AutoTrader

Leaders in our market

AUTO TRADER GROUP PLC
Annual Report and Financial Statements 2020

WHO WE ARE

Auto Trader Group plc is the UK's largest digital automotive marketplace.

WHAT WE DO

There are 10 million transactions in the automotive market each year and we are driving change in how consumers are shopping for these cars online. We aim to drive further efficiencies in the market, benefitting consumers, retailers and manufacturers alike.

plc.autotrader.co.uk

Auto Trader Insight

@ATInsight

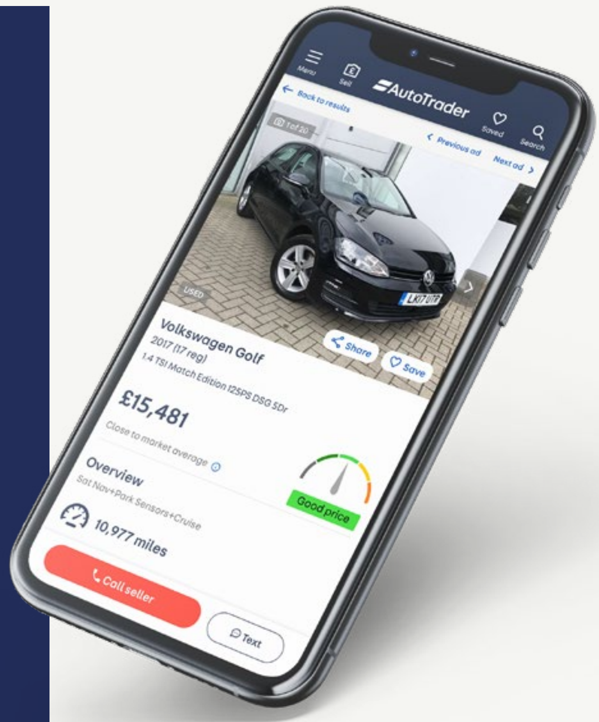
What does it mean to be a leader?

To us, leading the way is all about improving tomorrow's car market to ensure it's a fair and transparent one. One that's digital and easy to navigate for everybody.

That can only be achieved if it's based on a foundation of trust. Auto Trader prides itself on being the most trusted automotive marketplace. It is the go-to destination for car buyers and has been for the past 40 years.

This core belief sits at the heart of our business and defines our purpose.

Turn over to read more →



Evolving the full page advert
We have continued to improve the design and the information we show in our full page adverts to ensure buyers get transparent, helpful information about the price, mileage and the specifications of a vehicle.

Our purpose

To improve car buying in the UK, whilst also evolving the wider automotive ecosystem.

Our mission

To lead the future of the UK's digital automotive marketplace and become the UK's most admired digital business.

Our strategy

In order to achieve our purpose and mission, our strategy focuses on three growth horizons:

Core

We aim to significantly improve UK car buying focused around our core marketplace

- Evolve our search experience and enable customers to increase their prominence
- Embed our data and insight with retailers and car buyers
- Migrate our platform to the cloud

Read more P22

Adjacent

We've identified adjacent market opportunities which leverage either our large consumer audience or our relationships with retailers and manufacturers

- Grow engagement in our new car marketplace
- Develop a more efficient way to source, dispose and move vehicles

Read more P24

Future

We believe future opportunities exist in creating an online transaction journey for car buyers

- Facilitate the full transaction online including facilitating a part-exchange and the finance on the vehicle

Read more P26

All of which is underpinned by our way of working, based on an unwavering commitment to:

OUR STAKEHOLDERS
Read more P28

OUR PEOPLE AND CULTURE
Read more P42

OUR COMMUNITIES AND THE WIDER ENVIRONMENT
Read more P46

RISK MANAGEMENT
Read more P52

GOVERNANCE
Read more P60

Strategic highlights

NEW CAR
We successfully monetised our new car proposition, with over 1,000 retailers paying to advertise new cars on our marketplace by the end of the year. Through the year there was an average of over 31,000 physical new cars advertised on our platforms.

LAUNCH OF RETAILER PRODUCTS
As part of our annual pricing event we launched two new products to retailers: Text Chat and our Vehicle Check product that we run in partnership with Experian. These products provide benefit for both consumers and retailers, helping to build trust between the two.

UPSELL OF PACKAGES
We are pleased to see that stock penetration of our Advanced and Premium packages continues to increase, reaching 23% (2019: 19%) as retailers continue to see the benefits of paying more to appear with a greater level of prominence on site.

KEERESOURCES ACQUISITION
We acquired KeeResources, a trusted provider of software, data, and digital solutions to the automotive industry; securing the vehicle data which underpins much of our core platform.

DEALER AUCTION
Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020. Moving on to Auto Trader's platform sets the business up to leverage the scale of both Auto Trader and Cox Automotive.

Financial highlights

Revenue
£m

£368.9m
+4%

2020	**£368.9m**
2019	£355.1m
2018	£330.1m

Operating profit
£m

£258.9m
+6%

2020	Margin 70%	**£258.9m**
2019	Margin 69%	£243.7m
2018	Margin 67%	£221.3m

Basic EPS
pence per share

22.19p
+6%

2020	**22.19p**
2019	21.00p
2018	17.74p

KPIs P30

Operational highlights

Cross platform visits
Monthly average visits spent across all platforms (millions)

50.8m
+3%

2020	**50.8m**
2019	49.1m
2018	48.7m

Advert views
Average number per month (millions)

234.8m
-2%

2020	**234.8m**
2019	238.8m
2018	245.8m

Live car stock
Average number per month

478,000
+4%

2020	**478,000**
2019	461,000
2018	453,000

Supporting our industry

As might be expected we start with an assessment of how our business has been impacted by COVID-19. This section describes the measures we have put in place to support our industry through this period of uncertainty. It also details the actions taken to ensure we have the liquidity to maintain the long-term viability of the Group.

Since the beginning of the global pandemic our priorities have been to: protect our people; support our customers; ensure we are able to emerge from lockdown quickly; and continue to make progress against our long-term strategic goals. Much to the credit of our people, we have continued to operate all aspects of our business to a high standard and believe we are well placed to prosper coming out of the other side of the pandemic.

Supporting our customers

Between 24 March 2020 and various points in June depending on location, our customers, who are predominantly vehicle retailers, were required to close their showrooms. Those customers ranged from large multi-site groups through to small independent retailers and sole traders. Our platforms are also used by private sellers, for whom selling a car is likely to have fallen lower in their priorities, and manufacturers, who have lowered their advertising spend due to distribution channels being closed.

80,000

extra cars on Auto Trader as a result of our stock offer to retailers

During this time, we took the decision to stop charging our customers for an advertising service from which they could not immediately benefit, as their showrooms were required to close. We therefore went 'free' for all retailers from 1 April throughout the period which they were unable to open. At the time of taking this decision, ahead of Government announcements, it seemed simple, clear and appropriate given our intention to support our customers, many of whom run small businesses, and to be where the UK public looks to find their next car for the next 40 years, just as we have for the last 40 years.

In addition to not charging our retailer customers during the lockdown, we also extended payment terms for March services by 60 days. This ensured Auto Trader would not be a cash burden on its customers' businesses during this time.

On top of this financial support, just prior to the lockdown taking place, we implemented a stock offer so that retailers could advertise more of their vehicles on our platform at no additional cost. This resulted in up to 80,000 more cars on Auto Trader. We also gave retailers access to our new Market Insight product earlier than anticipated and created ways for retailers to advertise their vehicles even more effectively through the crisis with the creation of home delivery and live video flags. Finally, from 25 March 2020 we have hosted weekly webinars, with over 3,000 unique attendees engaging, to update the industry on what we are seeing on our platforms and hearing from industry bodies to help guide them through this turbulent period.

Home Trader customers and private individuals who advertise their vehicles on the Group's platforms were also impacted by the lockdown restrictions. To support these customers, we extended the tenure of all adverts that were live on 23 March 2020 to run through the lockdown period for free.

We do not believe that any other online advertising service, of any significance, has responded more promptly, clearly and definitively to the crisis. Our measures were well received by customers and we hope it will help us further deepen our relationships in the months and years ahead.

On 25 May 2020 the UK Government announced a lessening of the lockdown restrictions in England, allowing retailer forecourts to re-open from 1 June 2020. We announced on 27 May 2020 that we would provide those customers with support as they resume trading by implementing a 25% discount for the month of June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020.

Looking after our people

Since 17 March 2020 our employees have been working from home. The transition to working remotely has been almost seamless and is a testament to our systems, technology and the can-do attitude of our employees.

We do acknowledge though that for many, working from home will have brought additional strains and stresses. The health and wellbeing of our employees and their families is always front of mind, and so we offered increased support to our people through this difficult time. Whether it be through our counselling and employee support services, AT active fitness classes, all company webinars or offering increased flexibility for those who need it – we have been finding ways in which to help the mental and physical wellbeing of staff and keep morale high.

Whilst our customers were closed through the lockdown period, there were still requests to be processed and reassurance to be given, albeit at reduced levels, all of which were met by our customer-facing teams. Our systems, interfaces and data processing have also been maintained to a high standard and have faced higher demands due to the increased volume of stock on our platform.

The Board would like to express its great appreciation for the dedication of all our employees during this challenging period. We hope we have been able to provide sufficient support during this difficult time and will continue to focus on doing so.

640
releases a week continue to be delivered by our product and technology teams

Supporting our partners and suppliers

Our product and technology teams have been working throughout the lockdown period to continually develop and innovate products alongside our partners. Whilst we are strong believers that software is best built in an environment when people are together and able to effortlessly collaborate, our product and technology teams continue to deliver around 640 releases a week; only marginally lower than those levels achieved in pre-COVID-19 times, which is a huge credit to the teams involved.

We recognise that many of our suppliers are facing challenging times. Therefore we have continued to pay our suppliers as we normally would and have not delayed any payments unless agreed with the individual supplier in advance of payment falling due.

Controlling costs

Throughout the period that our retailer customers were closed and our core services were free, we made the responsible decision to reduce costs.

Our largest expense relates to our people. The level of activity for some of our teams reduced through the lockdown period and so we used the Coronavirus Job Retention Scheme ('CJRS') and furloughed just over 25% of our employees. For those who were placed on furlough, we supplemented the level of support provided by the Government, such that the large majority remained fully paid.

Towards the end of May 2020, when we had some level of confidence in our ability to return to charging and moving from a position of loss to making profit, our people returned to work and we ended the reliance on this Government support. The Government support was taken at a time when the Group faced great uncertainty. As the crisis passes it is the intention of the Group to repay amounts claimed through the CJRS. We have not made any redundancies as a result of the crisis.

Our Executive Directors have foregone 50% of their salary during this period of uncertainty and have agreed to forego annual bonuses earned in relation to the year ended 31 March 2020. The remainder of the Board have waived their fees by 50% or more for the duration of this crisis. With a return to higher levels of revenue, salaries and fees will return to normal levels in July 2020.

Our discretionary spend, which is primarily for marketing our own brand and products, has been significantly reduced through this period.

Strengthening the balance sheet

Securing finance sources

We entered the crisis with a strong balance sheet. At 31 March 2020, Net bank debt (defined as Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements) was £275.4m. The Group had £37.6m of cash and cash equivalents and £313.0m of gross debt drawn under the Group's revolving credit facility ('RCF'). The RCF has total commitments of £400.0m and is available until at least June 2023.

The RCF has covenants attached to it relating to debt cover and interest cover which are tested twice a year and look at a 12 month rolling period:

- The Net bank debt to Consolidated EBITDA ratio must not exceed 3.5:1. At 31 March 2020 this ratio was 1:1.
- The Consolidated EBITDA to Net Interest Payable ratio must not be less than 3:1. At 31 March 2020 this ratio was 41:1.

Equity placing

On 1 April 2020 we raised £183.2m net of fees through an equity placing. The number of shares placed was 46.5 million, compared to the 84.8 million shares bought since we initiated our share buyback programme in 2016.

The equity placing has enabled us to run the Group through the crisis in the long-term interests of our shareholders, customers and people and, in the face of huge uncertainty, provides an insurance policy against a protracted lockdown or series of lockdowns.

The raise also ensures that the Group avoids constraints that might otherwise be imposed in the medium term in order to take advantage of strategic opportunities whilst still meeting debt covenants. It should also allow us an early return to our previous capital return policy at a time when many other companies may be labouring under increased levels of indebtedness as a result of the COVID-19 crisis.

Other measures to conserve cash

In order to conserve cash we have taken a number of measures including:

- Suspending our share buyback programme (year ended 31 March 2020: £62.0m inclusive of costs).
- Suspending dividend payments (year ended 31 March 2020: £64.7m).
- Deferring VAT payments (£18.4m as at June 2020).

Impact on the financial year ended 31 March 2020

On 17 March 2020, social distancing measures relating to COVID-19 came into effect. As a result, some of the Group's revenue lines were adversely affected. Home Trader and Consumer Services revenue suffered a significant drop off in volumes after these measures were implemented, and Manufacturer and Agency display campaigns were also reduced. The impact on Retailer revenue in March 2020 was limited, although a number of half price stock units were converted into free slots as we effectively re-instated our stock offer. Costs remained largely unimpacted, however we took a more prudent approach to the recoverability of receivables which resulted in an increased bad debt charge. We also reduced marketing spend in March. We estimate that the net effect was to reduce profit for the month of March by approximately £3m.

ED WILLIAMS
CHAIRMAN

The business and the Board are focused on making Auto Trader a great place to work, a place that reflects the composition of the community.

66

As a Board, we take into account the impact of our decisions on a wider group of stakeholders.

Overview

The last 12 months have been a challenging period for our customers, with significant uncertainty in the automotive market, even before the COVID-19 pandemic. Some of this uncertainty has arisen from Brexit factors, some from regulation and some from the initial impact of what we believe will be significant environmental and technology-driven changes to the automotive industry.

In this context, it is a tribute to the business and our people that Auto Trader has been able to deliver the results set out here. The effects of COVID-19 were only felt significantly in the last two weeks of the financial year, although our accounts do contain more cautious provisions for bad debt than we have made in prior years. We have achieved these results while making continued investments in our strategic priority areas of new car, car finance and enabling greater efficiency in business-to-business used car transactions. These investments have continued even during the COVID-19 crisis with our technology and product teams working from home.

We have a strong pipeline of new products and services that we plan to introduce over the coming years.

While the impact of broader changes to the automotive industry has yet to play out, we are committed to taking a leadership position to bring the benefits of new technologies to car retailers and the car buying public.

People, culture, diversity and inclusion

The business and the Board are focused on making Auto Trader a great place to work, a place that reflects the composition of the community in which we work, and a place that offers all our employees the opportunity to realise their full potential.

In many respects I have great pride in the progress we have made in recent years, even though the numbers reported here are disappointing. However, in other respects there remains much to be done. Let me highlight examples of each.

In the year of becoming Chairman, 37% of employees were women. Of all the job offers we have made in the last year 43% have been to women. Only our high rate of staff retention holds us back from achieving our goal of employing equal numbers of women and men, a goal we have achieved at the Board level for the first time this year.

During the last year our gender pay gap has widened. This is disappointing, though much of the cause is an unintended consequence of women representing a far higher proportion of our new hires and also the departure of a senior woman who was promoted to the post of CEO of our joint venture with Cox Automotive.

An area where there is much to be done is ensuring that members of the BAME community are able to contribute to all levels of our business but especially at senior levels and on the Board.

Environment

For the past few years, we have had a clear and focused ESG strategy, which we call 'Make a Difference'. This strategy, which has traditionally been employee-driven and Board agreed, focuses on our people, our communities and how we do business. However, our strategy hasn't really focused much on the wider environment. To begin to address this we have begun to report our Scope 3 emissions and are in the process of developing wider initiatives to ensure we play our part to safeguard our planet. One such initiative is helping consumers to make more environmentally conscious vehicle decisions by improving our onsite buying experience with more relevant search filters and information about electric vehicles.

ESG IN FOCUS

Striving for greater gender balance across our organisation

Gender diversity

As at 31 March 2019 | As at 31 March 2020

% of women on the Board: 33% | % of women on the Board: 50%

● Men ● Women

50%
of women on the Board as at 31 March 2020

We strive to create gender parity across our business, and have made some good progress across the organisation. In the year, we are pleased to report that we welcomed more women to Auto Trader; entering the business in predominantly early career roles or across our technology cohorts.

Women also now make up 50% of our Board, one of only seven FTSE100 companies to have gender parity as at 31 March 2020.

Board of Directors P62

Basic EPS

22.19p
+6%
(2019: 21.00p)

Dividend and capital structure

We are not recommending a final dividend, bringing the total dividend for the year to 2.4 pence per share, an interim dividend which was paid in January 2020.

Our long-term capital allocation policy remains unchanged. We aim to distribute around one third of net income as dividends and use the majority of the remaining surplus cash to buy back shares, while also reducing debt.

In June we returned to charging customers but continue to monitor the ongoing environment around COVID-19. Subject to that monitoring, we are hopeful of an early return to our capital allocation policy with the declaration of an interim dividend in November.

Board changes

Trevor Mather, our CEO, retired from the Company and stepped down from the Board on 29 February 2020. The Board would like to thank him for his huge contribution to the business and wish him well in retirement. We have devoted the following two pages to a quantitative and qualitative illustration of some of the achievements and the changes over his seven years as CEO. Trevor would be the first to point out that these achievements and changes are the result of the effort of very many people.

Foremost among them is Nathan Coe, who became our new CEO on 1 March 2020. Nathan joined Auto Trader in 2007, making him the Board member with the longest service at Auto Trader. He has played a leading role in many areas of the business, including in recent years as Chief Operating Officer and Chief Financial Officer. Jamie Warner joined the Board on 1 March 2020 as Chief Financial Officer. Jamie has been with the business since 2012, playing a central role in preparing Auto Trader for being a public company, developing our finance function, as well as playing an active operational role across our business. It goes without saying that their first weeks have seen huge challenges. Their performance has vindicated the Board's decision to appoint them and reflects the benefits of making appointments of people with many years of experience within the business.

Sigga Sigurdardottir joined the Board on 1 November 2019 as a Non-Executive Director. With Sigga's appointment this year and that of Catherine Faiers, our Chief Operating Officer, in May 2019, half of our Board members are women.

Governance

A new Corporate Governance Code applied to us for the first time this year. One of the main changes was about how we as a Board take into account the impact of our decisions on a wider group of stakeholders. For us, this was not just a box-ticking exercise as we have a genuine desire to act in a responsible way and to consider the wider implications of our actions. This was brought to life in a very real way during the early stages of the COVID-19 pandemic, when we made the decisions outlined in the 'Assessing the impact of COVID-19' section on pages 4 to 7, to support our customers and the wider automotive industry. The situation also required us to be as agile in our governance arrangements as we are in all other aspects of our businesses, as we needed to make fast, decisive actions in order to respond to the rapidly changing environment.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10:00am on Wednesday 16 September 2020 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. In light of the current restrictions over public gatherings due to COVID-19, the AGM will be run as a closed meeting. Myself and other Directors will join the meeting by telephone. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to **ir@autotrader.co.uk**.

Ed Williams
Chairman
25 June 2020

A look back at the key achievements of our former CEO Trevor Mather.

From privately owned print magazine...

37.3m
Monthly average cross platform visits

£218.9m
Revenue

£109.1m
Operating profit

25%
Of women on the Board

Establishing culture & values fit for a leading digital business

Established a culture shaped by our values, and one which is customer-centric and data-driven with a focus on an agile approach to change – and importantly underpinned by a diverse and inclusive workforce.

Our values
Be determined
Be reliable
Be inspirational
Be humble
Be curious

"Having worked in the business for over a decade, we wouldn't be where we are today without Trevor's leadership. He can be particularly proud of the unique and passionate culture and values he has instilled throughout all levels of the business.

EMPLOYEE SINCE 2009

2013

A fresh look
We enjoyed enormous brand awareness but our logo was ageing by the day. We created a modern logo that's still recognisably Auto Trader.

The presses go quiet
The last ever issue of the magazine is published in June 2013.

2014

New offices open
We created new working areas by moving staff to state-of-the-art offices in central Manchester and King's Cross, London.

2015

Successfully transitioning to the London Stock Exchange

On 24 March, the London Stock Exchange welcomed Auto Trader Group plc to open the market on the first day of dealings in the Company's shares on the Main Market following its successful IPO.

2016

On behalf of everyone at Auto Trader, I would like to acknowledge the seven years of exceptional leadership of our outgoing Chief Executive Officer Trevor Mather.

As a fitting tribute, we take a look back at some of Trevor's achievements and the role he played in taking the Company from a chequered history of private owners, to the independence and responsibility that goes with being a leading digital FTSE100 business.

...to a leading digital FTSE100 business

2017

97% CEO approval rating on Glassdoor

With an overall Glassdoor company rating of 4.7/5, Culture and Values rating of 4.7/5 and a very high 97% of staff saying they'd recommend the Company to a friend, it's clear that the culture of the business was thriving.

Creating trust in the marketplace

We increased the level of transparency in the marketplace by adding dealer reviews. We also used our view of the current marketplace to determine if the advertised price of a car represented a good or a great deal, and showed this to consumers through the introduction of price indicator flags.

2018

Retail Accelerator
i-Control became Retail Accelerator, our most powerful tool yet, which helps retailers manage their forecourts using unrivalled data and insight.

Search by monthly payment
We launched our search by monthly payment product in 2018 as more consumers were looking to finance their next vehicle. This gave consumers an easy way to find out what they could afford and retailers a way to advertise their own finance rates.

Evolving our values further
Ensuring our values fully reflect our 'Make a Difference' strategic focus, we updated them in 2018 – changing 'inspirational' to 'courageous' as well as adding 'community-minded'.

2019

Delivering our new car proposition

We launched our brand new car proposition, to make us as synonymous with new cars as we are with used.

2020

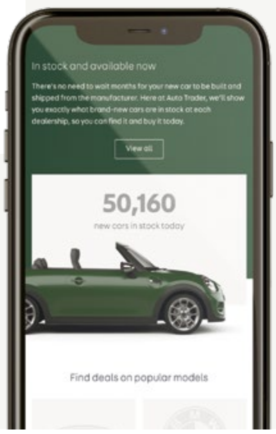
50.8m
Monthly average cross platform visits
+36%

£368.9m
Revenue
+69%

£258.9m
Operating profit
+137%

50%
Of women on the Board
+100%

Now fully digital
Reaching 50.8m monthly average cross platform visits.



