Independent auditor's report to the members of Auto Trader Group plc

1. Our opinion is unmodified

We have audited the financial statements of Auto Trader Group plc ("the Company") for the year ended 31 March 2021 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company balance sheet and Company statement of changes in equity, and the related notes, including the accounting policies in notes 1 and 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

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 is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 22 September 2016. The period of total uninterrupted engagement is for the five financial years ended 31 March 2021. 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. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Group financial statements as a whole	£7.8m (2020:£10.4m) 5.0% (2020: 4.1%) of Group profit before tax
Coverage	99% (2020:99%) of Group profit before tax

Key audit matters		vs 2020
Recurring risks	Group: Revenue recognition	◀▶
	Parent company: Recoverability of parent company's investment in subsidiary	◀▶

2. Key audit matters: our assessment of risks of material misstatement

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 summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Revenue recognition (Trade revenue: £225.2m; 2020: £324.3m). Refer to page 86 (Report of the Audit Committee), page 131 (accounting policy) and page 139 (financial disclosures).	**Data processing** Revenue primarily consists of fees for advertising on the Group's website. There are a large volume of transactions, a wide variety of packages available and retailers have the ability to bespoke the combination of products they receive over time. On the basis that the packages available relating to the Trade revenue stream are updated manually by Auto Trader personnel over time, we consider a significant risk exists in relation to revenue recognition in respect of fraud.	Our procedures included: • **Test of control:** Testing the design, implementation and operating effectiveness of bank reconciliation controls, to provide evidence over the reliability of cash data used in our tests of detail. • **Test of detail:** 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 sales transactions to cash received during the year and to trade receivables and accrued income outstanding at the year end. • **Tests of detail:** Testing for credit notes raised during the year and after the year end to assess the adequacy of the credit note provision and to confirm that revenue recognised in the year is not reversed subsequent to the year end. • **Tests of detail:** Using sampling techniques to test that accrued income has been earned in the year and is accurately recorded. • **Analytic sampling:** Obtaining all journals posted to revenue and, using computer assisted audit techniques, analysing these to identify those with unusual attributes or those with corresponding postings to unexpected accounts. Agreeing any journals identified back to relevant supporting documentation. **Our results** We found the amount of revenue recognised to be acceptable (2020: acceptable).
Recoverability of parent company's investment in subsidiary (£1,221.2m; 2020: £1,218.3m). Refer to page 86 (Report of the Audit Committee), page 170 (accounting policy) and page 172 (financial disclosures).	**Low risk, high value** The carrying amount of the parent company's investment in subsidiary represents 71% (2020: 77%) of the parent company's total assets. Its recoverability 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.	We performed the test 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 included: • **Comparing valuations:** comparing the carrying amount of the investment to the market capitalisation of the Group, as a test for an indication of impairment, as all of the Group's trading operations are contained within the subsidiary and its subgroup. **Our results** We found the company's conclusion that there is no indication of impairment of its investment in subsidiary to be acceptable (2020 result: acceptable).

We continue to perform audit procedures over going concern, as set out in section 4 of this report. However, reflecting a reduction in economic uncertainty relating to COVID-19 and the Group's financial position at year end, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year.

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

Materiality for the group financial statements as a whole was set at £7.8m (2020: £10.4m), determined with reference to a benchmark of group profit before tax of £157.4m (2020: £251.5m), of which it represents 5.0% (2020: 4.1%).

Materiality for the parent company financial statements as a whole was set at £6.4m (2020: £6.0m), determined with reference to a benchmark of company net assets of £1,283.0m (2020: 1,096.9m), of which it represents 0.5% (2020: 0.5%).

In line with our audit methodology, 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.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £5.9m (2020: £7.8m) for the Group and £4.8m (2020: £4.5m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m (2020: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

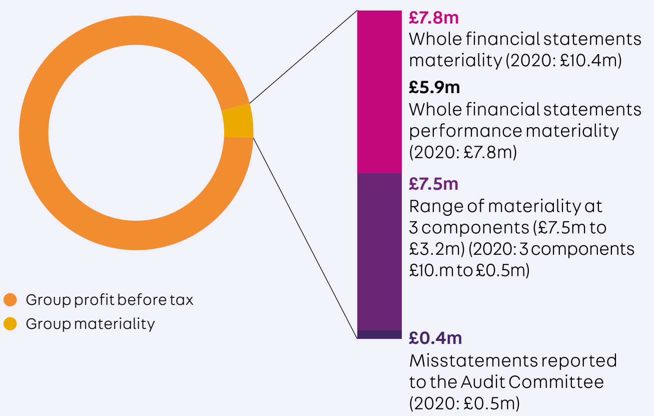
Of the Group's 6 (2020: 5) reporting components, we subjected 3 (2020: 3) to full scope audits for group purposes. The work on these components, including the audit of the parent company, was performed by the Group team.

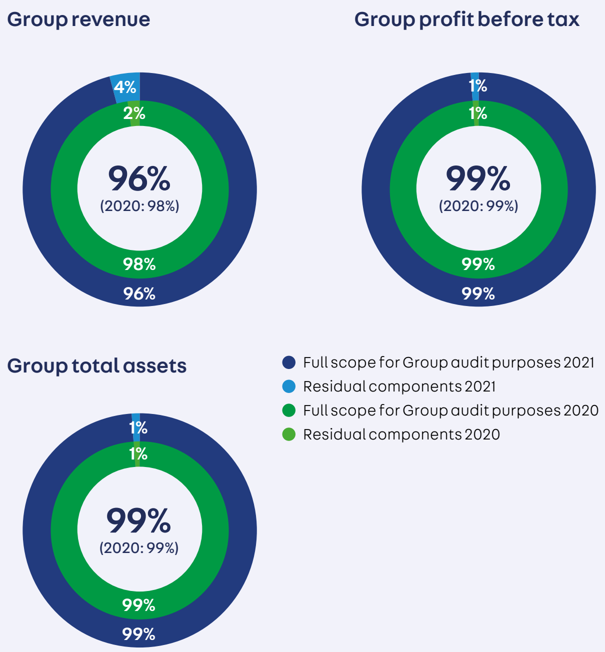
The components within the scope of our work accounted for the percentages illustrated below.

The remaining 4% (2020: 2%) of total group revenue, 1% (2020: 1%) of group profit before tax and 1% (2020: 1%) of total group assets is represented by 3 (2020: 2) reporting components, none of which individually represented more than 2% (2020: 2%) of any of total group revenue, group profit before tax or total group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Group profit before tax
£157.4m (2020: £251.5m)

Group materiality
£7.8m (2020: £10.4m)





4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the 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').

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 risk that we considered most likely to adversely affect the Group's and Company's available financial resources, and metrics relevant to debt covenants, over this period was in respect of the economic impact of COVID-19, with uncertainty remaining over the full range of possible effects on the Group's financial and operational performance, including from possible future lockdowns. 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 liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- A review of the availability of cash and the cash flow forecasts to determine whether the assumptions are realistic, achievable and consistent with the external and internal environment; we assessed loan covenant compliance to consider the headroom forecast for each financial covenant.
- An evaluation of sensitivities over the level of financial resources indicated by the Group's financial forecasts, taking account of reasonably possible (but not unrealistic) adverse effects, principally, that could arise from the risks identified individually and collectively.
- An assessment of the completeness of the going concern disclosure in note 1 to the financial statements.

Our conclusions based on this work:

- 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.
- The related statement under the Listing Rules set out on page 114 is materially consistent with the financial statements and our audit knowledge.

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 Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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 minutes.
- Considering remuneration incentive schemes and performance targets for management such as the Group's share based incentive schemes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account performance incentives and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk that revenue is recorded in the wrong period.

We did not identify any additional fraud risks.

Further detail in respect of revenue recognition is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test for full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and those posted with unusual descriptions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

5. Fraud and breaches of laws and regulations – ability to detect continued

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), taxation legislation, distributable profits 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.

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: the General Data Protection Regulation, competition law, employment law, fraud, 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 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. We have nothing to report on the 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.

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

Strategic report and Directors' report

Based solely on our work on the other information:
- 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

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

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 (page 70) 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 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 70 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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 Company's longer-term viability.

Corporate governance disclosures
We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:
- 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.

We are 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.

7. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 117, 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 **www.frc.org.uk/auditorsresponsibilities**.

9. 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
10 June 2021

Consolidated income statement

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Revenue	5	**262.8**	368.9
Administrative expenses		**(104.0)**	(113.2)
Share of profit from joint ventures	15	**2.4**	3.2
Operating profit	6	**161.2**	258.9
Net finance costs	9	**(3.8)**	(7.4)
Profit before taxation		**157.4**	251.5
Taxation	10	**(29.6)**	(46.4)
Profit for the year attributable to equity holders of the parent		**127.8**	205.1
Basic earnings per share (pence)	11	**13.24**	22.19
Diluted earnings per share (pence)	11	**13.21**	22.08

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Profit for the year		**127.8**	205.1
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.2)**	(0.3)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax	23	**1.6**	0.6
Other comprehensive income for the year, net of tax		**1.4**	0.3
Total comprehensive income for the year attributable to equity holders of the parent		**129.2**	205.4

Consolidated balance sheet

At 31 March 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	12	**358.2**	341.9
Property, plant and equipment	13	**11.2**	13.1
Deferred taxation assets	22	**1.7**	6.8
Retirement benefit surplus	23	**3.2**	0.9
Net investments in joint ventures	15	**54.6**	52.2
		428.9	414.9
Current assets			
Trade and other receivables	17	**59.6**	56.0
Current income tax assets		**0.3**	0.4
Cash and cash equivalents	18	**45.7**	37.6
		105.6	94.0
Total assets		**534.5**	508.9
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	24	**9.7**	9.2
Share premium	24	**182.4**	–
Retained earnings		**1,307.3**	1,180.1
Own shares held	25	**(10.7)**	(17.9)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Capital redemption reserve		**0.8**	0.8
Other reserves		**30.0**	30.2
Total equity		**458.7**	141.6
Liabilities			
Non-current liabilities			
Borrowings	20	**27.6**	310.5
Deferred taxation liabilities	22	**–**	2.9
Provisions for other liabilities and charges	21	**1.1**	1.1
Lease liabilities	14	**5.0**	7.0
Deferred income	5	**9.4**	10.0
Deferred consideration	30	**7.9**	–
		51.0	331.5
Current liabilities			
Trade and other payables	19	**21.8**	33.3
Provisions for other liabilities and charges	21	**0.5**	0.4
Lease liabilities	14	**2.5**	2.1
		24.8	35.8
Total liabilities		**75.8**	367.3
Total equity and liabilities		**534.5**	508.9

