Independent auditors' report to the members of Auto Trader Group plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified
We have audited the financial statements of Auto Trader Group plc for the year ended 31 March 2017 set out on pages 79 to 122.
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview	
Materiality: Group financial statements as a whole	£8.0m 4.1% of Group profit before tax
Coverage	100% of Group profit before tax
Risks of material misstatement	
Recurring risks	Revenue recognition

2 Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

	The risk	Our response
Revenue recognition (£311.4 million; 2016: £281.6 million) Refer to page 57 (Audit Committee Report), page 86 (accounting policy) and page 94 (financial disclosures).	**Accounting application** Revenue primarily consists of fees for advertising on the Group's website and web-related activities, along with retailer website build and hosting subscription fees, maintenance contracts and other subscription fees. There are a large variety of packages available and customers are able to tailor the combination of products they receive. Given the large volume of non-homogenous transactions, we consider there to be a significant risk in relation to the application of the revenue recognition policy.	Our procedures included: – **Control design:** Assessing the design and implementation of the revenue recognition process; – **Test of details:** Matching sales information from the Singleview and OLA systems to the nominal ledger to obtain evidence over completeness of revenue. Agreeing revenue recognised by transaction for the entire population to cash receipts to obtain evidence over existence and accuracy of revenue; – **Expectation vs actual:** For customers with bespoke contracts, obtaining contracts and forming an expectation of the revenue to be recognised in the period. We assessed whether the actual revenue was in line with our expectation; – **Test of details:** Assessing whether revenue has been recognised in the correct period by selecting a sample of transactions within two weeks either side of the year end and assessing whether the revenue has been recorded correctly with reference to the timing of the service being received; and – **Test of details:** Assessing the existence of revenue by inspecting a sample of credit notes raised in the year and post year end.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.0m, determined with reference to a benchmark of Group profit before tax of £193.4m, of which it represents 4.1%.

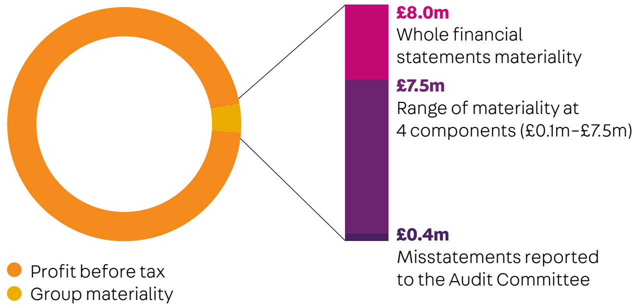
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 4 reporting components, we subjected 4 to full scope audits for Group purposes, all of which were performed by the Group audit team.

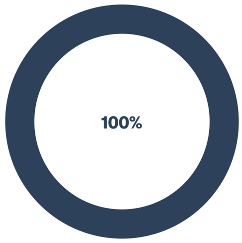
The components within the scope of our work accounted for the percentages illustrated below.

Profit before tax
£193.4m (2016: £155.0m)

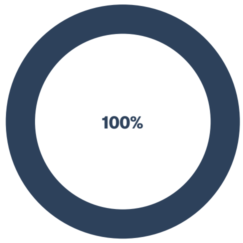
Materiality
£8.0m



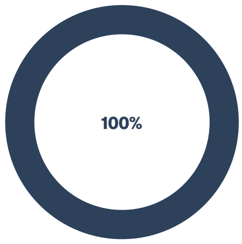
Group revenue
%



Group profit before tax
%



Group total assets
%



Full scope for Group audit purposes 2017.

Independent auditors' report to the members of Auto Trader Group plc only continued

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of viability on page 32, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 March 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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 and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 32, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 44 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 75, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2014a**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE

8 June 2017

Consolidated income statement

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Revenue	3	**311.4**	281.6
Administrative expenses		**(108.3)**	(112.0)
Operating profit before share-based payments and associated NI, and exceptional items		**207.2**	171.3
Share-based payments and associated NI	26	**(4.5)**	(2.5)
Exceptional items	4	**0.4**	0.8
Operating profit	4	**203.1**	169.6
Finance costs	7	**(9.7)**	(14.6)
Profit before taxation		**193.4**	155.0
Taxation	8	**(38.7)**	(28.3)
Profit for the year attributable to equity holders of the parent		**154.7**	126.7
Basic earnings per share	9		
From profit for the year (pence per share)		**15.64**	12.67
Diluted earnings per share	9		
From profit for the year (pence per share)		**15.60**	12.65

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	2017 £m	2016 £m
Profit for the year	**154.7**	126.7
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**0.5**	0.5
Other comprehensive income for the year, net of tax	**0.5**	0.5
Total comprehensive income for the year attributable to equity holders of the parent	**155.2**	127.2

Currency translation differences arise on the consolidation of the Group's subsidiaries that have a functional currency other than sterling.

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

Consolidated balance sheet

At 31 March 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	10	**320.4**	323.4
Property, plant and equipment	11	**6.7**	7.4
Deferred taxation assets	20	**4.7**	4.3
		331.8	335.1
Current assets			
Trade and other receivables	14	**50.7**	51.7
Cash and cash equivalents	16	**8.0**	10.4
		58.7	62.1
Assets of disposal group classified as held for sale	15	**-**	0.3
		58.7	62.4
Total assets		**390.5**	397.5
Equity and liabilities			
Equity attributable to equity holders of the parent			
Ordinary shares	22	**9.8**	10.0
Retained earnings		**1,015.9**	970.9
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Own shares held	23	**(16.9)**	(1.5)
Capital redemption reserve		**0.2**	-
Other reserves		**30.4**	29.9
Total equity		**(21.4)**	(51.5)
Liabilities			
Non-current liabilities			
Borrowings	18	**357.8**	395.6
Deferred taxation liabilities	20	**0.2**	0.3
Retirement benefit obligations	21	**–**	-
Provisions for other liabilities and charges	19	**1.1**	1.1
		359.1	397.0
Current liabilities			
Trade and other payables	17	**33.3**	36.6
Current income tax liabilities		**19.2**	14.9
Provisions for other liabilities and charges	19	**0.3**	0.5
		52.8	52.0
Total liabilities		**411.9**	449.0
Total equity and liabilities		**390.5**	397.5

The financial statements from pages 79 to 115 were approved by the Board of Directors and authorised for issue.

Sean Glithero
Chief Financial Officer
8 June 2017

Auto Trader Group plc Registered number 09439967

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at March 2015		**1,500.0**	**144.4**	**(789.1)**	–	**(1,060.8)**	–	**29.4**	**(176.1)**
Profit for the year		–	–	126.7	–	–	–	–	126.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	126.7	–	–	–	0.5	127.2
Transactions with owners									
IFRS 2 – share-based payments	26	–	–	2.3	–	–	–	–	2.3
Deferred tax on share-based payments	20	–	–	0.1	–	–	–	–	0.1
Issue of share capital	22	1.6	–	(1.6)	–	–	–	–	–
Capital reduction	22	(1,491.6)	(144.4)	1,636.0	–	–	–	–	–
Dividends paid	24	–	–	(5.0)	–	–	–	–	(5.0)
Acquisition of shares by ESOT	23	–	–	1.6	(1.6)	–	–	–	–
Transfer of shares from ESOT	23	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(1,490.0)	(144.4)	1,633.3	(1.5)	–	–	–	(2.6)
Balance at March 2016		**10.0**	**–**	**970.9**	**(1.5)**	**(1,060.8)**	**–**	**29.9**	**(51.5)**
Profit for the year		–	–	154.7	–	–	–	–	154.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	154.7	–	–	–	0.5	155.2
Transactions with owners									
IFRS 2 – share-based payments	26	–	–	4.0	–	–	–	–	4.0
Deferred tax on share-based payments	20	–	–	0.1	–	–	–	–	0.1
Repurchase of own shares for treasury	23	–	–	–	(15.5)	–	–	–	(15.5)
Cancellation of shares	22	(0.2)	–	(87.1)	–	–	0.2	–	(87.1)
Dividends paid	24	–	–	(26.6)	–	–	–	–	(26.6)
Transfer of shares from ESOT	23	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(0.2)	–	(109.7)	(15.4)	–	0.2	–	(125.1)
Balance at March 2017		**9.8**	**–**	**1,015.9**	**(16.9)**	**(1,060.8)**	**0.2**	**30.4**	**(21.4)**

Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	**2017 £m**	2016 £m
Cash flows from operating activities			
Cash generated from operations before exceptional operating items		**212.9**	184.4
Cash flows from exceptional operating items (excluding IPO fees)		**-**	(4.3)
Cash generated from operations	25	**212.9**	180.1
Tax paid		**(34.8)**	(16.0)
Net cash generated from operating activities		**178.1**	164.1
Cash flows from investing activities			
Purchases of intangible assets – financial systems		**(0.7)**	(0.5)
Purchases of intangible assets – other		**(0.5)**	(0.3)
Purchases of property, plant and equipment		**(2.5)**	(2.3)
Proceeds from sale of property, plant and equipment		**-**	0.1
Bank deposit and other interest received		**-**	0.1
Net cash used in investing activities		**(3.7)**	(2.9)
Cash flows from financing activities			
Dividends paid to Company's shareholders	24	**(26.6)**	(5.0)
Repayment of Syndicated Term Loan	18	**(40.0)**	(147.0)
Payment of IPO costs		**-**	(8.3)
Payment of interest on borrowings		**(7.6)**	(12.6)
Purchase of own shares for cancellation		**(86.7)**	-
Purchase of own shares for treasury		**(15.4)**	-
Payment of fees on repurchase of own shares		**(0.5)**	-
Net cash used in financing activities		**(176.8)**	(172.9)
Net decrease in cash and cash equivalents		**(2.4)**	(11.7)
Cash and cash equivalents at beginning of year	16	**10.4**	22.1
Cash and cash equivalents at end of year	16	**8.0**	10.4

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

Notes to the consolidated financial statements

General information

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the inside back cover.

