,343 (2019 – 16,070,070) of its own shares through purchases on the London Stock Exchange, at a cost of £29.8m (2019 – £98.5m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.6m (2019 – £1.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £1.6m (2019 – £1.5m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

During the year, the Group had a contract in place with a broker to purchase its own shares for cash in connection with the £150m buyback announced on 27 February 2020. On 20 March 2020, given the uncertainty around the COVID-19 pandemic, the Group served notice to its broker to terminate the buyback effective 24 March 2020.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 24 February 2021 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

25 Share capital continued

d. Share options

At 31 December 2020, 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		
124,733	1 May 2021	6.66
348,618	1 May 2022	5.54
625,032	1 May 2023	4.59
1,686,385	1 May 2024	3.77

Included within the retained earnings reserve are 167,312 (2019 – 861,589) 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 2020 was £1.0m (2019 – £5.5m). The market value of these shares at both 31 December 2020 and 24 February 2021 was £1.1m and £1.2m respectively (31 December 2019 – £6.1m, 27 February 2019 – £5.1m).

26 Other reserves

	Fair value through OCI reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2019	–	(77.1)	1.2	(75.9)
Cash flow hedges:	–			
- Fair value movements	–	–	(41.0)	(41.0)
- Reclassified and reported in inventories	–	–	16.4	16.4
Tax on above items	–	–	7.2	7.2
Other currency translation differences	–	(97.1)	–	(97.1)
At 1 January 2020	–	(174.2)	(16.2)	(190.4)
Cash flow hedges:	–			
- Fair value movements	–	–	(4.8)	(4.8)
- Reclassified and reported in inventories	–	–	1.5	1.5
Other fair value movements	(2.7)	–	–	(2.7)
Tax on above items	0.3	–	(0.6)	(0.3)
Other currency translation differences	–	(51.8)	–	(51.8)
At 31 December 2020	(2.4)	(226.0)	(20.1)	(248.5)

The effect of foreign exchange rate changes includes a gain of £8.4m (2019 – gain of £2.7m) 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'.

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 OCI. 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.

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.

27 Retained earnings

	2020 £m	2019 £m
At 1 January	1,141.4	1,093.1
Total comprehensive (loss) / income attributable to owners of the parent for the year:		
- (Loss) / profit for the year	(140.1)	322.9
- Actuarial gains / (losses) on defined pension benefits (see note 5)	14.8	(71.7)
- Tax (charged) / credited to reserves	(2.8)	10.1
Total comprehensive (loss) / income for the year	(128.1)	261.3
Share-based payments, net of tax	3.7	6.8
Share buyback programme	(31.4)	(100.0)
Net purchase of own shares by Inchcape Employee Trust	-	(9.3)
Dividends paid (see note 10)	-	(110.5)
At 31 December	985.6	1,141.4

28 Notes to the consolidated statement of cash flows

a. Reconciliation of cash generated from operations

	2020 £m	2019 £m
Cash flows from operating activities		
Operating (loss) / profit	(91.6)	448.6
Exceptional items (see note 2)	257.1	(75.5)
Amortisation of intangible assets	18.4	16.0
Depreciation of property, plant and equipment	35.3	42.6
Depreciation of right-of-use assets (including non-exceptional impairment charges)	54.0	66.3
Profit on disposal of property, plant and equipment	-	(4.4)
Gain on disposal of right-of-use assets	(1.6)	(0.1)
Share-based payments charge	3.3	6.1
Decrease in inventories	351.0	94.8
Decrease / (increase) in trade and other receivables	124.4	(29.4)
Decrease in trade and other payables	(413.0)	(121.5)
Increase in provisions	5.1	1.7
Pension contributions less than the pension charge for the year ¹	3.3	2.3
Decrease in interest in leased vehicles	15.9	7.3
Payments in respect of operating exceptional items	(24.3)	(10.5)
Other non-cash items	1.5	1.6
Cash generated from operations	338.8	445.9

1. Includes additional payments of £3.7m (2019 – £2.8m).

28 Notes to the consolidated statement of cash flows continued

b. Net debt reconciliation

	Liabilities from financing activities			Assets Cash / bank overdrafts £m	Total net debt £m
	Borrowings £m	Leases £m	Sub-total £m		
Net debt at 1 January 2019	(448.9)	(460.4)	(909.3)	463.4	(445.9)
Cash flows	197.4	65.7	263.1	(214.0)	49.1
Acquisitions	(22.9)	(12.5)	(35.4)	(41.2)	(76.6)
Disposals	-	41.8	41.8	230.4	272.2
New lease liabilities	-	(30.2)	(30.2)	-	(30.2)
Transferred to liabilities held for sale	-	30.1	30.1	-	30.1
Foreign exchange adjustments	(1.8)	12.7	10.9	(59.4)	(48.5)
Net movement in fair value	(0.1)	-	(0.1)	-	(0.1)
Net debt at 1 January 2020	(276.3)	(352.8)	(629.1)	379.2	(249.9)
Cash flows	66.1	57.4	123.5	55.3	178.8
Acquisitions	-	(1.1)	(1.1)	(31.5)	(32.6)
Disposals	-	-	-	73.5	73.5
New lease liabilities	-	(35.7)	(35.7)	-	(35.7)
Transferred to liabilities held for sale	-	1.0	1.0	-	1.0
Foreign exchange adjustments	0.2	(1.6)	(1.4)	(0.2)	(1.6)
Net debt at 31 December 2020	(210.0)	(332.8)	(542.8)	476.3	(66.5)