NATHAN COE
CHIEF EXECUTIVE OFFICER

Our culture is shaped by our values. We constantly look at ways we can improve and always put people at the heart of everything we do.

Revenue

£368.9m
+4%
(2019: £355.1m)

Operating profit

£258.9m
+6%
(2019: £243.7m)

Overview

I formally took on the Chief Executive Officer role on 1 March this year. We very quickly found ourselves in perhaps the most challenging circumstances that the Company has ever faced due to the global COVID-19 pandemic. Our approach generally, and especially in a crisis, is to prepare for the worst and act decisively and quickly. This was made possible by the people of Auto Trader. I could not be prouder of how our people have responded to the COVID-19 crisis and supported both our business and our customers every single step of the way. Having been with Auto Trader since 2007, it is a great privilege to now lead the Company. While we face challenging times at the moment, we have many opportunities that lie ahead of us.

I also wanted to thank my predecessor Trevor on behalf of everyone at Auto Trader and wish him a well earned retirement. Our culture, our customer relationships, our technology, our software engineering, and our competitive position – all of these are in as good a shape as they have ever been.

Our purpose and strategic focus

Our purpose is to improve car buying in the UK, whilst also evolving the wider automotive ecosystem. At the heart of this is empowering consumers to do as much of the purchasing process as they would like online, whilst enabling retailers to reduce inefficiencies and therefore costs. We evolved our strategy two years ago to focus on making the ecosystem more efficient and whilst we have accomplished much of what we set out, it has only made us realise how much more there is to be done.

The areas of focus we outlined at the time, and have made progress against, include:

- continuing to develop and grow our core marketplace business, including the availability of new cars which are now discoverable to millions of consumers within their online car buying journey;
- enhancing the level of data and insight which has significantly improved the way retailers price their vehicles;
- increasing the transparency and promotion of finance much further up the car buying funnel, such that consumers are much better informed about the availability of finance when they arrive on the forecourt; and
- the use of technology to digitise and make more efficient the elements of the automotive ecosystem that sit alongside the activities of our core business, including the establishment of Dealer Auction to change the way retailers source cars.

All of these objectives sit under the broad goal of moving more of the vehicle transaction online. Whilst the physical showroom will continue to play a large role in the car buying process for some time to come, we believe many of the processes that take place can also be done from the comfort of the consumer's home. This will provide a greater level of convenience for consumers, and for retailers and manufacturers it will enable them to improve their businesses through both a lower cost structure and better data capture and insight.

Summary of operating performance

Even prior to the COVID-19 situation, this year had proven to be a tough year for retailers due to a difficult new car market and a lack of used car stock. Despite this, the business showed its resilience with revenue growing by 4% to £368.9m. Operating profit grew by 6% and our Operating profit margin improved to 70%.

Operating profit margin

70%
+1%

(2019: 69%)

89%
of employees surveyed stated they are proud to work for Auto Trader

FOCUS FOR THE YEAR AHEAD

Whilst much focus has recently been on managing the situation relating to COVID-19, we must ensure that we continue to progress against our strategic goals within this current financial year. Our priorities are as follows:

Core

- We have recently launched a new Market Insight product, increasing the availability of Auto Trader's data and insight to our customers. We aim to embed its use across our customer base and will continually improve the user experience to meet this goal.
- Our search experience has continually evolved over time and there is a growing desire from our customer base to have more added value products to increase their prominence on Auto Trader, particularly in relation to selling outside their local market. We also aim to increase the understanding and transparency around electric vehicles.
- The migration of our platform, applications and services to the cloud will be continually progressed such that the performance and strength of our infrastructure are much improved.

Our strategy P20

Adjacent

- Our new car marketplace has the largest choice of stock and is showing signs of the network effect. We must continue to grow both retailers and consumers, as we influence ever growing numbers of new car registrations. This will be supplemented by leasing deals displayed on Auto Trader.
- Vehicle deliveries will increase after COVID-19. We currently facilitate over 10,000 moves a month through our MTD marketplace and aim to grow this through 2021.

Future

- How a consumer sells their car is a pain point. We want to facilitate an easy way for consumers to sell a vehicle through part-exchange.
- We aim to enable consumers to receive a quote and apply for finance on Auto Trader.
- Ultimately, we are aiming to facilitate a full online transaction on Auto Trader.

Key deliverables

We grew our market leading position as defined by both the size and engagement of our consumer audience and we remain the UK's largest digital automotive marketplace by some distance. In April 2019, we executed our annual retailer pricing event successfully, which included the introduction of two new products, Text Chat, and Vehicle Check. These products help build trust between consumers and retailers and improve the buying journey. The penetration of our Advanced and Premium advertising packages also continued to gain traction, and we successfully monetised our new car proposition in the second half of the year.

The market

The industry has had to contend with the political and economic turmoil driven by Brexit, and a huge level of regulatory change concerned with lowering fuel emissions, all before the global health pandemic. These factors hampered new and used car sales in the year, however the size of the overall UK car parc continued to grow, which over time is supportive given our stock-based business model. Predictions before the global pandemic suggested another year of moderate decline for the new car market and a moderate increase in the used car market. Disruption caused to the economy since March 2020 will undoubtedly impact this. We will continue to do what we can to support our customers and help them sell as many vehicles as possible.

ESG

We remain committed to creating a more diverse and inclusive business, one that truly reflects the society that we serve. We will continue to look at the make up of every level of the organisation to ensure gender balance and also a balance of those that identify as BAME, disabled, neurodiverse or as part of the LGBT+ community. Although our gender pay gap went up in the year, we are confident that the initiatives we are putting in place will readdress the balance in the years to come.

It's fair to say that most of our ESG strategy has been focused on our people, our local communities and charities, as well as how we behave as a responsible business. And we have done some brilliant things; specifically leading the charge on diversity and inclusion through our highly engaged group of employee guilds and networks. However, we recognise the need to expand our strategy to incorporate more of an environmental focus given the industry in which we operate.

I am proud that we were the first FTSE100 company to have achieved silver accreditation from the Carbon Literacy Trust after more than 15% of our Auto Trader employees completed Carbon Literacy training.

We will continue to build our knowledge and initiatives to ensure we continue to act in a sustainable way.

Our people

We are proud of the values-led, principles driven culture that we have and will continue to build on this strength. It is our culture that underpins our ability to adapt to change in all circumstances. We care about our people, and our people care about our business, which is shown in our employee engagement survey, where 89% stated that they were proud to work at Auto Trader.

Finally, I would like to thank our people, our customers, our shareholders and other stakeholders for their support this year and in the year ahead. These are challenging times, but we feel well placed to carry on pursuing the opportunity ahead of us in a way that is both ambitious and responsible.

Nathan Coe
Chief Executive Officer
25 June 2020

How we operate to deliver our mission of leading the future of the UK's digital automotive marketplace and becoming the UK's most admired digital business.

VALUE INPUTS

The resources and relationships that fuel our core activities

Trusted brand
Auto Trader has operated as a trusted source for UK car buyers and sellers for over 40 years.

Auto Trader prompted awareness

89%

of consumers were aware of Auto Trader when mentioning new or used cars

Data at scale
Auto Trader's volume of vehicle observations and consumer interactions generate significant quantities of quality data.

Volume of searches on Auto Trader

145m

average volume of searches per month on Auto Trader by consumers of new or used cars

Scalable technology platform
We operate a technology platform that serves our core classified marketplace and is capable of supporting new growth opportunities and third parties.

Software releases

36,900

in 2020

People and culture
Our values-led culture underpins a fast-moving, collaborative and community minded environment which allows us to quickly respond to market changes and opportunities.

Number of full-time equivalent employees (including contractors)

853

on average in 2020

Cash generation
The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

Cash generated from operations

£265.5m

in 2020

OUR CORE ACTIVITIES

What we do to create value

The network effect
Our leading digital automotive marketplace benefits from a network effect model whereby the largest and most engaged consumer audience generates the most effective response for our customers, who in turn provide consumers with the most extensive choice of trusted stock. We use the large volume of data we collect to enhance the car buying experience and create efficiencies for customers.

Largest and most engaged audience
The scale of our consumer audience means we are the most effective sales platform for anyone who is wanting to sell a vehicle.

50.8m

monthly average cross platform visits

Extensive choice of trusted stock
Our marketplace provides our audience with an unrivalled choice of both new and used cars to cater for all consumers' needs.

478,000

live car stock

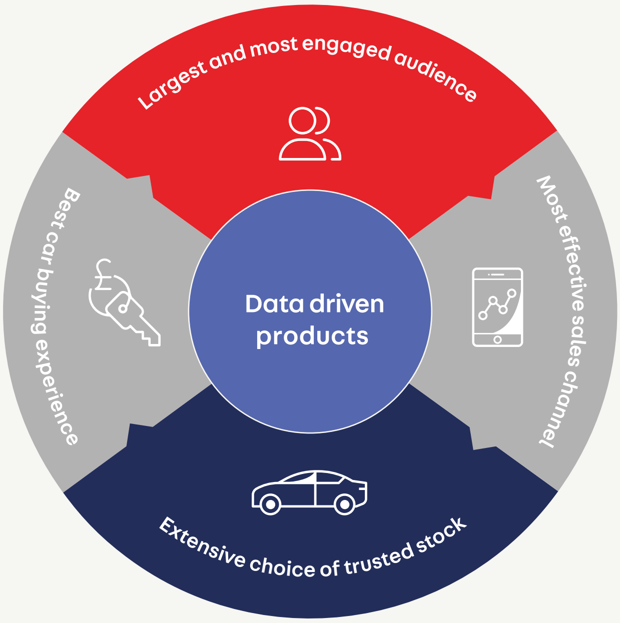
Data driven products
We invest in our products to provide the best possible experience for the consumer and the most valuable insight for retailers.

2.7m

vehicle checks performed on behalf of retailers in 2020

Our strategy P20

Acting responsibly
We believe acting responsibly will be fundamental to our long-term success. This goes beyond just environmental, social and governance ('ESG') and applies to every decision we make.



Risk management and corporate governance
Our rigorous framework ensures that stakeholders' interests are upheld at all times.

VALUE OUTPUTS

What the value we create results in for our stakeholders

For consumers
Our trusted marketplace gives consumers one place to view an extensive choice of vehicles for sale and we provide transparency to allow them to make the most informed decision.

9.8m car transactions in the UK in 2020

For customers
Our largest and most highly engaged audience results in the most effective sales channel for our customers.

13,345 average retailer forecourts in 2020

For partners & suppliers
We work collaboratively on innovations, increasing revenue from shared opportunities whilst ensuring we have fair trading and terms and conditions.

1.3m insurance quotes through Compare the Market in 2020

For employees
Our environment has been created to ensure everyone gets the chance to be the best that they can be and develop their careers. We offer competitive packages to all of our employees.

89% of our people feel proud to work for Auto Trader

For the community & the environment
We support each other and think of others before ourselves. We respect diversity and advocate inclusion, and make a difference to the communities around us.

641 volunteering days were completed across our offices in 2020

For investors
We continually invest in our marketplace to create a long-term sustainable business. A high proportion of our profit is converted into cash, which is largely returned to shareholders through dividends and share buybacks.

£126.4m cash returned to shareholders in 2020

We continually evolve to meet the needs of consumers and customers, which means we remain the UK's largest digital automotive marketplace for new and used cars.

The ecosystem we operate in

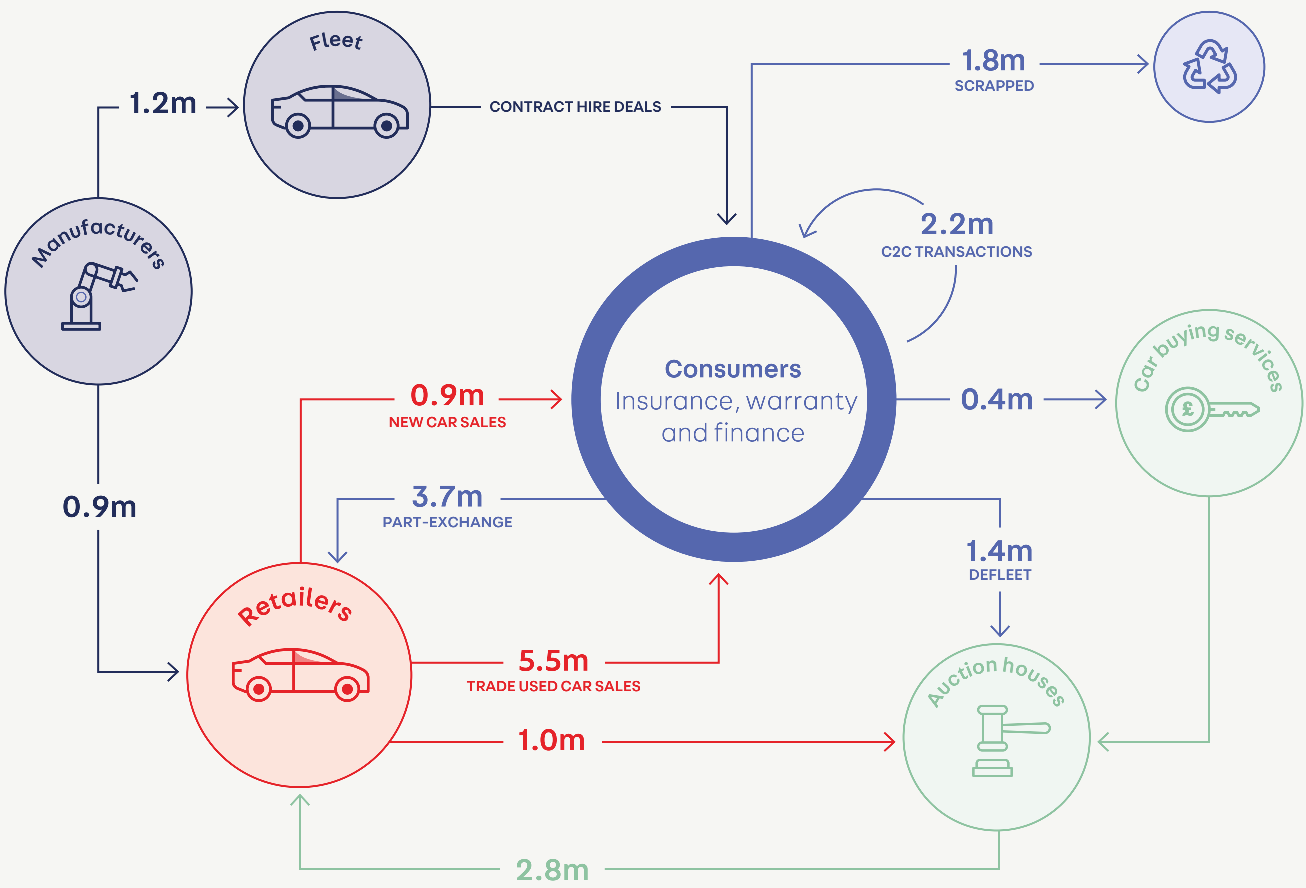
The automotive market is complex and often inefficient. There are multiple participants and unsurprisingly consumers can find the process of buying or selling a car overwhelming.

Through Auto Trader products, services and partnerships, we aim to significantly improve the car buying experience, as well as leverage our existing relationships to improve further parts of the value chain.

2.1m
Number of new car registrations in the 12 months to March 2020

7.7m
Number of used car transactions in the 12 months to March 2020

35.2m
Size of UK car parc as at 31 Dec 2019



Sources: New car registrations – SMMT; DVLA used car transactions, Auto Trader research, SMMT car parc.

UK economy

Our industry has remained resilient despite challenging macro-economic conditions. For much of the year there was a great deal of uncertainty around the progress of Brexit negotiations and the terms on which the UK would leave the European Union. At the end of the calendar year 2019 this was compounded by the announcement of a snap general election.

Over the calendar year 2019, UK GDP increased by 1.4%. This reflects a slight pickup from the previous year, although it is one of the slowest rates since the financial crisis of 2008 and 2009. UK GDP was particularly volatile throughout the year, in part reflecting changes in the timing of activity related to the UK's original planned exit dates from the EU.

Consumer price inflation declined to 1.7% despite the rate of unemployment reducing, averaging 3.8% through 2019.

The uncertainty around the country's political position had an undoubted effect on our industry. Consumer confidence was suppressed through calendar year 2019 as buyers delayed their purchase of larger items which included vehicles. Manufacturers were also affected by unfavourable exchange rates which acted as a catalyst for many OEMs to focus production on other EU territories.

The clear election result in December coupled with the UK's exit from the EU on 31 January 2020 was positive for the industry through January and February 2020. However, in March that recovery was impacted by the spread of COVID-19.

Government measures were introduced in March 2020 to protect people from COVID-19. From 23 March 2020, those measures included the closure of car retailers. No date of reopening was set causing an unprecedented level of uncertainty, although there has subsequently been some lessening of restrictions.

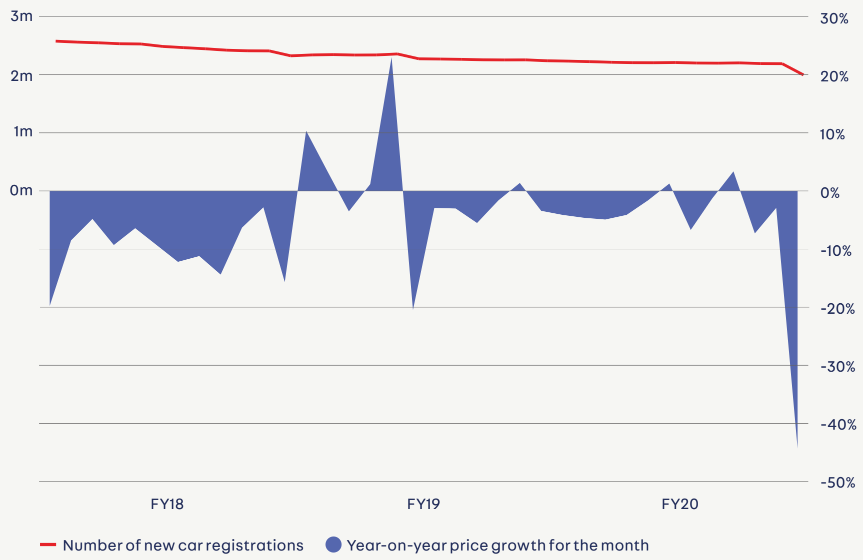
The Chancellor unveiled a number of fiscal packages to support businesses and individuals through the pandemic. In addition, the Bank of England cut interest rates to a record low of 0.1% on 19 March 2020 and announced that it would restart its quantitative easing programme.

While the short-term outlook for the UK economy is hugely uncertain, numerous Auto Trader datasets show that as retailer showrooms reopen, consumers are ready to revisit their car buying plans.

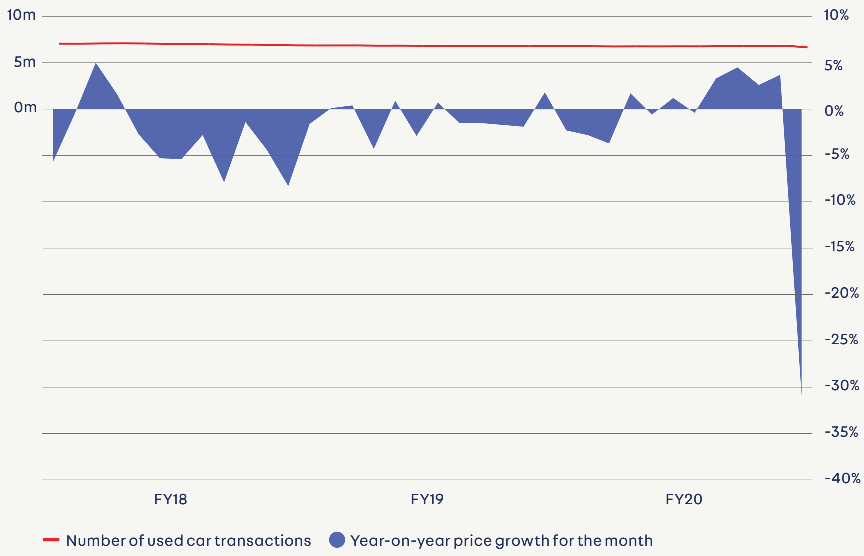
Brexit negotiations

The UK left the EU on 31 January 2020 and is now operating under a transitional agreement. That agreement ends on 31 December 2020 and so a new trade deal between the UK and the EU is currently being negotiated.

12-MONTH ROLLING NEW CAR REGISTRATIONS



12-MONTH ROLLING USED CAR TRANSACTIONS



We do not foresee any issues with Brexit affecting our ability to provide our services, and we do not anticipate that it will materially change our cost base. As we have said previously, the form of any Brexit trade negotiation is likely to affect Auto Trader only as much as it impacts on both general levels of consumer confidence and the supply of new cars into the UK market. If the average price of a car increases and consumer confidence levels decrease, there is a potential impact on the number of car transactions. This would likely impact our retailers' profitability and their ability to spend on our marketplace.

New and used car transactions

The total number of transactions for the 12 months ended March 2020 declined by 4.3% to 9.8m (2019: 10.2m). New car registrations declined 10.9% to 2.1m in the 12 months to March 2020, although a large proportion of this decline was due to retailer showrooms closing in March 2020. March is usually the highest month for new car registrations and in 2020 it saw a decline of 44.4% on the previous year. In the 11 months to February 2020 new car registrations declined 2.8% on the previous year and used car transactions increased 0.5% on the previous year.

We sit at the heart of the automotive ecosystem and remain the primary source for consumers on their car buying journey.

79%
share of minutes spent across automotive classified sites in 2020

50.8m
monthly average cross platform visits in 2020

Scrappage rates remain stable at 1.8m transactions meaning the total number of cars in the UK increased to 35.2m (2019: 34.9m).

There were 7.7m used car transactions in the 12 months to March 2020, a decrease of 2.3% on the year before. The number of used car sales is less volatile than new car registrations, as a growing car parc underpins the number of possible transactions. The average length of ownership marginally increased to 3.5 years.

Consumer buying behaviour
Buying a car remains a cumbersome process; our 2019 Auto Trader Car Buyers Report found that there are more than 25 jobs consumers need to complete in the purchase journey. Car buyers remain open-minded when they start their car search, considering both new or used cars, and multiple fuel types, all of which adds to the research phase of their purchase.