1. Accounting policies

Basis of preparation
The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the 364 day (52 week) period ended 27 March 2016 and for the 369 day period ended 31 March 2017. Due to the publishing heritage of the business, results have historically been reported on a 52 week basis, with the accounting period ending on the closest Sunday to 31 March. The Board made the decision to change the period end date to be 31 March every year, starting in 2017, to better align with our customers' needs and to the products and services we offer. As a consequence of this change, the 2017 financial year was five days longer than the previous year.

Financial year ends have been referred to as 31 March throughout these consolidated financial statements as per the Company's accounting reference date. Financial years are referred to as 2016 and 2017 in these consolidated financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretation Committee ('IFRS IC'), certain interpretations as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Going concern
The Directors, after making enquiries and on the basis of current financial projections and facilities available, believe that the Group has adequate financial resources to continue in operation for a period not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position.

The accounting estimates believed to require the most difficult, subjective or complex judgements are as follows:

- carrying values of goodwill; and
- share-based payments.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates, see note 10.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regards to the inputs to that model and the period over which the share award is expected to vest (note 26).

New accounting standards and IFRS IC interpretations

The Group has adopted the following new and amended IFRSs in 2017 in the consolidated financial statements with no significant impact on its consolidated results or financial position:

- Annual improvements to IFRSs 2012-2014
- Amendment to IFRS 11, 'Joint arrangements on acquisition of an interest in a joint operation'
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation
- Amendments to IAS 27, 'Separate financial statements' on equity accounting
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative

The following standards and interpretations were issued by the IASB but have not been adopted either because they were not endorsed by the EU at 31 March 2017 or they are not yet mandatory and the Group has not chosen to early-adopt them:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018). This will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.
- IFRS 15, 'Revenue from Contracts with customers' (effective 1 January 2018) and Clarifications to IFRS 15 (not yet EU endorsed). The Group intends to adopt IFRS 15 in its financial statements for the year ending 31 March 2019. Under IFRS 15, revenue will be recognised when performance obligations are satisfied. The Group does not anticipate that this change will have a material impact on the Group consolidated results or financial position.
- IFRS 16, 'Leases' (effective 1 January 2019, not yet EU endorsed). The Group intends to adopt IFRS 16 in its financial statements for the year ending 31 March 2020. This standard will significantly affect the presentation of the Group financial statements, with all leases apart from short-term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments.
- Amendments to IFRS 2 – Classification and Measurement of Share-Based payments transactions (not yet EU endorsed). This standard is not anticipated to have a significant impact on the financial statements.

Basis of consolidation

The Group's consolidated financial statements consolidate the financial statements of Auto Trader Group plc and all of its subsidiary undertakings.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions and balances between Group companies are eliminated on consolidation.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where significant influence is not demonstrated but the shareholding is between 20% and 50% the Group would account for its interest as an investment. All investments are initially recognised at cost and the carrying value is reviewed for impairment.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Leadership Team that makes strategic decisions (note 3).

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of discounts, rebates, refunds and value-added tax.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

Revenue is recognised as follows:

- Trade revenue: fees from retailer and home trader customers for advertising on the Group's websites and web-related activities are recognised on a straight-line basis as the service is provided. Retailer website build and hosting subscription fees, maintenance contracts and other subscription fees are recognised on a straight-line basis over the period to which they relate.
- Consumer services revenue: fees from private sellers for advertising on the Group's websites are recognised on a straight-line basis as the service is provided. Revenues from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance, are recognised as the service is provided.
- Display advertising : revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites is recognised on a straight-line basis as the service is provided.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders in the case of final dividends, or the date at which they are paid in the case of interim dividends.

Employee benefits

The Group operates several pension schemes and all except one are defined contribution schemes. Within the UK all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

a) Defined contribution scheme

The assets of the defined contribution scheme are held separately from those of the Group in independently administered funds. The costs in respect of this scheme are charged to the income statement as incurred.

b) Defined benefit scheme

The Group operates one defined benefit pension scheme that is closed to new members. The asset or liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating those of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in 'other comprehensive income' in the period in which they arise. Any scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet.

c) Share-based payments

Equity-settled awards are valued at grant date, and the difference between the grant date fair value and the consideration paid by the employee is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity. Cash-settled awards are revalued at each reporting date with the fair value of the award charged to the profit and loss account over the vesting period and the credit side of the entry recognised as a liability.

Non-underlying items

Significant items of income and expense that do not relate to the trading of the Group are disclosed as 'non-underlying'. Examples of such items are exceptional items and share-based payments and associated NI.

Exceptional items

Significant non-recurring items of income and expense are disclosed as 'exceptional items'. Examples of items that may give rise to disclosure as exceptional items include costs of major restructuring and reorganisation of the business, corporate refinancing and restructuring costs, gains on the early extinguishment of borrowings or impairments of intangible assets, property, plant and equipment, as well as the reversal of such writedowns or impairments, material disposals of property, plant and equipment and litigation settlements. A full analysis of exceptional items is provided in note 4.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in sterling (£), which is the Group's presentation currency, and rounded to the nearest hundred thousand (£0.1m) except when otherwise indicated.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.

c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency other than sterling are translated into sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- income and expenses for each income statement are translated at average exchange rates.

On the disposal of a foreign operation, the cumulative exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the consolidated financial statements
continued

1. Accounting policies continued

Intangible assets

a) Goodwill
Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement and are not reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks, trade names, technology and customer relationships
Separately acquired trademarks, trade names, technology and customer relationships are recognised at historical cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of between one and 15 years. Trademarks, trade names, technology and customer relationships acquired in a business combination are recognised at fair value at the acquisition date and subsequently amortised.

c) Software
Acquired computer software is capitalised at cost, including any costs to bring it into use, and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

d) Software and website development costs and financial systems
Development costs that are directly attributable to the design and testing of identifiable and unique software products, websites and systems controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product or website so that it will be available for use;
- management intends to complete the software product or website and use or sell it;
- there is an ability to use or sell the software product or website;
- it can be demonstrated how the software product or website will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product or website are available; and
- the expenditure attributable to the software product or website during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs.

Other development expenditures that do not meet these criteria as well as ongoing maintenance and costs associated with routine upgrades and enhancements are recognised as an expense as incurred.

Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding five years) at the point in which they come into use.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises the purchase price of the asset and expenditure directly attributable to the acquisition of the item.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their estimated residual values over the estimated useful lives as follows:

Land, buildings and leasehold improvements:

– Freehold buildings	50 years
– Leasehold land and buildings	life of lease
– Leasehold improvements	life of lease
– Plant and equipment	3–10 years

Assets in the course of construction are recorded separately within property, plant and equipment and are transferred to the appropriate classification when complete and depreciated from the date they are brought into use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of assets is reviewed for impairment if events or changes in circumstances suggest that the carrying value may not be recoverable. Assets will be written down to their recoverable amount if lower than the carrying value, and any impairment is charged to the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within 'administrative expenses'.

Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro-rata basis.

Assets and liabilities (or disposal groups) held for sale
Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. On classification as held for sale, they are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses are included in the income statement, as are any gains and losses on subsequent re-measurement.

Financial assets
The Group classifies its financial assets in the categories of loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial assets measured at fair value are those held for trading or designated at fair value through profit or loss. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Financial assets carried at fair value through the profit or loss account are initially recognised at fair value, and transaction costs are expensed in the income statement. They are subsequently re-measured to fair value and gains or losses arising from changes in the fair value are recognised in the income statement in the period in which they arise.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that this event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is credited to the income statement.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Derivative financial instruments and hedging
The Group does not currently use derivative financial instruments for hedging or for speculative purposes.

Trade receivables
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 of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, short-term deposits held on call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in 'current liabilities' on the balance sheet.