Net debt is analysed as follows:

	2020 £m	2019 £m
Cash and cash equivalents as per the statement of financial position	481.2	423.0
Cash and cash equivalents included in disposal groups held for sale	1.2	-
Borrowings – disclosed as current liabilities	(6.1)	(50.1)
Add back: amounts treated as debt financing (see below)	-	6.3
Cash and cash equivalents as per the statement of cash flows	476.3	379.2
Debt financing		
Borrowings – disclosed as current liabilities and treated as debt financing (see above)	-	(6.3)
Borrowings – disclosed as non-current liabilities	(210.0)	(270.0)
Lease liabilities	(332.8)	(352.8)
Debt financing	(542.8)	(629.1)
Net debt	(66.5)	(249.9)
Add back: lease liabilities	332.8	352.8
Net cash	266.3	102.9

29 Acquisitions and disposals

a. Acquisitions

On 24 March 2020, the Group acquired the Mercedes-Benz passenger car and private vans Distribution operations in Colombia from Daimler Colombia S.A., for a total cash consideration of £27.1m. A distribution agreement with a provisional fair value of £14.2m has been recognised at the date of acquisition. The business was acquired to strengthen the Group's partnership with Daimler-Mercedes-Benz in South America and follows on from the acquisition on 2 December 2019 of Autolider, the distributor of certain Daimler brands such as Mercedes-Benz passenger and commercial vehicles, Freightliner and Fuso in Uruguay and Mercedes-Benz passenger and commercial vehicles in Ecuador.

Details of the provisional fair values of the identifiable assets and liabilities as at the date of acquisition are set out below:

	Fair value £m
Assets and liabilities acquired	
Distribution agreements recognised on acquisition (see note 11)	14.2
Property, plant and equipment	0.4
Right-of-use assets	0.6
Inventory	13.3
Lease liabilities	(0.6)
Provisions	(0.8)
Net identifiable assets	27.1
Goodwill	-
Net assets acquired	27.1
Consideration comprises	
Cash consideration	27.1
Total consideration	27.1

Revenue and profit contribution

	Total £m
Income statement items	
Revenue recognised since the acquisition date in the consolidated income statement	41.7
Profit after tax since the acquisition date in the consolidated income statement	0.4

Other acquisitions

On 31 July 2020, the Group was awarded the Daimler Distribution contract in El Salvador and entered into an asset purchase agreement to acquire assets from the exiting distributor, with a cash purchase price at completion of £0.8m. During the year, the Group also entered into distribution contracts with BMW to distribute the MINI and Motorrad brands in Peru and the MINI brand in Chile. The total cost of these acquisitions was £3.6m. Total goodwill arising on the transactions was £0.5m.

Measurement period adjustments

During the year, adjustments have been made to the fair value of assets and liabilities acquired in business combinations in 2019. These fair value adjustments were not material and therefore prior periods have not been restated. These changes, together with the finalisation of the purchase consideration, have resulted in an increase in the amount of goodwill recognised on acquisition of £0.7m.

	2020 £m	2019 £m
Cash outflow to acquire businesses, net of cash and overdrafts acquired		
Cash consideration	31.5	43.4
Less: Cash acquired	-	(2.2)
Net cash outflow	31.5	41.2

29 Acquisitions and disposals continued

b. Disposals

	Australia Retail £m	UK Retail £m	Total £m
Assets and liabilities disposed of			
Goodwill	5.5	2.1	7.6
Property, plant and equipment	2.4	53.5	55.9
Right-of-use assets	11.7	9.3	21.0
Tax assets	0.2	-	0.2
Inventory	21.9	40.8	62.7
Trade and other payables	(19.1)	(36.8)	(55.9)
Provisions	(0.4)	-	(0.4)
Lease liabilities	(15.5)	(13.8)	(29.3)
Net assets disposed of			
Consideration received	6.7	55.1	61.8
Disposal costs incurred	6.1	59.5	65.6
(Loss) / gain on disposal	-	(1.5)	(1.5)
	(0.6)	2.9	2.3

During the period, the Group continued to optimise its UK Retail portfolio and has disposed of 13 sites, generating disposal proceeds of £59.5m. In Australia, two further sites in our Retail business were disposed of in February 2020, generating disposal proceeds of £6.1m. The Group also received deferred consideration of £7.9m and incurred £0.4m of costs relating to the disposal of Retail operations in China in 2019.

None of these disposals are material enough to be shown as discontinued operations on the face of the consolidated income statement as they do not represent a separate major line of business or geographical area of operations.

c. 2019 acquisitions and disposals

In 2019, the Group acquired the full share capital of Krasta Auto in Lithuania, an authorised dealer of BMW Group, from Modus Group for a total cash consideration of £16.3m (net of cash acquired). The business was acquired to strengthen the Group's partnership with BMW in Northern Europe. A distribution agreement with a fair value of £19.0m has been recognised at the date of acquisition. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the premium paid to complete the Group's consolidation of BMW's representation across the Baltic region. None of the goodwill is expected to be deductible for tax purposes.

The Group also acquired the full share capital of Autolider, a distributor of Mercedes-Benz passenger and commercial vehicles in both Uruguay and Ecuador, for cash consideration of £24.9m (net of cash acquired) and contingent consideration with a fair value of £3.9m. A distribution agreement with a provisional fair value of £14.2m has been recognised at the date of acquisition. This business builds further on the Group's presence in Latin America, adding two new markets, and is consistent with the focus on core Distribution capabilities. The goodwill arising on the acquisition represents intangible assets that do not qualify for separate recognition and the Group strengthening its Latin American platform. None of the goodwill is expected to be deductible for tax purposes.