Our report also found that rather than these jobs being done in a cohesive linear, journey-style fashion, the jobs are done in a chaotic, non-linear way. One thing does remain constant though: consumers want to research and find their next car online.

Some retailers are responding to this by introducing online payment options, home delivery services, and virtual test drives. The digitisation of car buying and selling is a trend that is set to increase.

Growing number of consumers adopting greener vehicles
Consumers are becoming more conscious of their environmental footprint, which is starting to be reflected in the sales of alternative fuel vehicles ('AFVs'), particularly electric vehicles ('EVs'). The SMMT reported that in the 12 months to March 2020, new car transactions of AFVs increased by 38.5% on the prior year. This is reflected in Auto Trader data too, with full page adverts of AFVs and EVs up 25% and 53% respectively compared to the previous year.

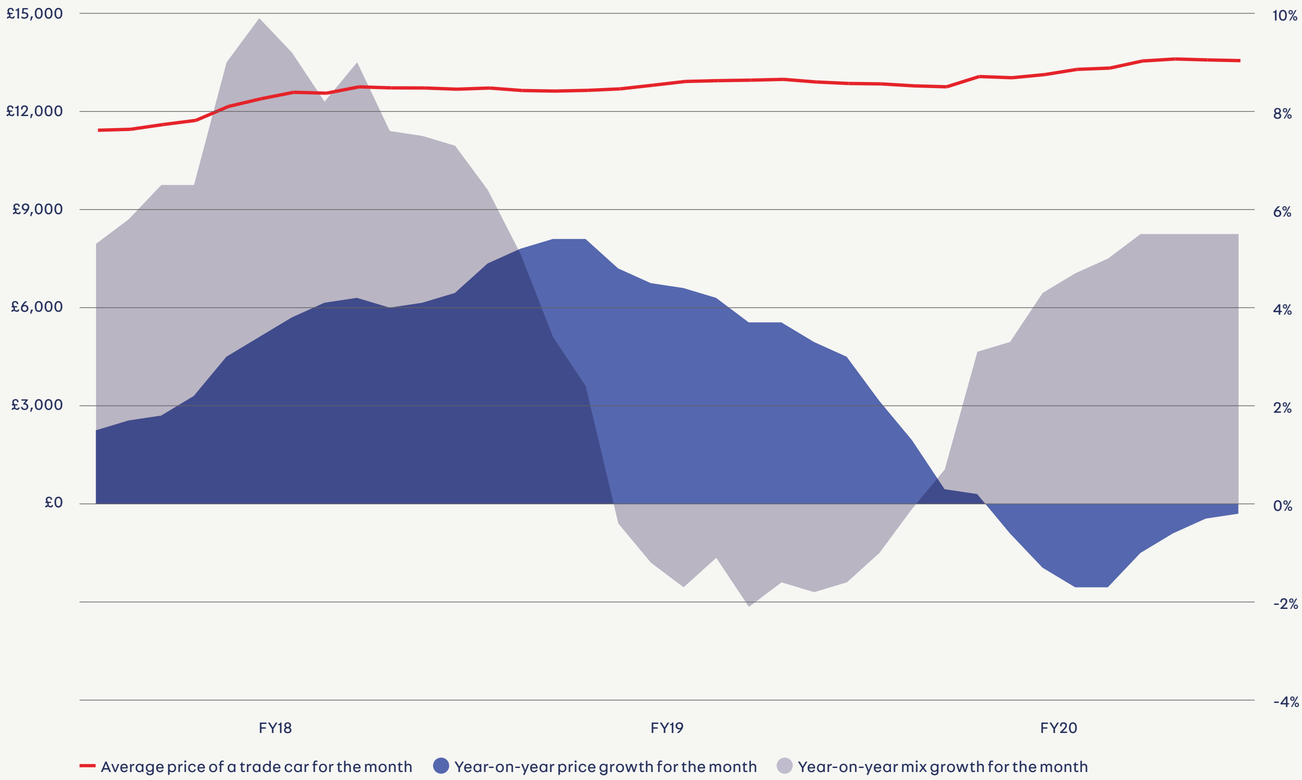
However, the availability of supply coupled with the higher purchase price of these vehicles compared to petrol and diesel alternatives, mean that AFVs and EVs only account for 10% of total new car sales.

AUTO TRADER RETAIL PRICE INDEX

Retail Price Index
The average price of a used car advertised on Auto Trader for the 12 months ending March 2020 was £13,045.

The Auto Trader Retail Price Index tracks the average retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of cars being sold. It showed that prices declined across the market, decreasing over the 12-month period to March 2020 by 0.5%.

Petrol and alternative fuel vehicles increased by 0.1% and 3.8% respectively, and diesel decreased by 1.4%. Uncertainty around trade valuations and volatility in the supply of vehicles has impacted auction markets, which has fed into the retail market.



ESG IN FOCUS

At present consideration for AFVs far outstrips sales

Our survey of in-market and recent car buyers shows that there is demand for AFVs. Of those considering a new car, 50% of consumers will consider an AFV. Demand for used AFVs increased to 2.9% of total demand on Auto Trader in 2020, a 27% increase from 2019.

50%
of consumers will consider an alternative fuel vehicle ('AFV')

VIEWS FROM AROUND THE INDUSTRY

> UK online retail is growing at a rate of three times the rate of offline and, within just five years, online retail is likely to be over 50% of all UK retail sales.

PETER VARDY
CEO, PETER VARDY

> Drivers no longer want to go to different places to buy a car, insure it, service it and then sell it on, all the while taking the depreciation and major repair risk.

JOY DAVIDSON
ASSOCIATE PARTNER, OC&C STRATEGY CONSULTANTS

> Research showed us that 10% of UK car buyers would buy a car online and we felt this was only set to grow.

CHRISTOPHER KILLEN
CO-FOUNDER, ECARS247

> Technology-driven trends will revolutionize how industry players respond to changing consumer behaviour, develop partnerships, and drive transformational change.

PAUL GAO
MCKINSEY & CO

Go online

See more thoughts and insights from around the industry in our Market Reports, published biannually on our website: **plc.autotrader.co.uk/press-centre**.

Strengthening our competitive position

We remain the UK's largest digital automotive marketplace, with 51 million cross platform visits per month on average in 2020, up 3% on 2019.

This resulted in a strengthening of our competitive position, with over 75% of minutes spent on automotive marketplaces now spent on Auto Trader. We believe that this is testament to the strength and heritage of our brand.

We believe when the industry faces times of uncertainty, retailers engage even more with our platforms and the largest audience of car buyers.

Our audience remains largely organic, with 91% of our traffic coming either direct or through organic search. Our prompted awareness remains very high at 84% for used cars and 70% for new cars – meaning we are typically the first place consumers turn to when looking for their next car.

This position is, we believe, as a result of the trust that we have built up with consumers. We continue to improve our onsite experience, which during the year included: improving price indicators which appear on full page adverts with the addition of 'fair' and 'higher' price flags; the introduction of vehicle provenance history checks; a change in the search sort order; a Text Chat functionality; and an increase in the number of dealer reviews on site, which reached almost one million at the end of the year.

Future

Continued growth in EVs

Interest in EVs is growing, bolstered by the Government's announcement to ban the sale of new petrol, diesel and hybrid cars by 2035 or earlier. There's added pressure for the manufacturers to sell EVs since the introduction of the new CAFE regulations which will see them fined for selling higher emitting cars.

Whilst consumer interest is there, and the product is starting to flow through into the UK market, sales aren't yet matching that interest. However, as barriers to adoption reduce, price and infrastructure namely, we can expect sales to start meeting demand.

Omni-channel

There is currently a mismatch between where consumers are spending their time – c.70% of which is online, vs. where retailers are spending on costs – c.85% of which is offline. Consumers are ready for a digital transition, although most people value human interaction of some kind during the car buying process. There is no getting away from the important offline elements of the journey, and so retailers will remain crucial for the car buying process. There needs to be a seamless omni-channel experience for consumers so they can choose the journey that is right for them – be it online or offline, or any combination of the two. We aim to create an experience that's flexible enough and 'blended' enough between digital and physical to cater to everybody's needs.

We define our strategy with reference to three growth horizons.

Our purpose
To improve car buying in the UK, whilst also evolving the wider automotive ecosystem.

Our mission
To lead the future of the UK's digital automotive marketplace and become the UK's most admired digital business.

GROWTH HORIZONS	FOCUS AREAS
Core The largest and most engaged consumer audience underpins our network effect marketplace model. We continue to invest in the onsite experience and the tools available to consumers to help them make the most informed decisions. It is vitally important we maintain our leadership position across different stock profiles, including: age, price, make, model and region, across both new and used vehicles. All our stock is underpinned by our extensive vehicle taxonomy.	1 Maintain the best consumer experience for buying and selling vehicles 2 Continually innovate to create value for our customers 3 Improve vehicle stock choice, volumes and accuracy
Adjacent Our proposition gives franchise retailers the ability to advertise physical new cars on Auto Trader; this informs consumers which new cars are immediately available to buy, and includes their associated discount. A consistent pain point for retailers is how they currently source vehicles outside of consumer part-exchanges. Disposing of and moving vehicles in a cost effective manner can also be challenging, with many retailers wedded to one supplier.	4 Become to new cars what we are in used 5 Develop a more efficient way to source, dispose and move vehicles
Future Our research suggests there is a growing desire to complete more aspects of the car buying journey online. We continue to look at the various component parts which might make up that transaction journey and how we might offer those on Auto Trader, extending the time consumers currently spend online shopping for new and used vehicles.	6 Extend our product offering further down the buying funnel, towards online transactions

All supported by our values-led culture and our underlying focus on sustainability, risk management & governance.

2020 PROGRESS	HOW WE MEASURE PROGRESS	ASSOCIATED RISKS
We expanded the number of price indicator categories, and now present the consumer with our market valuation giving further transparency to consumers over advertised prices. We also now order vehicles in search using a relevance algorithm which makes it easier for the consumer to find their next car. We launched two new retailer products, Vehicle Check and Text Chat, which have seen high levels of engagement. The acquisition of KeeResources allows us the opportunity to further develop our vehicle taxonomy to improve accuracy.	• Number of listings on site • Retailer forecourts • Share of minutes • Cross platform visits • Full page advert views • Basic EPS • Cash generated from operations	• COVID-19 • Economy, market & business environment • Brand • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • IT systems and cyber securities • Reliance on third parties
On average there were over 31,000 physical new cars advertised on our platform during the year. Those listings generated 50 million advert views for our customers. By the end of the year we had over 1,000 dealers paying to advertise new cars on our platform after converting our trial period. Dealer Auction completed a re-platforming of its systems and now runs entirely on Auto Trader's infrastructure. This move will enable Dealer Auction to fully utilise the data that Auto Trader generates.	• New car listings • New car retailer forecourts • JV income • Basic EPS • Cash generated from operations	• COVID-19 • Economy, market & business environment • Brand • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • Reliance on third parties
We now show consumers vehicle checks on retailer full page advert views, giving the consumers more trust in the car that they are buying.	• Revenue • Operating profit • Operating profit margin • Average Revenue per Retailer ('ARPR') • Retailer forecourts • Basic EPS • Cash generated from operations	• Brand • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • Reliance on third parties

Making a difference P40

How we manage risk P52

Governance P60

Core

Our core marketplace continues to offer a strong runway for growth, underpinned by continuous improvement of the car buying experience.

1

Maintain the best consumer experience for buying and selling vehicles

WHAT WE HAVE DONE

Price Indicator
Price Indicator flags provide car buyers with a visual indicator showing how competitively cars are priced in the market. We have expanded the number of categories and grown our marketing valuation to consumers on each advert, creating more trust in the price of the car they are buying.

Sort order
We have moved away from a low-to-high price search to a relevance-based sort order. We use an algorithm to promote the most relevant and highest quality adverts to consumers, making it easier for them to find their next car.

Reviews
We are the number one dealer review site in the UK with over 927,000 reviews across 8,700 retailers. This provides retailers the opportunity to differentiate themselves on the marketplace and builds consumer trust.

Private advertising
We have extended our C2C product offering. We have created new products allowing private sellers to gain prominence in search and advertise their car for longer.

OPPORTUNITIES

Electric
Electric vehicles are becoming more desirable and traditional fuel types are becoming relatively more expensive as regulation changes. We have the opportunity to provide clear information to consumers, such as total cost of ownership data, to help them in their purchasing decision.

79%
Share of minutes as measured by Comscore

927k
Reviews across 8,700 retailers at the end of March 2020

2

Continually innovate to create value for our customers

WHAT WE HAVE DONE

Vehicle Check
We launched a vehicle check product which allows retailers to check the provenance of vehicles they might be looking to source.

Text Chat
Text Chat gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers anytime, anywhere.

76%
Of independent dealers using Vehicle Check at the end of March 2020

OPPORTUNITIES

Retail Check & Retail Accelerator
Increase penetration of Retail Check, helping retailers make the most of our valuations to stay on top of market changes.

AT Analytics
AT Analytics will help retailers measure, track and improve advert performance along with providing an understanding of the market.

3

Improve vehicle stock choice, volumes and accuracy

WHAT WE HAVE DONE

Kee taxonomy data
We have acquired KeeResources who own the unique vehicle taxonomy data which underpins much of the Auto Trader platform.

Bargain package
We launched a new product offering that makes it more attractive for dealers who sell cars under £1,500 on Auto Trader.

OPPORTUNITIES

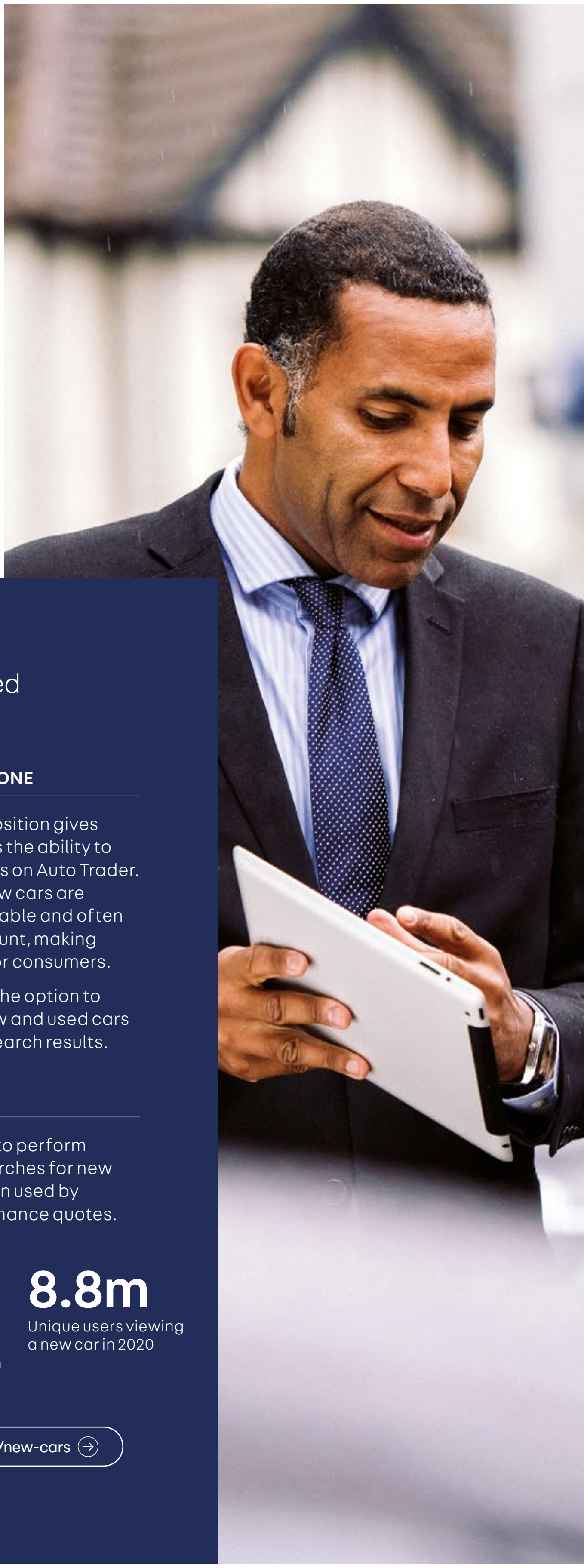
Home delivery
Improve stock choice for consumers by allowing retailers who can offer national home delivery to appear within their local search listings.

Vehicle data
Continue to build on our vehicle data set to enhance the quality of listings, to provide the most accurate valuations and commercialise this data set.

4.7m
Total number of unique vehicles seen on Auto Trader in 2020

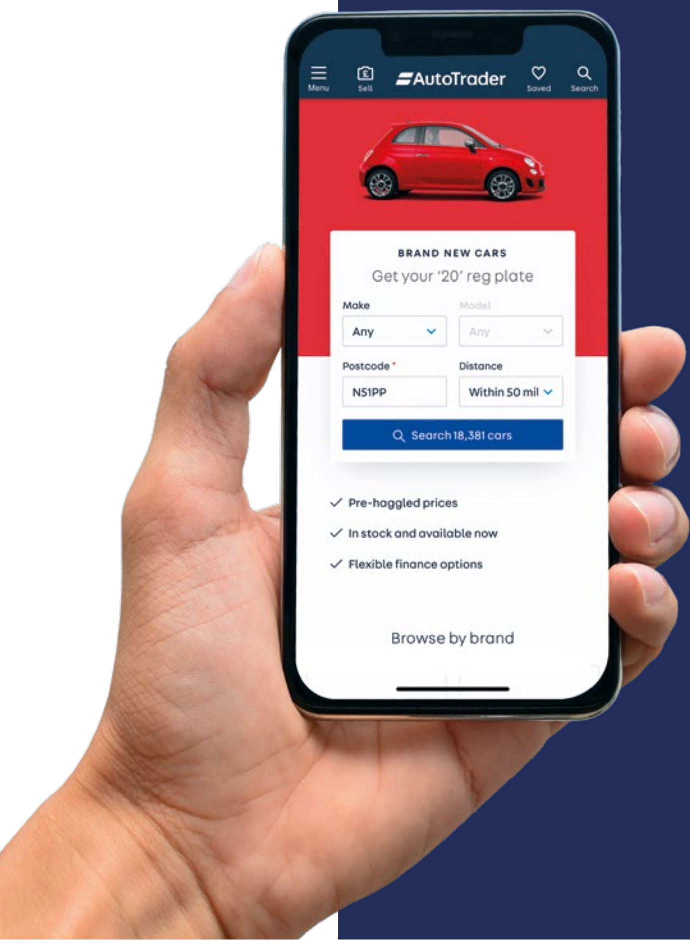
Adjacent

Identification of adjacent opportunities in new car sales and the way in which our customers source vehicles.



4

Become to new cars what we are in used



WHAT WE HAVE DONE

Our new car proposition gives franchise retailers the ability to advertise new cars on Auto Trader. These physical new cars are immediately available and often offered at a discount, making them attractive for consumers.

Consumers have the option to compare both new and used cars within the same search results.

OPPORTUNITIES

Allow consumers to perform monthly price searches for new cars like they can in used by adding monthly finance quotes.

71%
Of car buyers wanted to compare new and used cars in the same place

8.8m
Unique users viewing a new car in 2020

autotrader.co.uk/new-cars

5

Develop a more efficient way to source, dispose and move vehicles

WHAT WE HAVE DONE

Dealer Auction re-platform
Dealer Auction is a joint venture between Cox Automotive and Auto Trader. By working together, we can combine our expertise to create the largest and most intuitive trade digital auction marketplace.

This joint venture provides vendors with a huge buyer base, whilst empowering buyers with data-driven prioritisation of the stock that best suits them. All for significantly less than the fees they pay at physical auctions.

MTD
Our Motor Trade Delivery platform connects retailers wanting to move a vehicle with logistics companies who can provide that service. Retailers always get the best possible price for the vehicle movement, while logistics companies save time and money by getting access to greater volumes of work and only taking work that is convenient for them and at the right price.

OPPORTUNITIES

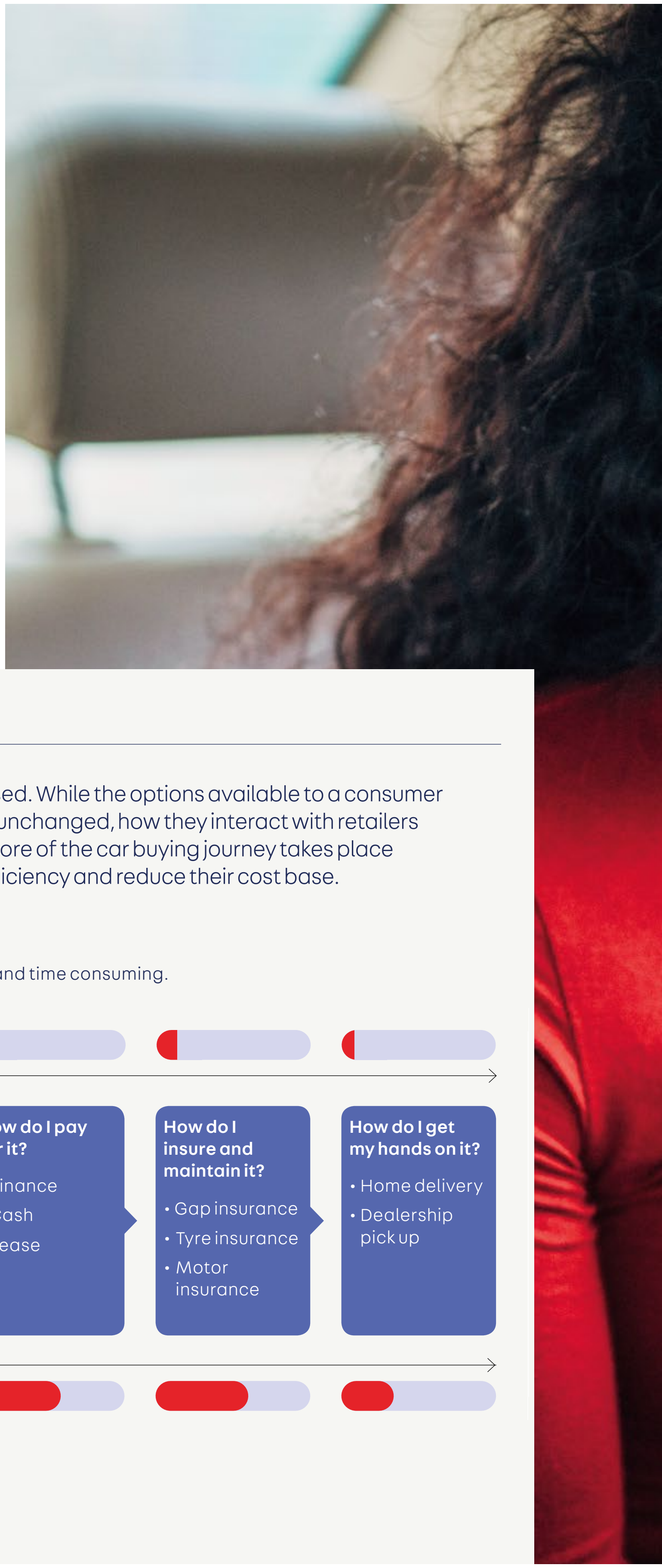
Guaranteed price
We are developing a way for consumers to obtain a guaranteed price for their vehicle through Auto Trader. Our objectives are to provide a hassle free disposal service for consumers while providing retailers with a more efficient way of sourcing their stock.

c.110k
Vehicles transacted via Dealer Auction in 2020

c.120k
MTD vehicle moves in 2020

Future

The evolution of both our products and consumer experience aims to keep consumers online for longer through their buying journey.