The financial statements were approved by the Board of Directors on 10 June 2021 and authorised for issue:

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

Consolidated statement of changes in equity

For the year ended 31 March 2021

	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 2019		**9.3**	**–**	**1,095.8**	**(16.5)**	**(1,060.8)**	**0.7**	**30.5**	**59.0**
Profit for the year		–	–	205.1	–	–	–	–	205.1
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	(0.3)	(0.3)
Remeasurements of post-employment benefit obligations, net of tax	23	–	–	0.6	–	–	–	–	0.6
Total comprehensive income, net of tax		–	–	205.7	–	–	–	(0.3)	205.4
Transactions with owners									
Employee share schemes – value of employee services	28	–	–	3.4	–	–	–	–	3.4
Exercise of employee share schemes		–	–	(2.7)	2.8	–	–	–	0.1
Transfer of shares from ESOT	25	–	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	–	0.4	–	–	–	–	0.4
Cancellation of shares	24	(0.1)	–	(57.7)	–	–	0.1	–	(57.7)
Acquisition of treasury shares	25	–	–	–	(4.3)	–	–	–	(4.3)
Dividends paid	26	–	–	(64.7)	–	–	–	–	(64.7)
Total transactions with owners, recognised directly in equity		(0.1)	–	(121.4)	(1.4)	–	0.1	–	(122.8)
Balance at 31 March 2020		**9.2**	**–**	**1,180.1**	**(17.9)**	**(1,060.8)**	**0.8**	**30.2**	**141.6**
Profit for the year		–	–	127.8	–	–	–	–	127.8
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	(0.2)	(0.2)
Remeasurements of post-employment benefit obligations, net of tax	23	–	–	1.6	–	–	–	–	1.6
Total comprehensive income, net of tax		–	–	129.4	–	–	–	(0.2)	129.2
Transactions with owners									
Employee share schemes – value of employee services	28	–	–	3.3	–	–	–	–	3.3
Exercise of employee share schemes		–	–	(6.0)	7.0	–	–	–	1.0
Transfer of shares from ESOT	25	–	–	(0.2)	0.2	–	–	–	–
Tax impact of employee share schemes		–	–	0.7	–	–	–	–	0.7
Issue of ordinary shares	24	0.5	182.4	–	–	–	–	–	182.9
Total transactions with owners, recognised directly in equity		0.5	182.4	(2.2)	7.2	–	–	–	187.9
Balance at 31 March 2021		**9.7**	**182.4**	**1,307.3**	**(10.7)**	**(1,060.8)**	**0.8**	**30.0**	**458.7**

Consolidated statement of cash flows
For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated from operations	27	**152.9**	265.5
Income taxes paid		**(28.2)**	(69.8)
Net cash generated from operating activities		**124.7**	195.7
Cash flows from investing activities			
Purchases of intangible assets – software		**(0.1)**	–
Purchases of intangible assets – financial systems		**–**	(0.2)
Purchases of property, plant and equipment		**(1.3)**	(1.3)
Payment for acquisition of subsidiary, net of cash acquired	29	**(10.0)**	(25.3)
Net cash used in investing activities		**(11.4)**	(26.8)
Cash flows from financing activities			
Dividends paid to Company's shareholders	26	**–**	(64.7)
Drawdown of Syndicated revolving credit facility	20	**64.5**	324.5
Repayment of Syndicated revolving credit facility	20	**(347.5)**	(324.5)
Repayment of other borrowings	29	**–**	(0.7)
Payment of refinancing fees	20	**(0.5)**	(0.5)
Payment of interest on borrowings	31	**(3.0)**	(6.4)
Payment of lease liabilities	31	**(2.5)**	(2.9)
Purchase of own shares for cancellation	24	**–**	(57.4)
Purchase of own shares for treasury	25	**–**	(4.3)
Payment of fees on repurchase of own shares		**–**	(0.3)
Proceeds from the issue of shares net of bookrunner fees	24	**183.2**	–
Payment of fees on issue of own shares	24	**(0.3)**	–
Contributions to defined benefit pension scheme	23	**(0.1)**	(0.1)
Proceeds from exercise of share-based incentives		**1.0**	0.1
Net cash used in financing activities		**(105.2)**	(137.2)
Net increase in cash and cash equivalents		**8.1**	31.7
Cash and cash equivalents at beginning of year	18	**37.6**	5.9
Cash and cash equivalents at end of year	18	**45.7**	37.6

Notes to the consolidated financial statements

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 2021 comprise the Company and its interest in subsidiaries (together referred to as 'the Group').

The consolidated financial statements of the Group as at and for the year ended 31 March 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/202 as it applies in the European Union.

The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention.

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.

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 2021 the Group has continued to generate significant cash from operations despite the impact of COVID-19. The Group has an overall positive net asset position and had cash balances of £45.7m at 31 March 2021 (2020: £37.6m).

In order to strengthen the Group's balance sheet and liquidity position and increase certainty around meeting future covenant tests despite the impact of the virus, the Group completed the placing of 46,468,300 new ordinary shares for net proceeds of £182.9m on 3 April 2020.

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). The Syndicated RCF, which is unsecured, has total commitments of £400.0m. The Group has extended the term for £316.5m of the Syndicated RCF to 23 June 2025. The balance remains repayable on 23 June 2023. At 31 March 2021 the Group had £30.0m of the facility drawn (2020: £313.0m).

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 the pandemic or a data breach. 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, it 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.

1. General information continued

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

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position. The accounting estimates and judgements believed to require the most subjectivity or complexity are as follows:

The impact of COVID-19 on the recoverability of financial assets
IFRS 9 prescribes that historical expected credit losses should be adjusted for forward-looking information to reflect macro-economic and market conditions. The closure of retailer forecourts during the year ended 31 March 2021 has had an adverse effect on the cash flows of retailers and is likely to increase credit risk looking forward as Government support is withdrawn.

Adjustments were made to the expected credit losses on financial assets to reflect this. Further details are set out in note 30.

Carrying values of goodwill
The Group tests annually whether goodwill 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. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates (note 12).

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 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 that model and the period over which the share award is expected to vest (note 28).

Acquisition accounting
The Group acquired Blue Owl Network Limited (comprising ownership of 'AutoConvert') in the year. Business combination accounting is adopted in line with the accounting policy in note 2. Assumptions are required to separately identify and estimate the valuation of acquired intangible assets.

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 2020:
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business – Amendments to IFRS 3;
- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7.

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 become mandatory in a subsequent accounting period including: COVID-19 Related Rent Concessions – Amendment to IFRS 16 and Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

Existing significant accounting policies
The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2020.

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.

Revenue principally represents the amounts receivable from customers for advertising on the Group's platforms but also includes non-advertising services such as 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.

KeeResources revenue
KeeResources customers pay a subscription fee to access elements of KeeResources'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.

2. Significant accounting policies continued

(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.

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 are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity. Cash-settled awards are revalued at each reporting date with the fair value of the award charged to the profit and loss account over the vesting period and the credit side of the entry recognised as a liability.

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.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries 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

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost, fair value through profit or loss or fair value though other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IFRS 9, trade receivables and 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 has elected to measure loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses ('ECLs'). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. 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.

When required, ECLs are adjusted to take into account macro-economic factors. As at 31 March 2020 and 31 March 2021, ECLs were adjusted for the macro-economic uncertainty caused by COVID-19.

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.

2. Significant accounting policies continued

Intangible assets

a) Goodwill

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement and are not reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks, trade names, technology, non-compete agreements, customer relationships, 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, 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 is capitalised at cost, including any costs to bring it into use, and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

d) Software and website development costs and financial systems

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

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

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs. Other development expenditures that do not meet these criteria, as well as ongoing maintenance and costs associated with routine upgrades and enhancements, are recognised as an expense as incurred. Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding five years) at the point at which they come into use.

Property, plant and equipment

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

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

Land, buildings and leasehold improvements:

• 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.

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.

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

Borrowings

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

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

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

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

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

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).

2. Significant accounting policies continued

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

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

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

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.

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

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

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

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

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

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 above 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 97% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

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

ii. Interest rate risk
The Group's interest rate risk arises from long-term borrowings under the Syndicated revolving credit facility with floating rates of interest linked to LIBOR. 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 £0.8m (2020: £2.3m).

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 customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that existing customers have an appropriate credit history and a significant number of balances are prepaid or collected via direct debit. In March, more than 87.4% (2020: 78.0%) of the Group's Retailer customers paid via monthly direct debit, minimising the risk of non-payment.

Sales to private customers are primarily settled in advance using major debit or credit cards which removes the risk in this area.

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 30.

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 actions taken to support customers through the current economic uncertainty.

ii. Cash and cash equivalents
As at 31 March 2021, the Group held cash and cash equivalents of £45.7m (2020: £37.6m). The increase in cash held was in response to the COVID-19 crisis to secure liquidity for the Group at a time of significant uncertainty. 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 and to ensure 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 Group treasury manager. 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 £400.0m. Of the total commitment, £83.5m matures in June 2023 and £316.5m in June 2025. The facility allows the Group access to cash at one working day's notice. At 31 March 2021, £30.0m was drawn under the Syndicated RCF.

3. Risk and capital management continued

On 1 April 2020, Auto Trader Group plc (the 'Company') announced the successful placing of ordinary shares. The placing raised net proceeds of £182.9m for the Company. A total of 46,468,300 new ordinary shares in the Company (the 'Placing Shares') were placed, at a price of 400.0 pence per Placing Share (the 'Placing Price'), a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020 and a premium of 0.9% to the middle market price at the time at which the Company and BofA Securities (as sole bookrunner) agreed the Placing Price. The Placing Shares issued represented approximately 5% of the ordinary share capital of Auto Trader at the time of issue.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission'). The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

Capital management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total bank debt and lease financing, less unamortised debt fees and cash and cash equivalents as shown in note 18. Total equity is as shown in the Consolidated balance sheet.

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

	2021 £m	2020 £m
Total net (cash)/debt	**(10.3)**	282.4
Total equity	**458.7**	141.6
Total capital	**448.4**	424.0

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 2021, the Group had borrowings of £30.0m (2020: £313.0m) through its Syndicated revolving credit facility. Interest is payable on this facility at a rate of LIBOR 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 in the year, it has been determined that there is only one operating segment being the Group, as the information reported includes operating results at a consolidated Group level only. This reflects the nature of the business, where the major cost is to support the IT platforms upon which all of the Group's customers are serviced. These costs are borne centrally and are not attributable to any specific customer type or revenue stream. There is also considered to be only one reportable segment, which is the Group, the results of which are shown in the Consolidated income statement. This assessment is a change from the prior year where Auto Trader, Webzone and KeeResources were reported as separate Operating segments. The Group has restated the corresponding items for prior periods.