The Group disposed of six Retail sites in Australia and seven in the UK, generating disposal proceeds of £96.6m. Additionally, the Group sold its Retail sites in China for total proceeds of £91.9m, out of which £8.1m was deferred for payment over 12 months, as well as the Inchcape Fleet Solutions business for cash proceeds of £100m.

30 Guarantees and contingencies

	2020 £m	2019 £m
Guarantees	42.9	48.8
Performance bonds	19.0	15.9
Contingent liabilities	9.2	10.4
	71.1	75.1

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (see note 24).

Franked Investment Income Group Litigation Order

Inchcape is a participant in an action in the United Kingdom against HM Revenue and Customs (HMRC) in the Franked Investment Income Group Litigation Order (FII GLO). There are 23 corporate groups in the FII GLO. The action concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK.

30 Guarantees and contingencies continued

HMRC was previously granted leave to appeal a number of items at the Supreme Court. The first of these hearings was in February 2020 and the second hearing occurred in December 2020. The judgment for the February hearing was handed on 20 November 2020. HMRC argued that Limitation Act 1980 applies only to mistakes of fact and not to mistakes of law, or alternatively that the Test Claimants could reasonably have discovered their mistake more than six years before they issued their claims in 2003. On either approach, a proportion of the claims would be time-barred. The Supreme Court unanimously allowed the appeal but only on the basis that time limit for the claim begins to run when the claimant discovers their mistake in the sense of recognising that they have a worthwhile claim. The Supreme Court has therefore returned the test case to the High Court to establish when the claimant could have reasonably discovered the relevant mistake.

Therefore, resolution of the test case in the FII GLO remains incomplete. As at 31 December 2020, no further receipts have been recognised in relation to the balance of Inchcape's claim in the FII GLO due to the uncertainty of the eventual outcome given the test case has not yet completed nor has Inchcape's specific claim been heard by the Courts.

Other matter

While this does not represent a contingent liability, we note that a class action has been brought against our subsidiary, Subaru (Australia) Pty Limited, in connection with the global Takata airbag inflator recall. Subaru (Australia) Pty Limited is one of a number of named defendants and is, along with others, taking steps to defend the action.

31 Commitments

a. Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2020 £m	2019 £m
Property, plant and equipment	12.7	5.0

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:

	2020 £m	2019 £m
Within one year	2.8	3.2

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:

	2020 £m	2019 £m
Within one year	1.9	3.4
Between one and five years	2.3	4.9
After five years	-	0.1
	4.2	8.4

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:

	2020 £m	2019 £m
Minimum lease payments receivable:		
- Within one year	1.9	0.8
- Between one and five years	7.1	3.5
- After five years	11.5	8.2
Total minimum lease payments receivable	20.5	12.5
Less: Unearned finance income	(4.8)	(3.1)
Present value of sub-lease receivables	15.7	9.4

31 Commitments continued

c. Residual value commitments

The Group has entered into agreements with leasing companies and other third parties to repurchase vehicles for a specified value at a predetermined date as follows:

	2020 £m	2019 £m (Restated) ¹
Vehicles subject to residual value commitments	29.0	34.5

1. The comparative has been restated to include additional commitments previously undisclosed.

Residual value commitments comprise the total repurchase liability on all vehicles where the Group has a residual value commitment. These commitments are largely expected to be settled over the next three years. The disposal of the Fleet Solutions business in the UK has driven the reduction in the Group's vehicle liabilities and commitments.

Where the repurchase commitment is in respect of a vehicle sold by the Group, the repurchase commitment is included within 'trade and other payables'. Included within the above are £0.4m (2019 - £0.3m) of residual value commitments that are included within 'trade and other payables'.

32 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	
	2020 £m	2019 £m	2020 £m	2019 £m
Other income paid to related parties	1.2	0.8	-	-

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 (2019 - £nil).

b. Compensation of key management personnel

The remuneration of the Board of Directors and the Executive Committee was as follows:

	2020 £m	2019 £m
Wages and salaries	4.9	5.4
Post-retirement benefits	0.3	0.6
Compensation for loss of office	0.9	-
Share-based payments	0.5	2.2
	6.6	8.2

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.

33 Foreign currency translation

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

	Average rates		Year-end rates	
	2020	2019	2020	2019
Australian dollar	1.87	1.84	1.78	1.89
Chilean peso	1,024.20	908.04	973.00	996.59
Ethiopian birr	45.18	37.39	52.91	42.42
Euro	1.13	1.14	1.12	1.18
Hong Kong dollar	10.01	10.01	10.59	10.34
Russian rouble	94.11	82.96	101.21	82.13
Singapore dollar	1.78	1.74	1.81	1.78
US dollar	1.29	1.28	1.37	1.33

34 Events after the reporting period

The Group disposed of a Retail business in Luxembourg in January 2021 for £4.7m.

Lenders with total syndicated revolving credit facility commitments of £620m approved a 2nd extension option in February 2021, resulting in £620m of commitments being further extended to 2026.

Alternative performance measures

Alternative performance measures

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

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

Exceptional 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. Exceptional items excluded from adjusted results can evolve from one financial period to the next depending on the nature of exceptional items or one-off type activities.

Changes to APMs

Net cash is introduced as a measure of the Group's net indebtedness. It is based on cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk. Organic growth is also introduced and is a measure of growth in sales in operations that have been open for at least a year at constant foreign exchange rates. Trading profit is removed as central costs are now fully allocated to the Group's reporting segments. Central costs represent the costs of Group functions and were previously reported separately.

