1. Our opinion is unmodified

In our opinion:

- The financial statements of Auto Trader Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023, and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers
We have audited the Group and Parent Company financial statements of Auto Trader Group plc ('the Company') for the year ended 31 March 2023 ('FY23') included in the Annual Report and Financial Statements, which comprise:

Group (Auto Trader Group plc)	Parent Company (Auto Trader Group plc)
Consolidated income statement	Company balance sheet
Consolidated statement of comprehensive income	Company statement of changes in equity
Consolidated balance sheet	Notes 1 to 12 to the Parent Company financial statements, including the accounting policies in note 1.
Consolidated statement of changes in equity	
Consolidated statement of cash flows	
Notes 1 to 35 to the Group financial statements, including the accounting policies in note 2.	

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ('AC').

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks
On 22 June 2022 the Company acquired Autorama UK Limited. The identification and valuation of acquired intangible assets is a new significant audit risk of error and a key audit matter. This is due to the material values associated with the acquisition and the nature of the judgements and estimates which the Group is required to make to identify and fair value the intangible assets acquired.

We have identified a key audit matter relating to revenue recognition over Trade revenue. This is the main driver of the Group's results and its size is reflected in the allocation of our resources in planning and executing the audit. Consistent with the prior year, we do not consider this to be a significant audit risk of material misstatement, as based on our cumulative audit experience, we have concluded that there is not a material judgement or estimation in Trade revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions.

We have identified a key audit matter over the recoverability of the parent company's two investments in subsidiaries (2022: one investment). The recoverability of the investments is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is the area that had the greatest effect on our overall Parent Company audit.

Key audit matters	Vs prior year	Item
Identification and valuation of acquired intangible assets	+	4.1
Revenue recognition (Trade revenue)	◀▶	4.2
Parent Company: Recoverability of parent company's investments in subsidiaries	↑	4.3

Audit Committee interaction
During the year, the Audit Committee met 4 times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each key audit matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each.

The matters included in the Audit Committee Chair's report on page 70 are materially consistent with our observations of those meetings.

Our independence
We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2017. The period of total uninterrupted engagement is for the seven financial years ended 31 March 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by David Derbyshire, he will be required to rotate off after the FY25 audit.

The Group engagement partner is also responsible for component audits as set out in section 7 and has had a tenure of three years.

Total audit fee	£502,000
Audit related fees (including interim review)	£48,000
Other services	£nil
Non-audit fee (excluding interim review) as a percentage of total audit and audit-related fee percentage	0%
Date first appointed	22 September 2016
Uninterrupted audit tenure	7 years
Next financial period which requires a tender	2027
Tenure of Group engagement partner	3 years
Tenure of component signing partner	3 years

2. Overview of our audit continued

Materiality
(Item 6)

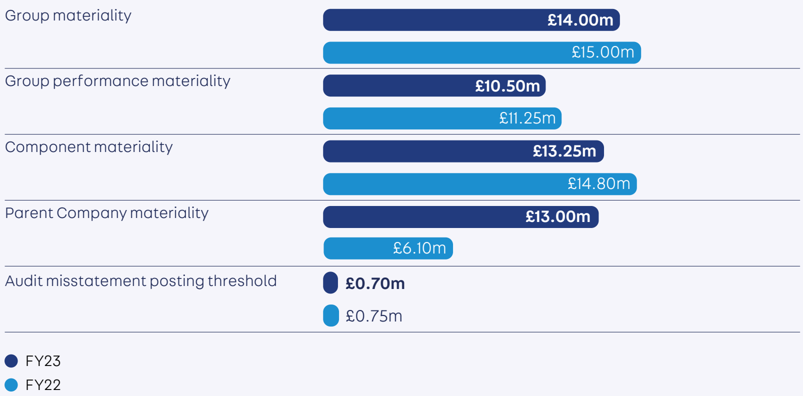
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £14.0m (FY22: £15.0m).

Consistent with FY22, we determined that profit before tax remains the benchmark for the Group. As such, we based our Group materiality on profit before tax of which it represents 4.8% (FY22: 5.0%).

Materiality for the parent company financial statements as a whole was set at £13.0m (2022: £6.1m), determined with reference to a benchmark of total assets, limited to be less than materiality for group materiality as a whole. It represents 0.75% (2022: 0.5%) of the stated benchmark.

Materiality levels used in our audit



Group scope
(Item 7)

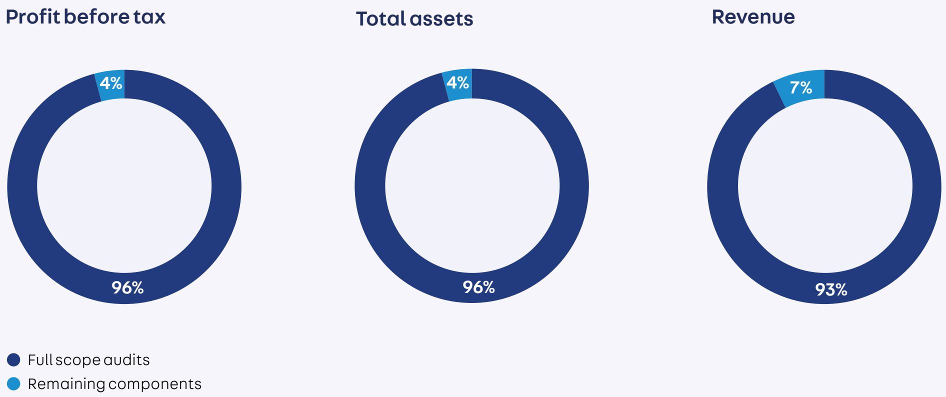
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components.

Of the Group's 6 (FY22: 5) reporting components, we subjected 1 (FY22: 3) to a full scope audit for Group purposes. The audit of this component and the audit of the parent company was performed by the Group team.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements



The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its Financial Statements. The Group has set out its commitments under the Paris Agreement to achieve net zero carbon emissions by 2040. Further information is provided in the Group's Task Force on Climate-related Financial Disclosures ('TCFD') recommended disclosures on pages 30 to 37.

As a part of our audit we have performed a risk assessment, including making enquiries of management, reading board meeting minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's Financial Statements. Taking into account the nature of the business and the limited impact of climate change on the assumptions in impairment testing, we have not assessed climate related risk to be significant to our audit this year. There was no impact on our key audit matters.

We have read the Group's TCFD in the front half of the annual report and considered consistency with the Financial Statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures set out on pages 30 to 37 in the Annual Report.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that, the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Going concern
We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were lower than forecast revenues arising from reduced customer demand in the automotive market. We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the Group's liquidity or covenant compliance in the going concern period by assessing the degree of downside assumptions that, individually and collectively, could result in a liquidity shortfall, taking into account the Group's current and projected cash and borrowing facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions
- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 57 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability
Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the viability statement on page 57 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The principal risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- The Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 57 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting
We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- The overall audit strategy;
- The allocation of resources in the audit; and
- Directing the efforts of the engagement team.

We include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Identification and valuation of acquired intangible assets (Group)

Financial statement elements		Our assessment of risk	Our results
	FY23	+ This is a new risk in FY23 as a result of the Group's acquisition of Autorama UK Limited on 22 June 2022.	**FY23: Acceptable**
Acquired intangibles	**£66.5m**		

Description of the key audit matter	Our response to the risk
Subjective estimate On 22 June 2022 Auto Trader Group plc acquired Autorama UK Limited. The complete identification and valuation of acquired intangible assets is a new significant audit risk of error and a key audit matter. This is due to the material values associated with the business combination: the judgements relating to the complete identification of intangible assets acquired separate from goodwill; and the estimates which the Group is required to make to assess the fair value of those intangible assets which are separately identified. Estimation is required in making assumptions relating to the fair value of each intangible asset, including: useful economic life; the discount rate, and, for the brand intangible asset, the rate of obsolescence and the transaction volumes used in forecasting future revenue. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the fair value of separate intangible assets acquired of £66.5m had a high degree of judgement and estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the fair value of the brand intangible asset only had a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 31) disclose sensitivity factors estimated by the Group.	Due to the nature of the balance, we expect to obtain audit evidence primarily through the procedures described below, rather than seeking to rely on any of the Group's controls. Our procedures to address the risk included: • Our sector experience: with the assistance of our valuation specialists, assessing the completeness of intangible assets identified, based on our experience of similar acquisitions, including whether separate intangible assets arose from supplier relationships (original equipment manufacturers and funders). • Methodology choice: with the assistance of our valuation specialists, assessing that the valuation methodologies used were in accordance with relevant accounting standards and acceptable valuation practice. • Benchmarking assumptions: with the assistance of our valuation specialists, challenging the key valuation assumptions, such as the brand useful economic life, the brand obsolescence rate and the discount rate, by comparing them to externally derived data and comparable transactions. • Benchmarking assumptions: comparing the transaction volumes used in the brand valuation revenue assumption to market forecasts relating to growth in motor vehicle leasing and electric vehicle adoption. • Test of detail: We compared the cost data used in the technology asset valuation to the related historic accounting records. • Sensitivity analysis: performing sensitivity analysis on the key assumptions noted above. • Assessing transparency: assessing the sufficiency of the Group's disclosures in respect of the critical accounting judgment over identification of intangible assets acquired and the critical accounting estimates relating to the valuation of separately identifiable intangible assets and the residual goodwill.

Communications with Auto Trader Group plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Whether supplier relationships (original equipment manufacturers and funders) represent a separately identifiable intangible asset.
- Our approach and conclusion on the appropriateness of valuation methodology; the key assumptions used in the valuation; and the adequacy of financial statement disclosures.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- Determination of whether supplier relationships (OEMs, funders and insurers) represent a separately identifiable intangible asset.
- Evaluation of reasonably possible changes to the fair value of the brand intangible asset which had a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our results
We found the Group's complete identification and fair valuation of intangible assets acquired in Autorama UK Limited to be acceptable.

Further information in the Annual Report and Accounts: See the Report of the Audit Committee on page 70 for details on how the Audit Committee considered acquisition accounting as an area of significant attention, page 120 for the accounting policy on Business Combinations, and note 31 for the financial disclosures on page 148.

4.2 Revenue recognition (Trade revenue) (Group)

Financial statement elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Trade revenue	**£427.4m**	£388.3m	Our assessment is that the risk is similar to FY22, reflecting how the majority of the Group's revenue processing is performed and recognised on a consistent basis in both years.	**FY23: Acceptable** FY22: Acceptable

Description of the key audit matter

Data processing error

Trade revenue primarily consists of fees for advertising on the Group's website and related data and access services. There are a high volume of transactions, no significant concentration of customers and a variety of set packages. Retailers have the ability to select the combination of products they receive.

Based on our cumulative audit experience, we have concluded that there is not a material judgement or estimation in Trade revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions.

We continue to consider Trade revenue recognition to be a key audit matter as it is the main driver of the Group's results and its size is reflected in the allocation of our resources in planning and executing the audit.

Our response to the risk

We performed the tests below rather than seeking to rely significantly on the Group's controls, other than bank reconciliations, because the nature of the Group's Trade revenue is such that we were able to obtain sufficient audit evidence through substantive audit procedures.

Our procedures to address the risk included:

- Control design and operation: testing the design, implementation and operating effectiveness of bank reconciliation controls, to provide evidence over reliability of cash data used in our tests of detail.
- Accounting analysis: inspecting contractual terms, including modifications agreed in the year, to identify performance obligations and determine the timing of revenue recognition.
- Data comparisons: using computer assisted audit techniques to match sales information from the billing system to the accounting records.
- Tests of detail: using computer assisted audit techniques to match the entire population of Trade sales transactions recorded in the accounts to the billing system and from the billing system to cash received and Trade receivables (including accrued income) outstanding at the year end.
- Tests of detail: inspecting the level of credit notes raised during the year and after the year end to assess the adequacy of the credit note provision and to confirm that Trade revenue recognised in the year is not reversed subsequent to year end.
- Tests of detail: using sampling techniques and substantive analytical procedures to test that Trade revenue accrued income (being uninvoiced Trade receivables) has been earned in the year and is accurately and completely recorded.

Communications with Auto Trader Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Reporting of the findings from our computer assisted audit techniques, which matched sales transactions between the accounts, the billing system, and cash received and trade receivables outstanding at year end.

Areas of particular auditor judgement

We identified no areas of particular auditor judgement.

Our results

We considered the amount of Trade revenue recognised in the year to be acceptable (2022: acceptable).

Further information in the Annual Report and Accounts: See the Report of the Audit Committee on page 70 for details on how the Audit Committee considered revenue recognition as an area of significant attention, pages 115 to 117 for the accounting policy on Revenue, and note 5 for the financial disclosures on page 124.

4. Key audit matters continued

4.3 Recoverability of parent company's investment in subsidiaries (parent company)

Financial statement elements			Our assessment of risk	Our results
	FY23	FY22	↑ Our assessment is that the risk is increased on FY22 as a result of the additional investment in the year in Autorama UK Limited.	**FY23: Acceptable** FY22: Acceptable
Investment in Auto Trader Holding Limited	**£1,228.4m**	£1,224.9m		
Investment in Autorama UK Limited	**£198.8m**	£nil		

Description of the key audit matter

Low risk, high value

The carrying amount of the Parent Company's investments in subsidiaries represents 81% (FY22: 71%) of the Parent Company's total assets. The increase in the balance since 31 March 2022 reflects a new investment of £198.8m in Autorama UK Limited which has been made in the current financial year. The balance of £1,228.4m relates to the core Auto Trader Holding Limited subsidiary.

The recoverability of the investments is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- Assessing methodology: Assessing the Group's identification of whether there are any qualitative or quantitative impairment indicators in respect of the investments held.
- Compare valuations: Comparing the aggregate carrying amount of the investments to the market capitalisation of the Group, as a test for an indication of impairment.
- Tests of detail: Comparing the carrying amount of each investment with the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset value, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessing whether the subsidiary has historically been profit-making
- Our sector experience: Evaluating the current level of trading, including identifying any indications of a change in expected activity, by examining the post year end management accounts and considering our knowledge of the Group and the market.
- Benchmarking assumptions: For the investments where the carrying amount exceeded the net asset value, comparing the assumptions used in the investment's budgeted cash flows with our knowledge of the subsidiary and the markets in which the subsidiaries operate.

Communications with Auto Trader Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Discussion of growth assumptions within the forecast cash flows relating to Autorama UK Limited.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- We identified no areas of particular auditor judgement.

Our results

We found the carrying amount of the investment in subsidiaries to be acceptable (2022: acceptable).

5. Our ability to detect irregularities, and our response

Fraud: identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: • Enquiring of directors, the Audit Committee, internal audit and the company secretary and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the outsourced internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud; • Reading Board and other committee meeting minutes; • Considering remuneration incentive schemes and performance targets for management and directors, including the Group's share based incentive schemes; • Using analytical procedures to identify any unusual or unexpected relationships; and • Consultation with our own forensic professional regarding our fraud risk assessment and the identified fraud risk.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no material judgement or estimation in revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions. We did not identify any additional fraud risks.
Procedures to address fraud risks	We performed procedures including: • Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts and those posted with unusual descriptions. • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations: identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions legislation in respect of defined benefit pension schemes and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: General Data Protection Regulation, FCA compliance, competition law, employment law, anti-bribery and anti-corruption, money laundering legislation and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

Materiality for the Group financial statements as a whole: £14.0m (FY22: £15.0m)
What we mean
A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied
Materiality for the Group financial statements as a whole was set at £14.0m (FY22: £15.0m). This was determined with reference to a benchmark of profit before tax.