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

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

Finance and issue costs associated with the borrowings are charged to the income statement using the effective interest rate method from the date of issue over the estimated life of the borrowings to which the costs relate.

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

The buyback of bank borrowings represents the discharge of the obligation to repay the debt. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised as an exceptional gain in the income statement, as it is a significant non-recurring item.

Preference shares are treated as borrowings where in substance they have the features of debt instruments; otherwise they are classified as equity. The related dividends are recognised as an interest expense for debt instruments and as dividends for equity instruments.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions
A provision is recognised when a present legal or constructive obligation exists at the balance sheet date as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of that obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the obligation.

Contingent liabilities are not recognised but are disclosed unless an outflow of resources is remote. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Taxation
The tax expense for the period comprises current and deferred taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in 'other comprehensive income' or directly in equity, respectively. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current taxation is provided at amounts expected to be paid (or recovered) calculated using the rates of tax and laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve.

Where the Group purchases its own equity share capital to hold in Treasury, the consideration paid for the shares is shown as own shares held within equity.

Shares held by the Employee Share Option Trust
The Employee Share Option Trust ('ESOT') provides for the issue of shares to Group employees principally under share option schemes. The Group has control of the ESOT and therefore consolidates the ESOT in the Group financial statements. Accordingly, shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity.

Notes to the consolidated financial statements
continued

1. Accounting policies continued

Share premium and other reserves
The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in 'share premium'. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

The capital reorganisation reserve arose on consolidation as a result of the share-for-share exchange on 24 March 2015. It represents the difference between the nominal value of shares issued by Auto Trader Group plc in this transaction and the share capital and reserves of Auto Trader Holding Limited.

The capital redemption reserve arises from the purchase and subsequent cancellation of the Group's own equity share capital.

Other reserves comprise the currency translation reserve on the consolidation of entities whose functional currency is other than sterling.

Earnings per share
The Group presents basic and diluted earnings per share ('EPS') for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

2. Financial risk management

a) Financial risk factors
In the course of its business the Group is exposed to market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and technology risk. The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

Market risk
i. Foreign exchange risk
The Group has no significant foreign exchange risk as 98% of the Group's revenue and 97% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

The Group operates in Ireland. Foreign-currency-denominated net assets of overseas operations are not hedged as they represent a relatively small proportion of the Group's net assets. The Group operates a dividend policy ensuring any surplus cash is remitted to the UK and translated into sterling thereby minimising the impact of exchange volatility.

ii. Interest rate risk
The Group's interest rate risk arises from long-term borrowings under the Syndicated Term Loan subject to floating rates of interest linked to LIBOR. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk.

iii. Credit risk
Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. The Group does not believe it is exposed to any material concentrations of credit risk. As an example, the Group's borrowings are arranged with a syndicate of major banks and are committed until 2020.

Credit risk relating to trade receivables is managed centrally and the credit risk for new customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that existing customers have an appropriate credit history and a significant number of balances are prepaid or collected via direct debit. Sales to private customers are primarily settled using major debit or credit cards which reduces the risk in this area. Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the diversified and fragmented nature of the customer base.

The cost of bad debts for the year ended 31 March 2017 was 0.6% of revenue (for the year ended 31 March 2016: 0.8%).

iv. Liquidity risk

Cash flow forecasting is performed centrally by the Group treasury manager. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans.

Surplus cash held by operating entities over and above the balance required for working capital management is invested centrally in interest-bearing current accounts and money market deposits with appropriate maturities or sufficient liquidity as required by the above-mentioned forecasts.

The tables below analyse the Group's financial liabilities and undrawn commitments into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. Derivative financial instruments are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. As disclosed in note 18 of these consolidated financial statements, the borrowings are currently drawn down under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual interest cost. Interest paid in the year in relation to borrowings amounted to £7.6m.

At 31 March 2017	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Borrowings	**–**	**–**	**363.0**	**–**
Trade and other payables	**7.1**	**–**	**–**	**–**
Undrawn revolving credit and other facilities	**–**	**–**	**30.0**	**–**
Total	**7.1**	**–**	**393.0**	**–**

At 31 March 2016	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Borrowings	–	–	403.0	–
Trade and other payables	8.5	–	–	–
Undrawn revolving credit and other facilities	–	–	30.0	–
Total	8.5	–	433.0	–

b) Capital risk management

The Group considers capital to be net debt plus total equity. Net debt is defined as borrowings excluding debt issue costs less cash and short-term deposits. Total equity is as shown in the consolidated balance sheet.

The calculation of total capital is shown in the table below:

	2017 £m	2016 £m
Loans due within one year	**–**	–
Loans and overdrafts greater than one year	**363.0**	403.0
Less: Cash and cash equivalents	**(8.0)**	(10.4)
Total net debt	**355.0**	392.6
Total equity	**(21.4)**	(51.5)
Total capital	**333.6**	341.1

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

The margin payable on the Syndicated Term Loan interest is dependent on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries and this is calculated and reviewed on a semi-annual basis. Repayments can be made without penalty under the Syndicated Term Loan Agreement and there is no requirement to settle all or part of the Syndicated Term Loan earlier than its termination date of 2020. The Group remains in compliance with its banking covenants.

c) Fair value estimation

At 31 March 2017 and 31 March 2016, the Group had no financial instruments held at fair value through profit and loss.

Notes to the consolidated financial statements
continued

3. Segmental information

IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only. This reflects the nature of the business, where the major cost is to support the IT platforms upon which all of the Group's customers are serviced. These costs are borne centrally and are not attributable to any specific customer type or revenue stream. There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the consolidated income statement.

Management has determined that there is one operating and reporting segment based on the reports reviewed by the Operational Leadership Team ('OLT') which is the chief operating decision-maker ('CODM'). The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue from three customer types as detailed below:

- **Trade:** revenue from retailer and home trader customers advertising their vehicles and utilising the Group's products;
- **Consumer services:** revenue from private sellers for vehicle advertisements on the Group's websites. This category also includes revenue from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance; and
- **Display advertising:** revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites.

The reporting information provided to the OLT, which presents revenue by customer type, has been voluntarily disclosed below:

Revenue	2017 £m	2016 £m
Trade	**262.1**	236.4
Consumer services	**31.8**	30.3
Display advertising	**17.5**	14.9
Total revenue	**311.4**	281.6

The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

Underlying operating profit

Operating costs, comprising administrative expenses, are managed on a Group basis. The OLT measures the overall performance of the Group by reference to a non-GAAP measure, Underlying operating profit, which is Operating profit before share-based payments and associated NI and exceptional items. This adjusted profit measure was applied by the OLT to understand the earnings trend of the Group and was considered the most meaningful measure by which to assess the true operating performance of the Group, as it allowed better interpretation of the underlying performance of the business. From next year, i.e. for 2018 and beyond, the business will report against the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

	2017 £m	2016 £m
Operating profit	**203.1**	169.6
– Share-based payments and associated NI	**4.5**	2.5
– Exceptional items	**(0.4)**	(0.8)
Underlying operating profit	**207.2**	171.3

A reconciliation of the total segment Operating profit to the profit before tax is provided as follows:

	2017 £m	2016 £m
Total segment Operating profit	**203.1**	169.6
Finance costs – net	**(9.7)**	(14.6)
Profit before tax	**193.4**	155.0

The OLT reviews the balance sheet information for the one operating segment. The segment's assets and liabilities are presented in a manner consistent with that of these consolidated financial statements.

The Group is domiciled in the UK and the following table details external sales by location of customers and non-current assets (excluding deferred tax) by geographic area:

	2017 £m	2016 £m
Revenue:		
UK	**306.1**	277.0
Ireland	**5.3**	4.6
Total revenue	**311.4**	281.6
Non-current assets:		
UK	**321.0**	326.5
Ireland	**6.1**	4.3
Total non-current assets (excluding deferred tax)	**327.1**	330.8

Due to the large number of customers the Group serves, there are no individual customers whose revenue is greater than 10% of the Group's total revenue in all periods presented in these financial statements.

4. Operating profit

Operating profit is stated after charging:

	Note	**2017 £m**	2016 £m
Staff costs	5	**53.6**	53.6
Contractor costs		**0.4**	0.4
Depreciation of property, plant and equipment	11	**3.2**	2.8
Amortisation of intangible assets	10	**4.8**	7.8
Operating lease payments		**2.7**	2.8

Exceptional items:

	2017 £m	2016 £m
Restructuring of Group operations	**(0.4)**	(0.8)
Total exceptional items	**(0.4)**	(0.8)

Exceptional income for the year ended 31 March 2017 and 31 March 2016 relates to the reversal of provisions previously made for restructuring costs that are no longer required.