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
Gross profit before exceptional items	Gross profit before exceptional 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)
Operating profit before exceptional items	Operating profit before exceptional items. Refer to the consolidated income statement.	A key metric of the Group's business performance.
Operating margin	Operating profit (before exceptional items) divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Profit before tax & exceptional items	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Exceptional 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 exceptional 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.
Free cash flow	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests. Refer to page 31.	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 exceptional 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.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.

Performance measure	Definition	Why we measure it
Net funds / (debt)	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
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 28.	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.
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. Refer to page 31.	A measure of the net amount invested in operational facilities in the period.
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 rates.	A measure of business performance which excludes the impact of acquisition and disposals in the period.

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	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue	6,837.8	9,379.7	9,277.0	8,953.3	7,838.4
Operating profit before exceptional items	165.5	373.1	398.6	406.6	359.1
Operating exceptional items	(257.1)	75.5	(223.7)	(12.6)	(81.6)
Operating (loss) / profit	(91.6)	448.6	174.9	394.0	277.5
Share of profit / (loss) after tax of joint ventures and associates	-	0.3	0.1	-	(0.1)
(Loss) / profit before finance and tax	(91.6)	448.9	175.0	394.0	277.4
Net finance costs before exceptional items	(36.6)	(47.1)	(48.1)	(25.0)	(9.6)
Exceptional finance costs	-	-	(13.9)	-	-
(Loss) / profit before tax	(128.2)	401.8	113.0	369.0	267.8
Tax before exceptional tax	(33.2)	(75.6)	(79.1)	(96.1)	(88.0)
Exceptional tax	24.2	2.5	5.5	2.7	11.5
(Loss) / profit after tax	(137.2)	328.7	39.4	275.6	191.3
Non-controlling interests	(2.9)	(5.8)	(7.0)	(7.9)	(6.9)
(Loss) / profit for the year	(140.1)	322.9	32.4	267.7	184.4
Basic:					
- (Loss) / profit before tax	(128.2)	401.8	113.0	369.0	267.8
- (Loss) / earnings per share (pence)	(35.6)p	79.0p	7.8p	64.6p	43.2p
Adjusted (before exceptional items):					
- Profit before tax	128.9	326.3	350.6	381.6	349.4
- Earnings per share (pence)	23.6p	59.9p	63.8p	66.7p	59.6p
Dividends per share – interim paid and final proposed (pence)	6.9p	26.8p	26.8p	26.8p	23.8p
Consolidated statement of financial position					
Non-current assets	1,502.1	1,773.2	2,056.0	1,641.0	1,563.4
Other assets less (liabilities) excluding net (debt) / funds	(351.9)	(224.7)	(248.4)	(273.3)	(227.4)
Capital employed	1,150.2	1,548.5	1,807.6	1,367.7	1,336.0
Net (debt) / funds	(66.5)	(249.9)	(445.9)	80.2	26.5
Net assets	1,083.7	1,298.6	1,361.7	1,447.9	1,362.5
Equity attributable to owners of the parent	1,064.4	1,278.3	1,338.4	1,427.3	1,343.9
Non-controlling interests	19.3	20.3	23.3	20.6	18.6
Total equity	1,083.7	1,298.6	1,361.7	1,447.9	1,362.5

Company statement of financial position

As at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Intangible assets	3	8.1	8.6
Property, plant and equipment	4	1.5	1.5
Investment in subsidiaries	5	1,565.7	1,576.9
Deferred tax assets	10	-	5.6
Trade and other receivables – amounts falling due after more than one year	6	210.5	210.6
		1,785.8	1,803.2
Current assets			
Current tax assets		2.6	1.9
Trade and other receivables – amounts due within one year	6	6.5	42.2
Cash and cash equivalents	7	1.1	2.1
		10.2	46.2
Total assets		1,796.0	1,849.4
Current liabilities			
Trade and other payables – amounts falling due within one year	8	(22.1)	(22.0)
		(22.1)	(22.0)
Non-current liabilities			
Trade and other payables – amounts falling due after more than one year	9	(974.0)	(1,104.4)
		(974.0)	(1,104.4)
Total liabilities		(996.1)	(1,126.4)
Net assets		799.9	723.0
Equity			
Share capital	12	39.4	40.0
Share premium		146.7	146.7
Capital redemption reserve		141.2	140.6
Retained earnings		472.6	395.7
Total shareholders' funds		799.9	723.0

The Company reported a profit for the financial year ended 31 December 2020 of £105.0m (2019 – a profit of £190.8m). The financial statements on pages 179 to 196 were approved by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Duncan Tait,
Group Chief Executive

Gijsbert de Zoeten,
Chief Financial Officer

Registered Number: 609782
Inchcape plc

Company statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
At 1 January 2019		41.6	146.7	139.0	418.6	745.9
Profit for the year		–	–	–	190.8	190.8
Total comprehensive income for the year		–	–	–	190.8	190.8
Dividends	13	–	–	–	(110.5)	(110.5)
Share buyback programme	12	(1.6)	–	1.6	(100.0)	(100.0)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	(9.3)	(9.3)
Share-based payments, net of tax		–	–	–	6.1	6.1
At 1 January 2020		40.0	146.7	140.6	395.7	723.0
Profit for the year		–	–	–	105.0	105.0
Total comprehensive income for the year		–	–	–	105.0	105.0
Dividends	13	–	–	–	–	–
Share buyback programme	12	(0.6)	–	0.6	(31.4)	(31.4)
Net purchase of own shares by the Inchcape Employee Trust		–	–	–	–	–
Share-based payments, net of tax		–	–	–	3.3	3.3
At 31 December 2020		39.4	146.7	141.2	472.6	799.9

Share-based payments include a net tax charge of £nil (2019 – £nil).