Consistent with FY22, we determined that profit before tax remains the main benchmark for the Group as it is the metric in the primary statements which best reflects the focus of the financial statements' users.

Our Group materiality of £14.0m was determined by applying a percentage to profit before tax. When using a benchmark of profit before tax to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 3% – 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.8% (FY22: 5.0%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £13.0m (FY22: £6.1m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.75% (FY22: 0.5%). We increased Parent Company materiality during our final audit from £7.0m set at planning to £13.0m to better reflect the risk profile of this entity, whilst still limiting materiality to be less than that for Group materiality as a whole.

Performance materiality: £10.5m (FY22: £11.3m)
What we mean
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied
We have considered performance materiality at a level of 75% (FY22: 75%) of materiality for Auto Trader Group plc's financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £9.8m (FY22: £4.6m), which equates to 75% (FY22: 75%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

Audit misstatement posting threshold: £0.7m (FY22: £0.8m)
What we mean
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to Auto Trader Group plc's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied
We set our audit misstatement posting threshold at 5% (FY22: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £14.0m (FY22: £15.0m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group profit before tax		Total Group assets	
	FY23	FY22	FY23	FY22	FY23	FY22
Financial statement caption	**£500.2m**	£432.7m	**£293.6m**	£301.0m	**£662.7m**	£542.9m
Group materiality as % of caption	**2.8%**	3.5%	**4.8%**	5.0%	**2.1%**	2.8%

7. The scope of our audit

Group scope
What we mean
How the Group audit team determined the procedures to be performed across the Group.

Of the Group's 6 (FY22: 5) reporting components, we subjected 1 (FY22: 3) to a full scope audit for Group purposes. The audit of this component and the audit of the parent company was performed by the Group team.

Scope	Number of components	Materiality applied
Full scope audit	1	£13.3m

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information
Our responsibility
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report
Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:

- We have not identified material misstatements in the strategic report and the directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
Our responsibility
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures
Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, 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;
- The section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- The section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting
Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

8. Other information in the Annual Report continued

Other matters on which we are required to report by exception

Our responsibility

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.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
1 June 2023

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Revenue	5	**500.2**	432.7
Operating costs	4	**(225.1)**	(132.0)
Share of profit from joint ventures, net of tax	16	**2.5**	2.9
Operating profit	6	**277.6**	303.6
Net finance costs	9	**(3.1)**	(2.6)
Profit on disposal of subsidiary	10	**19.1**	–
Profit before taxation		**293.6**	301.0
Taxation	11	**(59.7)**	(56.3)
Profit for the year attributable to equity holders of the parent		**233.9**	244.7
Basic earnings per share (pence)	12	**25.01**	25.61
Diluted earnings per share (pence)	12	**24.77**	25.56

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Profit for the year		**233.9**	244.7
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.3)**	0.2
Realisation of cumulative currency translation differences		**0.4**	–
		0.1	0.2
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax	25	**(0.4)**	0.2
Other comprehensive income for the year, net of tax		**(0.3)**	0.4
Total comprehensive income for the year attributable to equity holders of the parent		**233.6**	245.1

At 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	13	**501.0**	355.6
Property, plant and equipment	14	**15.9**	14.7
Deferred taxation assets	24	**–**	1.4
Retirement benefit surplus	25	**0.5**	3.7
Net investments in joint ventures	16	**49.3**	49.7
Other investments	17	**2.3**	–
		569.0	425.1
Current assets			
Inventory	19	**3.6**	–
Trade and other receivables	18	**72.9**	65.9
Current income tax assets		**0.6**	0.6
Cash and cash equivalents	20	**16.6**	51.3
		93.7	117.8
Total assets		**662.7**	542.9
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	26	**9.3**	9.5
Share premium		**182.6**	182.6
Retained earnings		**1,390.3**	1,332.4
Own shares held	27	**(26.0)**	(22.4)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Capital redemption reserve		**1.2**	1.0
Other reserves		**30.7**	30.2
Total equity		**527.3**	472.5
Liabilities			
Non-current liabilities			
Borrowings	22	**57.5**	–
Provisions	23	**1.3**	1.3
Lease liabilities	15	**4.6**	6.5
Deferred income	5	**8.3**	8.9
Deferred taxation liabilities	24	**5.8**	–
		77.5	16.7
Current liabilities			
Trade and other payables	21	**53.6**	42.0
Provisions	23	**0.7**	0.7
Lease liabilities	15	**2.5**	3.0
Borrowings	22	**1.1**	–
Deferred consideration		**–**	8.0
		57.9	53.7
Total liabilities		**135.4**	70.4
Total equity and liabilities		**662.7**	542.9

The financial statements were approved by the Board of Directors on 1 June 2023 and authorised for issue:

Jamie Warner
Chief Financial Officer
Auto Trader Group plc
Registered number: 09439967
1 June 2023

For the year ended 31 March 2023

	Note	Share capital £m	Share premium £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at 31 March 2021		**9.7**	**182.4**	**1,307.3**	**(10.7)**	**(1,060.8)**	**0.8**	**30.0**	**458.7**
Profit for the year		–	–	244.7	–	–	–	–	244.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations, net of tax	25	–	–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	–	244.9	–	–	–	0.2	245.1
Transactions with owners									
Employee share schemes – value of employee services	30	–	–	5.1	–	–	–	–	5.1
Exercise of employee share schemes		–	–	(4.8)	6.0	–	–	–	1.2
Transfer of shares from ESOT	27	–	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	–	0.1	–	–	–	–	0.1
Purchase of own shares for treasury		–	–	–	(17.8)	–	–	–	(17.8)
Purchase of own shares for cancellation		(0.2)	–	(146.5)	–	–	0.2	–	(146.5)
Issue of ordinary shares	26	–	0.2	–	–	–	–	–	0.2
Dividends paid		–	–	(73.6)	–	–	–	–	(73.6)
Total transactions with owners, recognised directly in equity		(0.2)	0.2	(219.8)	(11.7)	–	0.2	–	(231.3)
Balance at 31 March 2022		**9.5**	**182.6**	**1,332.4**	**(22.4)**	**(1,060.8)**	**1.0**	**30.2**	**472.5**
Profit for the year		–	–	233.9	–	–	–	–	233.9
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	(0.3)	(0.3)
Realisation of cumulative currency translation differences		–	–	–	–	–	–	0.4	0.4
Remeasurements of post-employment benefit obligations, net of tax	25	–	–	(0.4)	–	–	–	–	(0.4)
Total comprehensive income, net of tax		–	–	233.5	–	–	–	0.1	233.6
Transactions with owners									
Employee share schemes – value of employee services	30	–	–	44.6	–	–	–	–	44.6
Exercise of employee share schemes		–	–	(3.6)	5.1	–	–	0.4	1.9
Tax impact of employee share schemes		–	–	0.4	–	–	–	–	0.4
Purchase of own shares for treasury		–	–	–	(8.7)	–	–	–	(8.7)
Purchase of own shares for cancellation		(0.2)	–	(139.3)	–	–	0.2	–	(139.3)
Dividends paid		–	–	(77.7)	–	–	–	–	(77.7)
Total transactions with owners, recognised directly in equity		(0.2)	–	(175.6)	(3.6)	–	0.2	0.4	(178.8)
Balance at 31 March 2023		**9.3**	**182.6**	**1,390.3**	**(26.0)**	**(1,060.8)**	**1.2**	**30.7**	**527.3**

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	29	**327.4**	328.1
Income taxes paid		**(60.5)**	(56.2)
Net cash generated from operating activities		**266.9**	271.9
Cash flows from investing activities			
Purchases of intangible assets		**(1.0)**	–
Purchases of property, plant and equipment		**(2.4)**	(2.8)
Proceeds from sale of property, plant and equipment		**1.8**	–
Dividends received from joint ventures	16	**2.9**	7.8
Payment for acquisition of subsidiary, net of cash acquired	31	**(144.2)**	–
Payment of deferred consideration for acquisition of subsidiary	31	**(8.1)**	–
Payment for acquisition of shares in investment entities		**(1.3)**	–
Proceeds on disposal of subsidiary, net of cash disposed	10	**25.6**	–
Net cash used in investing activities		**(126.7)**	5.0
Cash flows from financing activities			
Dividends paid to Company's shareholders	28	**(77.7)**	(73.6)
Drawdown of Syndicated revolving credit facility	22	**110.0**	–
Repayment of Syndicated revolving credit facility	22	**(50.0)**	(30.0)
Repayment of other debt	33	**(4.0)**	–
Proceeds from loan	33	**1.1**	–
Payment of refinancing fees	22	**(1.4)**	–
Payment of interest on borrowings	33	**(3.0)**	(1.5)
Payment of lease liabilities	15	**(2.9)**	(3.2)
Purchase of own shares for cancellation	26	**(138.6)**	(145.8)
Purchase of own shares for treasury	27	**(8.7)**	(17.7)
Payment of fees on purchase of own shares		**(0.7)**	(0.8)
Contributions to defined benefit pension scheme	25	**(1.0)**	(0.1)
Proceeds from exercise of share-based incentives		**2.0**	1.4
Net cash used in financing activities		**(174.9)**	(271.3)
Net (decrease)/increase in cash and cash equivalents		**(34.7)**	5.6
Cash and cash equivalents at beginning of year	20	**51.3**	45.7
Cash and cash equivalents at end of year	20	**16.6**	51.3

1. 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 Consolidated financial statements of the Company as at and for the year ended 31 March 2023 comprise the Company and its interest in subsidiaries (together referred to as 'the Group'). The Group's principal business is the operation of the Auto Trader platforms which form the UK's largest automotive marketplace.

The Consolidated financial statements of the Group as at and for the year ended 31 March 2023 are available upon request to the Company Secretary from the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN or are available on the corporate website at plc.autotrader.co.uk.

Basis of preparation

The Consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards.

The Consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, except for equity investments which are carried at fair value.

Functional and presentation currency

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.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. Control exists when the Group has existing rights that give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition 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.

When the Group disposes of a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in the income statement.

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

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as: joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

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.

Going concern

During the year ended 31 March 2023 the Group has continued to generate significant cash from operations. The Group has an overall positive net asset position and had cash balances of £16.6m at 31 March 2023 (2022: £51.3m). During the year £225.0m was returned to shareholders through share buybacks and dividends (2022: £237.1m).

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). At 31 March 2023 the Group had £60.0m (2022: nil) drawn of its £200.0m Syndicated RCF. The £200.0m Syndicated RCF is committed through to maturity in February 2028.

Cash flow projections for a period of not less than 12 months from the date of this report have been prepared. Stress case scenarios have been modelled to make the assessment of going concern, taking into account severe but plausible potential impacts of a severe economic downturn and a data breach within the next 12 months. The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, the Group would be able to withstand the impact and remain cash generative. Subsequent to the year end, the Group has generated cash flows in line with its forecast and there are no events that have adversely impacted the Group's liquidity.

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 UK-adopted international accounting standards 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.

Management believe that the estimates and assumptions listed below were significant in the preparation of the Consolidated balance sheet at the financial year end.

Acquisition accounting (judgement and estimate)
The Group acquired Autorama UK Limited ('Autorama') in the year. Business combination accounting has been adopted in line with the accounting policy in note 2. Judgement was required to determine the acquired intangible assets to be separately identified, as described in note 31. In particular, it was concluded that supplier relationships with funders and car manufacturers did not meet the criteria for recognition as separate intangible assets and their value would form part of the goodwill arising on acquisition. For those acquired intangible assets which are separately identified, principally the Vanarama brand, estimation was then required to determine the appropriate methodology, assumptions and data to measure their fair value at the acquisition date.

As also disclosed in note 31, the purchase of Autorama gave rise to a deferred payment in shares of £50.0m, with payment contingent on post-acquisition employment and service conditions. This element of consideration payable has been determined to be a post-acquisition income statement expense over the period of service, in accordance with IFRS 3. There is no significant estimate relating to the contingency, which expires in June 2023.

There are no accounting estimates or judgements at the financial year end which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other accounting estimates and judgements include:

Carrying values of goodwill (judgement and estimate)
The Group tests annually whether goodwill, held by the Group or its joint venture, has suffered any impairment in accordance with the accounting policy stated within note 2. Judgement is required in the identification and allocation of goodwill to cash-generating units and the recoverable amounts of cash-generating units require the use of estimates (note 13).

2. Significant accounting policies

Changes in significant accounting policies
New and amended standards adopted by the Group
The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The adoption of these amendments has had no material effect on the Group's Consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective
There are a number of amendments to IFRS that have been issued by the IASB that, when endorsed in the UK, will become effective in a subsequent accounting period including:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group has evaluated these changes and none are expected to have a material impact on the Consolidated financial statements.

Existing significant accounting policies
The following accounting policies applied by the Group have been applied consistently to all periods presented in the Consolidated financial statements.

Revenue
Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. Revenue is stated net of discounts, rebates, refunds and value-added tax.

2. Significant accounting policies continued

Revenue principally represents the amounts receivable from customers for advertising on the Group's platforms but also includes non-advertising services such as vehicle leasing transactions and data services. The different types of products and services offered to customers along with the nature and timing of satisfaction of performance obligations are set out as follows:

(i) Trade revenue

Trade revenue comprises fees from retailers, Home Traders and logistics customers for advertising on the Group's platforms and utilising the Group's services.

Retailer revenue

Retailer customers pay a monthly subscription fee to advertise their stock on the Group's platforms. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are agreed at a retailer or retailer group level and are ongoing subject to a 30-day notice period. Revenue is invoiced monthly in arrears.

Retailers have the option to enhance their presence on the platform through additional products, each of which has a distinct performance obligation. For products that provide enhanced exposure across the life of the product, control is passed to the customer over time. Revenue is only recognised at a point in time for additional advertising products where the customer does not receive the benefit until they choose to apply the product. Additional advertising products are principally billed on a monthly subscription basis in line with their core advertising package, however certain products are billed on an individual charge basis. The Group also generates revenue from retailers for data and valuation services under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers either across the life of the contract where customers are licensed to use the Group's services or at a point in time when a one-off data service is provided.

Contract modifications occur on a regular basis as customers change their stock levels or add or remove additional advertising products from their contracts. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

Home Trader revenue

Home Trader customers pay a fee in advance to advertise a vehicle on the Group's platform for a specified period of time. Revenue is deferred until the customer obtains control over the services. Control is obtained by customers across the life of the contract as their vehicle is continually listed. Contracts for these services are typically entered into for a period of between two and six weeks.

Logistics revenue

Logistics customers pay a monthly subscription fee for access to the Group's Motor Trade Delivery platform. Control is obtained by customers across the life of the contract as their access is continuous. Contracts for these services are agreed at a customer level and are ongoing subject to a 30-day notice period. Logistics customers have the option to bid on vehicle moves advertised by retailers on the platform. The logistics customer pays a fee if they are successful in obtaining business from retailers through the Group's marketplace. Revenue is recognised at the point in time when the vehicle move has been completed. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

Data revenue

Data customers pay a subscription fee to access elements of Auto Trader's vehicle database or to access the Fleetware software. Control is transferred to customers across the life of the contract where customers have continuous access to the database or the software.