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

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the one operating segment. To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue at a disaggregated level as detailed within note 5. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

A reconciliation of the segment's Operating profit to Profit before tax is shown below.

	2021 £m	2020 £m
Total segment Revenue	**262.8**	368.9
Total segment Operating profit	**161.2**	258.9
Finance costs – net	**(3.8)**	(7.4)
Profit before tax	**157.4**	251.5

Geographic information

The Group is domiciled in the UK and the following tables detail external revenue by location of customers, trade receivables and non-current assets (excluding deferred tax) by geographic area:

Revenue	2021 £m	2020 £m
UK	**259.0**	363.6
Ireland	**3.8**	5.3
Total revenue	**262.8**	368.9

Trade receivables	2021 £m	2020 £m
UK	**23.1**	24.3
Ireland	**0.2**	0.7
Total net trade receivables	**23.3**	25.0

Non-current assets (excluding deferred tax)	2021 £m	2020 £m
UK	**420.9**	401.3
Ireland	**6.3**	6.8
Total non-current assets (excluding deferred tax)	**427.2**	408.1

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

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.

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	2021 £m	2020 £m
Retailer	**211.9**	312.1
Home Trader	**6.3**	8.3
Other	**7.0**	3.9
Trade	**225.2**	324.3
Consumer Services	**26.6**	28.3
Manufacturer and Agency	**11.0**	16.3
Total revenue	**262.8**	368.9

Contract balances

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

	2021 £m	2020 £m
Receivables, which are included in trade and other receivables	**26.2**	28.4
Accrued income	**34.4**	28.1
Deferred income	**(12.7)**	(13.7)

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 trade receivables when invoiced.

Deferred income relates to advanced consideration received for which revenue is recognised as or when services are provided. £3.3m (2020: £3.7m) of the deferred income balance is classified as a current liability within trade and other payables (note 19). Included within deferred income is £10.0m (2020: £10.6m) relating to consideration received from Auto Trader Autostock Limited (which forms part of the Group's joint venture Dealer Auction) for the provision of data services (note 15). 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 (2020: £0.6m).

6. Operating profit

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

	Note	2021 £m	2020 £m
Staff costs	7	**(59.9)**	(55.3)
Contractor costs		**(0.1)**	(0.5)
Depreciation of property, plant and equipment	13	**(3.7)**	(3.9)
Amortisation of intangible assets	12	**(2.6)**	(2.6)
(Loss)/Profit on sale of property, plant and equipment		**(0.2)**	0.3

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

	2021 £m	2020 £m
Fees payable for the audit of the Company and consolidated financial statements	**0.1**	0.1
Fees payable for other services		
The audit of the subsidiary undertakings pursuant to legislation	**0.2**	0.2
Total	**0.3**	0.3

Fees payable for audit-related assurance services in the year were £37,370 (2020: £36,000). Fees payable for other non-audit services in the year were nil (2020: 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:

	2021 Number	2020 Number
Customer operations	**442**	398
Product and technology	**334**	323
Corporate	**132**	128
Total	**908**	849

The aggregate payroll costs of these persons were as follows:

	Note	2021 £m	2020 £m
Wages and salaries		**48.3**	44.5
Social security costs		**5.0**	5.1
Defined contribution pension costs	23	**2.3**	2.1
		55.6	51.7
Share-based payments and associated NI (note 28)	28	**4.3**	3.6
Total		**59.9**	55.3

Wages and salaries include £21.8m (2020: £20.7m) relating to the product and technology teams; these teams spend a significant proportion of their time on research and development activities, including innovation of our product proposition and enhancements to the Group's platforms.

8. Directors and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' remuneration report on pages 94 to 113:

Key Management compensation
During the year to 31 March 2021, Key Management comprised the members of the OLT (who are defined in note 4) and the Non-Executive Directors (2020: OLT and the Non-Executive Directors). The remuneration of all Key Management (including all Directors) was as follows:

	2021 £m	2020 £m
Short-term employee benefits	**3.1**	4.1
Share-based payments	**2.0**	3.0
Pension contributions	**0.1**	0.1
Total	**5.2**	7.2

9. Net finance costs

	2021 £m	2020 £m
On bank loans and overdrafts	**2.9**	6.3
Amortisation of debt issue costs	**0.6**	0.7
Interest unwind on lease liabilities	**0.3**	0.4
Interest charged on deferred consideration	**0.1**	–
Interest receivable on cash and cash equivalents	**(0.1)**	–
Total	**3.8**	7.4

10. Taxation

	2021 £m	2020 £m
Current taxation		
UK corporation taxation	**28.8**	47.1
Foreign taxation	**–**	0.2
Adjustments in respect of prior years	**–**	(0.1)
Total current taxation	**28.8**	47.2
Deferred taxation		
Origination and reversal of temporary differences	**0.5**	–
Effect of rate changes on opening balance	**–**	(0.8)
Adjustments in respect of prior years	**0.3**	–
Total deferred taxation	**0.8**	(0.8)
Total taxation charge	**29.6**	46.4

The taxation charge for the year is lower than (2020: lower than) the effective rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 £m
Profit before taxation	**157.4**	251.5
Tax on profit at the standard UK corporation tax rate of 19% (2020: 19%)	**29.9**	47.8
Expenses not deductible for taxation purposes	**0.1**	0.2
Income not taxable	**(0.7)**	(0.6)
Adjustments in respect of foreign tax rates	**–**	(0.1)
Effect of rate changed on deferred tax	**–**	(0.8)
Adjustments in respect of prior years	**0.3**	(0.1)
Total taxation charge	**29.6**	46.4

Taxation on items taken directly to equity was a credit of £0.7m (2020: £0.4m) relating to tax on share-based payments.

Tax recorded in equity within the consolidated statement of comprehensive income was a charge of £0.8m (2020: £0.3m) relating to post-employment benefit obligations.

10. Taxation continued

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2020: 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.

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 19% being used to measure all deferred tax balances as at 31 March 2021 (2020: 19%).

The 3 March 2021 Budget announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK corporation tax charge.

11. 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 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 2021			
Basic EPS	**965,175,677**	**127.8**	**13.24**
Diluted EPS	**967,404,812**	**127.8**	**13.21**
Year ended 31 March 2020			
Basic EPS	924,499,320	205.1	22.19
Diluted EPS	929,247,835	205.1	22.08

The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

Year ended 31 March 2021	Weighted average number of shares
Issued ordinary shares at 31 March 2020	**922,540,474**
Ordinary shares issued on 3 April 2020 equity raise	**46,468,300**
Ordinary shares issued for share-based payments	**15,412**
Weighted average ordinary shares in issue	**968,754,995**
Weighted effect of ordinary shares held in treasury	**(3,123,323)**
Weighted effect of shares held by the ESOT	**(455,995)**
Weighted average number of shares for basic EPS	**965,175,677**
Dilutive impact of share options outstanding	**2,229,135**
Weighted average number of shares for diluted EPS	**967,404,812**

For diluted earnings per share, the weighted average number of ordinary shares in issue 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. 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, 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.

12. Intangible assets

Cost	Goodwill £m	Software and website development costs £m	Financial systems £m	Database £m	Other £m	Total £m
At 31 March 2019	430.3	13.2	12.9	–	15.8	**472.2**
Acquired through business combinations	13.9	1.9	–	8.5	2.2	**26.5**
Additions	–	–	0.2	–	–	**0.2**
Disposals	–	(5.8)	–	–	–	**(5.8)**
Exchange differences	0.3	–	–	–	0.1	**0.4**
At 31 March 2020	444.5	9.3	13.1	8.5	18.1	**493.5**
Acquired through business combinations	13.6	5.5	–	–	–	**19.1**
Additions	–	0.1	–	–	–	**0.1**
Disposals	–	(0.4)	–	–	–	**(0.4)**
Exchange differences	(0.2)	(0.1)		–	(0.1)	**(0.4)**
At 31 March 2021	**457.9**	**14.4**	**13.1**	**8.5**	**18.0**	**511.9**
Accumulated amortisation and impairments						
At 31 March 2019	117.0	12.8	11.3	–	13.6	**154.7**
Amortisation charge	–	0.4	0.9	0.3	1.0	**2.6**
Disposals	–	(5.8)	–	–	–	**(5.8)**
Exchange differences	–	0.1	–	–	–	**0.1**
At 31 March 2020	117.0	7.5	12.2	0.3	14.6	**151.6**
Amortisation charge	–	1.3	0.6	0.6	0.1	**2.6**
Disposals	–	(0.4)	–	–	–	**(0.4)**
Exchange differences	–	(0.1)	–	–	–	**(0.1)**
At 31 March 2021	**117.0**	**8.3**	**12.8**	**0.9**	**14.7**	**153.7**
Net book value at 31 March 2021	**340.9**	**6.1**	**0.3**	**7.6**	**3.3**	**358.2**
Net book value at 31 March 2020	**327.5**	**1.8**	**0.9**	**8.2**	**3.5**	**341.9**
Net book value at 31 March 2019	**313.3**	**0.4**	**1.6**	**–**	**2.2**	**317.5**

Other intangibles include customer relationships, technology, trade names, trademarks, non-compete agreements and brand assets. 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 (3 to 15 years). The longest estimated useful life remaining at 31 March 2021 is 14 years (31 March 2020: 15 years).

For the year to 31 March 2021, the amortisation charge of £2.6m (2020: £2.6m) has been charged to administrative expenses in the income statement. At 31 March 2021, there were no software and website development costs representing assets under construction (2020: £0.1m).

In accordance with International Financial Reporting 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.

12. 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. Management has reviewed the Group's CGUs for the 2021 impairment assessment and determined that only one CGU exists, being the Digital CGU, as all cash inflows are underpinned by the core operating asset of the Auto Trader platform.

Prior year CGUs comprised Digital, Webzone and KeeResources. Webzone and KeeResources were businesses acquired by the Group whose products or technology have now been integrated into the Group's core Digital business and for which independent cash flows are no longer identifiable or monitored. Goodwill arising on the acquisition of Blue Owl Network has been allocated to the Digital segment, reflecting its revenue and cost synergy benefit.

The recoverable amount of the CGU is determined from value-in-use calculations that use cash flow projections from the latest four-year plan. The carrying value of the CGU is the sum of goodwill, property, plant and equipment (including lease assets), intangibles and lease liabilities, as follows:

	2021 £m
Digital	**360.5**
Total	**360.5**

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.