Accounting policies

General information

These financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2020. The Company is the ultimate parent entity of the Inchcape Group (the Group) and acts as the holding company of 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 2020 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 41 to 50.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 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)
- 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.

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 historic 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.

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 117 to 126.

Notes to the financial statements

1 Auditor's remuneration

The Company incurred £0.1m (2019 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2020.

2 Directors' remuneration

	2020 £m	2019 £m
Wages and salaries	1.4	2.1
Social security costs	0.2	0.2
Pension costs	0.2	0.3
	1.8	2.6

Further information on Executive Directors' emoluments and interests is given in the Directors' Report on Remuneration which can be found on pages 74 to 95.

3 Intangible assets

	Computer software £m
Cost	
At 1 January 2020	28.9
Additions	1.0
At 31 December 2020	29.9
Accumulated amortisation and impairment	
At 1 January 2020	(20.3)
Amortisation charge for the year	(1.5)
At 31 December 2020	(21.8)
Net book value at 31 December 2020	8.1
Net book value at 31 December 2019	8.6

At 31 December 2020, assets under construction total £4.9m (2019 – £3.9m).

4 Property, plant and equipment

	Plant, machinery and equipment £m
Cost	
At 1 January 2020 and at 31 December 2020	1.8
Accumulated depreciation and impairment	
At 1 January 2020 and at 31 December 2020	(0.3)
Net book value at 31 December 2020	1.5
Net book value at 31 December 2019	1.5

5 Investment in subsidiaries

	2020 £m	2019 £m
Cost		
At 1 January	1,711.0	1,711.0
Additions	17.4	-
Disposals	(32.4)	-
At 31 December	1,696.0	1,711.0
Provisions		
At 1 January	(134.1)	(134.1)
Disposals	3.8	-
At 31 December	(130.3)	(134.1)
Net book value	1,565.7	1,576.9

The Directors believe that the carrying value of the individual investments is supported by their underlying net assets.

During the year, as part of a Group-wide reorganisation, the Company contributed its investment in Inchcape Latvia Limited to Inchcape International Holdings Limited in return for an issue of shares and SS Acquisition Corporation repurchased 12.3% of its outstanding share capital which was held by the Company.

6 Trade and other receivables

	2020 £m	2019 £m
Amounts due within one year		
Amounts owed by Group undertakings	6.2	42.1
Other debtors	0.3	0.1
	6.5	42.2
Amounts due after more than one year		
Amounts owed by Group undertakings	210.0	210.0
Other debtors	0.5	0.6
	210.5	210.6

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.

7 Cash and cash equivalents

	2020 £m	2019 £m
Cash and cash equivalents	1.1	2.1

8 Trade and other payables - amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	17.5	17.5
Other creditors	4.6	4.5
	22.1	22.0

Amounts owed to Group undertakings are interest free and repayable on demand.

Notes to the financial statements continued

9 Trade and other payables – amounts falling due after more than one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	764.0	894.4
Private Placement	210.0	210.0
	974.0	1,104.4

Amounts owed to Group undertakings are repayable between one and five years and bear interest at rates linked to source currency base rates.

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%

10 Deferred tax

Net deferred tax asset / (liabilities)	Tax losses £m	Accelerated tax depreciation £m	Other timing differences £m	Total £m
	At 1 January 2019	0.8	(0.1)	0.4
Credited / (Charged) to the income statement	3.0	(0.1)	1.6	4.5
At 31 December 2019	3.8	(0.2)	2.0	5.6
(Charged) / credited to the income statement	(3.8)	0.2	(2.0)	(5.6)
At 31 December 2020	-	-	-	-

Deferred tax assets recognised are supported by future taxable profits of the UK tax group, headed by the Company, which are considered probable.

11 Guarantees

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's exposure under these guarantees at 31 December 2020 was £1.1m (2019 – £2.1m), equal to the carrying value of its cash and cash equivalents at the end of the period (see note 7).

In addition, the Company has given performance guarantees in the normal course of business in respect of the obligations of Group undertakings amounting to £293.1m (2019 – £94.7m).

12 Share capital

a. Allotted, called up and fully paid up

	2020 Number	2019 Number	2020 £m	2019 £m
Issued and fully paid ordinary shares (nominal value of 10.0p each)				
At 1 January	399,132,736	415,127,453	40.0	41.6
Allotted under share option schemes	–	75,353	–	–
Cancelled under share buyback	(5,858,343)	(16,070,070)	(0.6)	(1.6)
At 31 December	393,274,393	399,132,736	39.4	40.0

b. Share buyback programme

During 2020, the Company repurchased 5,858,343 (2019 – 16,070,070) of its own shares through purchases on the London Stock Exchange, at a cost of £29.8m (2019 – £98.5m). The shares repurchased during the year were cancelled, with none held within treasury shares at the end of the reporting period. An amount of £0.6m (2019 – 1.6m), equivalent to the nominal value of the cancelled shares, has been transferred to the capital redemption reserve. Costs of £1.6m (2019 – £1.5m) associated with the transfer to the Company of the repurchased shares and their subsequent cancellation have been charged to the profit and loss reserve.