AutoConvert revenue

AutoConvert customers pay a monthly subscription fee to access the AutoConvert platform. Control is transferred to customers across the life of the contract where customers have continuous access to the platform and revenue is recognised across this period. Ancillary AutoConvert revenues are charged on a per transaction basis and revenue is recognised at the point in time that these services are provided.

(ii) Consumer Services revenue

Consumer Services comprises fees from private sellers for vehicle advertisements on the Group's websites, and third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance. Private customers pay a fee in advance to advertise a vehicle on the Group's platform for a specified period of time. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are typically entered into for a period of between two and six weeks and revenue is recognised over this time. Revenue is also generated from third-party partners who utilise the Group's platforms to advertise their products under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers at a point in time when the service is provided. Revenue is also generated through Instant Offer, providing consumers with a guaranteed price for their vehicle offered by a third-party buyer. The Group's fee is recognised as revenue when the consumer's vehicle is collected by the third-party buyer.

(iii) Manufacturer and Agency revenue

Revenue is generated from manufacturers and their advertising agencies for placing display advertising for their brand or vehicle on the Group's websites under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers across the life of the contract as their advertising is displayed on the different platforms. Rebates are present in the contractual arrangements with customers and are awarded either in cash or value of services based upon annual spend; an estimate of the annualised spend is made at the reporting date to determine the amount of revenue to be recognised. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

(iv) Autorama revenue
Autorama revenue comprises consideration received from the sale of new vehicles and accessories as well as commission received for facilitating the lease of new vehicles.

Vehicle & Accessory sales revenue
Vehicle & Accessory sales revenue is generated from new vehicles which are purchased from an original equipment manufacturer ('OEM') or retailer and then sold to a lease funder. Control is obtained by the funder at a point in time when the vehicle is delivered and revenue is only recognised at this point. Additional accessories can be added to vehicles at extra cost upon the request of the funder, and control is once again obtained by the funder at a point in time when the vehicle is delivered. Where the Group obtains control of vehicles or accessories in advance of selling those goods to a funder, including holding inventory risk, then the Group is acting as principal and revenue and cost of sales are reported on a gross basis. Where the Group does not obtain control of vehicles, revenue is recorded as the value of the related commission and recognised as described below.

Commission & Ancillary revenue
Commission & Ancillary revenue is generated from commission received from lease funders for facilitating the lease of new vehicles via advertisement on the Autorama online marketplace. Control is obtained by the funder at a point in time when the lease is live and revenue is only recognised at this point. Ancillary Autorama revenues are charged on a per transaction basis and revenue is recognised at the point in time that these services are provided.

Rebates are present in the contractual arrangements with funders and are awarded in cash based upon the quarterly number of vehicles provided. Similarly, rebates are present in the contractual arrangements with OEMs and are awarded in cash based upon the quarterly number of vehicles purchased. Revenue is recognised as volume targets are met, when Autorama's right to consideration is only conditional on the passage of time.

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. Contributions paid to the Scheme by the Group have been classified as financing activities in the Consolidated statement of cash flows as there are no remaining active members within the Scheme.

c) Share-based payments
Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period. Fair value of the awards is 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.

Research and development
Research and development expenditure is charged against profits in the year in which it is incurred, unless it is development that meets the criteria for capitalisation set out in IAS 38, Intangible Assets.

Operating profit
Operating profit is the profit of the Group (including the Group's share of profit from joint ventures) before finance income, finance costs, profit on disposal of subsidiaries which do not meet the definition of a discontinued operation, and taxation.

Finance income and costs
Finance income is earned on bank deposits and finance costs are incurred on bank borrowings. Both are recognised in the income statement in the period in which they are incurred.

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.

2. Significant accounting policies continued

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 are included 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 and interests in joint ventures, 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.

Leases
At inception of a contract, the Group assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the Group recognises a right of use asset and a lease liability at the lease commencement date other than as noted below.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group presents right of use assets in property, plant and equipment and leased liabilities in lease liabilities in the balance sheet.

The Group has applied the recognition exemption of low value leases. For these leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

Financial instruments
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Under IFRS 9, trade receivables including accrued income, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

The Group recognises lifetime expected credit losses ('ECLs') for trade receivables and accrued income. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for any macro-economic factors. At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023.

The Group assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as at fair value through profit and loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition and measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities, including trade payables, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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, non-compete agreements, customer relationships, franchise buybacks, brands and databases

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, non-compete agreements, customer relationships, franchise buybacks, brands and databases acquired in a business combination are recognised at fair value at the acquisition date and subsequently amortised.

c) Software

Acquired computer software controlled by the Group 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 10 years) at the point at which they come into use.

Licence agreements to use cloud software provided as a service are treated as service contracts and expensed in the Group income statement, unless the Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets. Implementation costs are expensed unless implementation is a distinct service and gives rise to a separate intangible asset.

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:

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

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.

2. Significant accounting policies continued

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.

Business combinations
The Group accounts for business combinations using the acquisition method under IFRS 3. See note 1 for further details.

Interests in joint ventures
Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Auto Trader Group plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, movements in other comprehensive income and dividends received.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and short-term deposits held on call with banks.

Inventories
Inventory is measured at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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 contractual obligation is discharged, cancelled or expires. 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 derecognition 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.

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.

Vehicle financing
A vehicle stocking loan is a financing arrangement which is used to purchase new and used vehicles prior to re-sale. This financing arrangement can only be used for this purpose, typically has a maturity of 180 days or less and is repayable on the earliest of the vehicle delivery date or the maturity date. Based on these factors, the Group recognises these arrangements as financial liabilities within trade and other payables.

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.

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 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.

Share premium

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.

Capital reorganisation reserve

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.

Capital redemption reserve

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

Other reserves

Other reserves include the currency translation reserve on the consolidation of entities whose functional currency is other than sterling, and other amounts which arose on the initial common control transaction that formed the Group.

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.

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.

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 4).

Foreign currency translation

a) 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.

b) Foreign operations

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.

These foreign currency differences are recognised in other comprehensive income and the translation reserve within other reserves.

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.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable outputs and minimise the use of unobservable outputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

3. Risk and capital management

Overview
In the course of its business the Group is exposed to market risk, credit risk and liquidity risk from its use of financial instruments. This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated financial statements.

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 99% of the Group's revenue and 99% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

During the year the Group sold one of its subsidiaries, Webzone Limited, which traded in the Republic of Ireland under the Carzone brand. Following the sale of Webzone Limited, all of the Group's revenue and costs are sterling-denominated.

ii. Interest rate risk
The Group's interest rate risk arises from long-term borrowings under the Syndicated RCF with floating rates of interest linked to SONIA. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk. The variation of 100 basis points in the interest rate of floating rate financial liabilities (with all other variables held constant) will increase or decrease post-tax profit for the year by £0.4m (2022: £0.0m).

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or banking institution fails to meet its contractual obligations.

i. Trade receivables
Credit risk relating to trade receivables is managed centrally and the credit risk for new Auto Trader customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that Auto Trader's existing customers have an appropriate credit history and a significant number of balances are collected via direct debit. In March, more than 87.4% (2022: 87.4%) of Auto Trader's retailer customers paid via monthly direct debit, minimising the risk of non-payment. Sales to private individuals using Auto Trader are primarily settled in advance using major debit or credit cards which removes the risk in this area.

Autorama's main customers are funders who do not change regularly, so the risk in this area is also minimal.

The Group establishes an expected credit loss that represents its estimate of losses in respect of trade and other receivables. Further details of these are given in note 32.

Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the fragmented nature of the customer base and the robust nature of the used car market.

ii. Cash and cash equivalents
As at 31 March 2023, the Group held cash and cash equivalents of £16.6m (2022: £51.3m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Group's treasury policy is to monitor cash, and when applicable deposit balances, on a daily basis and to manage counterparty risk, whilst also ensuring efficient management of the Group's Syndicated RCF.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow forecasting is performed centrally by the Director of Group Finance. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. The Group's revenue model is largely subscription-based, which results in a regular level of cash conversion allowing it to service working capital requirements.

The Group has access to a Syndicated RCF which has total commitments of £200.0m. The £200.0m Syndicated RCF is committed through to maturity in February 2028. The facility allows the Group access to cash at one working day's notice. At 31 March 2023, £60.0m was drawn under the Syndicated RCF (2022: £nil).

The Group has access to a vehicle stocking loan, with a limit of £12.0m. This financing arrangement can only be used to fund the purchase of new and used vehicles prior to re-sale and has a maturity of 180 days or less. The loan is repayable on the earliest of the vehicle delivery date or the maturity date. At 31 March 2023, £3.0m was recognised in the Consolidated balance sheet (2022: £nil).

Capital management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total bank debt, other loans, vehicle stocking loans and lease financing, less cash and cash equivalents as shown in note 20. Total equity is as shown in the Consolidated balance sheet.

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

	2023 £m	2022 £m
Total net debt/(cash)	**52.4**	(41.7)
Total equity	**527.3**	472.5
Total capital	**579.7**	430.8

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 cost of capital structure. To maintain or adjust the capital structure, the Group may pay dividends, return capital through share buybacks, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

As at 31 March 2023, the Group had borrowings of £60.0m (2022: £nil) through its Syndicated RCF. Interest is payable on this facility at a rate of SONIA plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries, which is calculated and reviewed on a biannual basis. The Group remains in compliance with its banking covenants.

4. 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 are two operating segments (2022: one operating segment). The acquisition of Autorama in June 2022 has led to Autorama being reported as a separate segment during the period. The Group's reportable operating segments have therefore been identified as follows:

- Auto Trader: includes the results of Auto Trader, AutoConvert and Webzone in respect of online classified advertising of motor vehicles and other related products and services in the digital automotive marketplace including share of profit from the Dealer Auction joint venture.
- Autorama: the results of Autorama in respect of a marketplace for leasing new vehicles and other related products and services.

Management has determined that there are two operating segments in line with the nature in which the Group is managed. The reports reviewed by the Operational Leadership Team ('OLT'), which is the chief operating decision-maker ('CODM') for both segments, split out operating performance by segment. The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group. Revenue and cost streams for each operating segment are largely independent in the reporting period.

The OLT primarily uses the measures of Revenue and Operating profit to assess the performance of each operating segment. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement. There are no inter-segment revenues in the current or comparative periods.

Analysis of the Group's revenue and results for both reportable segments, with a reconciliation to Group profit before tax, is shown below:

Year to 31 March 2023	Auto Trader segment £m	Autorama segment £m	Group central costs £m	Group £m
Total segment revenue	**473.0**	**27.2**	**–**	**500.2**
People costs	**(74.0)**	**(10.5)**	**(38.8)**	**(123.3)**
Marketing	**(22.3)**	**(4.7)**	**–**	**(27.0)**
Costs of goods sold	**–**	**(15.7)**	**–**	**(15.7)**
Other costs	**(39.6)**	**(5.4)**	**–**	**(45.0)**
Depreciation & amortisation	**(6.7)**	**(2.1)**	**(5.3)**	**(14.1)**
Total segment costs	**(142.6)**	**(38.4)**	**(44.1)**	**(225.1)**
Share of profit from joint ventures	**2.5**	**–**	**–**	**2.5**
Total segment operating profit/(loss)	**332.9**	**(11.2)**	**(44.1)**	**277.6**
Profit on disposal of subsidiary				**19.1**
Finance costs – net				**(3.1)**
Profit before tax				**293.6**

4. Segmental information continued

Group central costs which are not allocated within either of the segment operating profit/(loss) reported to the CODM comprise:

(i) People costs: a £38.8m charge for the expense of Group shares expected to be issued to settle the Autorama deferred consideration (note 31).

(ii) Depreciation & amortisation: £5.3m of amortisation expense relating to the fair value of intangible brand, technology and other assets acquired in the Group's business combination of Autorama.

Year to 31 March 2022	Auto Trader segment £m	Autorama segment £m	Group central costs £m	Group £m
Total segment revenue	432.7	–	–	432.7
People costs	(69.8)	–	–	(69.8)
Marketing	(20.5)	–	–	(20.5)
Other costs	(34.5)	–	–	(34.5)
Depreciation & amortisation	(7.2)	–	–	(7.2)
Total segment costs	(132.0)	–	–	(132.0)
Share of profit from joint ventures	2.9	–	–	2.9
Total segment operating profit	303.6	–	–	303.6
Finance costs – net				(2.6)
Profit before tax				301.0

In the current year, the Group has classified expenditure by nature (2022: by function). The change, which is presented consistently for the current and prior year in this note, has been adopted to provide more meaningful information about the Group's expenditure following the Autorama acquisition. In the prior year, all expenditure was classified by function as administrative expenses.

5. Revenue

The Group's operations and main revenue streams are those described in these annual financial statements. The Group's revenue is derived from contracts with customers.

Other than disclosed in note 10, all revenues were earned from activities and customers in the United Kingdom.

In the following table, the Group's revenue is detailed by customer type. This level of detail is consistent with that used by management to assist in the analysis of the Group's revenue-generating trends.

Revenue	2023 £m	2022 £m
Retailer	**406.8**	370.4
Home Trader	**10.1**	8.8
Other	**10.5**	9.1
Trade	**427.4**	388.3
Consumer Services	**34.5**	33.3
Manufacturer and Agency	**11.1**	11.1
Autorama	**27.2**	–
Total revenue	**500.2**	432.7

Revenue is largely recognised over time, other than Autorama revenue which is recognised at a point in time when related sales commission or fees are earned. The Group has no major customers to disclose in either the current or prior year.

Contract balances

The following table provides information about receivables and contract assets and liabilities from contracts with customers.

	2023 £m	2022 £m
Receivables, which are included in trade and other receivables	**31.5**	28.2
Accrued income	**40.2**	35.8
Deferred income	**(14.0)**	(11.9)

Accrued income relates to the Group's unconditional rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to trade receivables when invoiced.

Deferred income relates to advanced consideration received for which revenue is recognised as or when services are provided. £5.7m (2022: £3.0m) of the deferred income balance is classified as a current liability within trade and other payables (note 21). Included within deferred income is £8.9m (2022: £9.5m) relating to consideration received from Dealer Auction Limited (joint venture) for the provision of data services to Dealer Auction (note 16). Revenue relating to this service is recognised on a straight-line basis over a period of 20 years to 31 December 2038; given this time period the liability has been split between current and non-current liabilities. Revenue of £0.6m was recognised in the year (2022: £0.6m).

6. Operating profit

Operating profit is after (charging)/crediting the following:

	Note	2023 £m	2022 £m
Staff costs	7	**(84.1)**	(69.8)
Contractor costs		**(0.4)**	–
Depreciation of property, plant and equipment	14	**(4.9)**	(4.6)
Amortisation of intangible assets	13	**(9.2)**	(2.6)
Profit on sale of property, plant and equipment		**0.7**	–

Services provided by the Company's auditor

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

	2023 £m	2022 £m
Fees payable for the audit of the Company and Consolidated financial statements	**0.2**	0.1
Fees payable for other services		
The audit of the subsidiary undertakings pursuant to legislation	**0.3**	0.3
Total	**0.5**	0.4

Fees payable for audit-related assurance services in the year were £48,000 (2022: £43,841). Fees payable for other non-audit services in the year were £nil (2022: £nil).