FUTURE OPPORTUNITIES

There's no doubt that the future is going to be increasingly digitised. While the options available to a consumer as they move through the car buying process will remain largely unchanged, how they interact with retailers and the technology through which they engage will evolve. As more of the car buying journey takes place online, there is more opportunity for retailers to increase their efficiency and reduce their cost base.

Today
Predominantly offline, consumers find buying a car difficult, frustrating and time consuming.

ONLINE OFFLINE

Consumer interest in a new vehicle

How do I find my next car?
- Used cars
- New cars

How do I dispose of my old car?
- Part-exchange
- Private sale
- Car buying service

How do I pay for it?
- Finance
- Cash
- Lease

How do I insure and maintain it?
- Gap insurance
- Tyre insurance
- Motor insurance

How do I get my hands on it?
- Home delivery
- Dealership pick up

ONLINE OFFLINE

Tomorrow
Car retailing will be faster, with more end-to-end online transactions.

6

Extend our product offering further down the buying funnel, towards online transactions

WHAT WE HAVE DONE

Vehicle Check
We now show consumers vehicle checks on retailer full page advert views, giving the consumers more trust in the car they are buying.

OPPORTUNITIES

Finance
The industry remains behind the digital curve when it comes to the finance options available to car buyers.

All available finance options along with transparent pricing need to be clear so that car buyers can choose the best way to pay for a car, complete all the paperwork and finalise the deal from the comfort of their home. This will make the entire transaction more efficient for both customers and retailers across the UK.

Guaranteed trade in
One of the ways we are helping consumers is by developing a part-exchange proposition. By moving the process online, we are looking to make the process more convenient, and eliminating the need to haggle with retailers, which we know is a key pain point.

Section 172(1) statement

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.

Consumers

Their needs

- Ease of buying or selling a vehicle
- Choice of vehicle, i.e. new or used, body type or fuel type
- Clear and accurate information
- Transparency about the vehicle, about the seller and about finance

How we engage

- We speak to consumers for our biennial Car Buyers Report, and biannual Market Reports to gauge views on the car market
- Consumer onsite survey which provides constant feedback
- Consumer user testing of new products, services and brand designs on our website
- Workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (including how we display finance)
- Complaints and customer security teams operate 7 days a week
- We measure consumer brand sentiment and engagement scores
- Consumer research is provided to the Board

How this engagement influenced Board discussions and decision-making

As discussed with the Board, a number of the changes we have made to our products are in response to consumer needs. In making their decisions, the Board pays regard to the need to balance consumer needs with customer and commercial outcomes. Some examples of the product changes include:

- Vehicle checks which give consumers more trust in the car that they are buying
- Given more detailed price indicator flags and Auto Trader market valuation on each advert which creates more trust in the price of the car consumers are buying
- Redesigned full page advert to give more information about the seller and about finance options

Customers

(retailers, manufacturers and other customers)

Their needs

- Making the car selling process more efficient
- Increasing exposure to consumers and receiving high quality leads
- Receiving value for money from Auto Trader
- Sourcing vehicles

How we engage

- Annual retailer research aimed at evaluating value
- Regular thought leadership, insight-driven reports, such as the biennial Car Buyers Report, and the biannual Market Reports
- Hosting industry insight events, dealer masterclasses, webinars and conferences
- Sales team "on the ground"
- Voice of the Customer emails circulated to the Board
- Business partnering by OLT and other senior management
- Visits by Board Directors to customer sites
- Customer updates provided to the Board

How this engagement influenced Board discussions and decision-making

Following Board decisions, we launched a number of products which were aimed at meeting the needs of customers:

- Vehicle Check: we launched a vehicle check product which allows retailers to check the provenance of vehicles they might be looking to source
- Text Chat: this gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers anytime, anywhere

Our response to COVID-19 was informed by our engagement with customers. We decided to extend credit terms for our March 2020 advertising, and announced a period of free advertising for April and May 2020, and a further 25% discount in June 2020. This decision was made in order to support our retailer customers in a time when they were unable to trade, and was for the long-term benefit of the industry.

Employees

Their needs

- Diversity and inclusion
- Training and career development
- Reward and benefits
- Working conditions, environment and wellbeing

How we engage

- New Board Engagement Guild to engage directly with the Board
- Annual employee conference, regular employee CEO breakfasts, business updates and newsletters
- Annual benefits roadshow, salary workshops and share scheme pulse survey
- Save as you earn share schemes
- D&I guilds with networks for BAME, Women, LGBT+, Neurodiversity and Disability with OLT sponsors. Including specific OLT reverse mentoring by BAME employees
- Employee experience survey
- Health and safety assessments
- Wellbeing forums
- Whistleblowing service

How this engagement influenced Board discussions and decision-making

The Board focused its annual strategy offsite on people, culture and values. This included discussions on the evolution of our culture over time and how this may need to adapt in the future as the business enters new areas of opportunity. It also included specific initiatives including the introduction of more family friendly policies and flexible working arrangements, considerations of our working environment and initiatives to improve the diversity of the organisation.

The Board receives a regular Cultural Scorecard, designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board receives and discusses this on a regular basis during Board meetings.

As a marketplace, we have a diverse set of stakeholders and need to balance their needs and outcomes, for example, balancing those of our consumers (users of the website) with those of our customers (retailers, manufacturers and other customers). We acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders.

By understanding our stakeholders, and by considering their diverse needs, we factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

The table below sets out how we engage with our key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board and/or a Board Committee.

Partners & suppliers

Their needs

- Working collaboratively on innovations
- Increasing revenue from shared opportunities
- Fair trading and terms and conditions

How we engage

- Regular engagement with suppliers and partners, including through our Strategic Partnerships Director and other OLT members
- Supplier/procurement processes engage at the time of appointment and during the relationship
- Regular monitoring and reviews of financial and operating resilience
- Reporting on payment of suppliers
- Application of our Ethical Procurement Policy which helps us to take a holistic view based on cultural alignment when deciding which suppliers and partners we should work with

How this engagement influenced Board discussions and decision-making

The Board reviews and approves material contracts with suppliers and partners, joint ventures and acquisitions.

In reaching its final approval decisions for material contracts and the acquisition of KeeResources which we made during the year, the Board has regard to a number of factors including: the business case and financial returns; the impact on our suppliers and customers; risk management; and the long-term reputation of the Company.

The community & the environment

Their needs

- Energy usage and carbon emissions
- The move to electric vehicles
- Giving back to the community
- Environmental, social and governance ('ESG') factors

How we engage

- Sustainability Guild
- Engagement with Office of Low Emission Vehicles ('OLEV'), Carbon Literacy Training and Participation in Carbon Disclosure Project ('CDP')
- 'Make a Difference' strategy
- Volunteering days with local charities
- Supporting organisations such as Manchester Digital, and the Automotive 30% club, and involvement with local schools and colleges though STEM ambassadors
- Consumer research and user testing to understand what information is most helpful when buying an electric vehicle

How this engagement influenced Board discussions and decision-making

The Board debated our focus on ESG and agreed on a more formal strategy and governance framework, to include more metrics including Scope 3 GHGs emissions reporting. We are also evolving our product offering to help consumers when they are considering purchasing an electric vehicle.

The Board received a presentation in respect of the Company's charity and community activities. The Board decided to amend its Schedule of Matters Reserved for the Board to delegate authority to management, through the Make a Difference Guild, to make charitable donations without further Board approval (previously, any donations over £5,000 had to be approved by the Board).

Investors

Their needs

- A balanced and fair representation of financial results and future prospects
- High governance standards
- Reasonable remuneration practices
- Share price and return

How we engage

- Comprehensive investor relations programme including formal presentations to investors and analysts on the half-year and full-year results; formal investor roadshows in the UK and overseas; and an ongoing programme of attendance at conferences, one-to-one meetings and group meetings with institutional investors, fund managers and analysts
- Meetings which relate to governance are attended by the Chairman or another Non-Executive Director
- Private shareholders encouraged to communicate with the Board through **ir@autotrader.co.uk**
- Regular review of feedback from analysts and investors from results roadshows
- Annual Report and Annual General Meeting
- Corporate website and market announcements
- Share relevant industry related reports and Retail Price Index data with analysts
- Engagement with proxy advisors and other agencies
- Active consultation on remuneration framework and policies

How this engagement influenced Board discussions and decision-making

The Remuneration Committee consulted with major investors and corporate governance advisory agencies before making the changes to the implementation of remuneration policy for FY21 to reflect the challenges posed by COVID-19.

The Board reviews the Group's capital allocation on an annual basis to ensure it remains appropriate. The policy in place at the start of FY20 was to return around one third of net income to shareholders in the form of dividends, and use any surplus cash to continue our share buyback programme and to steadily reduce gross indebtedness. However, following the outbreak of the COVID-19 pandemic, the Board has suspended share buybacks, and is not recommending a final dividend for the year. In making this decision, the Board considered this to be in the long-term interest of shareholders.

We measure our performance through a defined set of financial and operational KPIs.

FINANCIAL

Revenue
£m

£368.9m
+4%

2020		£368.9m
2019		£355.1m
2018		£330.1m

Relevant focus areas
2 3 4 6

Definition

The Group generates revenue from three different streams: Trade, Consumer Services and Manufacturer and Agency. Trade is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private and Motoring Services.

Progress

Revenue increased 4% year-on-year, with the main driver of growth being Retailer revenue, supported by growth in Consumer Services through both Private and Motoring Services. This was slightly offset by a decrease in Manufacturer and Agency & Home Trader. There was a £2.4m incremental contribution from KeeResources following the acquisition on 1 October 2019.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?

Yes

Average Revenue Per Retailer ('ARPR')
£ per month

£1,949
+6%

2020		£1,949
2019		£1,844
2018		£1,695

Relevant focus areas
2 3 4 6

Definition

Average Revenue Per Retailer ('ARPR') is calculated by taking the average monthly revenue generated from retailer customers and dividing by the average monthly number of retailer forecourts who subscribe to an Auto Trader advertising package.

Progress

Growth in the year came from price and product. Growth in the product lever resulted from: increase in customers paying for the new Vehicle Check product; further upsell to our higher-level packages; monetisation of our New Car product; and growth in the volume of customers paying for one of our data products. These increases were partially offset by a decline in stock and a reduction in revenue from products transferred to our joint venture in January 2019.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?

No

Operating profit
£m

£258.9m
+6%

2020	Margin 70%	£258.9m
2019	Margin 69%	£243.7m
2018	Margin 67%	£221.3m

Relevant focus areas
2 3 4 5 6

Definition

Operating profit is as reported in the Consolidated income statement on page 100. This is defined as revenue less administrative expenses, plus share of profit from joint ventures. Operating profit margin is Operating profit as a percentage of revenue.

Progress

Operating profit increased by 6% reflecting top line revenue growth of 4% and well managed costs. Operating profit also benefitted year-on-year from three quarters of profit, contributed through our joint venture, Dealer Auction. Additionally both revenue and costs were impacted through our recent acquisition of KeeResources for the second half of the year. Operating profit margin saw improvement, growing by a further one percentage point to 70%.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

Linked to remuneration?

Yes

Directors' remuneration report P77

Basic EPS
pence per share

22.19p
+6%

2020	22.19p
2019	21.00p
2018	17.74p

Relevant focus areas
2 3 4 5 6

Definition

Basic earnings per share is defined as profit for the year attributable to equity holders of the parent divided by the weighted average number of shares in issue during the year.

Progress

Basic EPS growth was 6%, demonstrating the Group's high operational gearing. Much of the growth is from an increase in net income, with Basic EPS also supported by a reduction in the weighted average number of shares in issue during the year as a consequence of our share buyback programme.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

Linked to remuneration?

No

Cash generated from operations
£m

£265.5m
3%

2020	£265.5m
2019	£258.5m
2018	£228.4m

Relevant focus areas
2 3 4 6

Definition

Cash generated from operations is as reported in the Consolidated statement of cash flows on page 104. This is defined as cash generated from operating activities, before corporation tax paid. This is considered to be a more meaningful measure of performance than the statutory measure of cash generated from operating activities, which can be distorted by changes in funding structure.

Progress

Cash generated from operations increased by 3% to £265.5m in the year. This represented a high proportion of profit converted into cash, which was largely returned to shareholders through dividends and share buybacks.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

Linked to remuneration?

No

OUR GROWTH HORIZONS AND RELEVANT FOCUS AREAS

Core

1. Maintain the best consumer experience for buying and selling vehicles
2. Continually innovate to create value for our customers
3. Improve vehicle stock choice, volumes and accuracy

Adjacent

4. Become to new cars what we are in used
5. Develop a more efficient way to source, dispose and move vehicles

Future

6. Extend our product offering further down the buying funnel, towards online transactions

Directors' remuneration report P77

OUR GROWTH HORIZONS AND RELEVANT FOCUS AREAS

Core

1 Maintain the best consumer experience for buying and selling vehicles
2 Continually innovate to create value for our customers
3 Improve vehicle stock choice, volumes and accuracy

Adjacent

4 Become to new cars what we are in used
5 Develop a more efficient way to source, dispose and move vehicles

Future

6 Extend our product offering further down the buying funnel, towards online transactions

OPERATIONAL

Cross platform visits

Monthly average visits spent across all platforms (millions)

50.8m
+3%

2020	50.8m
2019	49.1m
2018	48.7m

Relevant focus areas
1 6

Definition

Monthly average visits made across all our platforms, as measured by Google Analytics.

Progress

Cross platform visits increased 3% year-on-year which is an improvement over prior years which have largely remained consistent. We continue the measure with Comscore for comparison to competitors where we retained our 55% share of visits and increased our share of minutes to over 75% across automotive classified sites.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?

No

Advert views

Average number per month (millions)

234.8m
-2%

2020	234.8m
2019	238.8m
2018	245.8m

Relevant focus areas
1 4 6

Definition

When a consumer conducts a search on Auto Trader, they are presented with a list of search results meeting their search criteria. The consumer can then click into an advert to see the detailed specification of the vehicle, images, videos and how to contact the dealer. This click-through classifies as an advert view.

Progress

2020 advert views have declined by 2% to 235 million adverts a month following changes we made to the car buying experience. This remains a considerable volume of engagement for our customers' adverts.

Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?

No

Number of retailer forecourts
Average number per month

13,345
+1%

2020	13,345
2019	13,240
2018	13,213

Relevant focus areas
2 3 4 6

Definition
The average number of retailer forecourts per month that subscribe to an Auto Trader advertising package over the financial year.

Progress
The average number of retailer forecourts in the year has increased by 1%. Much of the growth came from small customers with lower priced cars which have subsequently migrated from Home Trader.

Relevant risks
- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?
No

Number of full-time equivalent employees ('FTEs')
Average number (including contractors)

853
+6%

2020	853
2019	804
2018	824

Relevant focus areas
1 2 4 5 6

Definition
Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis. Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Progress
FTEs have increased by 6% year-on-year. The acquisition of KeeResources resulted in an additional 64 people being employed by the Group. As the acquisition occurred on 1 October, this increase has resulted in an additional 32 FTEs being counted in this year's average.

There were also increases across the organisation to support product development and supporting services.

Relevant risks
- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

Linked to remuneration?
No

Live car stock
Average number per month

478,000
+4%

2020	478,000
2019	461,000
2018	453,000

Relevant focus areas
3 4 5

Definition
The average number of physical cars (either new or used) that are advertised on **autotrader.co.uk** per month. Live stock is an important component of our network effect business model. We charge our retailer customers on a cost per advertised slot basis for their advertising package, meaning the stock on our website is closely correlated to our Retailer revenue.

Progress
Live car stock on site increased by 4%. Growth came from new cars, which averaged over 31,000 in the year (2019: 12,000). Growth also came from our Private advertising stock through a new package where stock is on site for longer. Underlying used car stock was marginally down 1% in the year, which is mainly from a decline in stock from our franchise customers.

Relevant risks
- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

Linked to remuneration?
Yes

CATHERINE FAIERS
CHIEF OPERATING OFFICER

We have made further progress in new cars, launching a stock-based product allowing retailers to upload physically available new cars at current retail prices.

70%
of consumers would use Auto Trader to help them buy a brand-new car

84%
of consumers would use Auto Trader to help them buy a used car

706,000
sessions since the launch of Text Chat

Introduction

The business has had a good year, despite the challenges that both the withdrawal from the EU and the industry-specific legislative changes have posed. We have continued to invest in both our products and services, and our consumer experience, ensuring that we're continually adding value to our consumers, retailers and manufacturers.

Largest automotive marketplace

Auto Trader continues to be the primary place where consumers go to buy and sell cars and we have more listings than any other classified site, which when combined with our significant audience means we are by some way the UK's largest and most engaged digital automotive marketplace.

Audience performance has been strong over the year, with cross platform visits up 3%, at an average of 50.8 million per month (2019: 49.1 million). Our competitive position has strengthened with over 75% of all minutes spent on automotive marketplaces now spent on Auto Trader (2019: 73%). This is in part due to the strong organic audience that we enjoy, with 91% of our traffic coming either direct or through organic search.

This increase in audience in turn boosted the volume of searches consumers conducted on Auto Trader; we now see an average volume of 145m searches per month looking for a new or used car (2019: 139m). However, the number of full page advert views decreased slightly in the year by 2% to an average of 234.8m per month (2019: 238.8m).

The level of live stock on our site increased by 4% in the year, as the average number of cars on our marketplace rose to 478,000 (2019: 461,000). The growth was driven by our recently launched New Car product, offset by a slight decline in used car volumes, which were impacted by supply side constraints. The average number of retailer forecourts using our marketplace increased slightly to 13,345 (2019: 13,240).

During the year we continued to invest in marketing to keep our brand front of mind with consumers by promoting our products and services. We launched a large-scale advertising campaign in June to promote our new car offering which boosted our prompted brand awareness scores. For new and used cars our score has remained high at 70% and 84% respectively – meaning we are typically the first place consumers turn to when looking for their next car.

Enhancing the car buying experience

Independent brand tracking data revealed that 58% of consumers thought of Auto Trader as the most trusted site to buy their next car. In order that we maintain this trust, we strive to make the industry more transparent and efficient. Part of the way we do this is by continuing to develop our onsite consumer experience. We moved away from a low-to-high price search listing order to a relevance-based sort order. We use an algorithm to promote the most relevant and highest quality adverts to consumers, making it easier for them to find their next car.

Trust and confidence are critical to car buyers, so this year we launched a provenance vehicle check tool, in partnership with Experian, which gives consumers a free and comprehensive assessment of the vehicle they are interested in. We also now have almost 1 million reviews of dealers on our marketplace. Perhaps most significantly, we updated our price indicators with the addition of 'fair' and 'higher' price flags and put an Auto Trader valuation on each full page advert, helping to give consumers confidence in the price of the car.

Following year end we removed standard format display advertising from search, making retailer adverts larger. This change was made despite standard format display advertising contributing £4.9m to revenue in 2020. We also altered search on mobile devices, increasing the size of each advert by 40% with imagery being 90% larger than before.

Our 2019 Car Buyers Report revealed that 71% of consumers surveyed want to be able to look at a new or a used car on the same platform. Having launched our new car proposition last year, we started to monetise it in the second half of the year and had over 1,000 retailers paying to advertise their new cars on our marketplace at the end of March 2020. We now have an average of over 31,000 physical new cars on our site per month. We believe there's still room for growth as we estimate that there are an additional 100,000 of these new cars that are available but that are not actively being advertised anywhere.

Products to improve customer efficiency

At a time when the industry was facing unprecedented challenges, we chose to launch a powerful new data tool called Market Insight. It is designed to help retailers identify and adapt to market trends as they happen. The tool wasn't scheduled for launch until later in the spring of 2020. However, due to the conditions facing retailers as a result of the COVID-19 pandemic, and our belief that market intelligence can help retailers better navigate these challenges, we made it available to all customers ahead of schedule. The product is included in all retailer customers' advertising packages.

Traditionally, to assess how market conditions may affect their business, retailers have had to rely on historical sales data or their own intuition, but our new insight tool allows a retailer to see vehicle supply and consumer demand data in both their local market and the national marketplace, alongside pricing and predicted speed of sale trends. With year-on-year comparison of market health (supply versus demand) each week and trended over time.

We have seen increased penetration of our Managing products during the year, with the number of retailers now subscribing to either Retail Accelerator (formerly i-Control) or Retail Check in 2020 reaching 3,600 (2019: 3,200) at 31 March 2020. This growth has largely been driven by an increase in the usage of our entry level product, Retail Check, which gives retailers the most accurate view of the live retail market to help ensure that they buy the right stock at the right price and sell it profitably. Subsequently, Retail Check was made available to independent customers as part of their advertising package from 1 April 2020.

Penetration of our Advanced and Premium advertising packages continues to increase with stock penetration now at 23% (2019: 19%). These higher yielding packages allow retailers to pay for greater prominence on our marketplace, driving a higher volume of advert views, enabling those cars to sell faster.

Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020, moving on to Auto Trader's platform setting the business up to leverage the scale of both Auto Trader and Cox Automotive. This move will enable Dealer Auction to fully utilise the data that Auto Trader generates.

In October 2019, we acquired KeeResources, 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 our core platform. It also provides data and services to fleet providers, a growing area of focus for us in the overall ecosystem. Strategically we believe it is important to own such a valuable data source.

Investing in our infrastructure

We have made further changes to our technology infrastructure to ensure our systems and software can effectively support our product development, as well as our core platform. A fundamental change in the year was the decision to start moving our data centres over to the public cloud so we could take advantage of the benefits provided by cloud platforms, including: enhanced security; improved product performance; a quicker product release platform; and cost optimisations. As a result of moving more of our applications over to the cloud, including the main website, we made over 36,000 software releases – over double the number of the previous year.

Catherine Faiers
Chief Operating Officer
25 June 2020

ESG IN FOCUS

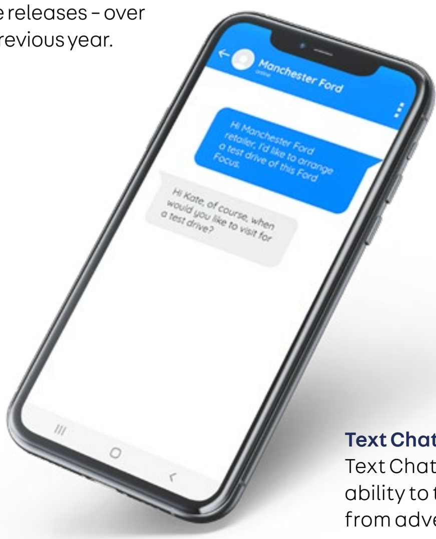
Investing in our culture to ensure we attract and retain a diverse workforce

Ensuring Auto Trader is a diverse and inclusive employer that contributes positively to the communities in which we operate is a key strategic priority for our business. We celebrate diversity in all its forms. Only with a mix of different ideas and perspectives can we come up with the most exciting new ideas and create the best experience for our consumers.

We were therefore pleased to be named a Disability Confident Leader in July, the highest level of accreditation given by the Department for Work and Pensions, which runs the scheme.

86%
of employees would recommend Auto Trader as a place to work

Making a difference P40

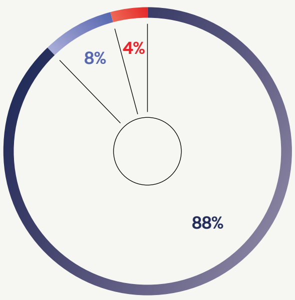


Text Chat
Text Chat gives buyers the ability to text retailers directly from adverts, through their text messaging app.

JAMIE WARNER
CHIEF FINANCIAL OFFICER

In a tough market, we achieved good revenue growth in the year, increasing by 4% to £368.9m (2019: £355.1m).

OUR REVENUE STREAMS



Trade
£324.3m
A 6% YoY increase (2019: £304.6m)

Consumer Services
£28.3m
A 1% YoY increase (2019: £28.0m)

Manufacturer and Agency
£16.3m
A 28% YoY decrease (2019: £22.5m)

Revenue
£368.9m
+4%
(2019: £355.1m)

Cash generated from operations
£265.5m
+3%
(2019: £258.5m)

Operating profit
£258.9m
+6%
(2019: £243.7m)

Cash returned to shareholders
£126.4m
-16%
(2019: £151.1m)

Revenue

Trade revenue, which comprises Retailer, Home Trader and Other revenue, increased by 6% to £324.3m (2019: £304.6m). Retailer revenue grew 7% to £312.1m (2019: £293.0m), as a result of an increase both in the average number of retailer forecourts, which grew by 1% to 13,345 (2019: 13,240), and the Average Revenue Per Retailer ('ARPR'). ARPR increased by 6% to £1,949 per month (2019: £1,844).

ARPR growth of £105 per month can be broken down into three levers of growth: price, stock and product.

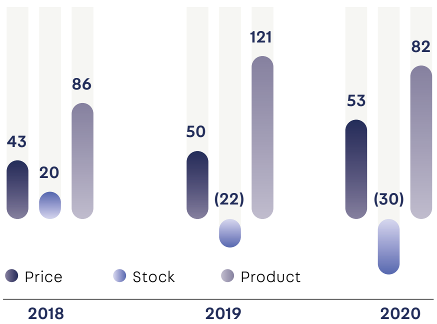
- Price: Our price lever contributed £53 (2019: £50) of total ARPR growth. We executed our annual event for the majority of customers on 1 April 2019 which included a like-for-like price increase. This price increase equates to a 2.9% increase on the previous year's ARPR.
- Stock: Through the financial year, the retailer market experienced challenges relating to the supply of stock. A lack of supply in the auction markets combined with a lack of confidence over trade valuations led to lower volumes of inventory being held by some of our customers. The number of cars advertised on **autotrader.co.uk** increased by 4% to 478,000 (2019: 461,000). However, excluding new car, Private and Home Trader listings, the stock lever declined by £30 (2019: decline of £22).
- Product: Our product lever contributed £82 (2019: £121) of total ARPR growth. Our annual event involved the introduction of two new products which were well received by retailers: Vehicle Check and Text Chat. In addition, there has been growth in our higher yielding Advanced and Premium advertising packages as retailers continue to recognise the value of receiving greater prominence within our search listings. At the end of March 2020, 23% of retailer stock was advertised on Advanced or Premium package levels (March 2019: 19%). During the second half of the year we monetised our new car advertising product following a trial period, and at the end of March 2020 we had over 1,000 paying retailers. There was a small headwind to product growth as we passed revenue across into our joint venture, Dealer Auction, as part of the transaction completed in January 2019.

Home Trader declined 19% to £8.3m (2019: £10.2m) as we saw some customers move to take up subscription advertising packages. A reduced number of transactions of older vehicles has also had some impact in this area.

Other revenue increased by £2.5m to £3.9m (2019: £1.4m) mainly through the acquisition of KeeResources which contributed £2.0m to this revenue line.

Revenue	2020 £m	2019 £m	Change
Retailer	**312.1**	293.0	7%
Home Trader	**8.3**	10.2	(19%)
Other	**3.9**	1.4	179%
Trade	**324.3**	304.6	6%
Consumer Services	**28.3**	28.0	1%
Manufacturer and Agency	**16.3**	22.5	(28%)
Total	**368.9**	355.1	4%

ARPR LEVERS (£)



Consumer Services revenue increased 1% in the year to £28.3m (2019: £28.0m). Private revenue, generated from individual sellers who pay to advertise their vehicle on the Group's platforms, was £20.1m (2019: £20.1m). The total volume of private adverts listed continues to decrease year-on-year as the market remains under structural pressure. However, changes to our product offering, including the introduction of a new higher yielding 'hold until sold' package, has allowed us to upsell customers effectively. Motoring Services revenue increased 4% to £8.2m (2019: £7.9m), with strong growth from our partner finance offering partially offset by a decline in Vehicle Check as a result of the product being included in our retailer packages.

Manufacturer and Agency revenue declined 28% to £16.3m (2019: £22.5m). Market pressures driven by Brexit uncertainty coupled with regulatory changes resulted in lower marketing spend throughout the year.

Administrative expenses

Operating costs continue to be well controlled, with administrative expenses increasing by 1% to £113.2m (2019: £112.3m).

People costs, which comprise all staff costs including third-party contractor costs, decreased by 1% in the year to £55.8m (2019: £56.4m). The average number of full-time equivalent employees ('FTEs') (including contractors) increased by 6% to 853 (2019: 804) as we invested in our people to support the growth of the core business, and as a result of the acquisition of KeeResources on 1 October 2019, which contributed an additional 32 to the total average number. Although FTEs increased, this cost was offset by a saving in share-based payments, including applicable national insurance costs, which reduced by 39% to £3.6m (2019: £5.9m). Part of this saving resulted from the decision made by the Executive Directors to forego their bonuses earned in relation to FY20 as part of measures to mitigate the impact of COVID-19.

Marketing spend remained consistent year-on-year at £17.3m (2019: £17.6m). We continue to have a market leading audience position in terms of both visits and engagement, as measured by cross platform minutes, and acquire just 9% of our traffic from paid sources.

Other costs, which include data services, property related costs and other overheads, increased by 14% to £33.6m (2019: £29.4m). The increase comes from our Retail Accelerator product and Experian costs associated with our new Vehicle Check product. There were also higher costs as a result of the Group's ongoing migration to cloud-based services which will reduce the need for capital expenditure in physical onsite assets over time. Finally, the uncertainty caused by the COVID-19 outbreak resulted in a £2.1m increase in our expected credit loss provision for receivables.

Depreciation and amortisation significantly decreased by 27% to £6.5m (2019: £8.9m) with the reduction coming primarily from the Group's self-developed billing system assets becoming fully amortised.

Costs	2020 £m	2019 £m	Change
People costs	**55.8**	56.4	(1%)
Marketing	**17.3**	17.6	(2%)
Other costs	**33.6**	29.4	14%
Depreciation and amortisation	**6.5**	8.9	(27%)
Total administrative expenses	**113.2**	112.3	1%

ESG IN FOCUS

Investing in IT and security infrastructure to ensure our systems remain robust

We're moving our systems from our physical data centres to the public cloud to take advantage of several benefits.

This enhances security, by continuously improving the performance of our products due to the increased visibility into their health, which enables us to get products and features to market faster. All while doing this more safely and improving our ability to optimise our costs and to be more sustainable.

19

employees in our dedicated customer & platform security teams

How we manage risk P52

Administrative expenses

£113.2m

+1%

(2019: £112.3m)

Operating profit

Operating profit grew 6% to £258.9m (2019: £243.7m) in the year. Operating profit margin increased by one percentage point to 70% (2019: 69%).

Our share of the profit generated by Dealer Auction, the Group's joint venture, increased to £3.2m (2019: £0.9m). This was the first full year of trading for the venture following its formation on 1 January 2019.

Profit before taxation

Profit before taxation increased by 4% to £251.5m (2019: £242.2m). This increase results from the Operating profit performance, further increased by a reduction in finance costs but offset by the prior year one-off profit on disposal of a subsidiary of £8.7m as we transferred our Smart Buying business to the joint venture, Dealer Auction.

The Group has a £400m Syndicated revolving credit facility which is used to manage cash flows. Interest costs on the Group's RCF totalled £6.3m (2019: £6.5m). The decrease reflects a reduced average drawn level through the period. Amortisation of debt costs amounted to £0.7m (2019: £2.8m) with the prior year impacted by accelerated issue costs relating to our previous facility. Interest costs relating to leases totalled £0.4m (2019: £0.9m).

Taxation

The Group tax charge of £46.4m (2019: £44.5m) represents an effective tax rate of 18% (2019: 18%). After removing the impact of Dealer Auction, which is consolidated post-tax, this is in line with the average standard UK rate.

Our total tax contribution is a measure of the taxes that we pay on all of our activities, as well as the taxes that we collect on behalf of tax authorities. In 2020, our total tax contribution was £153m. Taxes borne by the Group totalled £76m and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £77m and consist mainly of PAYE deductions, employees' NICs and net VAT collected.

Operating profit	2020 £m	2019 £m	Change
Revenue	**368.9**	355.1	4%
Administrative expenses	**(113.2)**	(112.3)	(1%)
Share of profits from joint ventures	**3.2**	0.9	256%
Operating profit	**258.9**	243.7	6%

Share of profits from joint ventures

£3.2m

(2019: £0.9m)

Basic earnings per share

22.19p

(2019: 21.00p)

Earnings per share

Basic earnings per share rose by 6% to 22.19 pence (2019: 21.00 pence) based on a weighted average number of ordinary shares in issue of 924,499,320 (2019: 941,506,424). Diluted earnings per share of 22.08 pence (2019: 20.94 pence) increased by 5%, based on 929,247,835 shares (2019: 944,254,998), which takes into account the dilutive impact of outstanding share awards.

Cash flow and net debt

Cash generated from operations increased by 3% to £265.5m (2019: £258.5m) and was achieved primarily from Operating profit growth coupled with a strong level of cash conversion. Corporation tax payments totalled £69.8m (2019: £42.2m) with the increase due to the change in timing of tax paid following a change in HMRC's payment profile. Net cash generated from operating activities was £195.7m (2019: £216.3m).

As at 31 March 2020 the Group had net debt of £282.4m (31 March 2019: £321.0m), representing a net reduction of £38.6m. Net bank debt, which is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements, was £275.4m (2019: £307.1m). At the year end, the Group had drawn £313.0m of the Syndicated revolving credit facility (31 March 2019: £313.0m) and held cash and cash equivalents of £37.6m (2019: £5.9m).

Leverage, defined as the ratio of Net bank debt to EBITDA, decreased to 1.0x (2019: 1.2x). Interest paid on these financing arrangements was £6.4m (2019: £6.6m).

Acquisition of KeeResources

On 1 October 2019, the Group acquired KeeResources Limited for consideration, net of cash acquired, of £25.3m. The assets and liabilities acquired have been accounted for at fair value in accordance with IFRS 3, with the remaining value of £13.9m being allocated to goodwill.

During the six month period post acquisition, KeeResources contributed £2.4m of revenue and £2.6m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

Capital structure and dividends

During the year, a total of 11.4m shares (2019: 20.2m) were repurchased for a total consideration of £61.7m (2019: £93.5m) before transaction costs of £0.3m (2019: £0.5m). A further £64.7m (2019: £57.6m) was paid in dividends, giving a total of £126.4m (2019: £151.1m) in cash returned to shareholders.

The Directors are not recommending a final dividend for the year. The total dividend for the year is therefore 2.4p (2019: 6.7p), an interim dividend which was paid in January 2020.

The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buyback programme and over time to reduce debt.

The Group has returned to charging customers but will continue to monitor the ongoing environment around COVID-19. Subject to that monitoring, we are hopeful of an early return to our capital allocation policy with the declaration of an interim dividend in November.

At the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2020 AGM and the Directors intend to seek a similar general authority from shareholders at the 2020 AGM. The share buyback programme will be ongoing, and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

Post balance sheet events

COVID-19

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections across many countries. The conditions that existed at the balance sheet date were that, a disease was present in a number of countries globally. The novel Coronavirus that had been present in China was spreading rapidly. On 11 March 2020 the World Health Organization declared the virus a global pandemic. On 16 March 2020 the UK Government introduced social distancing measures to safeguard the public alongside a number of fiscal measures that included Government backed loans.

On 23 March 2020 the Government instructed the British public that they must remain at home unless for very limited purposes ('lockdown'). These instructions resulted in retailers closing their forecourts to comply with the new rules with immediate effect. The restrictions came into force on 24 March 2020 and would last indefinitely, with the first review being no earlier than 13 April 2020.

Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

The social distancing measures were extended on 13 April 2020 and 7 May 2020. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. Management have assessed these extensions to the lockdown period as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

Equity placing

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 £183.2m net of fees incurred.

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.

Debt extension

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

Jamie Warner
Chief Financial Officer
25 June 2020

We take our environmental, social and governance responsibilities seriously and are constantly looking at what we can improve on; we aim to ‘Make a Difference’ to our people, our communities and the wider environment, whilst ensuring we act at all times as a responsible business.

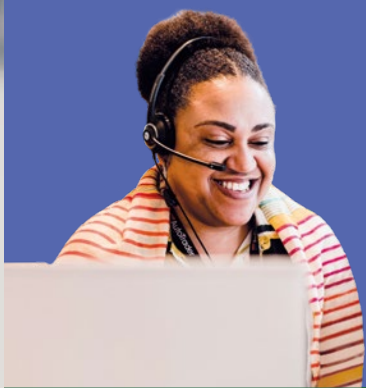
Non-Financial Information Statement

We aim to comply with all areas of the UK’s Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report:

Non-financial risk	Policies, procedures and employee guilds	Section within this Annual Report
Environmental	• Sustainability Guild	• Environmental impact: pages 47 and 48
Our people	• Code of Conduct • Stakeholder engagement • More Good Days AT Work • Wellbeing Guild • Board Engagement Guild • Whistleblowing Policy	• Our people and culture: pages 42 to 45 • Section 172(1) Statement: pages 28 and 29
Social and community	• Ethical Procurement Policy • Customer Charter • Volunteering days • Diversity and Inclusion Guild • Make a Difference Guild	• Our people and culture: pages 42 to 45 • Our communities and the wider environment: pages 46 to 49
Human rights	• Modern Slavery Policy • Privacy Policy	• Being a responsible business: pages 50 and 51
Anti-bribery and anti-corruption	• Anti-bribery, Gifts and Hospitality Policy	• Being a responsible business: pages 50 and 51
Business model		• How we create value: pages 14 and 15
Principal risks		• Principal risks and uncertainties: pages 54 to 57
Non-financial key performance indicators		• Operational key performance indicators: pages 32 and 33

We have built a digital culture that is values-led, customer-centric and data-driven, underpinned by a diverse and inclusive team. Our ESG strategy is focused on 'Make a Difference' and we focus our efforts on the following:

Our people and culture



Overview
We focus on ensuring we create a highly collaborative culture where people feel motivated, valued and supported. We strive to be a business that's diverse in its make up and as inclusive as possible, as we believe diverse views will lead to better outcomes.

Responsibility
- The Board
- Remuneration Committee
- Nomination Committee
- Head of People

Read more P42

Our communities and the wider environment

Overview
We strive to have a positive impact on the communities we operate in and the wider environment. We have guilds which create and execute our community outreach, charity work and sustainability strategy. We are also reporting our Scope 3 greenhouse gas emissions for the first time.

Responsibility
- The Board
- Sustainability Guild
- Make a Difference Guild

Read more P46

Being a responsible business

Overview
We take our position in the industry seriously and strive to improve the marketplace. We have a relentless focus on driving transparency and fairness to instil trust between our stakeholders. We have policies, procedures and training to ensure that everyone knows that they must behave professionally, ethically and legally; treating people with decency and respect.

Responsibility
- The Board
- Risk Forum
- Operational Leadership Team

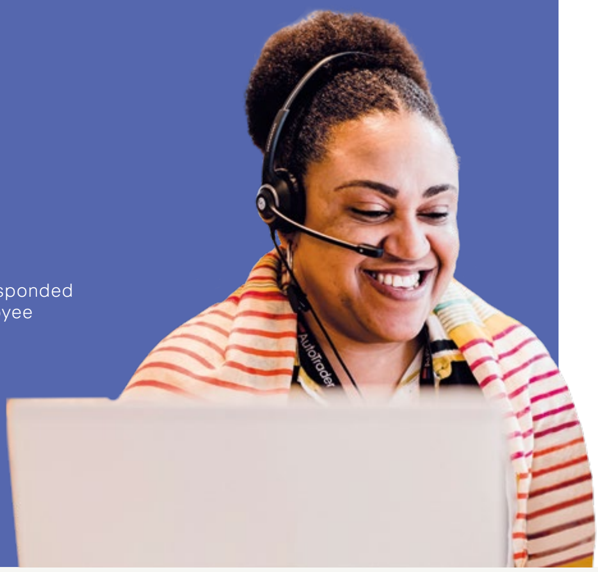
Read more P50

Our people and culture

Our people are one of our most important assets, so we focus on ensuring we create a highly collaborative culture where people feel motivated, valued and supported. We strive to be a business that's diverse in its make up and as inclusive as possible, as we believe that drives better outcomes.

89%
of our people feel proud to work for Auto Trader

85%
of our total workforce responded to the most recent employee engagement survey



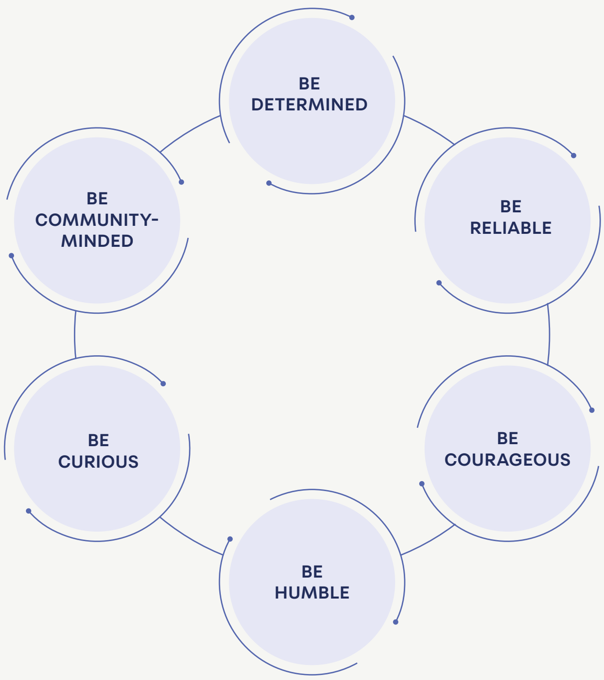
Governing our ESG work

We are passionate and dedicated to our people and look to continually develop our unique culture. The Board engages with our people in various ways: attending different employee-led events; through regular business updates where they get the chance to update colleagues on our strategic deliverables; and also monthly breakfast sessions where they can ask questions and gain useful insights in a relaxed environment.

Last year we introduced our Board Engagement Guild, aligned with the new Corporate Governance Code standard, to ensure our Chairman and Non-Executive Directors have regular and effective engagement with our employees without the executives present or involved in preparation. Members of the Guild represent all areas of our business including our various employee networks such as Diversity & Inclusion, Make a Difference and Wellbeing Guilds. The main focus of the Guild is for our Board Directors to gain insight and understanding of our culture from an employee perspective, as well as discuss a variety of subjects. In this way the Board receives information and opinions directly from employees to enhance decisions. Employees gain perspective and context from different companies and industries from the wealth of experience our Board Directors share.

OUR VALUES

Reflecting our culture and commitment to make a difference



Be determined
We are passionate, resilient and have the conviction to do the right thing. We roll up our sleeves to get the job done.

Be reliable
We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

Be courageous
We are bold in our thinking, overcoming fears, challenging convention and embracing change.

Be humble
We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

Be curious
We are always learning. We question why, we search for better ways, ask questions and actively listen.