Services provided by the Company's auditors

During the year, the Group (including overseas subsidiaries) obtained the following services from the operating company's auditors:

	2017 £m	2016 £m
Fees payable for the audit of the Company and consolidated financial statements	**0.1**	0.1
Fees payable for other services:		
– the audit of the subsidiary undertakings pursuant to legislation	**0.1**	0.2
– tax advisory services	**–**	0.1
Total	**0.2**	0.4

Notes to the consolidated financial statements
continued

5. Employees and Directors

	2017 £m	2016 £m
Wages and salaries	**42.5**	44.4
Social security costs	**4.7**	4.8
Other pension costs (note 21)	**1.9**	1.9
	49.1	51.1
Share-based payments and associated NI (note 26)	**4.5**	2.5
Total	**53.6**	53.6

The average monthly number of employees (including Executive Directors but excluding third-party contractors) employed by the Group was as follows:

	2017 Number	2016 Number
Customer operations	**339**	395
Product and technology	**311**	295
Display	**46**	41
Corporate	**124**	123
Total	**820**	854

6. Directors' and Key Management remuneration

The remuneration of Directors was as follows:

	2017 £m	2016 £m
Aggregate Directors' emoluments	**1.5**	1.7
Share-based payments charge	**1.3**	0.8
Total	**2.8**	2.5

During the year ended 31 March 2017 two Directors (2016: two Directors) were members of the Group's defined pension contribution scheme.

The remuneration of the highest paid Director was as follows:

	2017 £m	2016 £m
Aggregate emoluments	**0.7**	0.9
Share-based payments charge	**0.9**	0.5
Total	**1.6**	1.4

During the year to 31 March 2017, Trevor Mather and Sean Glithero (2016: Trevor Mather and Sean Glithero) received remuneration in respect of their services as Directors of the Company and subsidiary undertakings. Ed Williams received remuneration in respect of his services as a Director of the Company and, to 8 January 2016, Auto Trader Holding Limited, a subsidiary undertaking. Chip Perry received remuneration in respect of his services as a Director of the Company up to 7 March 2016 and, to 8 January 2016, Auto Trader Holding Limited, a subsidiary undertaking. During the year to 31 March 2016, Tom Hall and Nick Hartman received no remuneration in respect of their services as Directors of the Company and Auto Trader Holding Limited, a subsidiary undertaking.

Refer to the Directors' Remuneration Report on pages 62 to 68 for further detail.

Key Management compensation

During the year to 31 March 2017, Key Management comprised the members of the OLT (2016: OLT). The remuneration of all Key Management (including Directors) was as follows:

	2017 £m	2016 £m
Short-term employee benefits	**5.0**	5.7
Share-based payments	**2.6**	1.4
Compensation for loss of office	**–**	0.2
Pension contributions	**0.2**	0.2
Total	**7.8**	7.5

7. Finance costs

	2017 £m	2016 £m
Finance costs		
On bank loans and overdrafts	**7.5**	12.7
Amortisation of debt issue costs	**2.2**	1.9
Total	**9.7**	14.6

8. Taxation

	2017 £m	2016 £m
Current taxation		
UK corporation taxation	**39.3**	28.6
Foreign taxation	**0.2**	0.3
Adjustments in respect of prior years	**(0.4)**	(0.7)
Total current taxation	**39.1**	28.2
Deferred taxation		
Origination and reversal of temporary differences	**(0.3)**	(0.3)
Effect of rate changes on deferred taxation	**–**	0.4
Adjustments in respect of prior years	**(0.1)**	–
Total deferred taxation	**(0.4)**	0.1
Total taxation charge	**38.7**	28.3

The differences between the total taxation shown above and the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operations are set out below. The Group earns its profits primarily in the UK, therefore the rate used for taxation is the standard rate for UK corporation tax.

	2017 £m	2016 £m
Profit before taxation	**193.4**	155.0
Tax on profit on ordinary activities at the standard UK corporation tax rate of 20% (2016: 20%)	**38.7**	31.0
Expenses not deductible for taxation purposes	**0.6**	0.3
Adjustments in respect of foreign tax rates	**(0.1)**	(0.1)
Other permanent differences	**–**	(2.6)
Effect of rate changes on deferred taxation	**–**	0.4
Adjustments in respect of prior years	**(0.5)**	(0.7)
Total taxation charge	**38.7**	28.3

Taxation on items taken directly to equity was a credit of £0.1m (2016: £0.1m) relating to deferred tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 20% (2016: 20%). The March 2016 budget announced a further reduction in the UK corporation tax rate to 17% from 1 April 2020. Finance Act 2016 was 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively. Deferred tax has been calculated based on the rate of 17% which is the rate at which the majority of items are expected to reverse.

Notes to the consolidated financial statements
continued

9. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of shares in issue.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2017			
Basic EPS	**989,278,991**	**154.7**	**15.64**
Diluted EPS	**991,812,212**	**154.7**	**15.60**
Year ended 31 March 2016			
Basic EPS	1,000,002,803	126.7	12.67
Diluted EPS	1,001,394,111	126.7	12.65

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus Plan and the Sharesave scheme. Shares issued to satisfy the Share Incentive Plan were subsequently purchased by the Employee Share Option Trust ('ESOT') and are entitled to dividends under the scheme rules. The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

Year ended 31 March 2017	Weighted average number of shares
Issued ordinary shares at 31 March 2016	**1,001,051,699**
Weighted effect of ordinary shares purchased for cancellation	**(7,621,111)**
Weighted effect of ordinary shares purchased for treasury	**(3,173,244)**
Weighted effect of shares held by the ESOT	**(978,353)**
Weighted average number of shares for basic EPS	**989,278,991**
Dilutive impact of share options outstanding	**2,533,221**
Weighted average number of shares for diluted EPS	**991,812,212**

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

10. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Customer relationships £m	Technology £m	Trade names and trademarks £m	Total £m
Cost							
At 31 March 2015	433.2	53.7	11.1	5.8	5.6	1.9	**511.3**
Additions	–	0.3	0.5	–	–	–	**0.8**
Exchange differences	0.4	–	–	–	–	–	**0.4**
At 31 March 2016	433.6	54.0	11.6	5.8	5.6	1.9	**512.5**
Additions	–	0.5	0.7	–	–	–	**1.2**
Exchange differences	0.5	0.1	–	–	–	–	**0.6**
At 31 March 2017	**434.1**	**54.6**	**12.3**	**5.8**	**5.6**	**1.9**	**514.3**
Accumulated amortisation and impairments							
At 31 March 2015	120.8	48.3	1.7	5.3	4.0	1.2	**181.3**
Amortisation charge	–	4.0	2.5	0.4	0.7	0.2	**7.8**
At 31 March 2016	120.8	52.3	4.2	5.7	4.7	1.4	**189.1**
Amortisation charge	–	1.5	2.3	0.1	0.7	0.2	**4.8**
At 31 March 2017	**120.8**	**53.8**	**6.5**	**5.8**	**5.4**	**1.6**	**193.9**
Net book value at 31 March 2017	**313.3**	**0.8**	**5.8**	**–**	**0.2**	**0.3**	**320.4**
Net book value at 31 March 2016	**312.8**	**1.7**	**7.4**	**0.1**	**0.9**	**0.5**	**323.4**
Net book value at 31 March 2015	**312.4**	**5.4**	**9.4**	**0.5**	**1.6**	**0.7**	**330.0**

At 31 March 2017, £0.1m (2016: £0.1m) of software and website development costs represented assets under construction. Amortisation of these assets will commence when they are brought into use.

For the year to 31 March 2017, the amortisation charge of £4.8m (2016: £7.8m) has been charged to administrative expenses in the income statement.

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment.

Goodwill is allocated to the appropriate cash-generating unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill.

The recoverable amount of the CGU is determined from value-in-use calculations that use cash flow projections from the latest three-year plan approved by the Directors. Assets have been allocated between the Auto Trader Digital CGU and the Webzone CGU. At 31 March 2017, the carrying value of goodwill allocated to the Auto Trader Digital CGU was £307.6m and to the Webzone CGU was £5.7m.

Key assumptions in the budgets and plans include future revenue growth rates, associated future levels of marketing support and directly associated overheads. These assumptions are based on historical trends and future market expectations. Cash flows beyond the three-year period are extrapolated using the estimated long-term growth rate of 2.0% (2016: 2.0%). The pre-tax discount rate which has been applied in determining value in use for individual CGUs for potential impairments is 8.0% (2016: 8.0%).

Significant headroom exists in the CGUs that have not been fully impaired. There are no reasonably possible changes to the assumptions presented above that would result in any impairment recorded in each of the years presented in these financial statements.

Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (three to 15 years). The longest estimated useful life remaining at 31 March 2017 is five years.