Key assumptions 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 (2020: five years) are extrapolated using the estimated growth rate stated into perpetuity; a rate of 3.0% (2020: 3.0%) has been used. This is marginally higher than the rate of inflation in the UK, reflecting the relative growth potential of the industry compared to the economy as a whole and is consistent with the approach taken by other technology companies. Other than as included in the financial budgets, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the Digital recoverable amount calculations was 9.1% (2020: 9.4%) and 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.

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

	2021	2020
Annual growth rate (after plan period)	**3.0%**	3.0%
Risk free rate of return	**0.8%**	1.3%
Market risk premium	**6.1%**	6.2%
Beta factor	**1.05**	1.08
Cost of debt	**1.9%**	2.3%

Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. 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. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. 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 2021 impairment review, no impairment has been recognised in relation to the CGU (2020: no impairment).

13. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2019	17.8	14.0	1.2	**33.0**
Acquired through business combinations	2.2	0.1	0.1	**2.4**
Additions	0.1	1.1	0.1	**1.3**
Disposals and modifications	(3.6)	(0.1)	(0.1)	**(3.8)**
At 31 March 2020	16.5	15.1	1.3	**32.9**
Additions	0.6	0.7	0.7	**2.0**
Disposals and modifications	(0.6)	(2.8)	(0.1)	**(3.5)**
At 31 March 2021	**16.5**	**13.0**	**1.9**	**31.4**
Accumulated depreciation				
At 31 March 2019	4.3	11.1	0.9	**16.3**
Charge for the year	2.1	1.5	0.3	**3.9**
Disposals	(0.2)	(0.1)	(0.1)	**(0.4)**
At 31 March 2020	6.2	12.5	1.1	**19.8**
Charge for the year	2.5	0.9	0.3	**3.7**
Disposals	(0.5)	(2.8)	–	**(3.3)**
At 31 March 2021	**8.2**	**10.6**	**1.4**	**20.2**
Net book value at 31 March 2021	**8.3**	**2.4**	**0.5**	**11.2**
Net book value at 31 March 2020	**10.3**	**2.6**	**0.2**	**13.1**
Net book value at 31 March 2019	**13.5**	**2.9**	**0.3**	**16.7**

Included within property, plant and equipment are £5.6m (2020: £6.8m) of assets recognised as leases under IFRS 16. Further details of these leases are disclosed in note 14. The depreciation expense of £3.7m for the year to 31 March 2021 (2020: £3.9m) has been recorded in administrative expenses.

During the year, £3.3m (2020: £0.4m) worth of property, plant and equipment with £nil net book value were disposed of.

14. Leases

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

	2021 £m	2020 £m
Net book value property, plant and equipment owned	**5.6**	6.3
Net book value right of use assets	**5.6**	6.8
	11.2	13.1

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 2019	11.5	0.1	0.3	11.9
Additions	–	–	0.1	0.1
Disposals	(1.4)	–	–	(1.4)
Modifications	(2.1)	–	–	(2.1)
Depreciation charge	(1.5)	–	(0.2)	(1.7)
Balance at 31 March 2020	6.5	0.1	0.2	6.8
Additions	–	–	0.7	0.7
Depreciation charge	(1.6)	–	(0.3)	(1.9)
At 31 March 2021	**4.9**	**0.1**	**0.6**	**5.6**

Lease liabilities in the balance sheet at 31 March	2021 £m	2020 £m
Current	**2.5**	2.1
Non-current	**5.0**	7.0
Total	**7.5**	9.1

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 30. 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 prior year the Group renegotiated the lease agreements for its London and Manchester offices. The accounting adjustments under IFRS 16 are set out below:

The Group surrendered a proportion of the London office back to the landlord. The surrender represents a disposal under IFRS 16. The right of use asset was reduced by £1.4m to reflect the value of assets disposed. The Group's lease liability reduced by £1.6m with a £0.2m gain on disposal recognised in the Consolidated income statement.

In the prior year the Group renegotiated the London office lease agreement for the remaining office space. The change to the agreement represented a modification under IFRS 16. The right of use asset was increased by £1.0m to reflect the value of the asset held after the modification. The Group's lease liability increased by £0.9m as a result of the modification and the dilapidations provision increased by £0.1m.

In the prior year the Group renegotiated the rent payable for the Manchester office in line with the rent review date stipulated in the lease agreement and the Group reassessed the lease term based on the likelihood of exercising the break clause within the lease agreement. These changes represented a lease modification under IFRS 16. The right of use asset was reduced by £3.1m with corresponding adjustment to the lease liability and dilapidations provision.

Amounts charged in the income statement	2021 £m	2020 £m
Depreciation charge of right of use assets	**1.9**	1.7
Interest on lease liabilities	**0.3**	0.4
Gain on disposal of right of use assets	**–**	0.2
Total amounts charged in the income statement	**2.2**	2.3

Cash outflow	2021 £m	2020 £m
Total cash outflow for leases	**2.5**	2.9

15. 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).

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	Group's share of net assets £m	Net investments in joint ventures £m
Carrying value			
As at 1 April 2019	48.1	0.9	49.0
Share of result for the year taken to the income statement	–	3.2	3.2
As at 31 March 2020	48.1	4.1	52.2
Share of result for the year taken to the income statement	–	2.4	2.4
As at 31 March 2021	**48.1**	**6.5**	**54.6**

Set out below is the summarised financial information for the joint venture:

	2021 £m	2020 £m
Non-current assets	**97.8**	98.4
Current assets		
Cash and cash equivalents	**0.3**	9.7
Other current assets	**19.7**	1.2
Total assets	**117.8**	109.3
Liabilities		
Current liabilities	**5.8**	2.3
Total liabilities	**5.8**	2.3
Net assets	**112.0**	107.0

	2021 £m	2020 £m
Revenues	**10.9**	13.0
Profit for the year	**4.9**	6.4
Total comprehensive income	**4.9**	6.4

The above information reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts. They have been amended for differences in accounting policies between the Group and the joint venture.

Non-current assets principally comprise goodwill and other intangible assets. The carrying value is assessed annually using a methodology consistent with that disclosed in note 12.

Dealer Auction Limited declared a dividend of £10.0m on 29 April 2021. The Group owns 49% of the ordinary share capital of Dealer Auction Limited and therefore received payment of £4.9m on 14 May 2021.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest, is given in note 33.

16. Other investments

Shares in other undertakings

	£m
Investment in IAUTOS Company Limited	
At 31 March 2021 and 31 March 2020	–

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 loss-making with forecast future cash outflows.

17. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**26.2**	28.4
Less: provision for impairment of trade receivables	**(2.9)**	(3.4)
Net trade receivables	**23.3**	25.0
Net accrued income	**33.1**	27.1
Prepayments	**2.9**	3.8
Other receivables	**0.3**	0.1
Total	**59.6**	56.0

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.

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 £1.3m (2020: £1.0m).

Exposure credit risk and expected credit losses relating to trade and other receivables are disclosed in note 30.

18. Cash and cash equivalents

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

	2021 £m	2020 £m
Sterling	**44.9**	36.9
Euro	**0.8**	0.7
Cash at bank and in hand	**45.7**	37.6

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 0.2% (2020: 0.2%).

19. Trade and other payables

	2021 £m	2020 £m
Trade payables	**5.0**	4.7
Accruals	**7.7**	7.4
Other taxes and social security	**5.1**	16.6
Deferred income	**3.3**	3.7
Other payables	**0.4**	0.5
Accrued interest payable	**0.3**	0.4
Total	**21.8**	33.3

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.

20. Borrowings

Non-current	2021 £m	2020 £m
Syndicated RCF gross of unamortised debt issue costs	**30.0**	313.0
Unamortised debt issue costs on Syndicated RCF	**(2.4)**	(2.5)
Total	**27.6**	310.5

The Syndicated RCF is repayable as follows:

	2021 £m	2020 £m
Two to five years	**30.0**	313.0
Total	**30.0**	313.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility ('Syndicated RCF')
The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). The Syndicated RCF, which is unsecured, has total commitments of £400.0m and the associated debt transaction costs at initiation were £3.3m.

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for an additional one year, incurring additional associated debt transaction costs of £0.5m. The Syndicated RCF will now terminate in two tranches:
- £83.5m will mature at the original termination date of June 2023; and
- £316.5m will mature in June 2025.

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates 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 Consolidated 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, exceptional items and adjusting for the adoption of IFRS 16.

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

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

	2021 £m	2020 £m
One month or less	**30.0**	313.0
Total	**30.0**	313.0

21. Provisions for other liabilities and charges

	Dilapidations provision £m	Holiday pay provision £m	Total £m
At 31 March 2020	1.1	0.4	1.5
Charged to the income statement	–	0.5	0.5
Utilised in the year	–	(0.4)	(0.4)
At 31 March 2021	**1.1**	**0.5**	**1.6**

	2021 £m	2020 £m
Current	**0.5**	0.4
Non-current	**1.1**	1.1
Total	**1.6**	1.5

The holiday pay provision relates to liabilities for holiday pay in relation to the UK and Ireland operations for leave days accrued and not yet taken at the end of the financial year, and is expected to be fully utilised in the year to 31 March 2022.

22. Deferred taxation

A net deferred tax asset of £1.7m has been recognised in the balance sheet at 31 March 2021. 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 2019	2.2	3.7	0.3	**6.2**
Acquired through business combinations	–	–	0.1	**0.1**
Effect of rate changes on opening balance	0.5	0.2	0.1	**0.8**
Debited directly to equity	(0.3)	–	–	**(0.3)**
At 31 March 2020	2.4	3.9	0.5	**6.8**
Debited to the income statement	(0.2)	(0.9)	(0.2)	**(1.3)**
Credited directly to equity	0.5	–	–	**0.5**
At 31 March 2021	**2.7**	**3.0**	**0.3**	**6.0**

Deferred taxation liabilities	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2019	–	–	0.5	**0.5**
Debited to the statement of comprehensive income	–	–	0.3	**0.3**
Acquired through business combinations	–	–	2.1	**2.1**
At 31 March 2020	–	–	2.9	**2.9**
Credited to the income statement	–	–	(0.4)	**(0.4)**
Debited to the statement of comprehensive income	–	–	0.8	**0.8**
Acquired through business combinations	–	–	1.0	**1.0**
At 31 March 2021	**–**	**–**	**4.3**	**4.3**

The Group has estimated that £1.0m (2020: £0.8m) of the Group's net deferred income tax asset will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

Acquired deferred tax liabilities of £1.0m have been recognised in relation to the acquisition of AutoConvert for the value of intangible assets recognised under IFRS 3 'Business Combinations'. See note 29 for further details.