During the year, the Group had a contract in place with a broker to purchase its own shares for cash in connection with the £150m buyback announced on 27 February 2020. On 20 March 2020, given the uncertainty around the COVID-19 pandemic, the Group served notice to its broker to terminate the buyback effective 24 March 2020.

c. Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 24 February 2021 under the provisions of the Companies Act 2006 have been disclosed in the significant shareholdings section of the Corporate Governance Report.

12 Share capital continued

d. Share options

At 31 December 2020, 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		
124,733	1 May 2021	6.66
348,618	1 May 2022	5.54
625,032	1 May 2023	4.59
1,686,385	1 May 2024	3.77

Included within the retained earnings reserve are 167,312 (2019 – 861,589) 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 2020 was £1.0m (2019 – £5.5m). The market value of these shares at both 31 December 2020 and 24 February 2021 was £1.1m and £1.2m respectively (31 December 2019 – £6.1m, 27 February 2019 – £5.1m).

e. Share-based remuneration

Inchcape plc has two employees, the Group Chief Executive and the Chief Financial Officer.

The terms and conditions of the Company's share-based payment plans are detailed in the Directors' Report on Remuneration.

The credit arising from share-based transactions during the year was £0.3m (2019 – charge of £0.6m), all of which is equity-settled.

The weighted average exercise price of shares exercised during the period was £0.10 (2019 – £0.10).

The weighted average remaining contractual life for the share options outstanding at 31 December 2020 is 3.3 years (2019 – 2.3 years) and the exercise price for options outstanding at the end of the year was £3.77 (2019 – £5.54).

13 Dividends

The following dividends were paid by the Company:

	2020 £m	2019 £m
Interim dividend for the six months ended 30 June 2020 of nil pence per share (30 June 2019 of 8.9p per share)	–	36.3
Final dividend for the year ended 31 December 2019 of nil pence per share (31 December 2018 of 17.9p per share)	–	74.2
	–	110.5

The Board previously recommended a final ordinary dividend for the year ended 31 December 2019 of 17.9p per ordinary share (2018: 17.9p). The dividend was due to be paid on 19 June 2020. As announced on 7 April 2020, given the impact of COVID-19, the Group decided to preserve cash and no longer recommend the payment of the previously announced final ordinary dividend.

A final proposed dividend for the year ended 31 December 2020 of 6.9p per share amounting to £27.2m is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability as at 31 December 2020.

14 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 2020 is shown below:

Subsidiaries

Name and registered address	Percentage owned
Argentina	
Torre Catalinas Plaza, Av. Eduardo Madero 900 Piso 17, Buenos Aires	100%
Distribuidora Automotriz Argentina SA	100%
Inchcape Argentina SA	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 Group Finance Pty Ltd	100%
Trivett Classic Holdings Pty Ltd	(iii) 100%
Trivett Classic Pty Ltd	(iv) 100%
Trivett Motorcycles Pty Ltd	100%
Trivett P/L	100%
Trivett Tyres Pty Ltd	100%
Inchcape Finance Australia Pty Limited	100%
Inchcape Corporate Services Australia Pty Limited	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%
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%

14 Related undertakings continued

Name and registered address	Percentage owned
Chile	
Av. La Dehesa 265, Santiago, Región Metropolitana	
Mobility Services Chile SpA	100%
Universal Motors SpA	100%
Williamson Balfour Motors SpA	100%
Williamson Balfour SA	100%
<i>Ruta 5 Norte #19100 Ciudad Santiago comuna Lampa Región Metropolitana</i>	
Hino Chile SA	100%
Inchcape Camiones y Buses Chile SA	100%
<i>Avda. las Condes 11774, Vitacura, Santiago</i>	
Inchcape Latam Internacional SA	100%
Inchcape Automotriz Chile SA	100%
Indigo Chile Holdings SpA	100%
<i>Av vitacura #5410, Vitacura, Santiago</i>	
Inchcape Commercial Chile SA	100%
Colombia	
Calle 99 N° 69c - 41 Bogotá	
Inchcape Inversiones Colombia S.A.S	100%
Impoquing Motor SAS	100%
Matrase SAS	100%
Praco Didacol SAS	100%
Inmobiliaria Inchcape Colombia S.A.S	100%
<i>Aut. Medellín Calle 80 Km 7 Parque Industrial Celta Trade Park Bodega 1202 Funza</i>	
Distribuidora Hino de Colombia SAS	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 SA	100%
Comercio de las Americas SA	100%
Inchcape Protection Express	100%
Vehiculos de Trabajo SA	100%
Vistas de Guanacaste Orquideas SA	100%
Djibouti	
Route de Venise - Djibouti Free Zone - LOB 124, PO Box 2645	
Red Sea Automotive FZCO	100%

Notes to the financial statements continued

14 Related undertakings continued

Name and registered address	Percentage owned
Ecuador Av. Galo Plaza Lasso n. 5898. Quito, 170513 Autolider Ecuador S.A.	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%
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 Inchcape JLR Finland Oy	100% 100%
Greece 48 Ethnikis Antistaseos Street, Halandri 15231 British Providence SA Eurolease Fleet Services SA Toyota Hellas SA Polis Inchcape Athens SA	100% 100% 100% 100%
11th Km, National Road Thessaloniki-Airport, Thessaloniki 60371 Polis Inchcape Thessaloniki SA	100%
Guam 443 South Marine Corps Drive, Tamuning, Guam 96913 Atkins Kroll Inc	100%
Guatemala 14 Avenida 18-37 zona 13, Guatemala, Guatemala Inchcape Guatemala SA	100%
Honduras Penthouse Tower Building 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 British Motors Ltd Crown Motors Ltd Future Motors Ltd Inchcape Finance (HK) Ltd Inchcape Hong Kong Ltd Inchcape Mobility Limited Inchcape Motor Services Ltd Mega EV Ltd Nova Motors Ltd	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%