7. Employee numbers and costs

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

	2023 Number	2022 Number
Customer operations	**566**	422
Product and technology	**403**	384
Corporate	**191**	154
Total	**1,160**	960

The aggregate payroll costs of these persons were as follows:

	Note	2023 £m	2022 £m
Wages and salaries		**66.7**	54.8
Social security costs		**7.3**	5.7
Defined contribution pension costs	25	**3.5**	3.2
		77.5	63.7
Share-based payments and associated NI	30	**6.6**	6.1
Total		**84.1**	69.8

Wages and salaries include £27.7m (2022: £25.2m) relating to the product and technology teams; these teams spend a significant proportion of their time on innovation of our product proposition and incremental enhancements to the Group's platforms.

In addition to the share-based payments disclosed above, a share-based payment charge of £38.8m (2022: £nil) has been recorded in the income statement for the year, relating to deferred consideration for the acquisition of Autorama, which is payable in shares and contingent on post-acquisition employment and service conditions (note 31).

8. Directors and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' remuneration report on pages 80 to 93:

Key Management compensation
During the year to 31 March 2023, Key Management comprised the members of the OLT (who are defined in note 4) and the Non-Executive Directors (2022: OLT and the Non-Executive Directors). The remuneration of all Key Management (including all Directors) was as follows:

	2023 £m	2022 £m
Short-term employee benefits	**4.2**	4.1
Share-based payments	**2.1**	3.6
Pension contributions	**0.2**	0.2
Total	**6.5**	7.9

9. Net finance costs

	2023 £m	2022 £m
On bank loans and overdrafts	**2.5**	1.4
Amortisation of debt issue costs	**0.5**	1.0
Interest unwind on lease liabilities	**0.2**	0.2
Interest on vehicle stocking loan	**0.1**	–
Interest charged on deferred consideration	**–**	0.1
Interest receivable on cash and cash equivalents	**(0.2)**	(0.1)
Total	**3.1**	2.6

10. Disposal of a subsidiary

Sale of Webzone Limited
On 24 October 2022, the Group announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. The business was sold to Mediahuis Ireland for a consideration of €30.0m.

Revenue generated from Webzone Limited in the period to 24 October 2022 was £2.9m (year ended 31 March 2022: £4.9m). The disposal of Webzone Limited does not represent a discontinued operation under IFRS 5 as the entity was neither a separate major line of business or a material geographical area of operation.

A profit on disposal has been recognised in the Group's Consolidated income statement:

	24 October 2022 £m
Goodwill	5.7
Property, plant and equipment	0.6
Deferred taxation assets	0.1
Trade and other receivables	0.9
Cash and cash equivalents	0.8
Lease liabilities	(0.7)
Trade and other payables	(0.5)
Net identifiable assets/(liabilities) disposed of	6.9

Cash consideration received	26.4
Net identifiable assets disposed of	(6.9)
Realisation of cumulative currency translation difference	(0.4)
Gain on disposal of subsidiary	19.1

11. Taxation

	2023 £m	2022 £m
Current taxation		
UK corporation taxation	**61.2**	56.5
Foreign taxation	**0.1**	0.2
Adjustments in respect of prior years	**(0.2)**	(0.4)
Total current taxation	**61.1**	56.3
Deferred taxation		
Origination and reversal of temporary differences	**(1.3)**	0.3
Effect of rate changes on opening balance	**–**	0.2
Adjustments in respect of prior years	**(0.1)**	(0.5)
Total deferred taxation	**(1.4)**	–
Total taxation charge	**59.7**	56.3

The taxation charge for the year is higher than (2022: lower than) the effective rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Profit before taxation	**293.6**	301.0
Tax on profit at the standard UK corporation tax rate of 19% (2022: 19%)	**55.8**	57.2
Expenses not deductible for taxation purposes	**8.5**	0.8
Income not taxable – gain on disposal of subsidiary	**(3.6)**	–
Share of joint venture taxation	**(0.5)**	(0.6)
Adjustments in respect of foreign taxation rates	**(0.1)**	(0.1)
Effect of rate change on deferred taxation	**–**	0.1
Adjustments in respect of OCI group relief	**(0.1)**	(0.2)
Adjustments in respect of prior years	**(0.3)**	(0.9)
Total taxation charge	**59.7**	56.3

Expenses non-deductible for taxation purposes in the current year principally includes the share-based payment expense relating to the deferred consideration and amortisation of intangible assets arising on acquisition of Autorama (note 4).

Taxation on items taken directly to equity was a credit of £0.4m (2022: £0.1m) relating to tax on share-based payments.

Taxation recorded in equity within the Consolidated statement of comprehensive income was a release of £0.4m (2022: charge of £0.2m) relating to post-employment benefit obligations.

The taxation charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2022: 19%).

Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised.

On 10 June 2021, Royal Assent to the Finance Act was given to increase UK corporation tax from 19% to 25% from 1 April 2023. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 25% being used to measure all deferred tax balances as at 31 March 2023 (2022: 20%).

With revenue exceeding £500.0m for the first time, the Group is potentially within scope of the UK's digital services tax ('DST'), however certain revenue streams, such as vehicle and accessory sales, would be exempt, meaning we do not meet the threshold in financial year 2023. It is HMRC's intention that the current UK DST will be repealed during financial year 2024 and replaced with an OECD model for which the Group would not be in scope.

12. Earnings per share

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held in treasury and by the Employee Share Option Trust ('ESOT'), based on the profit for the year attributable to shareholders.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2023			
Basic EPS	**935,138,578**	**233.9**	**25.01**
Diluted EPS	**944,144,242**	**233.9**	**24.77**
Year ended 31 March 2022			
Basic EPS	955,532,888	244.7	25.61
Diluted EPS	957,534,145	244.7	25.56

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:

	2023	2022
Issued ordinary shares at 1 April	**946,892,976**	969,024,186
Weighted effect of ordinary shares purchased for cancellation	**(7,112,698)**	(9,573,664)
Weighted effect of ordinary shares held in treasury	**(4,304,401)**	(3,572,833)
Weighted effect of shares held in the ESOT	**(348,989)**	(371,316)
Weighted effect of ordinary shares issued for share-based payments	**11,690**	26,515
Weighted average number of shares for basic EPS	**935,138,578**	955,532,888
Dilutive impact of share options outstanding	**9,005,664**	2,001,257
Weighted average number of shares for diluted EPS	**944,144,242**	957,534,145

For diluted earnings per share, the weighted average number of shares for basic EPS is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees and shares issued as deferred consideration. Options are dilutive under the Sharesave scheme where the exercise price together with the future IFRS 2 charge is less than the average market price of the ordinary shares during the year. Options under the Performance Share Plan, the Single Incentive Plan Award, the Deferred Annual Bonus Plan and the Share Incentive Plan are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions are satisfied.

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.

13. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Brand £m	Other £m	Total £m
Cost						
At 31 March 2021	457.9	14.4	13.1	1.2	25.3	**511.9**
At 31 March 2022	457.9	14.4	13.1	1.2	25.3	**511.9**
Acquired through business combinations	92.5	13.7	–	47.6	5.6	**159.4**
Additions	–	1.0	–	–	–	**1.0**
Disposals	(5.7)	(1.8)	–	(0.6)	(1.2)	**(9.3)**
Exchange differences	(0.1)	–	–	–	–	**(0.1)**
At 31 March 2023	**544.6**	**27.3**	**13.1**	**48.2**	**29.7**	**662.9**
Accumulated amortisation and impairments						
At 31 March 2021	117.0	8.3	12.8	0.6	15.0	**153.7**
Amortisation charge	–	0.9	0.3	0.1	1.3	**2.6**
At 31 March 2022	117.0	9.2	13.1	0.7	16.3	**156.3**
Amortisation charge	–	2.5	–	4.2	2.5	**9.2**
Disposals	–	(1.8)	–	(0.6)	(1.2)	**(3.6)**
At 31 March 2023	**117.0**	**9.9**	**13.1**	**4.3**	**17.6**	**161.9**
Net book value at 31 March 2023	**427.6**	**17.4**	**–**	**43.9**	**12.1**	**501.0**
Net book value at 31 March 2022	**340.9**	**5.2**	**–**	**0.5**	**9.0**	**355.6**
Net book value at 31 March 2021	**340.9**	**6.1**	**0.3**	**0.6**	**10.3**	**358.2**

Other intangibles include customer relationships, technology, trade names, trademarks and non-compete agreements. Intangible assets which have a finite useful life 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 (principally between 3 to 15 years). The longest estimated useful life remaining at 31 March 2023 is 12 years (31 March 2022: 13 years).

For the year to 31 March 2023, the amortisation charge of £9.2m (2022: £2.6m) has been charged to operating costs in the Consolidated income statement. At 31 March 2023, there were no software and website development costs representing assets under construction (2022: £nil).

In accordance with UK-adopted international accounting standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators of impairment. Goodwill is carried at cost less accumulated impairment losses.

13. Intangible assets continued

Impairment test for goodwill

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. Following the acquisition of Autorama, there are now two CGUs that exist in the Group, being the Digital CGU and the Autorama CGU.

The carrying value of the CGUs is principally the sum of goodwill, property, plant and equipment (including lease assets), intangibles and lease liabilities, as follows:

	2023 £m	2022 £m
Digital	**351.1**	360.8
Autorama	**152.8**	–
Total	**503.9**	360.8

Digital

The recoverable amount of the Digital CGU is determined from value-in-use calculations that use discounted cash flow projections from the latest business plan. The carrying value is forecast to be recovered based on less than two years of forecasted cash flows from this mature operating business.

Income and costs within the budget are derived on a detailed 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed. Income and cost growth forecasts are risk adjusted to reflect specific risks facing the CGU and take into account the market in which it operates. Assumptions, which are not sensitive to change, include revenue growth rates, associated levels of marketing support and directly associated overheads. All assumptions are based on past performance and management's expectation of market development. Cash flows beyond the budgeted period of five years (2022: five years) are extrapolated using the estimated growth rate stated into perpetuity; a rate of 2.0% (2022: 2.0%) has been used. This is lower than the current rate of inflation in the UK but takes account of longer-term considerations.

The pre-tax discount rate used within the recoverable amount calculation is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity. Other than as included in the financial budget, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The key assumptions used for the value-in-use calculation are as follows:

	2023	2022
Terminal value growth rate	**2.0%**	2.0%
Discount rate (pre-tax)	**12.8%**	8.6%

The recoverable amount of goodwill shows significant headroom compared with its carrying value. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. There are no changes to the key assumptions of growth rate or discount rate that are considered by the Directors to be reasonably possible, which give rise to an impairment of goodwill relating to the Digital CGU.

Having completed the 2023 impairment review, no impairment has been recognised in relation to the Digital CGU (2022: no impairment).

Autorama

The Autorama impairment basis is assessed on a fair value basis due to the proximity of the transaction and the pre-integration phase of the business at 31 March 2023.

Goodwill amounting to £92.5m in the Autorama CGU arose on the acquisition of Autorama UK Limited in June 2022.

The acquisition will enable Auto Trader to establish itself as a leading marketplace for leasing new cars which is set to benefit from: the growth of electric cars ahead of the planned future UK ban on the sale of new petrol and diesel cars from 2030; new manufacturers entering the UK market; lower take up of company car schemes; and a shift towards new digital distribution models. Leasing provides consumers a cost-effective way to access a new car with a model that is consistent with any future move towards usership.

The consideration paid was to acquire the Autorama CGU in an arm's length transaction. There have been no significant changes identified in the Directors' assessment of fair value arising from factors since acquisition. On this basis, the Directors consider that, as at 31 March 2023, a fair value less cost to sell measurement provides the most appropriate and relevant evidence of the Autorama CGU's recoverable amount.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, less incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. The valuation viewpoint is from that of a market participant and excludes synergies and matters, including taxation, specific to the current owner. An income based fair valuation approach has been used to determine fair value using discounted cash flows. The fair value measurement was categorised as Level 3 based on the valuation inputs used.

The key assumptions used in the estimation of the CGU's recoverable amount are as follows:

	2023
Forecast period	**2024 – 2032**
Annual revenue growth during the forecast period	**Between 5% and 69% p.a.**
Terminal value growth rate	**2.0%**
Discount rate post tax	**18.0%**

Assessment of the CGU's fair value reflects long-term assumptions around changing distribution models for new car sales, including new electric vehicles, and an increased proportion of vehicles being leased. The key driver of the forecast is the number of new vehicles transacted by Autorama onto lease plans, with revenues, including ancillary sales, consequent on each vehicle lease transaction completed. The forecasts do not assume a larger new car registration market than in 2019, before the disruption to supply that commenced during the COVID-19 pandemic. The key assumption is rather an increase in the current proportion of vehicles which are currently leased through brokers and the share of this market achieved by Autorama. In making these estimates, management have had regard to market data published by SMMT and BVRLA. In the nine months since the acquisition, Autorama has delivered 6,895 vehicles. Both vans and pickups were particularly impacted by supply challenges in the current year.

Revenue growth is spread over the forecast period in line with the new car market outlook. The risk arising from the duration of the forecast period and the risk of growth assumptions over new vehicles transacted in this period not being achieved are reflected in the higher level of post-tax discount rate applied.

Whilst an estimate, the comparison between the CGU's fair value less cost to sell and its book carrying value has headroom at 31 March 2023. This headroom arises because of the accounting requirement to expense £50m of the consideration paid to the former owners of Autorama as an employee share-based payment over the 12-month period after the acquisition to 22 June 2023 (see note 31). £38.8m of this charge has been expensed as at 31 March 2023.

This headroom results in no impairment charge under the following sensitivity scenarios, all of which reflect the key sources of estimation uncertainty in the calculation of fair value:

Lower number of vehicle transactions: The growth in vehicle transactions executed by Autorama, and therefore earnings before interest and tax, is at risk of growing at a level lower than the forecast. This sensitivity reduces volumes by 20% for financial year 2024 and financial year 2025 to reflect the impact of the risk of lower new vehicle supply caused by manufacturing delays; and

Delay in timing: The timing of growth in vehicle transactions may take longer to realise than the base case forecast due to a slower take up of electric vehicles and lease financing; continued disruption to new car supply; and/or a delay in the phasing out timetable of new petrol and diesel cars which is currently scheduled for 2030. This sensitivity assumes growth is deferred by one year from financial year 2024; and

Change in discount rate: The post-tax discount rate could increase to a maximum of 21% before the carrying value of the Autorama CGU exceeded its recoverable amount.

14. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2021	16.5	13.0	1.9	**31.4**
Additions	6.6	1.3	0.2	**8.1**
Disposals and modifications	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	23.1	13.9	1.6	**38.6**
Acquired through business combinations	4.0	0.3	1.0	**5.3**
Additions	2.2	2.0	0.3	**4.5**
Disposals	(7.6)	(3.0)	(0.9)	**(11.5)**
At 31 March 2023	**21.7**	**13.2**	**2.0**	**36.9**
Accumulated depreciation				
At 31 March 2021	8.2	10.6	1.4	**20.2**
Charge for the year	3.3	0.9	0.4	**4.6**
Disposals	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	11.5	11.1	1.3	**23.9**
Charge for the year	3.3	1.1	0.5	**4.9**
Disposals	(4.4)	(2.8)	(0.6)	**(7.8)**
At 31 March 2023	**10.4**	**9.4**	**1.2**	**21.0**
Net book value at 31 March 2023	**11.3**	**3.8**	**0.8**	**15.9**
Net book value at 31 March 2022	**11.6**	**2.8**	**0.3**	**14.7**
Net book value at 31 March 2021	**8.3**	**2.4**	**0.5**	**11.2**

Included within property, plant and equipment are £6.5m (2022: £8.3m) of assets recognised as leases under IFRS 16. Further details of these leases are disclosed in note 15. The depreciation expense of £4.9m for the year to 31 March 2023 (2022: £4.6m) has been recorded in operating costs. During the year, £2.6m (2022: £0.4m) worth of property, plant and equipment with £nil net book value was disposed of.