23. Retirement benefit obligations

(i) Defined contribution scheme
Across the UK and Ireland the Group operates a number of defined contribution schemes. In the year to 31 March 2021 the pension contributions to the Group's defined contribution schemes amounted to £2.3m (2020: £2.1m). At 31 March 2021, there were £0.4m (31 March 2020: £0.3m) 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 2021, approximately 54% of the defined benefit obligation ('DBO') is attributable to former employees who have yet to reach retirement (2020: 55%) and 46% to current pensioners (2020: 45%). 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 21 years.

Risks associated with the Scheme
The Scheme exposes the Company to some risks, the most significant of which are:

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 holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth 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.

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 2018 and showed a deficit of £0.2m. The Company paid deficit contributions of £140,000 for the year ending 31 March 2021 (2020: £140,000) and is committed to further contributions of £140,000 per annum under the current Schedule of Contributions. The next funding valuation is due as at 30 April 2021, at which progress towards full-funding will be reviewed.
The Company also pays expenses and PPF levies incurred by the Scheme.

Assumptions used
The last triennial actuarial valuation of the Scheme was performed by an independent professional actuary at 30 April 2018 using the projected unit method of valuation. For the purposes of IAS 19 (revised) the actuarial valuation as at 30 April 2018 has been updated on an approximate basis to 31 March 2021, taking account of experience over the period since 30 April 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the projected unit credit method.

The principal financial assumptions used to calculate the liabilities under IAS 19 (revised) are as follows:

	2021 %	2020 %
Discount rate for scheme liabilities	**2.10**	2.30
CPI inflation	**2.60**	1.95
RPI inflation	**3.40**	2.75
Pension increases		
Pre 1988 GMP	**–**	–
Post 1988 GMP	**2.10**	1.85
Pre 2004 non GMP	**5.00**	5.00
Post 2004	**3.25**	2.75

The financial assumptions reflect the nature and term of the Scheme's liabilities.

23. Retirement benefit obligations continued

The Group has assumed that mortality will be in line with nationally published mortality table S2NA with CMI 2018 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2021		2020	
	Men Years	Women Years	Men Years	Women Years
Member aged 65 (current life expectancy)	**87.0**	**89.0**	86.9	88.9
Member aged 45 (life expectancy at age 65)	**88.7**	**90.8**	88.6	90.7

It is assumed that 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement (2020: 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement).

Post-employment benefit obligations disclosures
The amounts charged to the Consolidated income statement are set out below:

	2021 £m	2020 £m
Past service cost	**0.1**	–
Settlement cost	**0.1**	0.2
Total amounts charged to the Consolidated income statement	**0.2**	0.2

Past service cost
On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits for the effect of unequal GMPs accrued between 1990 and 1997. The issues determined by the judgment affect many other UK defined benefit pension schemes. Allowance was made for the cost of GMP equalisation as a past service cost for the year ending 31 March 2019. No further update or adjustment was applied to this figure during the year ending 31 March 2020.

A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of the scheme before 2018 need to be equalised. The court ruling made on 20 November 2020 confirmed that all transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised. A liability of £110,000 has been recognised within the scheme's DBO at 31 March 2021. The 2020 cost of £110,000 has been recognised as a past service cost in full in the current year.

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
During the course of the financial year, the Company and Trustees of the Scheme implemented an Enhanced Transfer Value exercise, where members of the Scheme were given the option to transfer their benefits away from the Scheme, and provided with paid-for independent financial advice.

In the year ending March 2021, two members elected to take a transfer (2020: seven members), and a total of £0.7m was paid out from the Scheme (2020: £1.2m). These transfers settled £0.6m of defined benefit obligation (2020: £1.0m), resulting in a settlement cost of £0.1m recognised in the Consolidated income statement for the year ending 31 March 2021 (2020: £0.2m).

In addition, the following amounts have been recognised in the Consolidated statement of comprehensive income:

	2021 £m	2020 £m
Return on Scheme assets (in excess of)/below that recognised in net interest	**(3.6)**	1.5
Actuarial losses/(gains) due to changes in assumptions	**1.4**	(0.1)
Actuarial gains due to liability experience	**(0.2)**	(0.1)
Effect of the surplus cap	**–**	(2.2)
Deferred tax on surplus	**0.8**	0.3
Total amounts recognised within the Consolidated statement of comprehensive income	**(1.6)**	(0.6)

Amounts recognised in the balance sheet are as follows:

	2021 £m	2020 £m
Present value of funded obligations	**19.6**	18.8
Fair value of plan assets	**(22.8)**	(19.7)
Effect of surplus cap	**–**	–
Net asset recognised in the Consolidated balance sheet	**(3.2)**	(0.9)

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 £3.2m (2020: £0.9m) and an associated deferred tax liability of £1.1m (2020: £0.3m) in the Consolidated balance sheet.

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

	2021 £m	2020 £m
Fair value of Scheme assets at the beginning of the year	**19.7**	22.2
Interest income on Scheme assets	**0.5**	0.6
Remeasurement gains/(losses) on Scheme assets	**3.6**	(1.5)
Contributions by the employer	**0.1**	0.1
Settlements	**(0.7)**	(1.2)
Net benefits paid	**(0.4)**	(0.5)
Fair value of Scheme assets at the end of the year	**22.8**	19.7

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

	2021 £m	2020 £m
Fair value of Scheme liabilities at the beginning of the year	**18.8**	20.0
Past service cost	**0.1**	–
Interest expense	**0.5**	0.5
Actuarial losses/(gains) on Scheme liabilities arising from changes in assumptions	**1.4**	(0.1)
Actuarial gains on Scheme liabilities arising from experience	**(0.2)**	(0.1)
Settlements	**(0.6)**	(1.0)
Net benefits paid	**(0.4)**	(0.5)
Fair value of scheme liabilities at the end of the year	**19.6**	18.8

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

	2021 £m	2020 £m
Opening post-employment benefit surplus	**(0.9)**	–
Past service cost	**0.1**	–
Settlement cost	**0.1**	0.2
Interest	**–**	(0.1)
Contributions by the employer	**(0.1)**	(0.1)
Remeasurement and experience (gains)/losses	**(2.4)**	1.3
Effect of surplus cap	**–**	(2.2)
Closing post-employment benefit surplus	**(3.2)**	(0.9)

Plan assets are comprised as follows:

	2021		2020	
	£m	%	£m	%
Equities	**12.4**	**54.0**	10.0	51.0
Bonds	**8.8**	**39.0**	7.2	37.0
Cash	**0.5**	**2.0**	1.4	7.0
Real estate	**1.1**	**5.0**	1.1	5.0
Total	**22.8**	**100.0**	19.7	100.0

All plan assets have a quoted market price.

23. Retirement benefit obligation continued

Sensitivity to key assumptions
The key assumptions are deemed to be the discount rate, inflation rates and life expectancy. The tables below give an approximation of the impact on the IAS 19 (revised) pension scheme liabilities to changes in these assumptions and experience. Note that all figures are before allowing for any deferred tax. The sensitivity information shown has been prepared using the same method used to adjust the results of the latest funding valuation to the balance sheet date.

Following a 0.25% increase in the discount rate

	Change £m	New value £m
Assets of the Scheme at 31 March 2021	–	22.8
Defined benefit obligation at 31 March 2021	(0.9)	(18.7)
Surplus at 31 March 2021	**(0.9)**	**4.1**

Following a 0.25% increase in the RPI and CPI inflation assumptions

	Change £m	New value £m
Assets of the Scheme at 31 March 2021	–	22.8
Defined benefit obligation at 31 March 2021	0.4	(20.0)
Surplus at 31 March 2021	**0.4**	**2.8**

Following a one-year increase in life expectancy

	Change £m	New value £m
Assets of the Scheme at 31 March 2021	–	22.8
Defined benefit obligation at 31 March 2021	1.1	(20.7)
Surplus at 31 March 2021	**1.1**	**2.1**

24. Share capital

	2021		2020	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**922,541**	**9.2**	933,198	9.3
Purchase and cancellation of own shares	**–**	**–**	(10,657)	(0.1)
Issue of shares	**46,483**	**0.5**	–	–
Total	**969,024**	**9.7**	922,541	9.2

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred. An additional £0.3m of other fees were incurred as a result of the placing. Share premium of £182.4m has been recorded.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

A further 15,412 ordinary shares were issued in the year ended 31 March 2021 for the settlement of share-based payments.

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2020 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,560,474 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2020, a total of 11,431,823 ordinary shares of £0.01 were purchased. The average price paid was 538.8p with a total consideration paid (inclusive of all costs) of £62.0m. 773,734 shares were purchased to be held in treasury with 10,657,089 being cancelled.

Included within shares in issue at 31 March 2021 are 404,653 (2020: 523,955) shares held by the ESOT and 2,422,659 (2020: 4,090,996) shares held in treasury, as detailed in note 25.

25. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2019	(0.8)	(15.7)	(16.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(4.3)	(4.3)
Share-based incentives exercised	–	2.8	2.8
Own shares held as at 31 March 2020	(0.7)	(17.2)	(17.9)
Own shares held as at 1 April 2020	(0.7)	(17.2)	(17.9)
Transfer of shares from ESOT	0.2	–	0.2
Share-based incentives exercised	–	7.0	7.0
Own shares held as at 31 March 2021	**(0.5)**	**(10.2)**	**(10.7)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2019	565,555	3,996,041	4,561,596
Transfer of shares from ESOT	(41,600)	–	(41,600)
Repurchase of own shares for treasury	–	774,734	774,734
Share-based incentives exercised	–	(679,779)	(679,779)
Own shares held as at 31 March 2020	523,955	4,090,996	4,614,951

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2020	523,955	4,090,996	4,614,951
Transfer of shares from ESOT	(119,302)	–	(119,302)
Share-based incentives exercised	–	(1,668,337)	(1,668,337)
Own shares held as at 31 March 2021	**404,653**	**2,422,659**	**2,827,312**

26. Dividends

Dividends declared and paid by the Company were as follows:

	2021		2020	
	Pence per share	£m	Pence per share	£m
2019 final dividend paid	–	–	4.6	42.6
2020 interim dividend paid	–	–	2.4	22.1
	–	–	7.0	64.7

No 2020 final dividend or 2021 interim dividend was declared and therefore no dividends have been paid out in the period.