Be community-minded
We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

Employee engagement and benefits

To gauge how our employees are feeling, we conduct an annual employee engagement survey as well as a pulse check-in survey. The most recent survey, conducted in April 2019, achieved a response rate of 85% of our total workforce. Overall engagement remains positive with 89% (2019: 92%) of our people feeling proud to work for Auto Trader and 86% (2019: 89%) saying they would recommend us as a great place to work. We listen to the feedback and, with the support of our senior leaders and their teams, we review and develop action plans in order that we continually improve. We also look to Glassdoor for feedback; our rating based on more than 280 reviews is 4.5 out of 5.

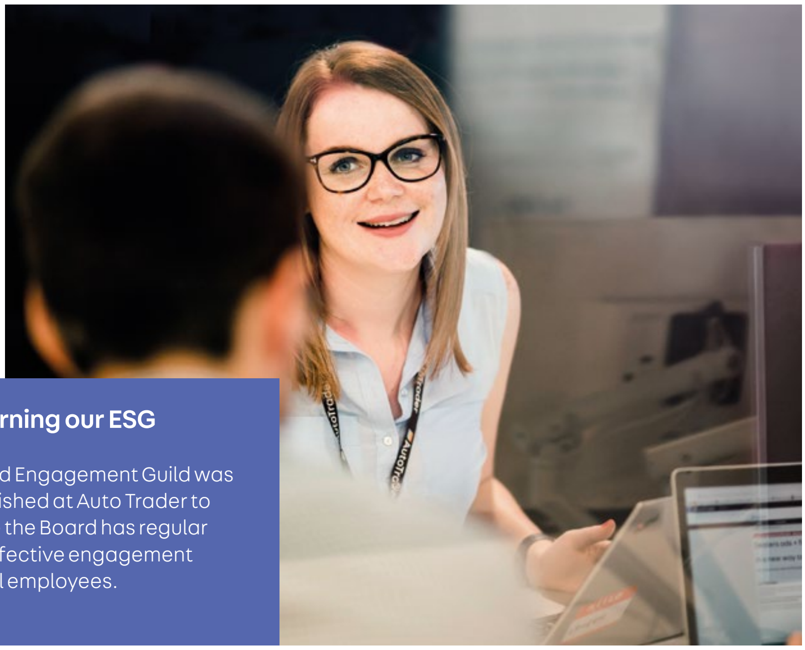
Our "Incredible Benefits" platform is where all of Auto Trader's benefits are offered. We recognise that everybody is unique and has different needs and preferences, so employees can customise their benefits package at both annual enrolment and throughout the year. It has been another successful annual enrolment which saw 95% of employees log into their flexible benefits portal. Private Medical Insurance and the Health Cash Plan remain very popular funded benefits. In addition to the Company funded benefits, we offer a wide range of flexible benefits including dental insurance, travel loans and cycle to work schemes. This year we introduced two new benefits following employee feedback: annual gym membership and a corporate Metrolink discount with Transport for Greater Manchester. We again offered a Save as You Earn scheme ('SAYE 2019') to eligible employees which 31% have joined.

Learning and development

Our ambition is to make sure that everyone's career is supported by learning opportunities, which includes self-learning, attending conferences, peer-to-peer mentoring, coaching and structured programmes.

We have created a process for onboarding our colleagues with a dedicated "Great Start" portal which is full of useful information for managers and new starters at Auto Trader to help them navigate their first few months. All new employees also join our induction event in their first three months; this is designed to ensure everybody has a great start in their career at Auto Trader and is facilitated with members of our Learning & Development ('L&D') team, Operational Leadership Team ('OLT') and colleagues from across the business. It provides an opportunity for all new starters to gain an understanding of our culture, strategy and values. It also helps them develop relationships and start building their personal network.

We believe that individuals who engage in their own personal development are more motivated, more self-aware, fulfil their potential and add more value to the organisation. All our employees are supported by their people leaders in regularly reviewing their personal development plans. The way we all learn is different, so we have a number of ways to support our people including self-directed learning solutions, workshops, bite-size sessions and on-the-job activities. An employee-led Conferences Guild offers the opportunity for colleagues to attend conferences all over the world to develop new skills, gain new knowledge, ensure Auto Trader is at the forefront of technology and network with industry experts. We also support individuals in pursuing various professional qualifications from various professional bodies.



Governing our ESG

A Board Engagement Guild was established at Auto Trader to ensure the Board has regular and effective engagement with all employees.

95%

of employees logged into their flexible benefits platform

We have welcomed a number of new graduates, apprentices and internships through our various programmes aiming to develop future talent with the skills and personal qualities required to have a successful career with Auto Trader. All our people leaders take part in our People Leadership Plan to develop their skills leading teams and individuals. The programme is designed and delivered by our L&D team and co-facilitated with colleagues from across the business who share their experience and variety of leadership styles.

Our Customer Academy, dedicated to our customer facing employees, enables them to learn more about our customers, the industry we operate in, our products and services, and a range of skills and knowledge that will help them deliver more value to our customers.

More Good Days AT Work

Wellbeing – More Good Days AT Work

We have an established Wellbeing Guild; a passionate network of people from across all tribes and teams who are committed to supporting our people to have More Good Days AT Work. We recognise that our people have their unique set of needs, challenges and preferences. Consequently, we have built our strategy around three core pillars: mental, physical and financial wellbeing.

Our dedicated team of Mental Health First Aiders is available to support colleagues that are experiencing mental health issues and works on different initiatives to promote mental wellbeing and emotional resilience. Our focus is on providing supportive professional pathways which are accessible to everyone to ensure we make no assumptions when directing people to supportive services. We provide practical tools, incredible benefits such as discounted gym membership, Company funded subscriptions for the wellness Calm app and offer educational workshops on all elements of wellbeing.

To support financial wellbeing, we continued our partnership with a mortgage broker offering free, no obligation one-to-one mortgage advice sessions to anyone looking to get on the property ladder. We also introduced sessions, that proved to be popular, with a pension adviser providing useful information about our Company pension scheme to encourage employees to invest in their long-term financial future.

Health and safety

It is our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality, so that we can maintain a safe working environment for our employees, customers, visitors and anyone affected by our business's activities. During the year there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

Diversity & Inclusion

Striving to significantly improve the diversity across our whole organisation, particularly in leadership, remains a key strategic focus of our ESG strategy. Although we are pleased to be one of only seven FTSE100 companies to have a 50:50 gender parity on our Board (as of 31 March 2020), we recognise that there is more work to be done not only across other levels of leadership but also across other diversity strands.

We remain determined to maintain an inclusive culture where diverse people work together for the benefit of each other, our customers, industry and the communities we operate in. This year we were proud to be named No.9 in the Inclusive Companies Top 50 ('IT50') for the work that our colleagues across our business are doing, led by our passionate Diversity & Inclusion Guild. For the past four years, the Guild has designed and delivered an ever-evolving strategy concentrating on all diversity strands with a particular focus on: disability and neurodiversity; LGBT+; BAME; and gender equality.

Diversity for everyone at Auto Trader means respect for and appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We believe inclusion is a state of being valued, respected and supported for who you are and have the same career opportunities as others."Diversity is the mix, inclusion is the effort that it takes to make the mix work." An effort that is carried out by colleagues from across the business and our employee networks.

All Auto Trader and Webzone new starters participated in our "One Auto Trader: Creating a Culture of Inclusion" one day workshop that aims to create a common understanding of diversity and inclusion as well as creating a safe environment where participants explore their own unconscious biases and how they impact their thoughts, behaviours and relationships. All our Diversity and Inclusion Networks join them on the day to provide them with an overview of their work and recruit new members with fresh ideas that will help the networks grow and achieve more.

This year we have enhanced the collaboration across all our employee groups and networks as we recognised that there are a lot of synergies that can be achieved. Our Wellbeing Guild, Make a Difference Guild, Family Network as well as our Sports & Social Clubs now regularly meet in order to design initiatives that bring our colleagues together in line with our philosophy that inclusion will be achieved by finding common ground and respecting each other's differences.

Disability & Neurodiversity

Now in its second year, our Disability & Neurodiversity Network is led by a group of disabled, neurodiverse colleagues, as well as allies. The network continues to dedicate itself to creating a more accessible and inclusive environment so we can welcome and retain more disabled and neurodiverse colleagues. This year it developed a guide to accessibility at our offices to make visiting the Auto Trader offices easier for staff and visitors[1]. It also supports the work of leading charities like Action on Hearing Loss and the Leonard Cheshire Disability. Auto Trader became the first company in the world to become an "Autism Friendly Employer" by the National Autistic Society following a detailed audit to improve our working environment and increase awareness about autism at work.

We were also awarded the status of Disability Leader, the highest level of accreditation from the Department of Work and Pension Disability Confident Employer Scheme. It is recognised as acknowledging leading employers that seek to promote the needs of colleagues and which share their successes with other organisations. As part of the scheme our Resourcing team co-ordinates our involvement in the Guaranteed Interview Scheme for all disabled candidates that meet the criteria for our roles.

LGBT+

For a third consecutive year we took part in the Stonewall Index benchmarking and moved up the rankings from the 66th percentile to the 48th percentile last year. This was a result of making considerable progress with our policies and introducing our "Transitioning at Work" guidelines to support our current and future trans colleagues. We also took part in Manchester Pride's Equality Charter achieving "Good Practice" status in recognition for our work across various areas advancing equality for LGBT+ colleagues.

Keeping with what has become an annual Auto Trader tradition, in August 2019 more than a hundred of our colleagues paraded the streets in the Manchester Pride Festival and sent a strong message of solidarity to the LGBT+ community. As part of our commitment to make a difference we have also sponsored different groups and charities, including the George House Trust and the LGBT+ Foundation, who aim to provide valuable support to people across Greater Manchester.

BAME

Our BAME Employee Network is a well-established group of black, Asian and minority ethnic colleagues, as well as allies, that continue their work to celebrate multi-culturalism and inclusivity. As part of Black History Month our colleagues took over our AT life social media accounts and shared personal stories about themselves. We also hosted the "BAME Experience" event in the HOME Arts Centre in Manchester, bringing together more than 90 participants from various communities and businesses discussing their key issues and challenges that racial and ethnic minorities face, as well as concentrating on building a network that can take action that will bring progress. The network's regular quarterly meet ups are well attended by senior leadership and the wider business as they seek to drive awareness of the issues that our BAME colleagues may face.

In the coming financial year, in line with our commitment to improving our BAME representation in our workforce and ensuring a positive employee experience, our focus is to collect the data and calculate our ethnicity pay gap in order to identify potential actions we need to take to tackle any issues that arise.

1. Please see **plc.autotrader.co.uk/media/1935/building-accessibility-statement.pdf** for further information.

Gender

We remain committed to driving long-term change to reach gender parity in our business. Our focus is on developing the next generation of women in our industry. We do this by investing in our future talent strategy, as well as supporting a number of initiatives and partnerships including DigitalHer with Manchester Digital, AUTO30% and our STEM Ambassador Programme.

For International Women's Day we joined the "Each for Equal" campaign and 80 colleagues made pledges and are committed to take action to support gender equality.

Gender pay gap

This year we released our third annual Gender Pay Gap report (published March 2020) supporting the Government's initiative to promote transparency on gender pay. Our business remains committed to become more inclusive in welcoming, and just as importantly retaining, a diverse workforce.

We recognise that the gender pay gap has widened in 2019. This is partly due to the fact that we have increased the proportion of women in entry-level roles (with 58% of our early careers intake being women in 2019), which has increased the proportion of women in the lower and lower-middle quartiles.

HOURLY PAY GAPS BETWEEN MEN AND WOMEN

At Auto Trader Limited

	2019	Change	2018	2017
Mean hourly pay gap 2019	12.1%	↑ 3.0%	9.1%	12.1%
Median hourly pay gap 2019	17.9%	↑ 4.0%	13.9%	18.5%

At Auto Trader Group plc[1]

	2019	Change	2018	2017
Mean hourly pay gap 2019	14.9%	↑ 2.9%	12.0%	14.9%
Median hourly pay gap 2019	17.7%	↑ 4.4%	13.3%	17.5%

At Auto Trader Limited

	% Women		% Men	
Salary quartiles	2019	2018	2019	2018
Lower quartile	49.2%	47.9%	50.8%	52.1%
Lower middle quartile	43.8%	40.9%	56.2%	59.1%
Upper middle quartile	28.7%	30.3%	71.3%	69.7%
Upper quartile	33.5%	34.7%	66.5%	65.3%

1. This includes all full pay relevant employees within the Auto Trader Group as at 5 April 2019, including Auto Trader Group plc (which had only two employees) and Webzone Limited (a company registered in Ireland). We have reported this voluntarily.

"Each for Equal" pledges included:

> I commit to recognising the achievements of women around me and championing them to others.

> I commit to being more confident, speaking up when I don't think things are right.

Our remuneration policy takes a simple approach to reward and the vast majority of our employees do not receive bonuses or commissions. However, in 2019 the number of men and women receiving bonuses has significantly increased as it includes Share Incentive Plan awards (free shares) exercised between April 2018 – March 2019. This also impacted the mean and median of our bonus pay gap.

Although a gender pay gap does still exist at Auto Trader, we will continue to work hard to address the issues we believe are relevant to reduce this gap.

Gender diversity

We are pleased that our Board has reached gender parity, but we know we have more work to do to achieve gender parity across all levels of the organisation. In the year, we are pleased to report that we welcomed more women to Auto Trader; entering the business in predominantly early career roles or across our technology teams.

Our dedication and focus on early careers have resulted in us supporting a variety of initiatives which have contributed to inspiring women to join and have fulfilling careers, not only with Auto Trader but across our industry and local communities.

Despite this, our numbers remain fairly static year-on-year for our Operational Leadership Team ('OLT') and their direct reports, one focus area for FY21. OLT numbers are impacted by Le Etta Pearce moving to become CEO of our joint venture with Cox Automotive, which is positive from a gender diversity perspective.

As at 31 March 2020	Men	Women	Men as % of total	Women as % of total
Board	4	4	50%	50%
OLT[1]	6	4	60%	40%
OLT direct reports	67	31	68%	32%
Total Company	**554**	**359**	**61%**	**39%**

1. Senior managers for the purpose of s.414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Our communities and the wider environment

We are pleased to report that in the year, not only have we expanded our charitable funds and community outreach work, but that we have also progressed our sustainability and wider environmental initiatives. We are also reporting our Scope 3 greenhouse gas emissions for the first time.

Making a difference to our communities

Our Make a Difference Guild is committed to empowering everyone across the Group to support our local communities, our industry and wider society. During the year, the Guild has grown in size and has developed its strategy to expand our charitable partnership programme as well as our community outreach plan.

The Auto Trader Community Fund, powered by the charity Forever Manchester, considers applications and awards up to £1,000 aimed at supporting grassroots projects across Greater Manchester. The Community Fund also supports projects for Saint Pancras Community Association in London, Camden Giving, New Horizon Youth Centre and Shelter. During the year our London colleagues took part in the Big Sleep Over on the roof of our King's Cross office and raised more than £2,600 to support the homeless.

This year we have donated £148,000 to support various charities and groups that make sustainable changes in people's lives. Donations from Auto Trader directly to other charities through the fundraising activities of our employees, customers and partners and our "AT sponsorships" match-funding and Sports Kits donations have totalled an additional £42,000.

Again, this year instead of Christmas gifts to our employees and customers we offered donations to charities of their choice totalling £71,000. Our Give as You Earn scheme participation has reached 18% of our total workforce and over £96,000 was donated to various charities by our colleagues.

But making a difference extends to more than donating money. More than 58% of our employees have utilised one of our Incredible Benefits, two optional volunteering days, to support worthy causes across the UK. Our employees have collectively offered 641 volunteering days to try and battle food poverty, renovate green spaces, support dog shelters and provide coaching and mentoring.

£261,000

total charitable donations including match-funding

Environmental impact

In the financial year we changed our electricity contracts to ensure we are using renewable energy sources where possible. All offices now use greener energy suppliers, except one (KeeResources), which will change in the coming year.

In addition to reporting our 'Scope 1' (combustion of fuel) and 'Scope 2' (purchased electricity and gas, and fuel associated with leased company cars) emissions, this year we have chosen to also report our 'Scope 3' emissions to support our evolving environmental focus. From the 15 different emissions categories that fall within 'Scope 3' emissions, we have deemed business travel, employee commuting and downstream leased assets as the most material and therefore the most relevant categories for us to measure.

We choose to present a revenue intensity ratio as a measure of our GHGs, as this is a relevant indicator of our growth and is aligned with our business strategy. The reduction in our Scope 1 and 2 emissions is as a result of a number of factors including: reducing the size of our London office; reducing the length of time we heat and provide electricity to the office each day; the introduction of passive infrared sensor lighting in the London office which is activated by movement; switching off electrical items while the office is closed; and our remote staff are no longer supplied company cars but have car allowances instead. The acquisition of KeeResources increased our headcount and, therefore, our people-related emissions in Scope 3, whilst our data centre usage also led to our Scope 3 emissions increasing moderately. However as we look to fully migrate to the cloud, we anticipate that this will reduce our Scope 3 emissions next year.

TOTAL CO_2 EMISSIONS[1]

	2020		2019	
	UK	Global	UK	Global
Scope 1	**193**	**238**	263	318
Scope 2	**224**	**256**	258	292
Total (Scopes 1 and 2)	**417**	**494**	521	610
KwH ('000s)	**1,592**	**1,890**	1,910	2,240
Scope 3		**1,684**		1,577
Total (Scopes 1, 2 and 3)		**2,178**		2,187
Revenue		**£368.9m**		£355.1m
Carbon intensity[2]		**5.90**		6.16

1. Tonnes of carbon dioxide equivalent.
2. Absolute carbon emissions divided by revenue in millions.

METHODOLOGY/ASSUMPTIONS

The Group is required to measure and report its direct and indirect greenhouse gas emissions ('GHG') by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The greenhouse gas reporting period is aligned to the financial reporting year. The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK Government ('BEIS') conversion factor guidance for the year reported.

- Scopes 1 and 2 have been restated to include Webzone in 2019 figures. The previous reported figure for Scope 1 was 263 and for Scope 2 was 258.
- Scope 3 comprises business travel, employee commuting and downstream leased assets, which are based on the following:
  - Business travel calculated based on actual travel activity using DEFRA emissions factor to calculate emissions
  - Employee commuting calculation based on employee surveys combined with and based on the Commuting trends report according to the UK Government
  - Downstream leased assets refers to the Company's physical data storage facility and cloud-based storage solutions

FTSE4Good

We are pleased to have been recognised as a FTSE4Good company. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance ('ESG') practices.

Making a difference to the environment

As a technology business, with five offices (Manchester, London, Dublin, High Wycombe and Southampton) we have a relatively small carbon footprint. However, we have a passionate Sustainability Network comprising people from across the Group who are focused on rolling out changes for individuals as well as our offices in a bid to reduce our overall environmental impact.

One main initiative that the Network drove during the year was increasing our colleagues' carbon literacy knowledge. With the support of the Carbon Literacy Trust over 15% of our Auto Trader colleagues completed the training meaning we achieved the 'Silver' level of accreditation – the first FTSE100 company to have achieved this.

Carbon Literate Organisation Silver

The Sustainability Network also hosted its second annual Sustainability Roadshow bringing together the entire business to increase awareness on the reduction of single use plastic and food waste, as well as encouraging colleagues to make a personal pledge for the benefit of sustainability.

As outlined in the Market overview, on pages 16 to 19 of this Report, we are going to see a shift towards electric vehicle ('EV') ownership. As the UK's largest automotive marketplace, we have a duty to support manufacturer and retailer customers to advertise these vehicles. We also have a duty to consumers to support them with their research and purchase decisions.

We anticipate that personal vehicles will be used more frequently following the recent advice from the UK Government as part of their COVID-19 response to avoid travelling to work by public transport. This will have an impact on our environment and, as such, we will continue to educate consumers on the benefits of EVs and AFVs.

Our offices in London and Manchester are both highly graded by the BREEAM standard, which sets best practice standards for the environmental performance of buildings through design, specification, construction and operation. Our London office has an 'outstanding' rating, and our Manchester office an 'excellent' rating.

We use Fruitful Office to deliver fruit to our offices each week. The company plants one tree in Malawi for every order of fruit they receive, which this year equated to 1,731 trees. The trees help the organisation to mitigate the effects of global warming and deforestation, providing incomes to local communities.

Promoting the advancement of new technologies and cleaner, more efficient fuel types is an important issue for us. That's why we actively support the industry's efforts to increase the consumer adoption of alternative fuel vehicles ('AFVs'). Not only do we regularly meet with the Department for Transport's Office for Low Emission Vehicles to share our data and insights to help guide policy around the topic, but we are also supporting the industry trade bodies with their initiatives. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditation ('EVA') on **autotrader.co.uk** – those retailers that meet the strict guidelines of the initiative are able to include a badge on their adverts. On our own marketplace, we have taken steps to make it easier for car buyers to search for AFVs by improving the search filters and the information that is served on our full page adverts.

Making a difference in our industry

As a business we're committed to supporting our customers and the wider automotive industry, providing in-depth insights and data to help inform strategy and understanding of the market, as well as helping to further issues we believe will benefit the industry. We do this by researching and writing specialist reports across the Group, including the Car Buyers Report, biannual Market Reports as well as the Annual Motoring Report from Webzone.

Last year we hosted our second annual diversity and inclusion event in partnership with recruitment specialists, Ennis & Co. Over 80 HR directors, senior executives and change leaders from many of the largest retailers, manufacturers and trade bodies joined us to share ideas, experiences and best practice. It was followed by an in-depth whitepaper created by our Auto Trader colleagues which explored the cultural and economic benefits of attracting and retaining a diverse workforce.

Continuing our support for women in leadership through our partnership with the UK Automotive 30% Club

We hosted the UK Automotive 30% Club's annual conference featuring panel discussions and keynote speakers exploring the necessary steps to attract more women into the automotive industry.