15. Leases

The Group's lease assets including land and buildings and motor vehicles are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below:

	2023 £m	2022 £m
Net book value of property, plant and equipment owned	**9.4**	6.4
Net book value of right of use assets	**6.5**	8.3
	15.9	14.7

Net book value of right of use assets	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Balance at 31 March 2021	4.9	0.1	0.6	5.6
Additions	5.1	–	0.2	5.3
Depreciation charge	(2.2)	–	(0.4)	(2.6)
Balance at 31 March 2022	7.8	0.1	0.4	8.3
Acquired through business combination	0.1	–	0.3	0.4
Additions	1.5	0.1	0.3	1.9
Disposals	(1.4)	–	(0.1)	(1.5)
Depreciation charge	(2.2)	–	(0.4)	(2.6)
At 31 March 2023	**5.8**	**0.2**	**0.5**	**6.5**

Lease liabilities in the balance sheet at 31 March	2023 £m	2022 £m
Current	**2.5**	3.0
Non-current	**4.6**	6.5
Total	**7.1**	9.5

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 32. The term recognised for certain leases has assumed lease break options are exercised. Certain lease rentals are subject to periodic market rental reviews.

During the year, the Group relocated its London office to a new premises and exited its existing lease. In accordance with IFRS 16, the difference between the carrying value of the right of use asset and the lease liability at the date of the lease termination (£0.1m) was recognised in the Consolidated income statement as a gain on disposal.

In the prior year, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The Group also extended the term of the existing lease of our Manchester office space. These changes resulted in a lease modification under IFRS 16. The right of use assets were increased by £5.1m with corresponding adjustments to the lease liability and dilapidations provision.

Amounts charged in the income statement	2023 £m	2022 £m
Depreciation charge of right of use assets	**2.6**	2.6
Interest on lease liabilities	**0.2**	0.2
Gain on disposal of right of use assets	**(0.1)**	–
Total amounts charged in the income statement	**2.7**	2.8

Cash outflow	2023 £m	2022 £m
Total cash outflow for leases	**2.9**	3.2

16. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited). The basis of the Group's joint control is through a shareholder agreement and an assessment of the substantive rights of each shareholder, including operational barriers or incentives that would prevent or deter rights being exercised.

Net investments in joint ventures at the reporting date include the Group's equity investment in joint ventures and the Group's share of the joint ventures' post acquisition net assets. The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Equity investments in joint ventures £m	Share of post acquisition net assets £m	Net investments in joint ventures £m
Carrying value			
As at 31 March 2021	48.1	6.5	54.6
Share of result for the year taken to the income statement	–	2.9	2.9
Dividends received in the year	(7.8)	–	(7.8)
As at 31 March 2022	40.3	9.4	49.7
Share of result for the year taken to the income statement	–	2.5	2.5
Dividends received in the year	(2.9)	–	(2.9)
As at 31 March 2023	**37.4**	**11.9**	**49.3**

Set out below is the summarised financial information for the joint venture, adjusted for differences in accounting policies between the Group and the joint venture. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture.

	2023 £m	2022 £m
Non-current assets	**95.6**	96.8
Current assets		
Cash and cash equivalents	**6.4**	1.1
Other current assets	**1.3**	8.2
Total assets	**103.3**	106.1
Liabilities		
Current liabilities	**2.0**	4.0
Total liabilities	**2.0**	4.0
Net assets	**101.3**	102.1
Group's share of net assets	**49.3**	49.7

	2023 £m	2022 £m
Revenues	**10.5**	12.0
Profit for the year	**5.2**	6.0
Total comprehensive income	**5.2**	6.0
Group's share of comprehensive income	**2.5**	2.9
Dividends received by the Group	**2.9**	7.8

Non-current assets principally comprise goodwill and other intangible assets. The carrying value is assessed annually using a methodology consistent with the Auto Trader cash-generating unit disclosed in note 13.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest, is given in note 35.

17. Other investments

Shares in other undertakings

	2023 £m	2022 £m
Investment in iAUTOS Company Limited	–	–
Investment in protected insurance cell (Advent Insurance PCC Limited)	1.1	–
Investment in protected insurance cell (Atlas Insurance PCC Limited)	1.2	–
Total comprehensive income	**2.3**	–

The Group designated the investment in iAUTOS Company Limited as an equity security at FVOCI as the Group intends to hold the shares for long-term purposes. iAUTOS Company Limited is an intermediate holding company through which trading companies incorporated in the People's Republic of China are held. The fair value of the investment has been valued at £nil since 2014 as the Chinese trading companies are marginally loss-making with forecast future cash outflows.

As at 31 March 2023, the Group's wholly owned subsidiary, Autorama Holding (Malta) Limited, had an interest in two protected insurance cells. During the year, the Group entered into a new arrangement with Atlas Insurance PCC Limited, with the intention of closing the existing cell with Advent Insurance PCC Limited once the portfolio transfer had been made to the new cell. This process was not fully complete by 31 March 2023, therefore two investments have been recognised. It has designated its investments as equity securities at FVOCI as the Group intends to hold the investment in the protected insurance cell for long-term purposes.

The protected insurance cell writes insurance business which relates to Guaranteed Asset Protection insurance and business equipment in transit. The interest in the protected insurance cell is not consolidated in these financial statements as a silo, as the cell company has retained residual obligations in respect of the cell's liabilities. Autorama UK Limited is listed as a guarantor to an agreement between the cell company and Autorama Holding (Malta) Limited.

18. Trade and other receivables

	2023 £m	2022 £m
Trade receivables (invoiced)	28.5	25.7
Net accrued income	38.7	34.6
Trade receivables (total)	67.2	60.3
Prepayments	5.4	5.5
Other receivables	0.3	0.1
Total	**72.9**	65.9

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and has been invoiced at the reporting date. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Included within trade receivables (invoiced) is a provision for the impairment of financial assets of £3.0m (2022: £2.5m).

Accrued income relates to the Group's rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to receivables when invoiced. Included within net accrued income is provision for the impairment of financial assets of £1.5m (2022: £1.2m).

Exposure to credit risk and expected credit losses relating to trade and other receivables are disclosed in note 32.

19. Inventories

In Autorama, the Group temporarily takes a small proportion of new vehicle deliveries on balance sheet as principal, which are held within inventory.

	2023 £m	2022 £m
Finished goods	3.6	–
Inventories	**3.6**	–

20. Cash and cash equivalents

Cash at bank and in hand is denominated in the following currencies:

	2023 £m	2022 £m
Sterling	**16.6**	51.0
Euro	**–**	0.3
Cash at bank and in hand	**16.6**	51.3

Cash balances with an original maturity of less than three months were held in current accounts during the year and attracted interest at a weighted average rate of 0.7% (2022: 0.2%).

21. Trade and other payables

	2023 £m	2022 £m
Trade payables	**8.0**	2.7
Accruals	**15.8**	14.4
Other taxes and social security	**16.9**	21.3
Deferred income	**5.7**	3.0
Vehicle stocking loan	**3.0**	–
Other payables	**3.9**	0.5
Accrued interest payable	**0.3**	0.1
Total	**53.6**	42.0

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

22. Borrowings

Non-current	2023 £m	2022 £m
Syndicated RCF gross of unamortised debt issue costs	**60.0**	–
Unamortised debt issue costs on Syndicated RCF	**(2.5)**	(1.4)
Total	**57.5**	(1.4)

Current	2023 £m	2022 £m
Loan from other investment	**1.1**	–
Total	**1.1**	–

Total borrowings	**58.6**	(1.4)

Unamortised debt issue costs on the Syndicated RCF increased to £2.5m in the year (2022: £1.4m) following the amendment and restatement of the Group's Syndicated RCF facility. At 31 March 2022, unamortised debt issue costs were within Prepayments.

Borrowings are repayable as follows:

	2023 £m	2022 £m
Less than one year	**1.1**	–
Two to five years	**60.0**	–
Total	**61.1**	–

The carrying amounts of borrowings approximates to their fair values.

Syndicated revolving credit facility ('Syndicated RCF')

The Group has access to an unsecured Syndicated revolving credit facility (the 'Syndicated RCF'). Associated debt transaction costs total £5.9m, with £3.3m being incurred at initiation and £2.6m of additional costs associated with extension requests.

With effect from 1 February 2023 the Group entered into an Amendment and Restatement Agreement to extend the term of the facility for five years from the date of signing and to reduce the capacity of the facility to £200.0m. There is no requirement to settle all or part of the facility before the termination date of February 2028.The associated debt transaction costs were £1.6m, of which £1.4m was paid in the period to 31 March 2023.

Individual tranches are drawn down, in sterling, for periods of up to six months at the compounded reference rate (being the aggregate of SONIA for that interest period) plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:

- Net bank debt to EBITDA must not exceed 3.5:1.
- EBITDA to net interest payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures and exceptional items.

All financial covenants of the facility have been complied with through the period.

Loan from other investment

During the year, the Group's wholly owned subsidiary, Autorama Holding (Malta) Limited, elected to transfer the insurance portfolio held in a protected insurance cell with Advent Insurance PCC Limited to Atlas Insurance PCC Limited. As part of this process, Advent Insurance PCC Limited issued a loan to Autorama Holding (Malta) Limited to fund the investment in the new protected insurance cell until the portfolio transfer was complete. This process is likely to be completed within the next 12 months. As at 31 March 2023, £1.1m was recognised on the Consolidated balance sheet (2022: £nil).

Exposure to interest rate changes

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

	2023 £m	2022 £m
One month or less	**60.0**	–
Total	**60.0**	–

23. Provisions

	Dilapidations provision £m	Holiday pay provision £m	Total £m
At 31 March 2022	1.3	0.7	2.0
Charged to the income statement	–	0.7	0.7
Recognised under IFRS 16	0.1	–	0.1
Utilised in the year	(0.1)	(0.7)	(0.8)
At 31 March 2023	**1.3**	**0.7**	**2.0**

	2023 £m	2022 £m
Current	**0.7**	0.7
Non-current	**1.3**	1.3
Total	**2.0**	2.0

24. Deferred taxation

A net deferred tax liability of £5.8m has been recognised in the balance sheet at 31 March 2023. 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 2021	2.7	3.0	0.3	**6.0**
Credited to the income statement	0.3	(0.2)	0.5	**0.6**
Debited directly to equity	(0.2)	–	–	**(0.2)**
At 31 March 2022	2.8	2.8	0.8	**6.4**
(Debited)/credited to the income statement	1.1	(0.9)	(0.5)	**(0.3)**
Debited directly to equity	(0.2)	–	–	**(0.2)**
Acquired through business combinations	–	–	6.8	**6.8**
At 31 March 2023	**3.7**	**1.9**	**7.1**	**12.7**

Deferred taxation liabilities	Acquired intangible assets £m	Other temporary differences £m	Total £m
At 31 March 2021	–	4.3	**4.3**
Credited to the income statement	–	0.5	**0.5**
Debited to the statement of comprehensive income	–	0.2	**0.2**
At 31 March 2022	–	5.0	**5.0**
Credited to the income statement	(1.2)	(0.5)	**(1.7)**
Debited to the statement of comprehensive income	–	(1.1)	**(1.1)**
Acquired through business combinations	16.3	–	**16.3**
At 31 March 2023	**15.1**	**3.4**	**18.5**

Net deferred tax asset at 31 March 2022	1.4
Net deferred tax liability at 31 March 2023	**5.8**

The Group has estimated that £1.5m (2022: £0.9m) of the Group's net deferred income tax liability 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.

Deferred tax assets acquired through business combinations totalled £6.8m (2022: £nil). This includes £7.7m relating to tax losses offset by a £0.9m deferred tax liability linked to a fair value adjustment on freehold property. Recognition is on the basis that there are sufficient taxable temporary liability differences at the balance sheet date arising from acquired intangibles which are expected to reverse over the same time period that losses are expected to be used.

25. Retirement benefit obligations

(i) Defined contribution scheme

The Group operates a number of defined contribution schemes. In the year to 31 March 2023, the pension contributions to the Group's defined contribution schemes amounted to £3.5m (2022: £3.2m). At 31 March 2023, there were £0.6m (31 March 2022: £0.5m) of pension contributions outstanding relating to the Group's defined contribution schemes.

(ii) Defined benefit scheme

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). The Scheme is administered by a separate board of Trustees, which is legally separate from the Company. The Trustees are composed of representatives of both the Company and members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The Scheme has been closed to future members since 30 April 2006 and there are no remaining active members within the Scheme. No other post-retirement benefits are provided to these employees.

Profile of the Scheme

As at 31 March 2023, approximately 42% of the defined benefit obligation ('DBO') is attributable to former employees who have yet to reach retirement (2022: 57%) and 58% to current pensioners (2022: 43%). The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 16 years (2022: 20 years).

Buy-in

In October 2022, the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4m, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all Scheme members, which as at the remeasurement date amounted to £13.7m. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

Following the buy-in, the Scheme's assets largely comprise the bulk annuity policy held with Just Retirement, along with a small amount of additional assets currently held with LGIM. The Scheme trustees are now working to progress towards a full buy-out, which will involve various data and benefits exercises. It is anticipated that the Scheme buy-out will be completed in 2024. Once the buy-out is complete, the Scheme has no further purpose and will be wound up.

Funding requirements
UK legislation requires that pension schemes are funded prudently. The ongoing funding valuation of the Scheme was carried out by a qualified actuary as at 30 April 2021 and showed a surplus of £1.5m. The Company paid deficit contributions of £0.1m per annum to 31 January 2022, plus an additional £1.0m in October 2022 in respect of the shortfall versus the buy-in premium. The next funding valuation is due no later than 30 April 2024, although it is anticipated that the Scheme will be bought-out and wound-up before the statutory deadline for this valuation. The Company expects that a further contribution may be required in the year ending 31 March 2024 in respect of the balancing premium, once the data cleansing and benefit rectification is completed. The Company also pays expenses and PPF levies incurred by the Scheme.

Risks associated with the Scheme
The Scheme exposes the Company to some risks, although the purchase of a buy-in policy substantially mitigates these.

Asset volatility	The 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 previously held a significant proportion of gilt and bond assets which limits volatility and risk in the short term. The allocation of assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Inflation risk	A proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation leads 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.
Change in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Assumptions used
The results of the latest funding valuation at 30 April 2021 have been adjusted to the new balance sheet date, taking account of experience over the period since 30 April 2021, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	2023 %	2022 %
Discount rate for scheme liabilities	**4.70**	2.75
CPI inflation	**2.85**	3.00
RPI inflation	**3.55**	3.80
Pension increases		
Post 1988 GMP	**2.20**	2.35
Pre 2004 non GMP	**5.00**	5.00
Post 2004	**3.25**	3.55

The financial assumptions reflect the nature and term of the Scheme's liabilities. The weighted average duration of the Scheme liabilities at the year end is 16 years (2022: 20 years). This reduction is due to the discount rate increase which is the principal reason for the decrease in the value of Scheme liabilities compared with the prior year.