The proposed final dividend for the year ended 31 March 2021 of 5.0p per share, totalling £48.3m, 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 45.

27. Cash generated from operations

	2021 £m	2020 £m
Profit before taxation	**157.4**	251.5
Adjustments for:		
Depreciation	**3.7**	3.9
Amortisation	**2.6**	2.6
Share-based payments charge (excluding associated NI)	**3.3**	3.4
Share of profit from joint ventures	**(2.4)**	(3.2)
Loss/(profit) on sale of property, plant and equipment	**0.2**	(0.3)
Difference between pension charge and cash contributions	**0.2**	0.2
Finance costs	**3.8**	7.4
RDEC	**(0.1)**	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(3.6)**	1.0
Trade and other payables	**(12.3)**	(0.2)
Provisions	**0.1**	(0.8)
Cash generated from operations	**152.9**	265.5

28. Share-based payments

The Group currently operates four share plans: the Performance Share Plan, Deferred Annual Bonus and Single Incentive Plan, Share Incentive Plan and the Sharesave scheme. All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme. Sensitivity analysis has been performed in assessing the fair value of the share-based incentives. There are no changes to key assumptions that are considered by the Directors to be reasonably possible, which give rise to a material difference in the fair value of the share-based incentives.

The total charge in the year relating to the four schemes was £4.3m (2020: £3.6m) with a Company charge of £0.6m (2020: £1.1m). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Share Incentive Plan ('SIP')	**–**	–	**–**	–
Sharesave scheme ('SAYE')	**0.7**	0.4	**–**	–
Performance Share Plan ('PSP')	**0.3**	1.2	**0.3**	0.7
Deferred Annual Bonus and Single Incentive Plan	**2.3**	1.8	**0.1**	0.4
Total share-based payment charge	**3.3**	3.4	**0.4**	1.1
NI and apprenticeship levy on applicable schemes	**1.0**	0.2	**0.2**	–
Total charge	**4.3**	3.6	**0.6**	1.1

During the year, the Directors in office in total had gains of nil (2020: £0.8m) 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

	2021 Number	2020 Number
Outstanding at 1 April	**282,459**	320,872
Dividend shares awarded	**–**	3,641
Forfeited	**–**	(2,650)
Released	**(119,302)**	(39,404)
Outstanding at 31 March	**163,157**	282,459
Vested and outstanding at 31 March	**163,157**	282,459

The weighted average market value per ordinary share for SIP awards released in 2021 was 558.0p (2020: 556.1p). The SIP shares outstanding at 31 March 2021 have fully vested (2020: fully vested). Shares released prior to the vesting date relate to those attributable to good leavers as defined by the scheme rules.

Irish SIP

	2021 Number	2020 Number
Outstanding at 1 April	**1,354**	5,416
Exercised	**–**	(4,062)
Outstanding at 31 March	**1,354**	1,354
Vested and outstanding at 31 March	**1,354**	1,354

No Irish SIP options were exercised in 2021; the weighted average market value per ordinary share for Irish SIP options exercised in 2020 was 548.9p. The SIP shares outstanding at 31 March 2021 have fully vested (2020: fully vested). Options exercised 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 8 July 2020, the Group awarded 591,580 nil cost options under the PSP scheme. For the 2020 awards, the Group's performance is measured by reference to total shareholder return relative to the FTSE350 share index over the three-year period April 2020 – March 2023.

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, the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE250 share index.

The PSP awards granted during the year have been valued using the Monte Carlo model. For previous awards, the TSR element has also been valued using the Monte Carlo model and the Black-Scholes model for the Operating profit and Underlying operating profit element. 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 £
19 June 2015	TSR dependent	3.06	Nil	30	3.0	0.9	0.0	0.0	2.08
19 June 2015	UOP dependent	3.06	Nil	N/A	3.0	0.9	0.0	0.0	3.06
17 June 2016	TSR dependent	3.89	Nil	29	3.0	0.4	0.4	0.0	2.16
17 June 2016	UOP dependent	3.89	Nil	N/A	3.0	0.4	0.4	0.0	3.89
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

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

28. Share-based payments continued

The number of options outstanding and exercisable as at 31 March 2021 was as follows:

	2021 Number	2020 Number
Outstanding at 1 April 2020	**2,380,589**	2,978,478
Options granted in the year	**591,580**	259,885
Dividend shares awarded	**63,826**	8,570
Options forfeited in the year	**(238,240)**	(297,678)
Options exercised in the year	**(1,055,926)**	(568,666)
Outstanding at 31 March 2021	**1,741,829**	2,380,589
Exercisable at 31 March 2021	**545,598**	873,575

The weighted average market value per ordinary share for PSP options exercised in 2021 was 546.2p (2020: 576.2p). The PSP awards outstanding at 31 March 2021 have a weighted average remaining vesting period of 1.0 years (2020: 0.5 years) and a weighted average contractual life of 7.5 years (2020: 7.0 years).

Deferred Annual Bonus and Single Incentive Plan

The Group operates the Deferred Annual Bonus and Single Incentive Plan for 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 and certain key senior executives. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Black-Scholes method 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.

No annual bonus plan is operating for FY21 and therefore no DABP options have been granted in the period. 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 June 2016	3.89	Nil	2.0	0.4	0.4	0.0	3.89
16 June 2017	4.00	Nil	2.0	0.2	0.0	0.0	4.00
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

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

	2021 Number	2020 Number
Outstanding at 1 April 2020	**166,614**	149,397
Options granted in the year	**–**	95,062
Dividend shares awarded	**1,902**	2,261
Options exercised in the year	**(47,227)**	(80,106)
Outstanding at 31 March 2021	**121,289**	166,614
Exercisable at 31 March 2021	**83,352**	–

The weighted average market value per ordinary share for DABP options exercised in 2021 was 549.0p (2020: 549.0p). The DABP awards outstanding at 31 March 2021 have a weighted average remaining vesting period of 0.2 years (2020: 0.9 years) and a weighted average contractual life of 8.0 years (2020: 8.9 years).

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 8 July 2020, the Group awarded 436,891 nil cost options under the SIPA scheme. A further 132,000 nil cost options were awarded on 24 November 2020. For the 2020 awards, 67% of the award value is guaranteed subject to continuing employment, and the remaining 33% is subject to successful implementation of the Guaranteed Part-Exchange product by 31 March 2021. The fair value of the 2020 options granted on 8 July 2020 was determined to be £5.27 per option and the fair value of the options granted on 24 November 2020 was determined to be £5.52 per option. The awards have been valued using a Black-Scholes pricing model.

The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA 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 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

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 was as follows:

	2021 Number	2020 Number
Outstanding at 1 April	**1,136,660**	923,052
Options granted in the year	**568,891**	699,024
Dividend shares awarded	**4,930**	4,109
Options exercised in the year	**(168,161)**	(254,407)
Options forfeited in the year	**(530,121)**	(235,118)
Outstanding at 31 March	**1,012,199**	1,136,660
Exercisable at 31 March	**143,799**	51,680

The weighted average market value per ordinary share for SIPA options exercised in 2021 was 558.0p (2020: 561.0p). The SIPA awards outstanding at 31 March 2021 have a weighted average remaining vesting period of 0.5 years (2020: 0.4 years) and a weighted average contractual life of 4.9 years (2020: 4.2 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 2019 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 £
25 September 2015	3.28	2.64	30	3.0	1.0	0.0	33	0.96
13 December 2017	3.48	2.59	31	3.0	0.6	1.3	14	1.12
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

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.

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,440,757**	**3.31**	1,347,698	3.05
Options granted in the year	**542,982**	**4.41**	298,237	4.32
Options exercised in the year	**(415,050)**	**2.59**	(43,526)	2.68
Options lapsed in the year	**(62,873)**	**3.80**	(161,652)	3.17
Outstanding at 31 March	**1,505,816**	**3.88**	1,440,757	3.31
Exercisable at 31 March	**138,013**	**2.59**	–	–

The weighted average market value per ordinary share for Sharesave options exercised in 2021 was 535.7p (2020: 548.8). The Sharesave options outstanding at 31 March 2021 have a weighted average remaining vesting period of 1.7 years (2020: 1.7 years) and a weighted average contractual life of 2.1 years (2020: 2.2 years).

29. Business combinations

Blue Owl Network Limited

On 31 July 2020, the Group acquired the entire share capital of Blue Owl Network Limited ('Blue Owl') for consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. The deferred consideration has been discounted using a rate of 1.7% and recognised on the balance sheet at £7.8m.

Blue Owl owns 'AutoConvert', a finance, insurance and compliance software platform with integrated customer relationship management solutions for the automotive sector. The total consideration paid and payable of £18.2m excludes acquisition costs of £0.4m which were recognised within administrative expenses 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:

	2021 £m
Cash paid for subsidiary	**10.1**
Less: cash acquired	**(0.1)**
Net cash outflow	**10.0**

From the acquisition date to 31 March 2021, Blue Owl contributed a loss of £0.3m to the Group's Operating profit and revenue of £1.7m.

If the acquisition had occurred on 1 April 2020, Blue Owl revenue would have been an estimated £2.6m and loss would have been an estimated £0.5m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2020.

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 resulting in a fair value adjustment to recognise intangible software assets acquired and related deferred tax. No other material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made is still open on this acquisition and the provisional goodwill calculation is summarised below:

	Fair value £m
Intangible asset recognised on acquisition:	
Software	5.5
Deferred tax liability arising on intangible assets	(1.0)
Intangible assets recognised and related deferred tax	4.5
Current assets	
Trade and other receivables	0.3
Cash and cash equivalents	0.1
Current assets	0.4
Current liabilities	
Trade and other payables	0.6
Total net assets acquired	4.3
Goodwill	13.6
Total assets acquired	17.9
Fair value of cash and deferred consideration	17.9

The goodwill recognised on acquisition relates to value arising from revenue and cost synergies and intangible assets that are not separately identifiable under IFRS 3, including non-contractual relationships and the acquired workforce. None of the acquired intangible assets is expected to be deductible for tax purposes.

In addition to the goodwill recognised, the software asset obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The asset represents the 'AutoConvert' finance, insurance and compliance software platform that enables automotive dealers and brokers to connect with multiple lenders. The fair value is based on the estimated present value of the cost to recreate the asset, allowing for a developer's margin.

KeeResources Limited

On 1 October 2019, Auto Trader Limited, a subsidiary of Auto Trader Group plc, acquired the entire share capital of KeeResources Limited for consideration, net of cash acquired, of £25.3m. KeeResources is a trusted provider of software, data, and digital solutions to the automotive industry, including a detailed vehicle dataset for new and used cars which Auto Trader uses to power its platform.