14 Related undertakings continued

Name and registered address	Percentage owned
Ireland	
17 Corrig Road, Sandyford, Dublin 18, D18 N6K8	
Inchcape Finance (Ireland) Ltd	(v) 100%
Ivory Coast	
01 BP 3893, Abidjan 01	100%
Distribution Services Cote d'Ivoire SA	
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	
Baltic Motors Imports SIA	100%
Inchcape Motors Latvia SIA	(viii) 60%
Inchcape JLR Baltics	100%
Lithuania	
Laisves av. 137, Vilnius, LT-06118	
UAB Autovista	67%
UAB Autovytaras	67%
UAB Inchcape Motors	67%
Ozo str. 10A, Vilnius, LT-08200	
UAB Krasta Auto	100%
Svajonės str. 40, Klaipėda, LT-94101	
UAB Krasta Auto Klaipeda	100%
Veiverių str. 150, Kaunas, LT-46391	
UAB Krasta Auto Kaunas	100%
Luxembourg	
6 ZAI Bourmicht L-8070, Bertrange	
Grand Garage de Luxembourg	100%

14 Related undertakings continued

Name and registered address	Percentage owned
Macau	
<i>Avenida do Coronel Mesquita, No 48-48D, Edf. Industrial Man Kei R/C, Macau</i>	
Nova Motors (Macao) Ltd	100%
Yat Fung Motors Ltd	100%
Macedonia	
<i>21 8th September Boulevard, 1000 Skopje</i>	
Toyota Auto Center DOOEL	100%
Netherlands	
<i>Gustav Mahlerlaan 1212, 1081 LA Amsterdam, the Netherlands</i>	
Inchcape International Group BV	(i) 100%
New Zealand	
<i>Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland, 1010 , New Zealand</i>	
Inchcape Motors NZ Ltd	100%
Panama	
<i>Vía General Nicanor A. de Obarrio (Street 50), Plaza Bancomer</i>	
Ilaothor SA	100%
Ilachile SA	100%
<i>Ciudad de Panamá, Vía Cincuentenario Andrés Mojica, Ave. 6ta B., Lote X 5B, Corregimiento de San Francisco, Distrito de Panamá, Provincia de Panamá</i>	
Arrendadora Automotriz SA	100%
Bielesfield Corp	100%
Edenborn Trading Inc	100%
Goltex Commerce Inc	100%
Inmuebles Comerciales SA	100%
Iron Crag Corporation	100%
Motors Japoneses SA	100%
Sun Motors SA	100%
Peru	
<i>Av. El Polo Nro. 1117, Santiago de Surco, Lima</i>	
Inchcape Motors Peru SA	100%
<i>Av. Republica de Panama Nro. 3330, San Isidro, Lima</i>	
IMP Distribuidora SA	100%
<i>Av. Morro Solar 812, Santiago de Surco, Lima</i>	
Autocar del Peru SA	100%
Distribuidora Automotriz del Peru SA	100%
Inchcape Latam Peru SA	100%
Rentas e Inmobiliaria Sur Andina SA	100%
Poland	
<i>Al. Prymasa Tysiąclecia 64, 01-424 Warszawa</i>	
Inchcape Motors Polska Sp z.o.o	100%
Inchcape JLR Poland Sp. Z.o.o	100%
<i>Al. Karkonoska 61, 53-015 Wroclaw</i>	
Interim Cars Sp z.o.o	100%

14 Related undertakings continued

Name and registered address	Percentage owned
Romania	
Pipera Boulevard No 1, Voluntari, Ilfov, 077190	
Inchcape Motors Srl	100%
Inchcape Real Estate Srl	100%
Toyota Romania Srl	100%
Russia	
Building 1, 18 2-ya Magistralnaya street, Moscow 123290	
LLC Inchcape Management Services Rus	100%
LLC Inchcape Holding	100%
31 Litera A, Rustaveli Street, St Petersburg 195273	
LLC Inchcape Olimp	100%
108811, Moscow, settlement Moskovskiy, block №34, property 2, bld. 1	
LLC Inchcape T	100%
10 Seslavinskaya Street, Moscow 121309	
LLC Autoproject	100%
36 Yaroslavskoe Shosse, Moscow 129337	
LLC Borishof 1	100%
195273, Saint-Petersburg, Rustaveli str., 31, Lit.A, apt.3	
LLC Concord	100%
Building 22, 18 2-ya Magistralnaya Street, Moscow 123290	
LLC Musa Motors JLR	100%
LLC Musa Motors Volvo	100%
41 ul. Kuznetsovskaya, St Petersburg 196105	
LLC Orgtekhnstroy	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%
Spain	
C. Prim, 19, 28004 Madrid	
Inchcape Inversiones España SLu	100%
Thailand	
No. 4332 Rama IV Road, Prakanong Sub-District, Klongtoey District, Bangkok	
Inchcape (Thailand) Company Ltd	100%
Inchcape Services (Thailand) Co Ltd	100%