Notes to the consolidated financial statements
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11. Property, plant and equipment

	Assets under construction £m	Land, buildings and leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 31 March 2015	0.2	4.2	15.8	**20.2**
Additions	–	–	2.0	**2.0**
Reclassification	(0.2)	–	0.2	**–**
Transfer to disposal group held for sale (note 15)	–	(0.3)	–	**(0.3)**
Disposals	–	–	(0.1)	**(0.1)**
At 31 March 2016	–	3.9	17.9	**21.8**
Additions	–	–	2.5	**2.5**
At 31 March 2017	**–**	**3.9**	**20.4**	**24.3**
Accumulated depreciation				
At 31 March 2015	–	0.8	10.9	**11.7**
Charge for the year	–	0.3	2.5	**2.8**
Disposals	–	–	(0.1)	**(0.1)**
At 31 March 2016	–	1.1	13.3	**14.4**
Charge for the year	–	0.3	2.9	**3.2**
At 31 March 2017	**–**	**1.4**	**16.2**	**17.6**
Net book value at 31 March 2017	**–**	**2.5**	**4.2**	**6.7**
Net book value at 31 March 2016	**–**	**2.8**	**4.6**	**7.4**
Net book value at 31 March 2015	**0.2**	**3.4**	**4.9**	**8.5**

The depreciation expense of £3.2m for the year to 31 March 2017 (2016: £2.8m) has been recorded in administrative expenses.

12. Investments

Shares in other undertakings

	£m
Cost	
At 31 March 2017 and 31 March 2016	3.2
Provision for impairment	
At 31 March 2017 and 31 March 2016	3.2
Net book value at 31 March 2017	**–**
Net book value at 31 March 2016	–

At the balance sheet date the Group holds a 19.4% (2016: 19.4%) interest in the preferred share capital of IAUTOS Company Limited. IAUTOS Company Limited is an intermediate holding company through which are held trading companies incorporated in the People's Republic of China. It is not considered an associate as the Group does not have significant influence over this entity. This investment was fully impaired in the year to 31 March 2014 as the Chinese trading companies are loss-making with forecast future cash outflows.

Subsidiary undertakings

At 31 March 2017 the Group's related undertakings were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited[2]	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited[2]	England and Wales	Classified listings	Ordinary	–	100%
Trader Licensing Limited[2]	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Holdings Ireland Limited[1,3]	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Ireland Unlimited[1,3]	Republic of Ireland	Holding company	Ordinary	–	100%
Webzone Limited[3]	Republic of Ireland	Classified listings	Ordinary	–	100%

1 As at 31 March 2017 the denoted companies were in the process of members' voluntary liquidation as part of a Group structuring project. As such they are not required to undertake a statutory audit or prepare individual company financial statements.
2 Registered office address for UK companies is shown on the inside back cover.
3 Registered office address for the Republic of Ireland companies is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

A guarantee exists in respect of the three wholly owned subsidiaries that are incorporated in the Republic of Ireland and consolidated within these financial statements. They have availed themselves of an exemption from filing their individual financial statements in accordance with Section 357 of the Companies (Amendment) Act, 2014, Ireland.

Notes to the consolidated financial statements
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13. Financial instruments by category

The accounting policies for financial instruments have been applied to the loans and receivables and financial liabilities as detailed in the table below:

31 March 2017	Loans and receivables £m	Non-financial assets £m	Total £m
Financial assets as per balance sheet:			
Trade and other receivables	21.4	29.3	**50.7**
Cash and cash equivalents	8.0	–	**8.0**
Total	29.4	29.3	**58.7**

31 March 2017	Financial liabilities measured at amortised cost £m	Non-financial liabilities £m	Total £m
Financial liabilities as per balance sheet:			
Borrowings	(357.8)	–	**(357.8)**
Trade and other payables	(7.1)	(26.2)	**(33.3)**
Total	(364.9)	(26.2)	**(391.1)**

31 March 2016	Loans and receivables £m	Non-financial assets £m	Total £m
Financial assets as per balance sheet:			
Trade and other receivables	29.4	22.3	51.7
Cash and cash equivalents	10.4	–	10.4
Total	39.8	22.3	62.1

31 March 2016	Financial liabilities measured at amortised cost £m	Non-financial liabilities £m	Total £m
Financial liabilities as per balance sheet:			
Borrowings	(395.6)	–	(395.6)
Trade and other payables	(8.5)	(28.1)	(36.6)
Total	(404.1)	(28.1)	(432.2)

Non-financial assets include prepayments and accrued income. Non-financial liabilities include other taxes and social security and accruals and deferred income.

The carrying amounts of financial assets and liabilities approximate their fair values.

14. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	**24.4**	32.5
Less: provision for impairment of trade receivables	**(3.1)**	(3.2)
Trade receivables – net	**21.3**	29.3
Other receivables	**0.1**	0.1
Accrued income	**26.1**	18.5
Prepayments	**3.2**	3.8
Total	**50.7**	51.7

The ageing analysis of trade receivables is as follows:

	2017 £m	2016 £m
Fully performing	**17.8**	21.3
Past due but not impaired:		
Up to three months	**2.8**	7.4
Impaired	**3.8**	3.8
Total	**24.4**	32.5

It was assessed that a portion of the impaired receivables is expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

	2017 £m	2016 £m
At beginning of year	**3.2**	2.9
Provision for receivables impairment	**1.7**	1.9
Receivables written off during the year as uncollectible	**(1.8)**	(1.6)
Total	**3.1**	3.2

The creation and release of the provision for impaired trade receivables is included in administrative expenses in the income statement.

The other classes within 'trade and other receivables' do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable included within 'trade and other receivables'. The Group does not hold any collateral as security. Due to the large number of customers the Group services, the credit quality of trade receivables is not deemed a significant risk.

The carrying amount of the Group's trade receivables is denominated in the following currencies:

	2017 £m	2016 £m
Sterling	**23.6**	31.6
Euro	**0.8**	0.9
Total	**24.4**	32.5

At 31 March 2017 and 31 March 2016 all other financial receivables are primarily denominated in sterling.

Notes to the consolidated financial statements
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15. Assets of disposal group classified as held for sale

Unoccupied properties no longer required by the Group have been placed for sale and are held at cost less accumulated depreciation and any impairment loss.

	2017 £m	2016 £m
Non-current assets held for sale:		
Property, plant and equipment	–	0.3

16. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	8.0	10.4

The Group's credit risk on cash and cash equivalents is limited as the counterparties are well-established banks with high credit ratings.

At 31 March 2017 and 31 March 2016, the cash and cash equivalents are primarily denominated in sterling.

17. Trade and other payables

	2017 £m	2016 £m
Trade payables	6.1	7.8
Other taxes and social security	10.0	10.9
Other payables	0.5	0.2
Accruals	14.3	15.4
Deferred income	1.9	1.8
Accrued interest payable	0.5	0.5
Total	**33.3**	36.6

18. Borrowings

Non-current	2017 £m	2016 £m
Syndicated Term Loan gross of unamortised debt issue costs	**363.0**	403.0
Unamortised debt issue costs	**(5.2)**	(7.4)
Total	**357.8**	395.6

The Syndicated Term Loan is repayable as follows:

	2017 £m	2016 £m
Within two to five years	**363.0**	403.0
Total	**363.0**	403.0

The carrying amounts of borrowings approximate their fair values.

Syndicated Term Loan (the debt under the terms of the Senior Facilities Agreement)
On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement. The associated debt transaction costs were £9.4m. The first utilisation was made on 24 March 2015 when £550.0m was drawn.

Interest on the Syndicated Term Loan is charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. There is no requirement to settle all or part of the debt earlier than the termination date in March 2020.

Under the Senior Facilities Agreement, the lenders also made available to the Company and Auto Trader Holding Limited a £30.0m revolving credit facility (the 'RCF'). The RCF was undrawn at 31 March 2017 (2016: undrawn). Cash drawings under the RCF would incur interest at LIBOR, plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group (31 March 2016: 1.25% and 3.0%). A commitment fee of 35% of the margin applicable to the RCF from time to time is payable quarterly in arrears on the unutilised amounts of the RCF.

During the year to 31 March 2017 the Group repaid £40.0m of the Syndicated Term Loan (2016: £147.0m).

The exposure of the Group's borrowings (excluding debt issue costs) to LIBOR rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2017 £m	2016 £m
One month or less	**363.0**	403.0
Total	**363.0**	403.0

Notes to the consolidated financial statements
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19. Provisions for other liabilities and charges

	Onerous lease and dilapidations provision £m	Restructuring provision £m	Holiday pay provision £m	Total £m
At 31 March 2016	1.1	0.2	0.3	1.6
Charged/(released) to the income statement	(0.4)	–	0.3	(0.1)
Received/(utilised) in the year	0.4	(0.2)	(0.3)	(0.1)
At 31 March 2017	**1.1**	**–**	**0.3**	**1.4**

	2017 £m	2016 £m
Current	**0.3**	0.5
Non-current	**1.1**	1.1
Total	**1.4**	1.6

The onerous lease provision was provided for future payments under property leases in respect of unoccupied properties no longer suitable for the Group's use. During the year, the Group disposed of the last remaining property and as a result, an exceptional credit of £0.4m was recognised.