800+
retailers attended our Masterclass and Discovery programmes

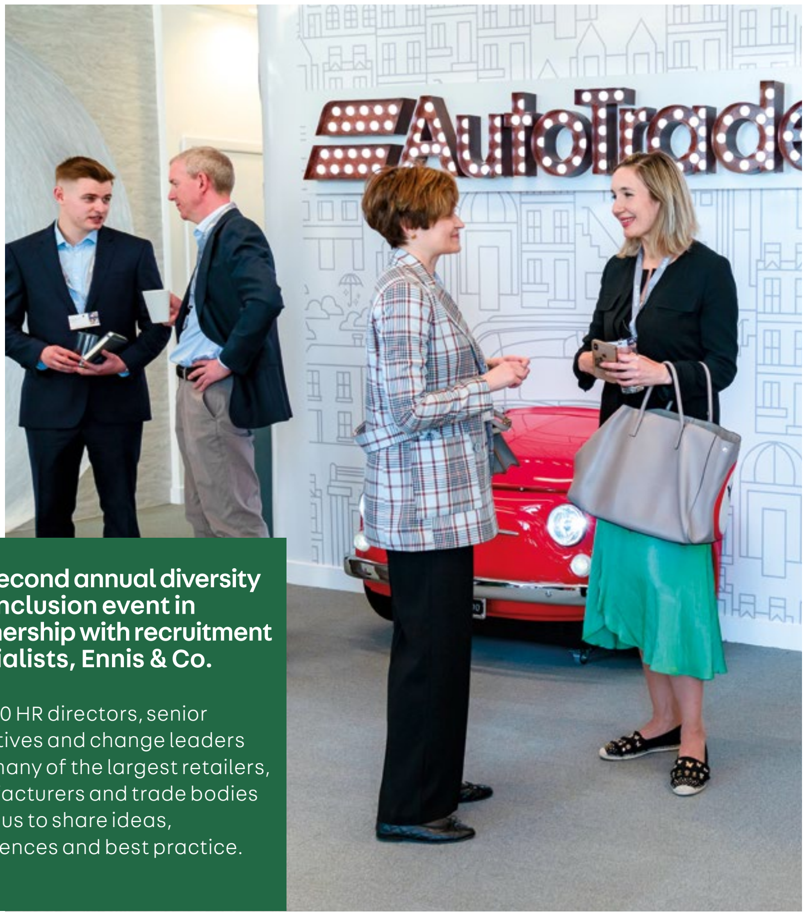
5,000
retailers viewed content through our webinars and insight on demand initiatives

We also continued our partnership with the UK Automotive 30% Club, helping in its ambition of filling at least 30% of key leadership positions in automotive with women by 2030. We hosted its annual conference which was attended by 100 senior executives from across the automotive industry, who listened to a series of panel discussions and keynote speakers exploring the necessary steps to attract more women into automotive.

Through KeeResources we are an active member of trade bodies including the National Asset Management Agency ('NAMA'), the Vehicle Remarketing Association ('VRA'), the British Vehicle Rental and Leasing Association ('BVRLA') and the SMMT, speaking at their conferences to offer insight into vehicle valuations, trends, analysis and opinion of the market. KeeResources also manages the Fleetnet Code, a standard coding system to describe vehicle models in a consistent manner, driving it forward for 17 years. We have also been re-appointed as Code Manager for the next term, 2021-2026.

2019 marked 12 years of celebrating and recognising the best performing retailers each year at our annual Auto Trader Retailer Awards event. It was our privilege to host over 100 of the industry's leading retailers to share the latest insights and to award their successes. Utilising our brand recognition, the awards are used by retailers to promote their businesses to consumers on our marketplace and in their dealerships.

We also held our third Auto Trader New Car Awards, where we celebrate the very best new cars launched. Unlike other industry car awards which are voted on by panels of experts, we believe the opinions that matter most are those of our consumers. That's why our winners were decided by feedback collated from a survey of more than 60,000 car owners, all of whom rated their car in 16 key areas. A number of the manufacturers that won in 2019 used the New Car Award logo in their advertising. Leading the industry, sharing ideas, and inspiring change and action are at the heart of our work with our retailer partners. Through our Auto Trader Masterclasses, conferences, webinars, in-house discovery days, award events, blog and our social media channels, we share the latest consumer trends, best practice advice and insights gleaned from our data to help shape the future of the industry. In 2019, over 800 retailers attended our Masterclass and Discovery programmes with over 5,000 retailers viewing content through our webinars and insight on demand initiatives.



Our second annual diversity and inclusion event in partnership with recruitment specialists, Ennis & Co.

Over 80 HR directors, senior executives and change leaders from many of the largest retailers, manufacturers and trade bodies joined us to share ideas, experiences and best practice.

We continue to support the technology and digital industries with various partnerships and projects. Working closely with Manchester Digital, whose members include progressive businesses, we aim to create the optimum environment for our industry by taking direct action to solve specific issues like talent shortages as well as providing a cohesive voice for the sector.

Our colleagues from our product and technology teams host "AT Tech Talks" that are free to everybody that wants to learn about the latest use of technology and network with other professionals. We also continue with our "Tech Blog" series including useful content on anything from product design to automation, in order that we support the development of people in other businesses. Our colleagues also take part as speakers in various technology conferences around the world to share their ideas and experiences with their industry peers. As STEM Ambassadors, our colleagues host different events for students to encourage them to engage with the relevant subjects at school and university and inspire the future technology and digital talent.

Being a responsible business

We take our position in the industry seriously and strive to continually improve the marketplace to ensure we remain the most trusted place for car buyers to source their next car. We have a relentless focus on driving transparency and fairness, both of which instil trust between us and our stakeholders.

We believe that the only way to deliver the best experience for our consumers and the best services for our customers – and do the right thing by our people – is to approach things in the right way. Therefore, we have established policies, procedures and training to ensure that everyone at Auto Trader knows that they must behave professionally, ethically and legally; treating people with decency and respect. We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees, consumers and customers smart, safe and secure.

34
days to pay our supplier invoices, on average

Maintaining a trusted marketplace

To ensure consumers only see genuine adverts, we have a dedicated customer security team, working seven days a week, who monitor our site to identify adverts that are potentially fraudulent or misleading in price or mileage. We also have an online Safety and Security area on our platform which offers tips, checklists and advice to help car buyers and car owners stay safe when buying and selling vehicles. Over 10 years ago, we founded an industry forum, the Vehicle Safe Trading Advisory Group ('VSTAG'). VSTAG brings the UK's leading online automotive advertising companies together with advisors from the Metropolitan Police, Get Safe Online and Action Fraud to work together to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud.

To mitigate the risk of cyber crimes we continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure to ensure they remain robust. We employ dedicated security teams and carry out regular penetration testing and reviews of threats and vulnerabilities. We have two-factor verification in place to access our network, providing enhanced authentication. We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.

We have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the ICO and FCA, without undue delay and within stipulated deadlines. Where required we take corrective action as soon as possible.

We are a data-led business, and when it comes to collecting and storing personal data, be that for consumers, customers or our employees, we abide by a clear set of principles. We are committed to ensuring that the personal information we collect and use is appropriate for the purpose and does not constitute an invasion of privacy. Where appropriate, Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent is also obtained to contact consumers for marketing purposes. We may pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees. We carefully vet any third parties that we share data with, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf. Our full Privacy Policy can be found on our PLC website[1].

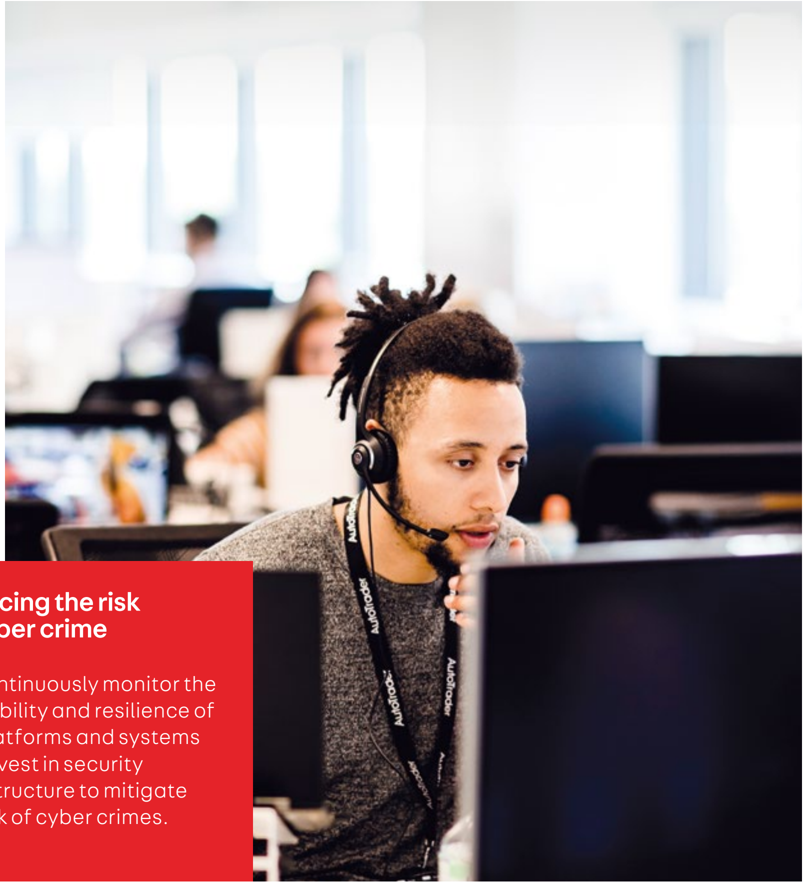
Operating ethically

We are committed to carrying out all business activities in an honest, open and ethical manner. This year we introduced an "Ethical Procurement Policy"[2] and we pro-actively seek supplier relationships with those who equally share our passion for contributing to the community and environment within their own businesses and their supply chains. We encourage our suppliers and partners to drive their own ESG efforts in line with our principles. As with all large businesses, we publish information about our supplier payment practices and performance. On average, we take 34 days to pay our supplier invoices with 82% paid within the agreed terms during 2020.

As outlined in our "Customer Charter" which can be found on our PLC website[3], all customers are treated fairly and consistently, with transparent and standardised pricing and business practices.

We have zero tolerance to any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption policy and procedures in place including reporting of gifts and hospitality, standard contractual clauses with suppliers and annual online compliance training for all employees.

Each year, our employees complete mandatory compliance training that covers fraud, bribery, anti-money laundering, information security, criminal corporate offence and GDPR to ensure they are up to date with policies and procedures in all these areas.



Reducing the risk of cyber crime

We continuously monitor the availability and resilience of our platforms and systems and invest in security infrastructure to mitigate the risk of cyber crimes.

We actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have any concerns or experience any serious malpractice or wrongdoing in our business. We provide a whistleblowing helpline through an independent organisation, which is anonymous and confidential. Reports are directed to the Audit Committee Chair and the Company Secretary.

Protecting human rights and treating people fairly

Our focus on diversity and inclusion extends to treating all our employees and job applicants fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. For our full Modern Slavery Statement please see our PLC website[4]. We have a zero-tolerance approach to modern slavery and expect the same high standards from all our contractors, suppliers and other business partners.

1. Please see **autotrader.co.uk/privacy-policy** for further information.
2. Please see **plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf** for further information.
3. Please see **plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf** for further information.
4. Please see **plc.autotrader.co.uk/media/1859/modernslaverypolicyseptember2019.pdf** for further information.

The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Risk management and internal control
The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board is also responsible for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

ESG IN FOCUS

A spotlight on the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD')

The Board notes the TCFD's recommendations for voluntary disclosures on climate risk in annual reports relating to governance, risk management and the metrics used to manage climate-related risks and opportunities. Whilst Auto Trader itself has a low carbon footprint, we recognise that the automotive sector accounts for a significant proportion of global carbon emissions. As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on the automotive market, which will mean we need to develop and adapt our business. In this year's Annual Report, we have included this risk in our principal risk table, and we intend to evolve our disclosures in future years in line with the TCFD's recommendations.

Governance P60

OUR RISK MANAGEMENT PROCESS

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

1. Identify risks
A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Operational Leadership Team ('OLT').

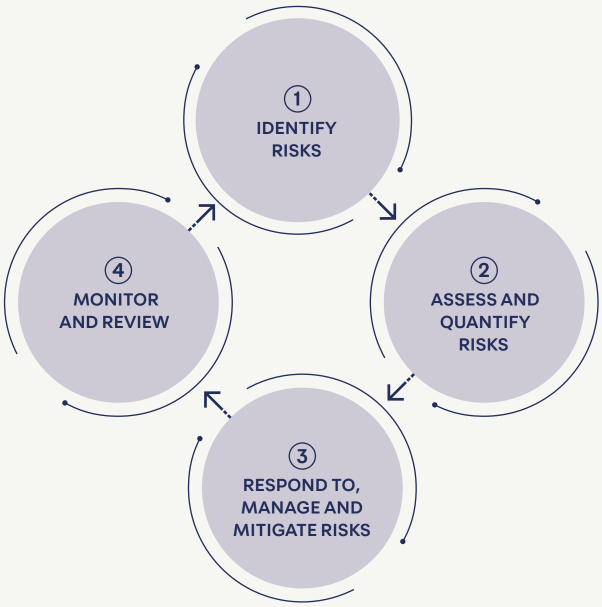
2. Assess and quantify risks
Risks and controls are analysed and evaluated to establish the root causes, financial impact and likelihood of occurrence. The Group categorises risks into six areas:

- economy, market and business environment risk;
- financial and compliance risk;
- asset risk;
- operational risk;
- competitive risk; and
- product specific risk.

3. Respond to, manage and mitigate risks
The effectiveness and adequacy of existing controls are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

4. Monitor and review
The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme run in conjunction with Deloitte.

The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.



OUR RISK MANAGEMENT FRAMEWORK

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

RESPONSIBILITIES

The Board's responsibilities

- Overall responsibility for overseeing the Group's risk management and internal control process
- Determines the Group's risk appetite
- Ensures appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate risks to the overall viability of the Group

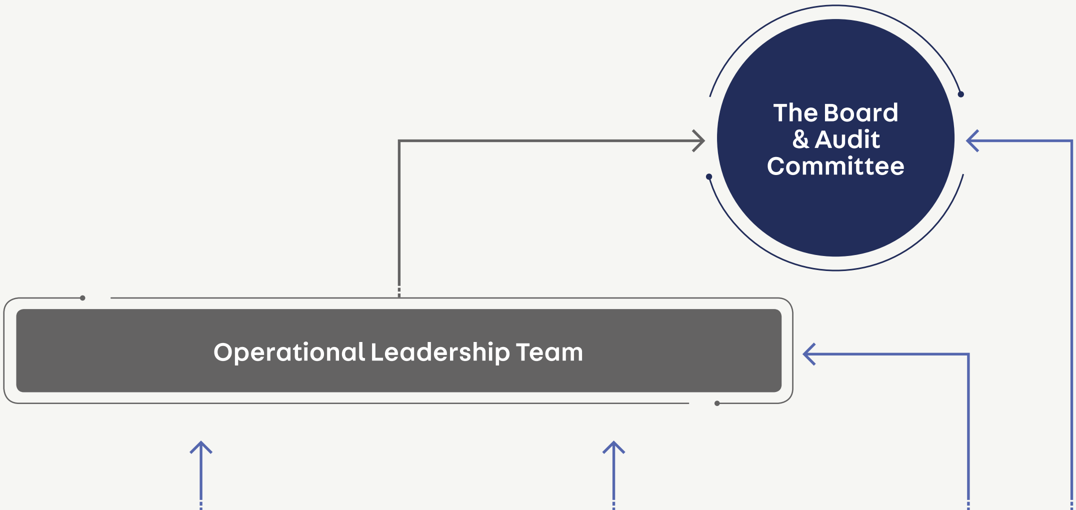
Audit Committee's responsibilities

- Assessing the scope and effectiveness of the Group's internal controls and risk management systems
- Agreeing the scope of the internal audit and external audit functions, and reviewing their work

Operational Leadership Team's responsibilities

- Identify, assess, monitor, manage and mitigate risks and exploit opportunities
- Embedding risk management and internal controls as business as usual
- Ensuring corrective actions to mitigate risks and address control deficiencies

LINES OF DEFENCE



First line: Operational Leadership Team

- Primary responsibility for day-to-day risk management
- Identifies, assesses, monitors, manages and mitigates risks and exploits opportunities
- Embeds risk management and internal controls as business as usual
- Design and execution of appropriate mitigations and internal controls
- Ensures actions to mitigate risks are implemented
- Self-certification of operation of processes and controls

Second line: Oversight functions & committees

- Functions: Risk and Compliance, Legal, HR, Security, Internal Controls
- Groups: Risk Forum; FCA Governance group, Trust Council; Cyber Risk forum; Heath and Safety Committee; Business Continuity Planning steering group, GDPR steering group
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

Third line: Independent assurance

- Provide independent assurance that risk is being appropriately managed
- Carried out by parties such as internal auditors, PCI compliance assessors & external auditors
- Identify process improvements and efficiencies

Identifying, evaluating and managing the Group's risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

A new principal risk has been added in respect of the COVID-19 pandemic. The Board had previously identified a principal risk in relation to the economy, market and business environment, and a lower likelihood risk in respect of business continuity in the event of a major event. However, the specific scenario of a pandemic, and the magnitude of the disruption caused, was not previously anticipated, and therefore a new separate risk has been included below.

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

RISK	IMPACT AND CHANGES IN THE YEAR	KEY MITIGATIONS
1. COVID-19 ↑ Increase Relevant focus areas 1 2 3 4 5 6	As described more fully on pages 4 to 7, the COVID-19 pandemic has caused unprecedented levels of disruption to every aspect of the UK economy, the automotive market, our customers, our consumers, our suppliers, our employees and the way we operate our business. From 23 March 2020 members of the public were advised to stay at home except for limited circumstances, and our retailer customers were required to close their showrooms. This impacts on many of our existing principal risks as follows: • **Economy:** The restrictions on many UK businesses will significantly impact the UK economy, with GDP expected to decline by between 7% and 13% in 2020. The number of both trade and private transactions is expected to dramatically reduce during the period of full lockdown. As the restrictions ease, there is a risk that social distancing measures and decreased consumer confidence could lead to a reduced number of transactions for the rest of the year. This could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer and Agency customers and private sellers. • **Competition:** Our retailer customers' ability to spend on marketing may be significantly reduced and therefore there is a risk that they move to alternative routes to market to save cost. Also, in order to preserve cash, our own marketing spend has been reduced and this has the potential to weaken our competitive position. • **Employees:** The physical health and safety of our employees is of paramount importance and therefore in line with Government guidelines, our entire workforce is working remotely. Also, due to this significant reduction in activity, we furloughed just over 25% of our employees in early April 2020. This could result in an adverse impact on our collaborative culture and ways of working, and on our employees' mental health and wellbeing. There is a future risk when we return to office working to ensure that the health of our employees is protected. • **Reliance on third parties:** The economic situation increases the risk of failure for third-party suppliers, which could impact our ability to provide services to our customers, or adversely affect the consumer experience leading to a loss in audience. The pandemic also raises the likelihood of our other risks which were not previously reported within principal risks (due to their previously low probability) as follows: • **A crisis or major event prevents the business or its customers/suppliers from being able to operate:** Whilst we had identified as a risk an event which caused a major disruption to our business, this was considered to have a low likelihood. The specific scenario of a pandemic, in which our customers would be forced to close, or where our employees would not be able to work from our premises for sustained periods of time, was previously considered to have a very low likelihood. • **Risk of breaching financial covenants:** Our revolving credit facility contains financial covenants for debt cover and interest cover. Due to our high levels of cash generation and strong financial position, the risk of breaching these covenants was previously very low and therefore not disclosed as a principal risk.	• **Governance:** We adapted our governance arrangements so that the Board was able to react quickly and decisively to the situation as it unfolded. We established a COVID-19 response team with different workstreams, each focusing on a different aspect of impact (including employees, operational effectiveness, customers, suppliers and partners, financial position and viability, risks and controls). Key risk indicators were established to monitor automotive market activity, audience metrics and customer behaviour. • **Employees:** From the onset of the situation, we have engaged with our employees through regular and transparent communications, including twice-weekly all-company virtual briefings from senior management. We closely monitored and adopted all Government and PHE guidelines to protect the physical safety of our employees, and implemented remote working as from 17 March 2020. We offered a full programme of support and resources to enable our employees to work remotely in an effective and collaborative way, including consideration of mental and physical wellbeing; working environment reviews; and training/guidelines for managers to support staff including those who had been furloughed. • **Customers:** In order to support our retailer customers and increase the likelihood of their future viability, we introduced a comprehensive support package including free advertising to our retailer customers whilst their showrooms were required to be closed; extensions to credit terms; new products and services to help them to prepare for re-opening; and an educational programme of webinars. • **Competition:** We monitor our competitive landscape and audience metrics closely, and despite our reduction in marketing spend, our relative audience share has been maintained. • **Suppliers:** We increased the level of scrutiny of our ongoing supplier and partner monitoring programmes, with a focus on their ability to continue to operate and their financial viability. • **Business continuity and operational resilience:** We already had a robust Business Continuity Plan, managed by a cross-functional steering group. At the start of the outbreak, we refreshed the plans to incorporate various scenarios, ranging from a single employee diagnosis, to an extreme case of all employees being required to work from home, and therefore we were in a very strong position to implement remote working. We reviewed and addressed all key person dependencies in the event of high staff absences. We also refreshed our risk assessments and controls to identify areas where risk may be increased as a result of remote working and adjusted the control framework accordingly. • **Risk of breaching financial covenants:** Cost reductions were implemented immediately, including reductions in executive salaries and waiver of bonuses, removal of most discretionary spend, including marketing, and furlough of just over 25% of employees (with most employees being topped up to full salary). Our balance sheet and liquidity position were further strengthened by an equity placing, raising £183.2m net of fees incurred on 1 April 2020, our share buyback programme was temporarily paused, and no final dividend has been declared for 2020.