The Group has assumed that mortality will be in line with nationally published mortality table SAPS S3 Heavy tables with CMI 2021 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. No adjustment has been made for the possible effects of COVID-19. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2023		2022	
	Men Years	Women Years	Men Years	Women Years
Member aged 65 (current life expectancy)	**86.7**	**89.0**	86.6	88.3
Member aged 45 (life expectancy at age 65)	**88.4**	**90.8**	88.6	90.1

It is assumed that 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement (2022: 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement).

25. Retirement benefit obligations continued

Post-employment benefit obligations disclosures

The amounts charged to the Consolidated income statement are set out below:

	2023 £m	2022 £m
Past service cost	**0.5**	–
Settlement cost	**2.2**	–
Total amounts charged to the Consolidated income statement	**2.7**	–

Past service cost

As part of the data cleansing exercise ahead of the Scheme's buy-in, two items relating to the Barber window in relation to transferred in assets and a slightly later effective date for pension increases were identified. As a result, a £0.5m past service cost has been recognised in the Consolidated income statement (2022: £nil).

Current service costs and past service costs are charged to the income statement in arriving at Operating profit. Interest income on Scheme assets and the interest cost on Scheme liabilities are included within finance costs.

Settlement cost

Given the intention is to convert the buy-in policy purchased during the year to a buy-out as soon as possible, a settlement cost of £2.2m has been recognised in the Consolidated income statement for the year ended 31 March 2023. The settlement cost represents the difference between the value of the liabilities under IAS 19 at the remeasurement date, 31 October 2022, (£13.2m) and the price paid to settle the liabilities (£15.4m).

The following amounts have been recognised in the Consolidated statement of comprehensive income:

	2023 £m	2022 £m
Return on Scheme assets (in excess of)/below that recognised in net interest	**5.9**	1.6
Actuarial gains due to changes in assumptions	**(4.8)**	(1.8)
Actuarial losses/(gains) due to liability experience	**0.4**	(0.2)
Effect of the surplus cap	**–**	–
Deferred tax on surplus	**(1.1)**	0.2
Total amounts recognised within the Consolidated statement of comprehensive income	**0.4**	(0.2)

Amounts recognised in the balance sheet are as follows:

	2023 £m	2022 £m
Present value of funded obligations	**13.6**	17.5
Fair value of plan assets	**(14.1)**	(21.2)
Net asset recognised in the Consolidated balance sheet	**(0.5)**	(3.7)

The Trustees of the Scheme sought legal advice which concluded that the Group has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Group has concluded that IFRIC 14 does not apply, and therefore has recognised the accounting surplus of £0.5m (2022: £3.7m) and an associated deferred tax liability of £0.2m (2022: £1.3m) in the Consolidated balance sheet.

Movements in the fair value of Scheme assets were as follows:

	2023 £m	2022 £m
Fair value of Scheme assets at the beginning of the year	**21.2**	22.8
Interest income on Scheme assets	**0.5**	0.5
Remeasurement losses on Scheme assets	**(5.9)**	(1.6)
Contributions by the employer	**1.0**	0.1
Settlements	**(2.2)**	–
Net benefits paid	**(0.5)**	(0.6)
Fair value of Scheme assets at the end of the year	**14.1**	21.2

Movements in the fair value of Scheme liabilities were as follows:

	2023 £m	2022 £m
Fair value of Scheme liabilities at the beginning of the year	**17.5**	19.6
Past service cost	**0.5**	–
Interest expense	**0.5**	0.5
Actuarial gains on Scheme liabilities arising from changes in assumptions	**(4.8)**	(1.8)
Actuarial losses/(gains) on Scheme liabilities arising from experience	**0.4**	(0.2)
Settlements	**–**	–
Net benefits paid	**(0.5)**	(0.6)
Fair value of Scheme liabilities at the end of the year	**13.6**	17.5

Movements in post-employment benefit net obligations were as follows:

	2023 £m	2022 £m
Opening post-employment benefit surplus	**(3.7)**	(3.2)
Past service cost	**0.5**	–
Settlement cost	**2.2**	–
Contributions by the employer	**(1.0)**	(0.1)
Remeasurement and experience (gains)/losses	**1.5**	(0.4)
Closing post-employment benefit surplus	**(0.5)**	(3.7)

Plan assets are comprised as follows:

	2023		2022	
	£m	%	£m	%
Equities	**–**	**–**	–	–
Gilts	**0.4**	**3.5**	13.7	65.0
Bonds	**–**	**–**	7.2	34.0
Cash	**0.1**	**0.7**	0.3	1.0
Buy-in policy	**13.6**	**95.8**	–	–
Total	**14.1**	**100.0**	21.2	100.0

All plan assets have a quoted market price.

Sensitivity to key assumptions
The key financial assumptions used for IAS 19 are the discount and inflation rates. Given that the Scheme's buy-in policy is valued exactly equal to the DBO, changes in the key assumptions no longer have any impact on the net funded status position.

26. Share capital

Share capital	2023 Number '000	2023 Amount £m	2022 Number '000	2022 Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**946,893**	**9.5**	969,024	9.7
Purchase and cancellation of own shares	**(23,831)**	**(0.2)**	(22,198)	(0.2)
Issue of shares	**13**	**0.0**	67	0.0
Total	**923,075**	**9.3**	946,893	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2022 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,678,535 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2023, a total of 25,261,584 ordinary shares of £0.01 were purchased. The average price paid was 582.1p with a total consideration paid (including fees of £0.7m) of £148.0m. Of all shares purchased, 1,430,372 were held in treasury with 23,831,212 being cancelled. In the year ended 31 March 2023, 12,893 ordinary shares were issued for the settlement of share-based payments.

Included within shares in issue at 31 March 2023 are 340,196 (2022: 358,158) shares held by the ESOT and 4,371,505 (2022: 3,826,928) shares held in treasury, as detailed in note 27.

27. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 31 March 2021	(0.5)	(10.2)	(10.7)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(17.8)	(17.8)
Share-based incentives exercised	–	6.0	6.0
Own shares held as at 31 March 2022	(0.4)	(22.0)	(22.4)
Repurchase of own shares for treasury	–	(8.7)	(8.7)
Share-based incentives exercised	–	5.1	5.1
Own shares held as at 31 March 2023	**(0.4)**	**(25.6)**	**(26.0)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total Number of shares
Own shares held as at 31 March 2021	404,653	2,422,659	2,827,312
Transfer of shares from ESOT	(46,495)	–	(46,495)
Repurchase of own shares for treasury	–	2,718,193	2,718,193
Share-based incentives exercised	–	(1,313,924)	(1,313,924)
Own shares held as at 31 March 2022	358,158	3,826,928	4,185,086
Transfer of shares from ESOT	(17,962)	–	(17,962)
Repurchase of own shares for treasury	–	1,430,372	1,430,372
Share-based incentives exercised	–	(885,795)	(885,795)
Own shares held as at 31 March 2023	**340,196**	**4,371,505**	**4,711,701**

28. Dividends

Dividends declared and paid by the Company were as follows:

	2023		2022	
	Pence per share	£m	Pence per share	£m
2022 final dividend paid	**5.5**	**51.7**	5.0	48.0
2023 interim dividend paid	**2.8**	**26.0**	2.7	25.6
	8.3	**77.7**	7.7	73.6

The proposed final dividend for the year ended 31 March 2023 of 5.6p per share, totalling £51.4m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The Directors' policy with regard to future dividends is set out in the Financial review on page 25.

29. Cash generated from operations

	2023 £m	2022 £m
Profit after tax	**233.9**	244.7
Adjustments for:		
Tax charge	**59.7**	56.3
Depreciation	**4.9**	4.6
Amortisation	**9.2**	2.6
Share-based payments charge (excluding associated NI)	**5.8**	5.1
Deferred contingent consideration	**38.8**	–
Share of profit from joint ventures	**(2.5)**	(2.9)
Profit on sale of property, plant and equipment	**(0.7)**	–
Net lease disposals and modifications	**(0.1)**	–
Post employment expenses relating to the defined benefit scheme	**2.7**	–
Finance costs	**3.1**	2.6
R&D expenditure credit	**(0.1)**	(0.1)
Profit on disposal of a subsidiary	**(19.1)**	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(3.6)**	(5.3)
Trade and other payables	**(1.9)**	20.5
Inventory	**(2.7)**	–
Cash generated from operations	**327.4**	328.1

30. Share-based payments

The Group currently operates five share plans: the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus, Single Incentive Plan Award 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. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

The total charge in the period relating to the five schemes was £6.6m (2022: £6.1m). This included associated national insurance ('NI') at the rate at which management expects to be effective when the awards are exercised (13.80%), and apprenticeship levy at 0.5%, based on the share price at the reporting date.

In addition to this charge, the share-based payment charge reported in this period includes £38.8m relating to deferred share-based payment consideration relating to the acquisition of Autorama (see note 31), making a total combined charge of £44.6m (excluding associated NI).

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Share Incentive Plan ('SIP')	**–**	–	**–**	–
Sharesave scheme ('SAYE')	**0.5**	0.7	**–**	–
Performance Share Plan ('PSP')	**1.9**	1.3	**1.9**	1.3
Deferred Annual Bonus and Single Incentive Plan	**3.4**	3.1	**0.4**	0.2
NI and apprenticeship levy on applicable schemes	**0.8**	1.0	**0.3**	0.3
Total charge from ongoing share schemes	**6.6**	6.1	**2.6**	1.8
Share-based payments relating to Autorama acquisition	**38.8**	**–**	**–**	**–**
Total charge	**45.4**	**6.1**	**2.6**	**1.8**

During the year, the Directors in office in total had gains of £1.4m (2022: £2.8m) arising on the exercise of share-based incentive awards.

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.

UK SIP

	2023 Number	2022 Number
Outstanding at 1 April	**116,808**	163,157
Released	**(20,493)**	(46,349)
Outstanding at 31 March	**96,315**	116,808
Vested and outstanding at 31 March	**96,315**	116,808

The weighted average market value per ordinary share for SIP awards released was 578.0p (2022: 622.5p). The SIP shares outstanding at 31 March 2023 have fully vested (2022: fully vested). Shares released prior to the vesting date 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 Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 23 June 2022, the Group awarded 360,695 nil cost options under the PSP scheme. For the 2022 awards, the Group's performance is measured by reference to growth in Operating profit (70% of the award), Revenue (20% of the award) and Carbon reduction (10% of the award) over a three-year period to March 2025.

For other previous awards, the Group's performance had been measured by reference to growth in Operating profit and Revenue over a three-year period, total shareholder return relative to the FTSE 350 share index (2017 and 2020 awards), and diversity progress (2021 awards).

The fair value of the 2022 award was determined to be the share price at grant date. In previous years, the total shareholder return element was valued using the Monte Carlo model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

PSP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the PSP awards are as follows:

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 £
16 June 2017	TSR dependent	4.00	Nil	31	3.0	0.2	0.0	0.0	2.17
16 June 2017	OP dependent	4.00	Nil	N/A	3.0	0.2	0.0	0.0	4.00
30 August 2017	TSR dependent	3.42	Nil	31	3.0	0.2	0.0	0.0	2.17
30 August 2017	OP dependent	3.42	Nil	N/A	3.0	0.2	0.0	0.0	3.42
17 August 2018	OP dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 August 2018	Revenue dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	OP dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
17 June 2019	Revenue dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	TSR dependent	5.27	Nil	32	3.0	(0.1)	0.0	0.0	2.83
17 June 2021	OP dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
17 June 2021	Revenue dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
17 June 2021	Diversity progress dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
23 June 2022	OP dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31
23 June 2022	Revenue dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31
23 June 2022	Carbon reduction dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31

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

The number of options outstanding and exercisable as at 31 March 2023 was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	**1,401,701**	1,741,829
Options granted in the year	**360,695**	368,361
Dividend shares awarded	**8,319**	2,916
Options forfeited in the year	**(129,684)**	(344,766)
Options exercised in the year	**(241,047)**	(366,639)
Outstanding at 31 March	**1,399,984**	1,401,701
Exercisable at 31 March	**79,348**	181,875

The weighted average market value per ordinary share for PSP options exercised in 2023 was 587.2p (2022: 639.5p). The PSP awards outstanding at 31 March 2023 have a weighted average remaining vesting period of 1.0 years (2022: 1.2 years) and a weighted average contractual life of 7.9 years (2022: 7.9 years).

30. Share-based payments continued

Deferred Annual Bonus and Single Incentive Plan Award

The Group operates the Deferred Annual Bonus and Single Incentive Plan Award for Executive Directors, the Operational Leadership Team and certain key employees. The plan consists of two schemes, the Deferred Annual Bonus Plan ('DABP') and the Single Incentive Plan Award ('SIPA').

Deferred Annual Bonus

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. The extent to which the awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the 'Performance Conditions'). The awards will vest on the second anniversary of the date the Remuneration Committee determines that the Performance Conditions have been satisfied (the 'Vesting Period'). Awards are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Black-Scholes method where appropriate 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 23 June 2022, the Group awarded 108,704 nil cost options under the DABP scheme (2022: nil). DABP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the DABP awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 August 2018	4.48	Nil	2.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	2.0	0.6	1.3	0.0	5.65
23 June 2022	5.31	Nil	2.0	2.0	1.3	0.0	5.31

The number of options outstanding and exercisable as at 31 March was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	–	121,289
Options granted in the year	**108,704**	–
Dividend shares awarded	–	1,211
Options exercised in the year	–	(122,500)
Outstanding at 31 March	**108,704**	–
Exercisable at 31 March	–	–

No DABP options were exercised in 2023; the weighted average market value per ordinary share for DABP options exercised in 2022 was 640.7p.

Single Incentive Plan Award

The Group operates a Single Incentive Plan Award ('SIPA') for the Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the 'Performance Conditions'). The awards will vest in tranches, with the first tranche vesting on the date on which the Remuneration Committee determines that the Performance Conditions have been satisfied, and subsequent tranches vesting on the first and second anniversary of this date, subject to continuing employment.

On 23 June 2022, the Group awarded 681,586 nil cost options under the SIPA scheme. For the 2022 awards, 75% of the award value is dependent on FY23 Operating profit and the remaining 25% is subject to successful implementation of digital retailing related products by 31 March 2023. The fair value of the 2022 award was determined to be £5.31 per option, being the share price at grant date.

The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

The assumptions used in the measurement of the fair value at grant date of the SIPA awards are as follows:

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 August 2018	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	5.27	Nil	N/A	3.0	(0.1)	0.0	0.0	5.27
24 November 2020	5.52	Nil	N/A	3.0	(0.1)	0.0	0.0	5.52
17 June 2021	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
23 June 2022	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31

The number of options outstanding and exercisable as at 31 March was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	**1,291,868**	1,012,199
Options granted in the year	**681,586**	718,634
Dividend shares awarded	**5,710**	5,440
Options exercised in the year	**(214,290)**	(429,283)
Options forfeited in the year	**(247,108)**	(15,122)
Outstanding at 31 March	**1,517,766**	1,291,868
Exercisable at 31 March	**412,346**	179,065

The weighted average market value per ordinary share for SIPA options exercised in 2023 was 601.1p (2022: 646.2p). The SIPA awards outstanding at 31 March 2023 have a weighted average remaining vesting period of 1.2 years (2022: 0.8 years) and a weighted average contractual life of 8.2 years (2022: 8.6 years). The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2021 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:

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 £
14 December 2018	4.48	3.49	29	3.0	0.7	1.7	16	1.29
13 December 2019	5.74	4.32	25	3.0	0.6	1.3	10	1.63
16 December 2020	5.75	4.41	32	3.0	0.0	0.5	10	1.86
16 December 2021	7.13	5.88	32	3.0	0.5	0.5	10	2.05
14 December 2022	5.64	4.56	34	3.0	3.2	1.3	10	1.87

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.