14 Related undertakings continued

Name and registered address	Percentage owned
United Kingdom	
Inchcape Retail, First Floor, Unit 3140 Park Square, Solihull Parkway, Birmingham B37 7YN	
Armstrong Massey (York) Ltd	100%
Armstrong Massey Holdings Ltd	100%
Autobytel Ltd	100%
Automobiles of Distinction Ltd	100%
Bates Motors (Belcher) Ltd	100%
Casemount Holdings Ltd	100%
Castle Motors (York) Ltd	100%
Chapelgate Holdings Ltd	100%
Chapelgate Motors Ltd	100%
D J Smith Ltd	100%
Dane Motor Company (Chester) Ltd	100%
European Motor Holdings Ltd	100%
Ferrari Concessionaires Ltd	(vi) 100%
Gerard Mann Ltd	100%
H A Fox Ltd	100%
Inchcape East (2) Ltd	100%
Inchcape East (Acre) Ltd	100%
Inchcape East (Brook) Ltd	100%
Inchcape East (Hill) Ltd	100%
Inchcape East (Holdings) Ltd	100%
Inchcape East (Properties) Ltd	100%
Inchcape East Ltd	100%
Inchcape Estates Ltd	100%
Inchcape Motors International Ltd	100%
Inchcape Motors Pension Trust Ltd	100%
Inchcape Midlands Ltd	100%
Inchcape North West Group Ltd	100%
Inchcape North West Ltd	100%
Inchcape Park Lane Ltd	100%
Inchcape Retail Ltd	100%
Inchcape Trade Parts Ltd	100%
Inchcape Transition Ltd	100%
Inchcape UK Ltd	100%
Inchcape UK Corporate Management Ltd	100%
James Edwards (Chester) Ltd	100%
Inchcape KMG Ltd	100%
L&C Auto Services (Croydon) Ltd	(vii) 100%
L&C Auto Services Ltd	(vii) 100%
L&C Banstead Ltd	100%
Malton Motors Fleet Ltd	100%
Malton Motors Ltd	100%
Mann Egerton & Co Ltd	100%
Mill Garages Ltd	100%
Nexus Corporation Ltd	100%
Normand Heathrow Ltd	100%
Normand Ltd	100%
Normand Motor Group Ltd	100%

14 Related undertakings continued

Name and registered address	Percentage owned
Normand Trustees Ltd	100%
Northfield Garage (Tetbury) Ltd	100%
Notneeded No. 144 Ltd	100%
Notneeded No. 145 Ltd	100%
Packaging Industries Ltd	100%
Penta Watford Ltd	88%
Smith Knight Faye (Holdings) Ltd	100%
Smith Knight Faye Ltd	100%
The Cooper Group Ltd	100%
Tozer International Holdings Ltd	100%
Tozer Kemsley Millbourn Automotive Ltd	100%
Wyvern (Wrexham) Ltd	100%
 <i>22a St James's Square, London, SW1Y 5LP</i>	
Cavendish 1 Ltd	100%
Inchcape Baltic Motors Ltd	100%
Inchcape (Belgium) Ltd	(vii) 100%
Inchcape BMI Ltd	100%
Inchcape Corporate Services Ltd	100%
Inchcape Finance plc	100%
Inchcape Hellas Funding (unlimited)	100%
Inchcape Hellas UK (unlimited)	100%
Inchcape Imperial (unlimited)	100%
Inchcape Investments (no 1) Ltd	100%
Inchcape Investments (no 2) Ltd	100%
Inchcape International Holdings Ltd	100%
Inchcape JLR Europe Ltd	100%
Inchcape Latvia Ltd	100%
Inchcape Management (Services) Ltd	100%
Inchcape Overseas Ltd	(ix) 70%
Inchcape Russia (UK) Ltd	(vii) 100%
Inchcape (Singapore) Ltd	100%
St Mary Axe Securities Ltd	100%
 <i>PO Box 33 Dorey Court Admiral Park St Peter Port Guernsey GY1 4AT</i>	
St James's Insurance Ltd	100%
 <i>4th Floor 115 George Street, Edinburgh EH2 4JN</i>	
Inchcape Investments & Asset Management Ltd	100%
 Uruguay	
<i>Rambla Baltasar Brum 3028, Montevideo</i>	
Autolider Uruguay S.A.	100%
 United States of America	
<i>The Corporation Company, 30600 Telegraph Road Bingham Farms, MI 48025</i>	
Baltic Motors Corporation	100%

14 Related undertakings continued

Joint ventures

Name and registered address	Percentage owned
Greece 48 Ethnikis Antistaseos Street, Halandri 15231 Tefin SA	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, redeemable cumulative preference shares and non-redeemable preference shares
- (vi) Ordinary shares, Ordinary A shares and 8% non-cumulative redeemable preference shares
- (vii) Ordinary shares and redeemable cumulative preference shares
- (viii) Owned at 60% by Inchcape plc, 40% by Baltics Motors Corporation
- (ix) Owned at 70% by Inchcape plc and 30% by Inchcape Australia Ltd

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
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

27 May 2021

Announcement of 2021 Interim Results

29 July 2021



www.inchcape.com/annualreport



Design and production by Black Sun Plc (London),
+44 (0) 20 7736 0011

This report has been printed on Essential Offset and Magno Satin. Both are FSC® Mix Credit papers manufactured at mills accredited with the ISO 14001 and EMAS environmental standards.

Printed at Principal Colour Ltd. ISO 14001 certified,
Alcohol Free and FSC® Chain of Custody certified.



Inchcape plc
22a St James's Square
London SW1Y 5LP
T +44 (0) 20 7546 0022
www.inchcape.com
Registered number 609782