Dilapidations have been provided for all UK and Ireland properties based on the estimate of costs upon exit of the leases, which expire between April 2025 and February 2029.

The restructuring provision related to redundancy and other costs concerning key relocations and reorganisations in the UK.

The holiday pay provision relates to liabilities for holiday pay in relation to the UK and Ireland operations for leave days accrued and not yet taken at the end of the financial year, and is expected to be fully utilised in the year to 31 March 2018.

20. Deferred taxation

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2015	–	4.6	–	**4.6**
Credited/(charged) to the income statement	0.3	(0.2)	–	**0.1**
Credited directly to equity	0.1	–	–	**0.1**
Effect of rate changes on deferred taxation	–	(0.5)	–	**(0.5)**
At 31 March 2016	0.4	3.9	–	**4.3**
Credited/(charged) to the income statement	0.4	(0.1)	–	**0.3**
Credited directly to equity	0.1	–	–	**0.1**
At 31 March 2017	**0.9**	**3.8**	**–**	**4.7**

Deferred taxation liabilities				
At 31 March 2015	–	–	0.6	**0.6**
Credited to the income statement	–	–	(0.2)	**(0.2)**
Effect of rate changes on deferred taxation	–	–	(0.1)	**(0.1)**
At 31 March 2016	–	–	0.3	**0.3**
Credited to the income statement	–	–	(0.1)	**(0.1)**
At 31 March 2017	**–**	**–**	**0.2**	**0.2**

The Group has estimated that £Nil of the Group's net deferred income tax asset will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

21. Retirement benefit obligations

Across the UK and Ireland the Group operates several pension schemes. All except one are defined contribution schemes. Within the UK, all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

In the year to 31 March 2017 the pension contributions to the Group defined contribution scheme amounted to £1.9m (2016: £1.9m). At 31 March 2017, there were £0.3m (31 March 2016: £0.3m) of pension contributions outstanding relating to the Group's defined contribution scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 31 March 2017 by a qualified independent actuary.

The amounts recognised in the balance sheet are determined as follows:

	2017 £m	2016 £m
Present value of funded obligations	**21.0**	17.5
Fair value of plan assets	**(21.4)**	(18.4)
Effect of surplus cap	**0.4**	0.9
Net liability recognised in the balance sheet	–	–

The surplus of £0.4m (2016: £0.9m) has not been recognised as an asset as it is not deemed to be recoverable by the Group.

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21. Retirement benefit obligations continued

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2017 £m	2016 £m
Interest income on net defined benefit obligation	-	–
Administration expenses paid by the scheme	-	–
Net retirement benefit income before taxation	-	–

The amounts recognised in the statement of other comprehensive income are as follows:

	2017 £m	2016 £m
Remeasurement (losses)/gains recognised in the year (before tax)	**(0.5)**	0.4
Effect of surplus cap	**0.5**	(0.4)
Total	**–**	–

The movement in the defined benefit obligations over the year is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 31 March 2015	19.1	(19.1)	**–**
Interest expense/(income)	0.6	(0.6)	**–**
Remeasurements:			
Gain from changes in financial assumptions	(1.2)	–	**(1.2)**
Gains arising from experience	(0.4)	–	**(0.4)**
Return on plan assets, excluding amounts included in interest income	–	1.2	**1.2**
Benefits paid	(0.6)	0.6	**–**
Effect of surplus cap	–	0.4	**0.4**
At 31 March 2016	17.5	(17.5)	**–**
Interest expense/(income)	0.6	(0.6)	**–**
Remeasurements:			
Loss from changes in financial assumptions	3.9	–	**3.9**
Gains arising from experience	(0.2)	–	**(0.2)**
Return on plan assets, excluding amounts included in interest income	–	(3.2)	**(3.2)**
Benefits paid	(0.8)	0.8	**–**
Effect of surplus cap	–	(0.5)	**(0.5)**
At 31 March 2017	**21.0**	**(21.0)**	**–**

The Company has agreed to contribute £70,000 per annum to the scheme with effect from 1 October 2016 for a period of three years. During the year to 31 March 2017, the Group contributed £29,165 to the scheme (2016: £Nil).

As at 31 March 2017, approximately 65% of the liabilities (2016: 65%) are attributable to former employees who have yet to reach retirement and 35% to current pensioners (2016: 35%).

The significant actuarial assumptions were as follows:

	2017 %	2016 %
Discount rate	**2.60**	3.55
Pension growth rate	**2.35**	2.15
Inflation rate ('RPI')	**3.45**	3.25

Sensitivity to key assumptions has not been disclosed as any reasonable possible changes would not result in a significant change to the amounts recorded in the financial statements.

The Group has assumed that mortality will be in line with nationally published mortality table S2NA with CMI 2015 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2017		2016	
	Male Years	Female Years	Male Years	Female Years
Member aged 65 (current life expectancy)	**88**	**90**	88	90
Member aged 45 (life expectancy at age 65)	**90**	**92**	90	92

Plan assets are comprised as follows:

	2017		2016	
	£m	%	£m	%
Equities	**12.0**	**56.1**	10.1	54.9
Corporate bonds	**8.3**	**38.8**	7.4	40.2
Real estate	**1.1**	**5.1**	0.9	4.9
Total	**21.4**	**100.0**	18.4	100.0

This defined benefit pension scheme exposes the Group to a number of risks, the most significant of which are:

Asset volatility
The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while creating volatility and risk in the short term. The allocation to equities is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the scheme liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk
A proportion of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although in most cases caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The weighted average duration of the defined benefit obligation is 22 years.

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22. Share capital

Share capital	2017 Number '000	2017 Amount £m	2016 Number '000	2016 Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**1,001,052**	**10.0**	1,000,000	1,500.0
New shares allotted	**-**	**-**	1,052	1.6
Capital reduction	**-**	**-**	-	(1,491.6)
Purchase and cancellation of own shares	**(22,081)**	**(0.2)**	-	-
Total	**978,971**	**9.8**	1,001,052	10.0

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM, the Company was authorised to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p, with a total consideration paid (inclusive of all costs) of £102.6m. 4,211,957 shares were purchased to be held in treasury, with 22,080,553 being cancelled.

Included within shares in issue at 31 March 2017 are 948,924 (2016: 1,021,224) shares held by the ESOT and 4,203,277 (2016:Nil) shares held in treasury, as detailed in note 23.

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The shares rank pari passu with the existing ordinary shares of the Company.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction created a significant amount of distributable reserves for the Company.

23. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	(1.6)	–	(1.6)
Transfer of shares from ESOT	0.1	–	0.1
Own shares held as at 31 March 2016	(1.5)	–	(1.5)
Own shares held as at 1 April 2016	(1.5)	–	(1.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(15.5)	(15.5)
Own shares held as at 31 March 2017	**(1.4)**	**(15.5)**	**(16.9)**

Own shares held – number	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of own shares held
Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	1,051,699	–	1,051,699
Transfer of shares from ESOT	(30,475)	–	(30,475)
Own shares held as at 31 March 2016	1,021,224	–	1,021,224
Own shares held as at 1 April 2016	1,021,224	–	1,021,224
Transfer of shares from ESOT	(72,300)	–	(72,300)
Shares purchased for treasury	–	4,211,957	4,211,957
Share-based incentives exercised in the year	–	(8,680)	(8,680)
Own shares held as at 31 March 2017	**948,924**	**4,203,277**	**5,152,201**

24. Dividends

Dividends declared and paid by the Company were as follows:

	2017		2016	
	Pence per share	**£m**	Pence per share	£m
2016 interim dividend paid	**–**	**–**	0.5	5.0
2016 final dividend paid	**1.0**	**9.9**	–	–
2017 interim dividend paid	**1.7**	**16.7**	–	–
	2.7	**26.6**	0.5	5.0

The proposed final dividend for the year ended 31 March 2017 of 3.5p per share, totalling £34.1m, is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2017 interim dividend paid on 27 January 2017 was £16.7m, being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 10 November 2016 and the dividend record date of 6 January 2017.

The 2016 final dividend paid on 30 September 2016 was £9.9m, being a difference of £0.1m compared to that reported in the 2016 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 9 June 2016 and the final dividend record date of 2 September 2016.

The Directors' policy with regards to future dividends is set out in the Strategic report on page 29.

25. Cash generated from operations

	2017 £m	2016 £m
Profit before taxation	**193.4**	155.0
Adjustments for:		
Depreciation	**3.2**	2.8
Amortisation	**4.8**	7.8
Share-based payments charge (excluding associated NI)	**4.0**	2.3
Finance costs	**9.7**	14.6
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**0.7**	(2.6)
Trade and other payables	**(2.3)**	5.3
Provisions	**(0.6)**	(5.1)
Cash generated from operations	**212.9**	180.1

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26. Share-based payments

The Group currently operates four share schemes: the Performance Share Plan, Deferred Annual Bonus Plan, Share Incentive Plan and the Sharesave scheme.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme.