KeeResources has been an integral supplier to Auto Trader, as its unique vehicle data underpins much of the Auto Trader core platform. The total cash consideration paid of £26.8m excludes acquisition costs of £0.2m which were recognised within administrative expenses in the Consolidated income statement.

The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows:

	2020 £m
Cash paid for subsidiary	26.8
Less: cash acquired	(1.5)
Net cash outflow	25.3

From the period from acquisition to 31 March 2020, KeeResources contributed revenue of £2.4m, and a loss of £0.2m to the Group's results. If the acquisition had occurred on 1 April 2019, KeeResources revenue would have been an estimated £4.9m and loss would have been an estimated £0.4m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2019.

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 no material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made has now closed on this acquisition and the final goodwill calculation is summarised below:

	Fair value £m
Intangible assets recognised on acquisition:	
Customer relationships	1.5
Software	1.9
Database	8.5
Brand	0.7
Deferred tax liability arising on intangible assets	(2.1)
Intangible assets and related deferred tax	10.5
Property, plant and equipment	2.4
Deferred tax asset	0.1
Non-current assets	13.0
Current assets	
Trade and other receivables	0.8
Cash and cash equivalents	1.5
Current assets	2.3
Non-current liabilities	
Borrowings	0.7
Current liabilities	
Trade and other payables	0.4
Deferred income	1.3
Current liabilities	1.7
Total net assets acquired	12.9
Goodwill on acquisition	13.9
Total assets acquired	26.8
Cash consideration	26.8

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

In addition to the goodwill recognised, the customer relationships, brand, software, and database obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The database asset represents highly granular and accurate vehicle data set which KeeResources maintains and sells to customers; the database was valued based on subscription revenue that customers pay to access the data. The software asset is the Fleetware software which is used by leasing companies and contract hire providers to manage every aspect of fleet operations; the software was valued based on the subscription revenue that customers pay to KeeResources to use the software. On acquisition the net assets of KeeResources Limited included borrowings of £0.7m relating to a mortgage held over land and buildings. On 2 October 2019 the Group repaid the outstanding amount of £0.7m, together with accrued interest under the terms of the mortgage agreement.

30. Financial instruments

Financial assets

	Note	2021 £m	2020 £m
Net trade receivables	17	**23.3**	25.0
Net accrued income	17	**33.1**	27.1
Other receivables	17	**0.3**	0.1
Cash and cash equivalents	18	**45.7**	37.6
Total		**102.4**	89.8

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2021 was £102.4m (2020: £89.8m). The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by geographic region was:

	2021 £m	2020 £m
UK	**56.0**	51.0
Ireland	**0.4**	1.1
Total	**56.4**	52.1

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

	2021 £m	2020 £m
Retailers	**47.4**	45.8
Manufacturer and Agency	**2.6**	2.5
Other	**6.4**	3.8
Total	**56.4**	52.1

The Group's most significant customer accounts for £0.9m (2020: £0.9m) of net trade receivables as at 31 March 2021.

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 2021.

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	3.6%	34.4	(1.3)	No
Current	3.6%	21.8	(0.8)	No
Past due 1–30 days	8.3%	1.5	(0.1)	No
Past due 31–60 days	33.6%	0.9	(0.3)	No
Past due 61–90 days	74.9%	0.1	(0.1)	No
More than 91 days past due	82.5%	1.9	(1.6)	No
		60.6	**(4.2)**	

At both the current and prior year end, actual credit loss experience over the past three years was adjusted to take into account current macro-economic uncertainty due to the impact of COVID-19.

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 2020 is set out below:

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	3.6%	28.1	(1.0)	No
Current	3.6%	22.4	(1.0)	No
Past due 1–30 days	8.3%	2.6	(0.2)	No
Past due 31–60 days	33.6%	0.5	(0.1)	No
Past due 61–90 days	40.4%	0.4	(0.1)	No
More than 91 days past due	80.5%	2.5	(2.0)	No
		56.5	**(4.4)**	

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	2021 £m	2020 £m
At 1 April	17	**3.4**	2.1
Charged during the year		**0.4**	2.4
Acquired through business combinations		**–**	0.1
Utilised during the year		**(0.9)**	(1.2)
At 31 March	17	**2.9**	3.4

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

	Note	2021 £m	2020 £m
At 1 April	17	**1.0**	–
Charged during the year		**0.4**	1.0
Utilised during the year		**(0.1)**	–
At 31 March	17	**1.3**	1.0

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

	2021			2020		
	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	**13.4**	**–**	**13.4**	13.0	–	13.0
Borrowings (gross of debt issue costs)	**30.0**	**–**	**30.0**	313.0	–	313.0
Deferred consideration	**7.9**	**0.2**	**8.1**	–	–	–
Leases	**7.5**	**0.4**	**7.9**	9.1	0.7	9.8
Total	**58.8**	**0.6**	**59.4**	335.1	0.7	335.8

Trade and other payables are as disclosed within note 19, excluding 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 20 of these consolidated financial statements, all 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 LIBOR prevailing at the time of drawdown plus the applicable margin, which ranges from 1.2% and 2.1%. Interest paid in the year in relation to borrowings amounted to £3.0m (2020: £6.4m).

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.

30. Financial instruments continued

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 2021	Trade and other payables £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	13.4	–	–	2.7	16.1
Due within one to two years	–	–	8.1	2.6	10.7
Due within two to five years	–	30.0	–	2.4	32.4
Due after more than five years	–	–	–	0.2	0.2
Total	13.4	30.0	8.1	7.9	59.4

As at 31 March 2020	Trade and other payables £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	13.0	–	–	2.3	15.3
Due within one to two years	–	–	–	2.4	2.4
Due within two to five years	–	313.0	–	4.6	317.6
Due after more than five years	–	–	–	0.5	0.5
Total	13.0	313.0	–	9.8	335.8

Fair values

The fair values of all financial instruments in both years are equal to the carrying values.

31. Net debt

Analysis of net debt

Net debt is calculated as total borrowings net of unamortised bank facility fees, 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, and new leases entered into during the year.

March 2021	At 1 April 2020 £m	Cash flow £m	Non-cash changes £m	At 31 March 2021 £m
Debt due after more than one year	310.5	(283.5)	0.6	27.6
Accrued interest	0.4	(3.0)	2.9	0.3
Lease liabilities	9.1	(2.5)	0.9	7.5
Total debt and lease financing	320.0	(289.0)	4.4	35.4
Cash and cash equivalents	(37.6)	(8.1)	–	(45.7)
Net debt/(cash)	282.4	(297.1)	4.4	(10.3)

March 2020	At 1 April 2019 £m	Cash flow £m	Non-cash changes £m	At 31 March 2020 £m
Debt due after more than one year	310.3	(0.5)	0.7	310.5
Accrued interest	0.5	(6.4)	6.3	0.4
Lease liabilities	16.1	(2.9)	(4.1)	9.1
Total debt and lease financing	326.9	(9.8)	2.9	320.0
Cash and cash equivalents	(5.9)	(31.7)	–	(37.6)
Net debt	321.0	(41.5)	2.9	282.4

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

	Liabilities		Equity				
	Borrowings and accrued interest	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2020	**310.9**	**9.1**	**9.2**	**1,180.1**	**(17.9)**	**(1,029.8)**	**461.6**
Changes from financing cash flows							
Drawdown of RCF	64.5	–	–	–	–	–	64.5
Repayment of RCF	(347.5)	–	–	–	–	–	(347.5)
Payment of refinancing fees	(0.5)	–	–	–	–	–	(0.5)
Payment of interest on borrowings	(3.0)	–	–	–	–	–	(3.0)
Payment of lease liabilities	–	(2.5)	–	–	–	–	(2.5)
Issue of ordinary shares	–	–	0.5	–	–	182.4	182.9
Proceeds from exercise of share-based incentives	–	–	–	1.0	–	–	1.0
Total changes from financing cash flows	(286.5)	(2.5)	0.5	1.0	–	182.4	(105.1)
Other changes – liability related							
Interest expense	3.5	0.3	–	–	–	–	3.8
Other	–	0.6	–	–	–	–	0.6
Total liability related other changes	3.5	0.9	–	–	–	–	4.4
Total equity related other changes	–	–	–	126.2	7.2	(0.2)	133.2
Balance as of 31 March 2021	**27.9**	**7.5**	**9.7**	**1,307.3**	**(10.7)**	**(847.6)**	**494.1**

	Liabilities		Equity				
	Borrowings and accrued interest	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2019	**310.8**	**16.1**	**9.3**	**1,095.8**	**(16.5)**	**(1,029.6)**	**385.9**
Changes from financing cash flows							
Dividends paid to Company's shareholders	–	–	–	(64.7)	–	–	(64.7)
Payment of refinancing fees	(0.5)	–	–	–	–	–	(0.5)
Payment of interest on borrowings	(6.4)	–	–	–	–	–	(6.4)
Payment of lease liabilities	–	(2.9)	–	–	–	–	(2.9)
Purchase of own shares for cancellation	–	–	(0.1)	(57.4)	–	0.1	(57.4)
Purchase of own shares for treasury	–	–	–	–	(4.3)	–	(4.3)
Payment of fees on repurchase of own shares	–	–	–	(0.3)	–	–	(0.3)
Proceeds from exercise of share-based incentives	–	–	–	0.1	–	–	0.1
Total changes from financing cash flows	(6.9)	(2.9)	(0.1)	(122.3)	(4.3)	0.1	(136.4)
Other changes – liability related							
Interest expense	7.0	0.4	–	–	–	–	7.4
Other	–	(4.5)	–	–	–	–	(4.5)
Total liability related other changes	7.0	(4.1)	–	–	–	–	2.9
Total equity related other changes	–	–	–	206.6	2.9	(0.3)	209.2
Balance as of 31 March 2020	**310.9**	**9.1**	**9.2**	**1,180.1**	**(17.9)**	**(1,029.8)**	**461.6**

32. 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 (2020: £0.6m) and has been recognised within revenue. At 31 March 2021, deferred income outstanding in relation to the licence agreement was £10.0m (2020: £10.6m).

The Group provided services to Dealer Auction as per the Transitional Services Agreement entered into on its formation. The Group did not recharge Dealer Auction for the provision of these services, the total value of which is estimated to be £0.2m (2020: £0.2m).

The Group also provided invoicing and collection services for Dealer Auction. Cash is collected by the Group and passed through to Dealer Auction. The total amount invoiced on behalf of Dealer Auction during the period was £4.1m (2020: £2.3m).