	2023		2022	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,446,582**	**4.72**	1,505,816	3.88
Options granted in the year	**688,115**	**4.56**	482,325	5.88
Options exercised in the year	**(406,060)**	**3.86**	(446,884)	3.21
Options lapsed in the year	**(362,285)**	**5.39**	(94,675)	4.38
Outstanding at 31 March	**1,366,352**	**4.72**	1,446,582	4.72
Exercisable at 31 March	**53,892**	**4.32**	242,707	3.49

The weighted average market value per ordinary share for Sharesave options exercised in 2023 was 597.4p (2022: 646.2p). The Sharesave options outstanding at 31 March 2023 have a weighted average remaining vesting period of 2.0 years (2022: 1.7 years) and a weighted average contractual life of 2.5 years (2022: 2.2 years).

31. Business combinations

Purchase of Autorama UK Limited

On 22 June 2022, the Group acquired the entire share capital of Autorama UK Limited ('Autorama') for initial consideration of £150.0m, with an additional £50.0m deferred until 22 June 2023 and settled in shares to the value of £50.0m, subject to employment and customary performance conditions.

Autorama, one of the UK's largest marketplaces for leasing new vehicles, is a leading end-to-end digital platform, which aggregates leasing deals from multiple funders and OEMs (under its 'Vanarama' brand), enabling buyers to transact online across a wide range of vehicles.

The total consideration of £150.0m excludes acquisition costs of £2.1m which were recognised within costs in the Consolidated income statement. The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows for the period:

	2023 £m
Cash paid for subsidiary	**150.0**
Less: cash acquired	**(5.8)**
Payment for acquisition of subsidiary, net of cash acquired	**144.2**

As the settlement of the deferred £50.0m consideration is subject to a condition for continuing employment to 22 June 2023, the amount is not included in the business combination but is recorded as a post-acquisition income statement expense over the period of service, which extends to the first anniversary of the acquisition. A charge of £38.8m has been recorded in the period from acquisition to 31 March 2023.

From the period of acquisition to 31 March 2023, Autorama contributed revenue of £27.2m, and a loss of £11.2m to the Group's results. Further analysis is within note 2.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and, other than in respect of the intangible assets and related deferred tax, described below, no material adjustments from book value were made to existing assets and liabilities. The goodwill calculation is summarised below:

	Fair value £m
Intangible asset recognised on acquisition	
Brand	47.6
Technology	13.7
Customer relationships	2.9
Order book	2.3
Deferred tax liability arising on intangible assets	(16.3)
	50.2
Other non-current assets	
Investments	1.0
Property, plant and equipment	5.3
Intangible assets	0.4
Deferred tax asset	6.8
	13.5
Current assets	
Cash and cash equivalents	5.8
Trade and other receivables	4.5
Inventory	0.9
Other debtors	0.9
	12.1
Current liabilities	
Trade and other payables	11.6
Deferred income	2.3
	13.9
Non-current liabilities	
Borrowings	4.0
Lease liabilities	0.4
	4.4
Total net assets acquired	57.5
Goodwill on acquisition	92.5
Total assets acquired	150.0
Fair value of cash consideration	150.0

The brand, technology, customer relationships and order book obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. Refer to note 2 for further details on fair value techniques for valuing intangibles.

The business operates under the Vanarama brand name and is one of the UK's longest running e-commerce brands. The asset was valued using the Multi-period Excess Earnings Method and cross-checked using relief from royalty. A useful economic life and obsolescence decline period of 10 years was assumed. Revenue forecasts during this period were consistent with those described for Autorama in note 13, before adjustment for brand obsolescence. A post-tax discount rate of 14% was applied. This discount rate is lower than that for Autorama as a whole at the date of acquisition and reflects factors including the finite brand forecast period, compared to cash flows into perpetuity used to support the goodwill.

The technology is Autorama's propriety technology which helps manage a complex vehicle lease purchasing process into a streamlined online transaction via a customer friendly user interface, which has been developed in-house. The asset was valued using the cost approach specifically replacement costs and crosschecked using relief from royalty. The order book is customer orders not yet delivered, which is expected to unwind.

The goodwill recognised on acquisition principally relates to value arising from intangible assets that are not separately identifiable under IFRS 3. Such assets include the value of the acquired workforce (including technical experience), returning customers, supplier relationships with funders and car manufacturers and future market growth opportunities. Customer lists have not been valued separately on the basis they are inseparable in their own right from the brand. Supplier relationships are not separately valued on the basis that their terms are in line with industry standards of what would be typically agreed with a market participant.

31. Business combinations continued

The valuation of the Vanarama brand name is sensitive to a change in the obsolescence rate assumption. An obsolescence profile has been assumed which is considered to be a representative curve for a consumer asset in the absence of continued marketing spend, showing a slow decline in the early years due to the benefit of historic spend, then decline accelerating in the middle years as consumer brand consciousness falls, before slowing in the final years to reflect a slower drop off of residual awareness. Slowing or accelerating the assumed rate of obsolescence by one year, with all other factors being unchanged, would increase or decrease the valuation of the brand by £14m or £16m respectively. Residual goodwill would be adjusted by an equal and opposite amount, net of taxation. The discount rate used in the brand valuation is less sensitive to change, reflecting the finite useful economic life of 10 years and the lower positive cash flows in the latter years due to the obsolescence decline.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes. A deferred tax liability has been recorded on the fair value of the intangible assets recognised, other than goodwill, measured at the substantively enacted UK rate of corporation tax from April 2023 of 25%. This deferred tax liability has been debited against and increased the value of goodwill recognised.

Settlement of deferred consideration in relation to Blue Owl Network Limited
In addition, in July 2022, the deferred consideration of £8.1m was settled in respect of the acquisition of Blue Owl Network Limited ('Blue Owl'). On 31 July 2020, the Group acquired the entire share capital of Blue Owl for consideration of £18.2m, of which £8.1m was deferred until 31 July 2022.

32. Financial instruments

Financial assets

	Note	2023 £m	2022 £m
Net trade receivables (invoiced)	18	**28.5**	25.7
Net accrued income	18	**38.7**	34.6
Net trade receivables (total)	18	**67.2**	60.3
Other receivables	18	**0.3**	0.1
Cash and cash equivalents	20	**16.6**	51.3
Total		**84.1**	111.7

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2023 was £84.1m (2022: £111.7m). The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by geographic region was:

	2023 £m	2022 £m
UK	**67.2**	59.5
Ireland	**–**	0.8
Total	**67.2**	60.3

The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by type of customer was:

	2023 £m	2022 £m
Retailers	**52.7**	50.6
Manufacturer and Agency	**5.1**	3.7
Other	**5.3**	6.0
Autorama	**4.1**	–
Total	**67.2**	60.3

The Group's most significant customer accounts for £1.2m (2022: £1.2m) of net trade receivables as at 31 March 2023.

Expected credit loss assessment

Expected credit losses are measured using a provisioning matrix based on actual credit loss experience over the past three years and adjusted, when required, to take into account current macro-economic factors. For certain customers the Group applies experienced credit judgement that is determined to be predictive of the risk of loss to assess the expected credit loss, taking into account external ratings, financial statements and other available information. The following table provides information about the exposure to credit risk and expected credit losses for trade receivables and accrued income from individual customers as at 31 March 2023.

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	**3.7%**	**40.2**	**(1.5)**	**No**
Current	**2.8%**	**25.4**	**(0.7)**	**No**
Past due 1–30 days	**8.8%**	**3.4**	**(0.3)**	**No**
Past due 31–60 days	**27.8%**	**0.4**	**(0.1)**	**No**
Past due 61–90 days	**83.3%**	**0.1**	**(0.1)**	**No**
More than 91 days past due	**81.1%**	**2.2**	**(1.8)**	**No**
		71.7	**(4.5)**	

At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023. Sensitivity analysis has been performed in assessing the expected credit loss rate. There are no changes to the rate that are considered by the Directors to be reasonably possible, which give rise to a material difference in the loss allowance.

Comparative information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at 31 March 2022 is set out below:

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	3.4%	35.8	(1.2)	No
Current	2.6%	23.4	(0.6)	No
Past due 1–30 days	9.5%	2.1	(0.2)	No
Past due 31–60 days	14.3%	0.7	(0.1)	No
Past due 61–90 days	50.0%	0.2	(0.1)	No
More than 91 days past due	83.3%	1.8	(1.5)	No
		64.0	**(3.7)**	

The Group has identified specific balances for which it has provided an impairment allowance on a line by line basis across all ledgers, in both years. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	Note	2023 £m	2022 £m
At 1 April	18	**2.5**	2.9
Charged during the year		**1.0**	0.5
Acquired through business combinations		**0.3**	–
Utilised during the year		**(0.8)**	(0.9)
At 31 March	18	**3.0**	2.5

The movement in the allowance for impairment in respect of accrued income during the year was as follows.

	Note	2023 £m	2022 £m
At 1 April	18	**1.2**	1.3
Charged during the year		**0.5**	0.1
Utilised during the year		**(0.2)**	(0.2)
At 31 March	18	**1.5**	1.2

32. Financial instruments continued

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Directors do not consider deposits at these institutions to be at risk.

Financial liabilities

	2023			2022		
	As per balance sheet £m	Future interest cost £m	Total cash flows £m	As per balance sheet £m	Future interest cost £m	Total cash flows £m
Trade and other payables	**27.9**	**–**	**27.9**	17.7	–	17.7
Vehicle stocking loan	**3.0**	**–**	**3.0**	–	–	–
Borrowings (gross of debt issue costs)	**58.6**	**–**	**58.6**	–	–	–
Deferred consideration	**–**	**–**	**–**	8.0	0.1	8.1
Leases	**7.1**	**0.3**	**7.4**	9.5	0.4	9.9
Total	**96.6**	**0.3**	**96.9**	35.2	0.5	35.7

Trade and other payables are as disclosed within note 21, excluding vehicle stocking loan, other taxation and social security liabilities and deferred income.

IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 22 of these Consolidated financial statements, borrowings are currently drawn under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual future interest cost. Interest is payable on borrowings' drawn amounts at a rate of SONIA prevailing at the time of drawdown plus the applicable margin, which ranges from 1.2% to 2.1%. Interest paid in the year in relation to borrowings amounted to £3.0m (2022: £1.4m).

The Company had no derivative financial liabilities in either year. It is not expected that the cash flows included in the maturity analysis could occur earlier or at significantly different amounts.

Liquidity risk

The maturity of financial liabilities based on contracted cash flows is shown in the table below. This table has been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows. Floating rate interest payments have been calculated using the relevant interest rates prevailing at the year end, where applicable.

As at 31 March 2023	Trade and other payables £m	Vehicle stocking loan £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	**27.9**	**3.0**	**1.1**	**–**	**2.5**	**34.5**
Due within one to two years	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Due within two to five years	**–**	**–**	**57.5**	**–**	**2.5**	**60.0**
Due after more than five years	**–**	**–**	**–**	**–**	**–**	**–**
Total	**27.9**	**3.0**	**58.6**	**–**	**7.4**	**96.9**

As at 31 March 2022	Trade and other payables £m	Vehicle stocking loan £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	17.7	–	–	8.1	3.0	28.8
Due within one to two years	–	–	–	–	2.8	2.8
Due within two to five years	–	–	–	–	2.1	2.1
Due after more than five years	–	–	–	–	2.0	2.0
Total	17.7	–	–	8.1	9.9	35.7

Fair values

The fair values of all financial instruments in both years approximate to their carrying values.

33. Net debt

Analysis of net debt

Net debt is calculated as total borrowings, vehicle stocking loan and lease liabilities, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, acquisition of debt and new leases entered into during the year.

March 2023	At 1 April 2022 £m	Cash flow £m	Non-cash changes £m	At 31 March 2023 £m
Debt due within one year	–	1.1	–	1.1
Debt due after more than one year	–	54.6	2.9	57.5
Vehicle stocking loan	–	–	3.0	3.0
Accrued interest	0.1	(3.0)	3.2	0.3
Lease liabilities	9.5	(2.9)	0.5	7.1
Total debt and lease financing	9.6	49.8	9.6	69.0
Cash and cash equivalents	(51.3)	34.7	–	(16.6)
Net debt/(cash)	(41.7)	84.5	9.6	52.4

Non-cash changes on debt due after more than one year include borrowings of £4.0m which were acquired as part of the Autorama business combination, and were subsequently repaid in July 2022.

March 2022	At 1 April 2021 £m	Cash flow £m	Non-cash changes £m	At 31 March 2022 £m
Debt due after more than one year	27.6	(30.0)	2.4	–
Accrued interest	0.3	(1.5)	1.3	0.1
Lease liabilities	7.5	(3.2)	5.2	9.5
Total debt and lease financing	35.4	(34.7)	8.9	9.6
Cash and cash equivalents	(45.7)	(5.6)	–	(51.3)
Net debt/(cash)	(10.3)	(40.3)	8.9	(41.7)

Reconciliation of movements in liabilities to cash flows arising from financing activities

	Liabilities/(Assets)			Equity				
	Borrowings and accrued interest	Vehicle stocking loan	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2022	(1.2)	–	9.5	9.5	1,332.4	(22.4)	(847.0)	480.8
Changes from financing cash flows								
Dividends paid to Company shareholders	–	–	–	–	(77.7)	–	–	(77.7)
Drawdown of Syndicated RCF	110.0	–	–	–	–	–	–	110.0
Repayment of Syndicated RCF	(50.0)	–	–	–	–	–	–	(50.0)
Repayment of other debt	(4.0)	–	–	–	–	–	–	(4.0)
Proceeds from loan	1.1	–	–	–	–	–	–	1.1
Payment of refinancing fees	(1.4)	–	–	–	–	–	–	(1.4)
Payment of interest on borrowings	(3.0)	–	–	–	–	–	–	(3.0)
Payment of lease liabilities	–	–	(2.9)	–	–	–	–	(2.9)
Purchase of own shares for cancellation	–	–	–	(0.2)	(138.6)	–	0.2	(138.6)
Purchase of own shares for treasury	–	–	–	–	–	(8.7)	–	(8.7)
Fees on repurchase of own shares	–	–	–	–	(0.7)	–	–	(0.7)
Proceeds from exercise of share-based incentives	–	–	–	–	2.0	–	–	2.0
Total changes from financing cash flows	52.7	–	(2.9)	(0.2)	(215.0)	(8.7)	0.2	(173.9)
Other changes – liability related								
Interest expense	3.1	–	0.2	–	–	–	–	3.3
Other	4.3	3.0	0.3	–	–	–	–	7.6
Total liability-related other changes	7.4	3.0	0.5	–	–	–	–	10.9
Total equity-related other changes	–	–	–	–	272.9	5.1	0.5	278.5
Balance as of 31 March 2023	58.9	3.0	7.1	9.3	1,390.3	(26.0)	(846.3)	596.3

33. Net debt continued

	Liabilities/(Assets)		Equity				
	Borrowings and accrued interest	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2021	**27.9**	**7.5**	**9.7**	**1,307.3**	**(10.7)**	**(847.6)**	**494.1**
Changes from financing cash flows							
Dividends paid to Company shareholders	–	–	–	(73.6)	–	–	(73.6)
Repayment of Syndicated RCF	(30.0)	–	–	–	–	–	(30.0)
Payment of interest on borrowings	(1.5)	–	–	–	–	–	(1.5)
Payment of lease liabilities	–	(3.2)	–	–	–	–	(3.2)
Purchase of own shares for cancellation	–	–	(0.2)	(145.8)	–	0.2	(145.8)
Purchase of own shares for treasury	–	–	–	–	(17.7)	–	(17.7)
Fees on repurchase of own shares	–	–	–	(0.8)	(0.1)	–	(0.9)
Issue of ordinary shares	–	–	–	–	–	0.2	0.2
Proceeds from exercise of share-based incentives	–	–	–	1.4	–	–	1.4
Total changes from financing cash flows	(31.5)	(3.2)	(0.2)	(218.8)	(17.8)	0.4	(271.1)
Other changes – liability related							
Interest expense	2.4	0.2	–	–	–	–	2.6
Other	–	5.0	–	–	–	–	5.0
Total liability-related other changes	2.4	5.2	–	–	–	–	7.6
Total equity-related other changes	–	–	–	243.9	6.1	0.2	250.2
Balance as of 31 March 2022	**(1.2)**	**9.5**	**9.5**	**1,332.4**	**(22.4)**	**(847.0)**	**480.8**

34. Related party transactions

Dealer Auction Limited

The Group transacted the following related party transactions with its joint venture, Dealer Auction Limited, during the period.