The total charge in the year relating to the four schemes was £4.5m (2016: £2.5m) with a Company charge of £1.5m (2016: £0.7m). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Share Incentive Plan ('SIP')	**0.8**	0.7	**–**	–
Sharesave scheme ('SAYE')	**0.3**	0.1	**–**	–
Performance Share Plan ('PSP')	**2.4**	1.2	**1.0**	0.4
Deferred Annual Bonus Plan ('DABP')	**0.5**	0.3	**0.3**	0.2
Total share-based payment charge	**4.0**	2.3	**1.3**	0.6
NI and apprenticeship levy on applicable schemes	**0.5**	0.2	**0.2**	0.1
Total charge	**4.5**	2.5	**1.5**	0.7

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015, subject to a three-year service period ('Vesting Period'). The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured to be £2.72 using the Black-Scholes model. The resulting share-based payments charge is being spread evenly over the Vesting Period.

UK SIP

	2017 Number	2016 Number
Outstanding at 1 April	**913,917**	–
Awarded	**–**	1,051,699
Dividend shares awarded	**6,139**	–
Forfeited	**(69,589)**	(107,307)
Released	**(74,422)**	(30,475)
Outstanding at 31 March	**776,045**	913,917
Vested and Outstanding at 31 March	**–**	–

Irish SIP

	2017 Number	2016 Number
Outstanding at 1 April	**45,491**	–
Awarded	**–**	45,491
Forfeited	**(1,060)**	–
Released	**-**	–
Outstanding at 31 March	**44,431**	45,491
Vested and Outstanding at 31 March	**–**	–

The weighted average market value per ordinary share for SIP awards released in 2017 was 387.14p (2016: 344.25p).

The SIP shares outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.1 years (2016: 2.1 years).

Shares released relate to those attributable to good leavers as defined by the scheme rules.

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the OLT and certain key employees.

On 17 June 2016, the Group awarded 1,186,365 nil cost options under the PSP scheme. The extent to which such awards vest will depend upon the Group's performance over a three-year performance period following the award date. The vesting in June 2019 ('Vesting Date') of 25% of the 2016 PSP award will be dependent on a relative TSR performance condition measured over the performance period and the vesting of the 75% of the 2016 PSP award will be dependent on the satisfaction of a cumulative Underlying operating profit ('UOP') target measured over the performance period.

For details of TSR and UOP performance conditions refer to the Directors' remuneration report on pages 62 to 68.

The PSP awards have been valued using the Monte Carlo model for the TSR element and the Black-Scholes model for the Underlying operating profit element and the resulting share-based payments charge is being spread evenly over the period between the grant date and the Vesting Date.

Grant date	Condition	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
19 June 2015	TSR dependent	3.06	Nil	30	3.0	0.9	0.0	0.0	2.08
19 June 2015	UOP dependent	3.06	Nil	n/a	3.0	0.9	0.0	0.0	3.06
17 June 2016	TSR dependent	3.89	Nil	29	3.0	0.4	0.4	0.0	2.16
17 June 2016	UOP dependent	3.89	Nil	n/a	3.0	0.9	0.4	0.0	3.89

Expected volatility is estimated by considering historic average share price volatility at the grant date.

	2017 Number	2016 Number
Outstanding at 1 April	**1,641,267**	–
Options granted in the year	**1,186,365**	1,641,267
Forfeited	**(144,894)**	–
Outstanding at 31 March	**2,682,738**	1,641,267
Exercisable at 31 March	**-**	–

The PSP awards outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.6 years (2016: 2.2 years) and a weighted average contractual life of 8.7 years (2016: 9.2 years).

Deferred Annual Bonus Plan

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors and certain key senior executives.

Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Monte Carlo model and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

On 17 June 2016, the Group awarded 248,263 nil cost options under the DABP scheme

Grant date	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
17 June 2016	3.89	Nil	30	2.0	0.4	0.4	0.0	3.89

Notes to the consolidated financial statements
continued

26. Share-based payments continued

Expected volatility is estimated by considering historic average share price volatility at the grant date.

	2017 Number
Outstanding at 1 April	–
Options granted in the year	**248,263**
Forfeited	–
Outstanding at 31 March	**248,263**
Exercisable at 31 March	–

The DABP awards outstanding at 31 March 2017 have a weighted average remaining vesting period of 2.2 years (2016: n/a) and a weighted average contractual life of 9.2 years (2016: n/a).

The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2017 targets.

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. The assumptions used in the measurement of the fair value at grant date of the Sharesave plan are as follows:

	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
23 September 2015	3.28	2.64	30	3.0	1.0	0.0	33	0.96

Expected volatility is estimated by considering historic average share price volatility at the grant date. The requirement that an employee has to save in order to purchase shares under the Sharesave plan is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Black-Scholes pricing model.

	2017		2016	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,060,225**	**2.64**	–	–
Options granted in the year	–	–	1,096,112	2.64
Exercised	**(8,680)**	**2.64**	–	–
Lapsed	**(132,264)**	**2.64**	(35,887)	2.64
Outstanding at 31 March	**919,281**	**2.64**	1,060,225	2.64
Exercisable at 31 March	–	–	–	–

The weighted average market value per ordinary share for Sharesave options exercised in 2017 was 369.51p (2016 n/a).

The Sharesave options outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.7 years (2016: 2.7 years) and a weighted average contractual life of 2.2 years (2016: 3.2 years).

Sharesave options exercised relate to those attributable to good leavers as defined by the scheme rules.

27. Contingent liabilities and guarantees

A number of the Group's entities provide guarantees under the Group's Syndicated Term Loan agreement. The amount borrowed under this agreement at 31 March 2017 was £363.0m (2016: £403.0m).

28. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2017 £m	2016 £m	**2017 £m**	2016 £m
No later than one year	**1.4**	1.1	**0.6**	0.5
Later than one year and no later than five years	**9.9**	8.9	**0.7**	1.0
Later than five years	**12.4**	14.8	**–**	–
Total	**23.7**	24.8	**1.3**	1.5

At 31 March 2017, £11.8m (2016: £14.2m) of future lease payments payable after five years relate to the new Manchester and London properties. The lease terms on these properties are between 10 and 15 years and both lease agreements are renewable at the end of the lease period at market rate.

29. Post balance sheet event

On 25 April 2017, Auto Trader Limited, a subsidiary of the Group, acquired 100% of the share capital of Motor Trade Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year end were less than 1% of the revenue and profits of the Group. The acquisition accounting has not yet been concluded as of the date of these financial statements.

Company balance sheet

At 31 March 2017

	Note	2017 £m	2016 £m
Fixed assets			
Investments	3	**1,210.5**	1,207.8
		1,210.5	1,207.8
Current assets			
Debtors	4	**420.1**	440.3
		420.1	440.3
Creditors: amounts falling due within one year	5	**(118.4)**	(8.8)
Net current assets		**301.7**	431.5
Net assets		**1,512.2**	1,639.3
Capital and reserves			
Called-up share capital	8	**9.8**	10.0
Own shares held	9	**(16.9)**	(1.5)
Capital redemption reserve		**0.2**	–
Retained earnings		**1,519.1**	1,630.8
Total equity		**1,512.2**	1,639.3

The financial statements from pages 116 to 122 were approved by the Board of Directors and authorised for issue.

Sean Glithero
Director
8 June 2017

Auto Trader Group plc Registered number 09439967

Company statement of changes in equity

For the year ended 31 March 2017

	Share capital £m	Share premium account £m	Own shares held £m	Capital redemption reserve £m	Retained earnings/(deficit) £m	Total equity £m
Balance at March 2015	1,500.0	144.4	–	–	(1.3)	**1,643.1**
Loss for the period	–	–	–	–	(1.1)	**(1.1)**
Total comprehensive expense, net of tax	–	–	–	–	(1.1)	**(1.1)**
Transactions with owners:						
Issue of share capital	1.6	–	(1.6)	–	–	**–**
Reduction in share capital	(1,491.6)	(144.4)			1,636.0	**–**
Transfer from ESOT	–	–	0.1	–	(0.1)	**–**
Dividends paid	–	–	–	–	(5.0)	**(5.0)**
Share-based payments	–	–	–	–	2.3	**2.3**
Total transactions with owners, recognised directly in equity	(1,490.0)	(144.4)	(1.5)	–	1,633.2	**(2.7)**
Balance at March 2016	10.0	–	(1.5)	–	1,630.8	**1,639.3**
Loss for the year	–	–	–	–	(1.9)	**(1.9)**
Total comprehensive expense, net of tax	–	–	–	–	(1.9)	**(1.9)**
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(87.1)	**(87.1)**
Purchase of treasury shares	–	–	(15.5)	–	–	**(15.5)**
Transfer from ESOT	–	–	0.1	–	(0.1)	**–**
Dividends paid	–	–	–	–	(26.6)	**(26.6)**
Share-based payments	–	–	–	–	4.0	**4.0**
Total transactions with owners recognised directly in equity	(0.2)	–	(15.4)	0.2	(109.8)	**(125.2)**
Balance at March 2017	**9.8**	**–**	**(16.9)**	**0.2**	**1,519.1**	**1,512.2**

Notes to the Company financial statements

1. Accounting policies

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 13 February 2015 and adopted FRS 102 from that date.