During the period Dealer Auction provided data services to the Group amounting to £0.5m (2020: £1.1m). Services were provided to the Group on an arm's length basis and recorded as administrative expenses within the Consolidated income statement.

The Group had a creditor of £0.6m (2020: £1.0m) outstanding with Dealer Auction as at 31 March 2021.

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 23.

33. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2021 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	Financing 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%
Webzone Limited [2]	Republic of Ireland	Online marketplace	Ordinary	–	100%
KeeResources Limited [1]	England and Wales	Data services	Ordinary	–	100%
Kwikcarcost Limited [1]	England and Wales	In liquidation	Ordinary	–	100%
Kwiksystems Limited [1]	England and Wales	In liquidation	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 Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

All subsidiaries have a year end of 31 March.

Joint ventures
At 31 March 2021 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 which is consistent with the year end of the majority shareholder.

34. Post balance sheet events

Manchester office lease
On 14 April 2021, 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 lease will last for five years until April 2026 with total lease commitments over the five-year period of £1.9m.

Dealer Auction dividend
The Group's joint venture, Dealer Auction Limited, declared a dividend of £10.0m on 29 April 2021. The Group owns 49% of the ordinary share capital of Dealer Auction Limited and therefore received payment of £4.9m on 14 May 2021.

Company balance sheet

At 31 March 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments	3	**1,221.2**	1,218.3
		1,221.2	1,218.3
Current assets			
Debtors	4	**487.7**	368.1
Cash and cash equivalents	5	**–**	–
		487.7	368.1
Creditors: amounts falling due within one year	6	**(425.9)**	(489.5)
Net current assets		**61.8**	(121.4)
Net assets		**1,283.0**	1,096.9
Capital and reserves			
Called-up share capital	9	**9.7**	9.2
Share premium	9	**182.4**	–
Own shares held	10	**(10.7)**	(17.9)
Capital redemption reserve		**0.8**	0.8
Retained earnings		**1,100.8**	1,104.8
Total equity		**1,283.0**	1,096.9

The financial statements were approved by the Board of Directors on 10 June 2021 and authorised for issue:

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

Company statement of changes in equity

For the year ended 31 March 2021

	Share capital £m	Share premium £m	Own shares held £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2019	9.3	–	(16.5)	0.7	1,227.0	1,220.5
Loss for the year	–	–	–	–	(0.2)	(0.2)
Total comprehensive expense, net of tax	–	–	–	–	(0.2)	(0.2)
Transactions with owners:						
Purchase and cancellation of own shares	(0.1)	–	–	0.1	(57.7)	(57.7)
Dividends paid	–	–	–	–	(64.7)	(64.7)
Share-based payments	–	–	–	–	3.4	3.4
Exercise of employee share schemes	–	–	2.8	–	(2.7)	0.1
Transfer of shares from ESOT	–	–	0.1	–	(0.1)	–
Acquisition of treasury shares	–	–	(4.3)	–	–	(4.3)
Tax on share-based payments	–	–	–	–	(0.2)	(0.2)
Total transactions with owners recognised directly in equity	(0.1)	–	(1.4)	0.1	(122.0)	(123.4)
Balance at 31 March 2020	9.2	–	(17.9)	0.8	1,104.8	1,096.9
Loss for the year	–	–	–	–	(1.1)	(1.1)
Total comprehensive expense, net of tax	–	–	–	–	(1.1)	(1.1)
Transactions with owners:						
Share-based payments	–	–	–	–	3.3	3.3
Exercise of employee share schemes	–	–	7.0	–	(6.0)	1.0
Transfer of shares from ESOT	–	–	0.2	–	(0.2)	–
Issue of ordinary shares	0.5	182.4	–	–	–	182.9
Total transactions with owners recognised directly in equity	0.5	182.4	7.2	–	(2.9)	187.2
Balance at 31 March 2021	**9.7**	**182.4**	**(10.7)**	**0.8**	**1,100.8**	**1,283.0**

Notes to the Company financial statements

1. Accounting policies

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

Statement of compliance and basis of preparation
The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the 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 2021. The comparative financial information presented is at and for the year ended 31 March 2020.

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 £1.1m (2020: loss of £0.2m).

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

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

Amounts paid to the Company's auditors in respect of the statutory audit were £64,000 (2020: £60,100). The charge was borne by a subsidiary company and not recharged.

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

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

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 of the Group accounts. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 28) of the consolidated Group financial statements.

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 94 to 113.

3. Investments in subsidiaries

	2021 £m	2020 £m
At beginning of the period	**1,218.3**	1,216.0
Additions	**2.9**	2.3
At end of the period	**1,221.2**	1,218.3

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

Subsidiary undertakings are disclosed within note 33 to the consolidated financial statements.

4. Debtors

	2021 £m	2020 £m
Amounts owed by Group undertakings	**486.7**	366.7
Other receivables	**0.2**	0.1
Deferred tax asset	**0.8**	1.3
Total	**487.7**	368.1

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

5. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**–**	–

6. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to Group undertakings	**424.5**	488.4
Accruals and deferred income	**1.4**	1.1
Total	**425.9**	489.5

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 2021 and the year ended 31 March 2020 may be analysed as follows:

Financial assets	2021 £m	2020 £m
Financial assets measured at amortised cost	**486.9**	366.8

Financial liabilities	2021 £m	2020 £m
Financial liabilities measured at amortised cost	**425.9**	489.5

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:

	2021		2020	
	Pence per share	£m	Pence per share	£m
2019 final dividend paid	–	–	4.6	42.6
2020 interim dividend paid	–	–	2.4	22.1
	–	–	7.0	64.7

No 2020 final dividend or 2021 interim dividend was declared and therefore no dividends have been paid out in the period.

The proposed final dividend for the year ended 31 March 2021 of 5.0p per share, totalling £48.3m, 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 45.

9. Called-up share capital

	2021		2020	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**922,541**	**9.2**	933,198	9.3
Purchase and cancellation of own shares	–	–	(10,657)	(0.1)
Purchase and cancellation of own shares	**46,483**	**0.5**	–	–
Total	**969,024**	**9.7**	922,541	9.2

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred. An additional £0.3m of other fees were incurred as a result of the placing. Share premium of £182.4m has been recorded.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

A further 15,412 ordinary shares were issued in the year ended 31 March 2021 for the settlement of share-based payments. In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2020 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,560,474 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2020, a total of 11,431,823 ordinary shares of £0.01 were purchased. The average price paid was 538.8p with a total consideration paid (inclusive of all costs) of £62.0m. 773,734 shares were purchased to be held in treasury with 10,657,089 being cancelled.

Included within shares in issue at 31 March 2021 are 404,653 (2020: 523,955) shares held by the ESOT and 2,422,659 (2020: 4,090,996) shares held in treasury, as detailed in note 25.

10. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2019	(0.8)	(15.7)	(16.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(4.3)	(4.3)
Share-based incentives	–	2.8	2.8
Own shares held as at 31 March 2020	(0.7)	(17.2)	(17.9)
Own shares held as at 1 April 2020	(0.7)	(17.2)	(17.9)
Transfer of shares from ESOT	0.2	–	0.2
Share-based incentives	–	7.0	7.0
Own shares held as at 31 March 2021	**(0.5)**	**(10.2)**	**(10.7)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2019	565,555	3,996,041	4,561,596
Transfer of shares from ESOT	(41,600)	–	(41,600)
Repurchase of own shares for treasury	–	774,734	774,734
Share-based incentives exercised in the year	–	(679,779)	(679,779)
Own shares held as at 31 March 2020	523,955	4,090,996	4,614,951
Own shares held as at 1 April 2020	523,955	4,090,996	4,614,951
Transfer of shares from ESOT	(119,302)	–	(119,302)
Share-based incentives exercised in the year	–	(1,668,337)	(1,668,337)
Own shares held as at 31 March 2021	**404,653**	**2,422,659**	**2,827,312**

11. Related parties

During the year, a management charge of £2.4m (2020: £3.3m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £486.7m and £424.5m respectively for debtors and creditors (2020: £366.7m and £488.4m) as set out in notes 4 and 6.

Unaudited five-year record

	2021 £m	2020 £m	2019 £m	2018 £m	2017[1] £m
Trade	**225.2**	324.3	304.6	281.2	262.1
Consumer Services	**26.6**	28.3	28.0	29.8	31.8
Manufacturer and Agency	**11.0**	16.3	22.5	19.1	17.5
Revenue	**262.8**	368.9	355.1	330.1	311.4
Costs	**(104.0)**	(113.2)	(112.3)	(108.8)	(108.3)
Share of profit from joint ventures	**2.4**	3.2	0.9	–	–
Operating profit	**161.2**	258.9	243.7	221.3	203.1
Net interest expense	**(3.8)**	(7.4)	(10.2)	(10.6)	(9.7)
Profit on disposal of subsidiary	**–**	–	8.7	–	–
Profit before taxation	**157.4**	251.5	242.2	210.7	193.4
Taxation	**(29.6)**	(46.4)	(44.5)	(39.6)	(38.7)
Profit after taxation	**127.8**	205.1	197.7	171.1	154.7
Net assets/(liabilities)	**458.7**	141.6	59.0	5.6	(21.4)
Net bank (cash)/debt (gross bank debt less cash)	**(15.7)**	275.4	307.1	338.7	355.0
Cash generated from operations	**152.9**	265.5	258.5	228.4	212.9
Basic EPS (pence)	**13.2**	22.2	21.0	17.7	15.6
Diluted EPS (pence)	**13.2**	22.1	20.9	17.7	15.6
Dividend per share (pence)	**5.0**	2.4	6.7	5.9	5.2

1. The 2017 financial year has not been restated for IFRS 16.

Shareholder information

Registered office and headquarters
Auto Trader Group plc
4th Floor, 1 Tony Wilson Place
Manchester
M15 4FN
United Kingdom

Registered number: 09439967

Tel: +44 (0)345 111 0006
Web: **autotrader.co.uk**
Web: **plc.autotrader.co.uk**
Investor relations: **ir@autotrader.co.uk**

Company Secretary
Claire Baty

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

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

Independent auditors
KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Tel UK: 0371 664 0300
(calls cost 12p per minute plus network extras;
lines are open 9.00am to 5.30pm Monday to Friday,
excluding public holidays in England and Wales)

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

Web: **linkgroup.eu**
Email: **enquiries@linkgroup.co.uk**

Financial calendar 2021–2022

Annual General Meeting	17 September 2021
2022 Half-year results	11 November 2021
2022 Full-year results	26 May 2022

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

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

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