The Group provided data services to Dealer Auction under a licence agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.6m (2022: £0.6m) and has been recognised within revenue. At 31 March 2023, deferred income outstanding in relation to the licence agreement was £8.9m (2022: £9.5m).

Other related party transactions

Key Management personnel compensation has been disclosed in note 8.

The Group sponsors a funded defined benefit pension scheme. Details of transactions with the Wiltshire (Bristol) Limited Retirement Benefits Scheme are set out in note 25.

35. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2023 the Group's subsidiaries 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[1]	England and Wales	Intermediary holding company	Ordinary	100%	100%
Auto Trader Limited[1]	England and Wales	Online marketplace	Ordinary	–	100%
Trader Licensing Limited[1]	England and Wales	Dormant company	Ordinary	–	100%
Autorama UK Limited[2]	England and Wales	Online marketplace	Ordinary	100%	100%
Vanarama Limited[2]	England and Wales	Dormant company	Ordinary	–	100%
Autorama Holding (Malta) Limited[3]	Malta	Investment company for a protected cell company	Ordinary	–	100%
Vanarama USA Inc[4]	United States of America	Dormant company	Ordinary	–	100%
Blue Owl Network Limited[1]	England and Wales	Finance platform	Ordinary	–	100%

1. Registered office address is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.
2. Registered office address is Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE.
3. Registered office address is The Landmark, Level 2, Suite 1, Triq L-Iljun, Qormi, Malta.
4. Registered office address is 800 Battery Ave SE, Suite 100, Atlanta, GA, 30339-5107, United States.

During the year, the Group disposed of Webzone Limited and liquidated KeeResources Limited.

All subsidiaries have a year end of 31 March, apart from Vanarama Limited, which has a year end of 30 November, and Autorama Holding (Malta) Limited and Vanarama USA Inc, which have a year end of 31 December.

Joint ventures

At 31 March 2023 the Group's interests in joint ventures were:

Joint ventures	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Dealer Auction Limited[1]	England and Wales	Online marketplace	Ordinary	–	49%
Dealer Auction (Operations) Limited[1]	England and Wales	Dormant company	Ordinary	–	49%
Auto Trader Autostock Limited[1]	England and Wales	Dormant company	Ordinary	–	49%
Dealer Auction Services Limited[1]	England and Wales	Dormant company	Ordinary	–	49%

1. Registered office address is Central House, Leeds Road, Rothwell, Leeds, West Yorkshire, England, LS26 0JE.

All joint ventures have a year end of 31 December.

At 31 March 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	3	**1,427.2**	1,224.9
		1,427.2	1,224.9
Current assets			
Debtors	4	**338.1**	487.6
Cash and cash equivalents	5	**0.3**	0.2
		338.4	487.8
Creditors: amounts falling due within one year	6	**(905.5)**	(664.2)
Net current assets		**(567.1)**	(176.4)
Net assets		**860.1**	1,048.5
Capital and reserves			
Called-up share capital	9	**9.3**	9.5
Share premium		**182.6**	182.6
Own shares held	10	**(26.0)**	(22.4)
Capital redemption reserve		**1.2**	1.0
Retained earnings		**693.0**	877.8
Total equity		**860.1**	1,048.5

The loss for the year of the Company was £9.0m (2022: loss £3.2m). The financial statements were approved by the Board of Directors on 1 June 2023 and authorised for issue:

Jamie Warner
Chief Financial Officer
Auto Trader Group plc
Registered number: 09439967
1 June 2023

For the year ended 31 March 2023

	Share capital £m	Share premium £m	Own shares held £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2021	**9.7**	**182.4**	**(10.7)**	**0.8**	**1,100.8**	**1,283.0**
Loss for the year	–	–	–	–	(3.2)	(3.2)
Total comprehensive expense, net of tax	–	–	–	–	(3.2)	(3.2)
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(146.5)	(146.5)
Dividends paid	–	–	–	–	(73.6)	(73.6)
Share-based payments	–	–	–	–	5.1	5.1
Exercise of employee share schemes	–	–	6.0	–	(4.8)	1.2
Transfer of shares from ESOT	–	–	0.1	–	(0.1)	–
Acquisition of treasury shares	–	–	(17.8)	–	–	(17.8)
Issue of ordinary shares	–	0.2	–	–	–	0.2
Tax on share-based payments	–	–	–	–	0.1	0.1
Total transactions with owners recognised directly in equity	(0.2)	0.2	(11.7)	0.2	(219.8)	(231.3)
Balance at 31 March 2022	**9.5**	**182.6**	**(22.4)**	**1.0**	**877.8**	**1,048.5**
Loss for the year	–	–	–	–	(9.0)	(9.0)
Total comprehensive expense, net of tax	–	–	–	–	(9.0)	(9.0)
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(139.3)	(139.3)
Dividends paid	–	–	–	–	(77.7)	(77.7)
Share-based payments	–	–	–	–	44.6	44.6
Exercise of employee share schemes	–	–	5.1	–	(3.6)	1.5
Acquisition of treasury shares	–	–	(8.7)	–	–	(8.7)
Tax on share-based payments	–	–	–	–	0.2	0.2
Total transactions with owners recognised directly in equity	(0.2)	–	(3.6)	0.2	(175.8)	(179.4)
Balance at 31 March 2023	**9.3**	**182.6**	**(26.0)**	**1.2**	**693.0**	**860.1**

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.

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 101 'Reduced Disclosure Framework' applicable in the United Kingdom and the Republic of Ireland ('FRS 101') and the Companies Act 2006.

In preparing these financial statements, the Company applies recognition, measurement and disclosure requirements of UK-adopted international accounting standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

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

As the Group financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 2 Share-Based Payments in respect of group settled share-based payments, IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The Company financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is at and for the year ended 31 March 2023. The comparative financial information presented is at and for the year ended 31 March 2022.

The Company's accounting policies are the same as those set out in note 1 to the Consolidated financial statements.

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 rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

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 £9.0m (2022: loss of £3.2m).

Amounts paid to the Company's auditor in respect of the statutory audit were £200,000 (2022: £77,000). The charge was borne by a subsidiary company and not recharged.

Estimation techniques
The preparation of financial statements in conformity with FRS 101 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 area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, is the carrying value of investments.

The Group considers annually whether there is an indicator that the carrying value of investments may have suffered an impairment, in accordance with the accounting policy stated. Where an indicator is identified, the recoverable amounts of investments are determined based on value-in-use calculations, which require the use of estimates.

Share-based payments
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 to the Consolidated financial statements. 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 regard to the inputs to these models. Estimation also arises over the number of share awards that are expected to vest, which is based on whether non-market conditions are expected to be met (see note 30 to the Consolidated financial statements).

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.

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 temporary 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 temporary differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the temporary 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
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Under IFRS 9, trade receivables including accrued income, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

The Company recognises lifetime expected credit losses ('ECLs') for trade receivables and accrued income. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for any macro-economic factors. At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023.

The Company assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as at fair value through profit and loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition and measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities, including trade payables, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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 80 to 93.

3. Investments in subsidiaries

	2023 £m	2022 £m
At beginning of the period	**1,224.9**	1,221.2
Additions – acquisition of subsidiary	**150.0**	–
Additions – investment in subsidiary	**10.0**	–
Additions – share-based payments relating to acquisition	**38.8**	–
Additions – share-based payments	**3.5**	3.7
At end of the period	**1,427.2**	1,224.9

Subsidiary undertakings are disclosed within note 35 to the Consolidated financial statements. The Company directly owns shares in two subsidiaries, Auto Trader Holding Limited and Autorama UK Limited.

The additions in the year relating to the acquisition of a subsidiary principally relate to the purchase of 100% of the share capital of Autorama UK Limited ('Autorama') of £150.0m, and a further investment of £10.0m. The remaining additions in the current and prior year relate to equity-settled share-based payments granted to the employees of subsidiary companies.

The recoverable amount of the investment in Autorama has been determined using the methodology and assumptions disclosed in note 13 to the Consolidated financial statements. There is limited headroom between the recoverable amount and the carrying value of the Autorama investment in the parent company due to the requirement to capitalise the £38.8m share-based payment charge relating to deferred consideration in the parent company.

No impairment indicators were identified for the investment in Auto Trader Holding Limited.

4. Debtors

	2023 £m	2022 £m
Amounts owed by Group undertakings	**336.8**	486.6
Other receivables	**0.2**	0.2
Deferred tax asset	**1.1**	0.8
Total	**338.1**	487.6

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment. These amounts are not expected to be settled in the next 12 months.

5. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**0.3**	0.2

6. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to Group undertakings	**903.3**	660.5
Accruals and deferred income	**2.2**	3.7
Total	**905.5**	664.2

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

7. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2023 and the year ended 31 March 2022 may be analysed as follows:

Financial assets	2023 £m	2022 £m
Financial assets measured at amortised cost	**337.0**	486.8

Financial liabilities	2023 £m	2022 £m
Financial liabilities measured at amortised cost	**905.5**	664.2

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.

8. Dividends

Dividends declared and paid by the Company were as follows:

	2023		2022	
	Pence per share	£m	Pence per share	£m
2022 final dividend paid	**5.5**	**51.7**	5.0	48.0
2023 interim dividend paid	**2.8**	**26.0**	2.7	25.6
	8.3	**77.7**	7.7	73.6

The proposed final dividend for the year ended 31 March 2023 of 5.6p per share, totalling £51.4m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The 2022 final dividend paid on 23 September 2022 was £51.7m. The 2023 interim dividend paid on 27 January 2023 was £26.0m.

The Directors' policy with regard to future dividends is set out in the Financial review on page 25.

9. Called-up share capital

	2023		2022	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**946,893**	**9.5**	969,024	9.7
Purchase and cancellation of own shares	**(23,831)**	**(0.2)**	(22,198)	(0.2)
Issue of shares	**13**	**–**	67	–
Total	**923,075**	**9.3**	946,893	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2021 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,678,535 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2023, a total of 25,261,584 ordinary shares of £0.01 were purchased. The average price paid was 582.1p with a total consideration paid (inclusive of fees of £0.7m) of £148.0m. Of all shares purchased, 1,430,372 were held in treasury with 23,831,212 being cancelled. In the year ended 31 March 2023, 12,893 ordinary shares were issued for the settlement of share-based payments.

Included within shares in issue at 31 March 2023 are 340,196 (2022: 358,158) shares held by the ESOT and 4,371,505 (2022: 3,826,928) shares held in treasury, as detailed in note 27.

10. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 31 March 2021	(0.5)	(10.2)	(10.7)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(17.8)	(17.8)
Share-based incentives	–	6.0	6.0
Own shares held as at 31 March 2022	(0.4)	(22.0)	(22.4)
Repurchase of own shares for treasury	–	(8.7)	(8.7)
Share-based incentives	–	5.1	5.1
Own shares held as at 31 March 2023	**(0.4)**	**(25.6)**	**(26.0)**

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 31 March 2021	404,653	2,422,659	2,827,312
Transfer of shares from ESOT	(46,495)	–	(46,495)
Repurchase of own shares for treasury	–	2,718,193	2,718,193
Share-based incentives exercised in the year	–	(1,313,924)	(1,313,924)
Own shares held as at 31 March 2022	358,158	3,826,928	4,185,086
Transfer of shares from ESOT	(17,962)	–	(17,962)
Repurchase of own shares for treasury	–	1,430,372	1,430,372
Share-based incentives exercised in the year	–	(885,795)	(885,795)
Own shares held as at 31 March 2023	**340,196**	**4,371,505**	**4,711,701**

11. Related parties

During the year, a management charge of £5.9m (2022: £4.9m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £336.8m and £903.3m respectively for debtors and creditors (2022: £486.6m and £660.5m) as set out in notes 4 and 6.

12. Contingent liability – financial guarantee

During the year, the Company became a financial guarantor for the arrangement between Autorama UK Limited and its vehicle stocking loan provider, Lombard North Central PLC. As at 31 March 2023, the maximum amount the Company would be required to pay if called upon is £3.6m, plus interest.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Trade	**427.4**	388.3	225.2	324.3	304.6
Consumer Services	**34.5**	33.3	26.6	28.3	28.0
Manufacturer and Agency	**11.1**	11.1	11.0	16.3	22.5
Autorama	**27.2**	–	–	–	–
Revenue	**500.2**	432.7	262.8	368.9	355.1
Operating costs	**(225.1)**	(132.0)	(104.0)	(113.2)	(112.3)
Share of profit from joint ventures	**2.5**	2.9	2.4	3.2	0.9
Operating profit	**277.6**	303.6	161.2	258.9	243.7
Net interest expense	**(3.1)**	(2.6)	(3.8)	(7.4)	(10.2)
Profit on disposal of subsidiary	**19.1**	–	–	–	8.7
Profit before taxation	**293.6**	301.0	157.4	251.5	242.2
Taxation	**(59.7)**	(56.3)	(29.6)	(46.4)	(44.5)
Profit after taxation	**233.9**	244.7	127.8	205.1	197.7
Net assets/(liabilities)	**527.3**	472.5	458.7	141.6	59.0
Net bank debt/(cash) (gross bank debt less cash)	**43.4**	(51.3)	(15.7)	275.4	307.1
Cash generated from operations	**327.4**	328.1	152.9	265.5	258.5
Basic EPS (pence)	**25.0**	25.6	13.2	22.2	21.0
Diluted EPS (pence)	**24.8**	25.6	13.2	22.1	20.9
Dividends declared per share (pence)	**8.4**	8.2	5.0	2.4	6.7