Statement of compliance and basis of preparation
The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is for the 369 day period ended 31 March 2017. The comparative financial information presented is at and for the 364 day (52 week) period ended 27 March 2016. Financial period ends have been referred to as 31 March throughout the consolidated financial statements as per the Company's accounting reference date.

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report.

The Company financial statements have been prepared in sterling which is the functional and presentational currency of the Company and have been presented in round £m.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Auto Trader Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £1.9m (2016: loss of £1.1m).

As the Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12, the following exemptions have been applied:

- no separate parent company cash flow statement with related notes has been included; and
- Key Management personnel compensation has not been included a second time.

Amounts paid to the Company's auditors in respect of the statutory audit were £55,000 (2016: £50,000).

Estimation techniques
The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are

- share-based payments; and
- carrying value of investments.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 of the Group accounts. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regards to the inputs to that model and the period over which the share award is expected to vest (note 26 of the consolidated Group financial statements).

The Group considers annually whether the carrying value of investments has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of investments have been determined based on value-in-use calculations, which require the use of estimates.

Investments in subsidiaries
Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve. Where the Group purchases its own equity share capital to hold in Treasury, the consideration paid for the shares is shown as own shares held within equity.

Shares held by the Employee Share Option Trust
Shares in the Company held by the Employee Share Option Trust ('ESOT') are included in the balance sheet at cost as a deduction from equity.

Taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred on the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

a) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price (unless the arrangement constitutes a financing transaction) and are subsequently carried at amortised cost using the effective interest method.

Financial assets which constitute a financing transaction are measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Dividend distribution

Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders in the case of final dividends. In respect of interim dividends, these are recognised once paid.

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 62 to 68.

Notes to the Company financial statements continued

3. Investments in subsidiaries

	2017 £m	2016 £m
At beginning of the period	**1,207.8**	1,206.2
Additions	**2.7**	1.6
At end of the period	**1,210.5**	1,207.8

The additions in the year and prior year relate to equity-settled share-based payments granted to the employees of subsidiary companies.

Subsidiary undertakings
At 31 March 2017 the Company's related undertakings were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited[2]	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited[2]	England and Wales	Classified listings	Ordinary	–	100%
Trader Licensing Limited[2]	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Holdings Ireland Limited[1,3]	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Ireland Unlimited[1,3]	Republic of Ireland	Holding company	Ordinary	–	100%
Webzone Limited[3]	Republic of Ireland	Classified listings	Ordinary	–	100%

1 As at 31 March 2017 the denoted companies were in the process of members' voluntary liquidation as part of a Group structuring project. As such they are not required to undertake a statutory audit or prepare individual company financial statements.
2 Registered office address for UK companies is shown on the inside back cover.
3 Registered office address for the Republic of Ireland companies is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

4. Debtors

	2017 £m	2016 £m
Amounts owed by Group undertakings	**419.7**	440.0
Deferred tax asset	**0.4**	0.2
Corporation tax receivable	**-**	0.1
	420.1	440.3

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

5. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Amounts owed to Group undertakings	**117.5**	8.3
Accruals and deferred income	**0.9**	0.5
	118.4	8.8

Amounts owed to Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

6. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2017 and period ended 31 March 2016 may be analysed as follows:

Financial assets	2017 £m	2016 £m
Financial assets measured at amortised cost	**419.7**	440.0

Financial liabilities	2017 £m	2016 £m
Financial liabilities measured at amortised cost	**118.4**	8.8

Current assets and liabilities
Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

7. Dividends

Dividends declared and paid by the Company were as follows:

	2017		2016	
	Pence per share	**£m**	Pence per share	£m
2016 interim dividend paid	**–**	**–**	0.5	5.0
2016 final dividend paid	**1.0**	**9.9**	–	–
2017 interim dividend paid	**1.7**	**16.7**	–	–
	2.7	**26.6**	0.5	5.0

The proposed final dividend for the year ended 31 March 2017 of 3.5p per share, totalling £34.1m is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2017 interim dividend paid on 27 January 2017 was £16.7m, being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 10 November 2016 and the dividend record date of 6 January 2017.

The 2016 final dividend paid on 30 September 2016 was £9.9m, being a difference of £0.1m compared to that reported in the 2016 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 9 June 2016 and the final dividend record date of 2 September 2016.

The Directors' policy with regards to future dividends is set out in the Strategic report on page 29.

8. Called-up share capital

	2017		2016	
Share capital	**Number '000**	**Amount £m**	Number '000	Amount £m
Allotted, called-up and fully paid: Ordinary shares of 1p each				
At 1 April	**1,001,052**	**10.0**	1,001,000	1,500.0
New shares allotted	**-**	**-**	1,052	1.6
Capital reduction	**-**	**-**	-	(1,491.6)
Purchase and cancellation of own shares	**(22,081)**	**(0.2)**	-	-
Total	**978,971**	**9.8**	1,001,052	10.0

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM, the Company was authorised to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p, with a total consideration paid (inclusive of all costs) of £102.6 million. 4,211,957 shares were purchased to be held in treasury, with 22,080,553 being cancelled.

Included within shares in issue at 31 March 2017 are 948,924 (2016: 1,021,224) shares held by the ESOT and 4,203,277 (2015:Nil) shares held in treasury, as detailed in note 9.

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The shares rank pari passu with the existing ordinary shares of the Company.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction created a significant amount of distributable reserves for the Company.

Notes to the Company financial statements
continued

9. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	(1.6)	–	(1.6)
Transfer of shares from ESOT	0.1	–	0.1
Own shares held as at 31 March 2016	(1.5)	–	(1.5)
Own shares held as at 1 April 2016	(1.5)	–	(1.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(15.5)	(15.5)
Own shares held as at 31 March 2017	**(1.4)**	**(15.5)**	**(16.9)**

Own shares held – number	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of own shares held
Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	1,051,699	–	1,051,699
Transfer of shares from ESOT	(30,475)	–	(30,475)
Own shares held as at 31 March 2016	1,021,224	–	1,021,224
Own shares held as at 1 April 2016	1,021,224	–	1,021,224
Transfer of shares from ESOT	(72,300)	–	(72,300)
Shares purchased for treasury	–	4,211,957	4,211,957
Share-based incentives exercised in the year	–	(8,680)	(8,680)
Own shares held as at 31 March 2017	**948,924**	**4,203,277**	**5,152,201**

10. Contingent liabilities and guarantees

The Company is a guarantor to a borrowing facility relating to a loan provided to a Group entity. The amount borrowed under this agreement at 31 March 2017 was £363.0m (2016: £403.0m).

11. Related parties

During the year, a management charge of £1.9m (2016: £2.0m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £419.7m and £117.5m respectively for debtors and creditors (2016: £440.0m and £8.3m) as set out in notes 4 and 5.

Shareholder information

Registered office and headquarters
Auto Trader Group plc
1 Tony Wilson Place
Manchester
M15 4FN
United Kingdom
Registered number: 09439967
Tel: +44 (0) 161 669 9888
Web: **autotrader.co.uk**
Web: **about-us.autotrader.co.uk**
Investor relations: **ir@autotrader.co.uk**

Company Secretary
Claire Baty

Joint stockbrokers
Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Independent auditors
KPMG LLP
1 St. Peter's Square
Manchester
M2 3AE

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Tel UK: +44 (0) 871 664 0300
(calls cost 12p per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays in England and Wales)

Tel international: +44 (0) 371 664 0300
(charged at the appropriate international rate)

Web: **capitaassetservices.com**
Email: **shareholder.enquiries@capita.co.uk**

Financial calendar 2017–2018

Annual General Meeting	21 September 2017
Half-year results	9 November 2017
2018 Full-year results	June 2018

Shareholder enquiries
Our registrars will be pleased to deal with any questions regarding your shareholdings (see contact details in the opposite column). Alternatively, if you have internet access, you can access **autotradershares.co.uk** where you can view and manage all aspects of your shareholding securely including electronic communications, account enquiries or amendment to address.

Investor relations website
The investor relations section of our website, **about-us.autotrader.co.uk/investors**, provides further information for anyone interested in Auto Trader. In addition to the Annual Report and Financial Statements and share price, Company announcements including the full-year results announcements and associated presentations are also published there.

Cautionary note regarding forward-looking statements
Certain statements made in this Report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this Report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this Report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Auto Trader Group plc does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.