FOCUS AREAS THAT ARE IMPACTED BY OUR RISKS

Core

1. Maintain the best consumer experience for buying and selling vehicles
2. Continually innovate to create value for our customers
3. Improve vehicle stock choice, volumes and accuracy

Adjacent

4. Become to new cars what we are in used
5. Develop a more efficient way to source, dispose and move vehicles

Future

6. Extend our product offering further down the buying funnel, towards online transactions

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
2. Economy, market and business environment ↑ Increase Relevant focus areas 3 4	There are a number of scenarios which could lead to a contraction in the number of new or used car transactions, including the COVID-19 pandemic (as described above in (1)); the ongoing trade negotiations with respect to the UK's departure from the EU; or regulatory change and environmental concerns from consumers leading to a shift in demand away from vehicle ownership. These could result in reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturers' spend on digital display advertising.	As described on pages 16 to 19, the total number of transactions for the 12 months ended March 2020 declined by 4.3% to 9.8m. New car registrations declined 10.9% to 2.1m in the 12 months to March 2020. Used car transactions decreased by 2.3% to 7.7m in the 12 months to March 2020, although scrappage rates remained stable and so the total number of cars in the UK marginally increased. We had not seen material evidence of consolidation by retailers during the year ended March 2020 however we anticipate that there will be a reduction in the number of retailers over the next 12 months due to the economic impact of the COVID-19 pandemic. There continues to be significant uncertainty about the implications surrounding the UK's departure from the EU and the outcome of trade negotiations, including the impact on tariffs, currency volatility and consumer confidence levels. Overall, this risk has increased.	• The mitigations in respect of the COVID-19 position specifically are outlined above in (1). • The Board continues to consider the potential implications of the UK's departure from the EU and will monitor as negotiations progress. • We monitor new and used car transactions closely, using data from SMMT and from the DVLA, from observing behaviour on our marketplace, and from engaging closely with our customers. • We engage with regulatory bodies, Government departments and manufacturers to monitor developments in respect of climate change as relevant to the automotive industry. We monitor consumer demand and are evolving our product offering to help consumers when they are considering purchasing an electric vehicle. • We use our own Auto Trader Retail Price Index and valuations data to monitor the pricing trends of used cars by trade sellers. • We continue to diversify into related and adjacent activities to reduce our reliance on stock and to improve the resilience of our business model. • We closely manage our cost base and operate on a lean basis, and have been able to respond swiftly to the current conditions.
3. Brand — No change Relevant focus areas 1 2 3 4 5 6	Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK. Failure to maintain and protect our brand, or negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.	Our research shows that Auto Trader has 89% prompted brand awareness with consumers for new and used cars and is consistently voted as the most influential automotive website by consumers in the car buying process. We continue to see very low levels of fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team.	• We have a clear and open culture with a focus on trust and transparency. • We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts. • We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used. • Our approach to cyber security and data protection, as described on page 56, helps to protect us from the adverse impact of a significant data breach or cyber attack.

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
4. Increased competition — No change Relevant focus areas 1 2 3 4 5 6	There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange. Competitors could develop a superior consumer experience or retailer products that we are unable to replicate; or change focus to try to expand their range of stock and disrupt our market position. This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.	The competitive landscape continues to develop, with new business models emerging. Big media players, such as Facebook, have entered the marketplace, mostly competing for lower-value private sales. There has been recent competitor consolidation, and retailers and manufacturers are also evolving their online offerings. Our diversification into other adjacent activities also results in a wider competitor set. During the year, we grew our share of minutes spent on automotive classified sites, grew cross platform visits as measured by Google Analytics, and continued to increase the level of stock on site. The impact of COVID-19 has strengthened the case for online marketing of vehicles which reduces the competition from offline routes.	• We have the largest and most engaged audience of any UK automotive site. Our investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle. Despite our reduction in marketing spend, we are continuing to grow our relative audience share. • We monitor competitor activity closely through monthly reporting and formal quarterly competitor reviews, and regularly review this at OLT and Board level. • We continue to invest in and develop our product offering to improve the value we offer to consumers, retailers and manufacturers. • We work in an agile way and to date have responded quickly to emerging competitive threats.
5. Failure to innovate: disruptive technologies and changing consumer behaviours — No change Relevant focus areas 1 3 5 6	Failure to develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront of industry developments.	We remain at the forefront of innovation in the digital automotive marketplace. At the start of the year, we launched AT Vehicle Check which enables dealers to check the provenance of the vehicles they are sourcing, and to display this to consumers thereby improving transparency. We also launched Text Chat, which gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers. In March 2020, we launched a new data tool called Market Insight, designed to help retailers identify and adapt to market trends in vehicle supply and consumer demand in both their local and national marketplace. We also launched more features to help consumers in their car buying journey, including an improved version of Price Indicator Flags, which provide car buyers with a visual indicator showing how competitively cars are priced in the market, and a new relevance-based sort order to promote the most relevant adverts to consumers. Overall this risk remains unchanged.	• Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world. • Formal reviews of opportunities to disrupt the marketplace. • Ability to innovate and respond quickly due to our agile and collaborative way of working, and continuous investment in technology.
6. IT systems and cyber security — No change Relevant focus areas 1 2 3	As a digital business, we are reliant on our IT infrastructure to continue to operate. Any significant downtime of our systems would result in an interruption to the services we provide. A significant data breach, whether as a result of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, car retailers and advertisers. This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.	We continue to make progress in migrating our applications to the cloud, which increases the resilience of our systems and the security of our data. Our aim is to get all applications migrated to the cloud in the next year. The constantly evolving threat of a cyber attack means that overall the risk level is unchanged.	• We have a disaster recovery and business continuity plan in place which is regularly reviewed and tested. This includes the use of two data centres and regular backups of data. We are well progressed in our migration to the public cloud. • We continuously monitor the availability and resilience of processing systems and services. If required, we can restore the availability of and access to systems and data in a timely manner in the event of a physical or technical incident. • We have dedicated security teams, including white hat hackers, and carry out regular penetration testing and review of threats and vulnerabilities. We invest in IT and security infrastructure to ensure our systems remain robust. • All of our employees are required to undertake annual compliance training which includes Information Security and GDPR. • We have two-factor verification for all our car retailers and employees, to access our network. • We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.

FOCUS AREAS THAT ARE IMPACTED BY OUR RISKS

Core

1 Maintain the best consumer experience for buying and selling vehicles

2 Continually innovate to create value for our customers

3 Improve vehicle stock choice, volumes and accuracy

Adjacent

4 Become to new cars what we are in used

5 Develop a more efficient way to source, dispose and move vehicles

Future

6 Extend our product offering further down the buying funnel, towards online transactions

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
7. Employees — No change Relevant focus areas 2	Our continued success requires us to attract, recruit, motivate and retain our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.	Employee engagement remains high, with 89% of employees completing our engagement survey saying they are proud to work at Auto Trader. Our Glassdoor rating based on anonymous reviews is 4.5 out of 5. As required under the 2018 Corporate Governance Code, we established a new employee engagement forum which liaises with the Board without executives to ensure they understand the views of our workforce. As described in (1), COVID-19 had the potential to adversely impact our people and our culture. However, through the actions taken, this risk has been mitigated and therefore overall, this risk remains unchanged.	• We use long-term incentive plans for our senior and key staff, which are currently of material value to those in the schemes. • We carry out active succession planning and career development plans to retain and develop our executives. Talent development is now part of the Terms of Reference of the Nomination Committee. • We have a strong, values-led culture which is embedded through recruitment, induction, training and appraisal processes. • We carry out employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, networks, guilds and an all-employee annual conference. • Refer to (1) above for the specific mitigation in response to the COVID-19 pandemic.
8. Reliance on third parties — No change Relevant focus areas 1 3 5 6	We rely on third parties particularly with regard to supply of data about vehicles and their financing, so it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from dealer customers and a loss of audience due to impaired consumer experience.	We have now secured our access to taxonomy through our acquisition of KeeResources. However, as described in (1) above, the COVID-19 pandemic increases the likelihood of the failure of a third party. Overall on balance this risk remains unchanged.	• Where possible, we limit reliance on a single supplier to reduce potential single points of failure. • Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process, and are subject to regular review. • We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture. Refer to (1) above for the increased focus and scrutiny of this in response to COVID-19. • We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.

Viability statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

Assessment of prospects
The Group's overall strategy and business model, as set out on pages 20 to 27, and pages 14 and 15, respectively, are central to assessing its future prospects. The Group's strategy is to significantly improve UK car buying, focusing around its core marketplace, whilst moving towards creating an online transaction journey for car buyers.

As such, key factors likely to affect the future development, performance and position of the Group are:

- Data and technology: continuous investment is made in developing platform technologies which leads to improvements for consumers, retailers and manufacturers;
- Market position: the Group has the largest and most engaged audience of any UK automotive site and is the most influential website a consumer visits when purchasing a vehicle; and
- People: continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

The Board has determined that a period of three years to March 2023 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- projections looking out further than three years become significantly less meaningful given the pace of change in the digital automotive market.

The Group's prospects are assessed primarily through its strategic planning process. This process includes an annual review of the ongoing plan, led by the Group CEO and CFO through the Operational Leadership Team and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macro-economic changes.

The output of the annual review process is a set of objectives which the Group determines to be its focus areas, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2020, which considered the Group's current position and its prospects over the forthcoming years. This budget was subsequently adjusted to reflect the impact of COVID-19.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the three-year period to March 2023. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated RCF.

The first year of the financial forecasts are based off the Group's 2021 annual budget with adjustments made for the impact of COVID-19. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets, forecasts and focus areas are reviewed monthly by both the Operational Leadership Team and the Board.

The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- continued growth in Trade revenue as we develop the core advertising platform;
- growth in adjacent areas of new car and product developments to source, dispose and move vehicles more efficiently; and
- increase in costs through salaries as the Group continues to grow to support and develop new products.

These key assumptions are reflected in the Group's principal risks, which are set out on pages 54 to 57. The purpose of the principal risks is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained below.

COVID-19 impact
The Group's 2021 annual budget was significantly impacted by the COVID-19 pandemic. The Group announced measures to support customers throughout the period where retailers were required to close their showrooms. In addition to these measures, payment terms for March 2020 services were extended. Subsequently, additional allowances were made for retailer customers, including offering a 25% discount for the month of June 2020 before returning to full prices in July 2020. The impact of these measures has been overlaid on the three-year forecast to March 2023.

Assessment of viability
The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 54 to 57. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were:

Scenario 1: Pandemic impact
Link to risk – COVID-19, Economy, market and business environment and changing consumer behaviour.
The current COVID-19 global pandemic and the impact to the UK economy has been considered. Government restrictions resulted in the temporary closure of retailers and impacted on consumer buying behaviour through April and May 2020. Through the lockdown period the Group provided free advertising for retailers to help customers and maintain live stock on site.

In this scenario we assume that after the lessening of lockdown restrictions, a second wave returns resulting in a second lockdown that lasts for a five-month period from November to March 2021. Through this period, we have assumed that retailer advertising is once again made free of charge, resulting in a 99% decrease in Retailer revenue across those months.

We have also assumed a 75% decrease in Consumer Services revenue and an 85% decrease in revenue from Manufacturer and Agency.

Following this period it is assumed that there is recovery and the Group reverts to the normal charging model, however there is a negative impact on retailer numbers. Cost savings in the year have been assumed mainly through a reduction in marketing spend as well as applicable cost saving measures.

Scenario 2: Data breaches
Link to risk – COVID-19, IT systems and cyber security, Brand.
The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine, coupled with a significant level of reputational damage to the Group's brand. This is in addition to the current impact of COVID-19, with lockdown restrictions eased in June 2020 and full charging commencing in July 2020.

As a result of the data breach, a severe reduction in revenue was modelled through Trade, resulting in an initial 50% decrease in revenue driven by lost retailers. An initial 40% decrease in Consumer Services and a 55% decrease in Manufacturer and Agency areas was also assumed through the loss of consumer and partner confidence. Modest recovery was assumed after the data breach for the remainder of the financial year to March 2021. Marketing costs were increased to model a potential need to increase traffic.

The scenarios above both include the impact of the placing of new ordinary shares announced on 1 April 2020 with gross proceeds of £185.9m raised, or £183.2m net of fees incurred.

The scenarios also consider the biannual covenants attached to the Group's Syndicated RCF ensuring thresholds are met. The scenarios are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

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.

Extent of lockdown period
As mentioned above, the Group implemented measures to support retailers through the period that they could not trade. These measures included free advertising. In a typical month where these measures are implemented the Group would record an operating loss of £4m – £7m. Given the high level of cash conversion the cash burn in such a month would be similar.

Lockdown restrictions were eased through June 2020, however until a vaccine or cure for COVID-19 is found there is a risk that these strict measures are reintroduced.

The sensitivity scenario 1 explores such an outcome but given the unprecedented nature of the circumstances, a more extreme scenario may exist. In such a scenario the Group may not implement customer discounts to the same level and take more extreme cost saving levels in order to preserve profitability.

Viability statement
Based on their assessment of prospects and viability above, the Directors confirm that 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 three-year period ending March 2023.

Going concern
The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the financial statements.

The Company's Strategic report, set out on pages 2 to 59, was approved by the Board on 25 June 2020 and signed on its behalf by:

Nathan Coe
Chief Executive Officer
25 June 2020

ED WILLIAMS
CHAIRMAN

KEY SECTIONS IN THIS REPORT

57%
Board independence as at 31 March 2020 (excluding the Chairman)

100%
Board and Committee meeting attendance for the year ended 31 March 2020

50%
Female representation on our Board as at 31 March 2020

These reports explain our governance policies and procedures in detail and describe how we have applied the principles contained in the UK Corporate Governance Code 2018 (the 'Code').

Compliance with the Corporate Governance Code

The Company complied with all provisions set out in the Code for the period. The Corporate Governance Code 2018 applied to us for the first time this year. Our governance arrangements were already largely in line with the requirements of the Corporate Governance Code 2018; however there were a limited number of changes that were made in order to comply fully with the provisions of the Code:

- The Terms of Reference of the Remuneration Committee were updated;
- A Cultural Scorecard was introduced to assist the Board in assessing and monitoring the culture of the organisation;
- A new Board Engagement Guild was introduced as the primary mechanism for workforce engagement with the Board; and
- A new stakeholder framework was introduced to assist the Board in ensuring that the views of and impact on the wider stakeholders are taken into account in decision making and discussions.

Directors and succession planning

As we announced on 29 April 2019, Trevor Mather retired from the Board on 29 February 2020. We were pleased to be able to put our succession plan into practice, and after a transitional period of several months, Nathan Coe was appointed as CEO on 1 March 2020, Catherine Faiers was promoted to the Board as Chief Operating Officer on 1 May 2019 and Jamie Warner was appointed as CFO on 1 March 2020. We also appointed an additional independent Non-Executive Director. Following a thorough and robust recruitment process, led by the Nomination Committee, Sigga Sigurdardottir was appointed as a Director with effect from 1 November 2019.

Following all the above changes, the Board is now comprised of four independent Non-Executive Directors, three Executive Directors and myself as Chairman, and I am pleased that we have reached our longer-term aspirational goal of having a Board with equal numbers of men and women.

All Directors will offer themselves for election or re-election by the shareholders at the forthcoming AGM.

Board evaluation

We carried out an internal evaluation process this year. I was particularly pleased that, despite a number of Board changes within a short time (with four of the Board members having either joined the Board or changed roles within the past 12 months) the evaluation showed that the new Board is already operating very effectively, with only a few minor points for improvement.

Impact of COVID-19

The COVID-19 pandemic began to spread in the UK only a short time after the new Board was established. This required us to quickly change our established governance arrangements (including the frequency and format of meetings, and the level of involvement of Non-Executive Directors) so that the Board was able to react quickly and decisively to the situation as it unfolded.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10:00am on Wednesday 16 September 2020 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. In light of the current restrictions over public gatherings due to COVID-19, the AGM will be run as a closed meeting. Myself and other Directors will join the meeting by telephone. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to **ir@autotrader.co.uk**.

Ed Williams
Chairman
25 June 2020

A robust framework

Enabling the Board and its Committees to operate efficiently and focus on the right areas of responsibility.

The Board

Main responsibilities include:

- Providing leadership for the long-term success of the Group.
- Overall authority for the management and conduct of the Group's business, strategy, objectives and development.
- Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action.
- Oversight of operations including effectiveness of systems of internal controls and risk management.
- Approval of changes to the capital, corporate and/or management structure of the Group.
- Approval of the Annual Report and Financial Statements, communications with shareholders and the wider investment community.
- Approval of the dividend policy.

Committees of the Board

The Board has established the following Committees and has delegated certain functions and tasks within their approved Terms of Reference. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The full Terms of Reference of each Committee are published on the Company's website at **plc.autotrader.co.uk/investors**.

Nomination Committee

Members

Ed Williams (Chair)
David Keens
Jill Easterbrook
Jeni Mundy
Sigga Sigurdardottir

Role and Terms of Reference

Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also covers diversity, talent development and succession planning.

Read more P70

Audit Committee

Members

David Keens (Chair)
Jill Easterbrook
Jeni Mundy
Sigga Sigurdardottir

Role and Terms of Reference

Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditors.

Read more P73

Remuneration Committee

Members

Jill Easterbrook (Chair)
David Keens
Jeni Mundy
Sigga Sigurdardottir

Role and Terms of Reference

Responsible for all elements of the remuneration of the Executive Directors, the Chairman and senior employees.

Read more P77

Disclosure Committee

Members

Nathan Coe
Jamie Warner
Claire Baty

Role and Terms of Reference

Assists the Board in discharging its responsibilities relating to monitoring the existence of inside information and its disclosure to the market.

Go online
plc.autotrader.co.uk/investors

BOARD OF DIRECTORS

ED WILLIAMS – CHAIRMAN

Biography
Ed was appointed as Chairman of Auto Trader Group plc in February 2015. Prior to this, Ed was a Non-Executive Director of Auto Trader Holding Limited from November 2010 and Chairman from March 2014.

He was the founding Chief Executive of Rightmove plc, serving in that capacity from November 2000 until his retirement from the business in April 2013. Rightmove plc was floated on the London Stock Exchange in February 2006.

Prior to Rightmove, Ed spent the majority of his career as a management consultant with Accenture and McKinsey & Co. Ed holds an MA in Philosophy, Politics and Economics from St Anne's College, Oxford.

Appointed to PLC Board
February 2015

Independent on appointment
Yes

External appointments
Idealista S.A.

Committee memberships
- Nomination (Chair)

NATHAN COE – CHIEF EXECUTIVE OFFICER

Biography
Nathan was first appointed to the Board as Chief Operating Officer ('COO') in April 2017 and as Chief Financial Officer ('CFO') in July 2017. Nathan was appointed Chief Executive Officer ('CEO') in March 2020, following the announcement of former CEO Trevor Mather's retirement.

Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to a pure digital company. Prior to his appointment to the Board, Nathan was the joint Operations Director, sharing responsibility for the day-to-day operations of the business.

Prior to joining Auto Trader, Nathan was at Telstra, Australia's leading telecommunications company, where he led Mergers and Acquisitions and Corporate Development for its media and internet businesses. He was previously a consultant at PwC, having graduated from the University of Sydney with a B.Com (Hons).

Appointed to PLC Board
April 2017

Independent on appointment
N/A

External appointments
None

Committee memberships
- Disclosure

CATHERINE FAIERS – CHIEF OPERATING OFFICER

Biography
Catherine joined Auto Trader in August 2017 and was appointed as Chief Operating Officer in May 2019. Catherine is responsible for the day-to-day operations of Auto Trader's business. She is also focused on guiding the Group's strategy and development.

Prior to this, Catherine was Chief Operating Officer at Addison Lee where she was responsible for all aspects of operations with a team of over 750 employees, management of the base of 6,000 driver partners, fleet logistics and customer operations. She was previously Corporate Development Director at Trainline with responsibility for strategy, change management and M&A and before that a Director at Close Brothers Corporate Finance.

Catherine graduated from the University of Durham with a BA in Economics and is a qualified Chartered Accountant, training at PwC.

Appointed to PLC Board
May 2019

Independent on appointment
N/A

External appointments
None

Committee memberships
- None

JAMIE WARNER – CHIEF FINANCIAL OFFICER

Biography
Jamie was appointed CFO in March 2020. Prior to this he was Auto Trader's CFO-Designate and Deputy CFO. During his seven years at Auto Trader, Jamie has worked in a variety of different roles across finance, covering commercial finance, financial reporting, pricing and investor relations.

Jamie initially worked as a freight derivatives broker for inter-dealer broker GFI. Jamie left to join a start-up company, Swapit, developing a children's online swapping and trading community, that was subsequently acquired by Superawesome. He then joined Auto Trader in 2012.

Jamie graduated from Bristol University with a BSc in economics and economic history and is a qualified Chartered Management Accountant.

Appointed to PLC Board
March 2020

Independent on appointment
N/A

External appointments
None

Committee memberships
- Disclosure

The dates of appointment shown are the dates on which the Directors were first appointed to the Board of Auto Trader Group plc. Any reference pre February 2015 refers to the Group's previous parent company, Auto Trader Holding Limited.

DAVID KEENS – SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Biography
David was appointed as a Non-Executive Director on 1 May 2015.

David was previously Group Finance Director of NEXT plc (1991 to 2015) and its Group Treasurer (1986 to 1991). Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco (1977 to 1986) and prior to that seven years in the accountancy profession.

David is a member of the Association of Chartered Certified Accountants and of the Association of Corporate Treasurers.

Appointed to PLC Board
May 2015

Independent on appointment
Yes

External appointments
J Sainsbury plc

Committee memberships
- Audit (Chair)
- Nomination
- Remuneration

JILL EASTERBROOK – INDEPENDENT NON-EXECUTIVE DIRECTOR

Biography
Jill was appointed as a Non-Executive Director to the Board on 1 July 2015. Jill is currently also a Non-Executive Director of Ashtead Group plc, the FTSE100 international equipment rental company.

Previously, Jill was a member of the Executive Committee at Tesco Plc where she held a variety of senior roles, and was the Chief Executive Officer of JP Boden & Co.

Jill started her career at Marks & Spencer in buying and merchandising and also spent time as a management consultant with Capgemini Ernst & Young.

Appointed to PLC Board
July 2015

Independent on appointment
Yes

External appointments
Ashtead Group plc

Committee memberships
- Remuneration (Chair)
- Audit
- Nomination

JENI MUNDY – INDEPENDENT NON-EXECUTIVE DIRECTOR

Biography
Jeni was appointed as a Non-Executive Director on 1 March 2016.

Jeni is currently the Regional Managing Director UK & Ireland of Visa Inc.

She was previously at Vodafone Plc (1998 to 2017). She held Group Director roles across product management and sales, as well as serving as Chief Technology Officer on the UK and New Zealand Executive Boards.

Jeni started her career as a Telecommunications Engineer in New Zealand and holds an MSc in Electronic Engineering from Cardiff University.

Appointed to PLC Board
March 2016

Independent on appointment
Yes

External appointments
UK Finance Board

Committee memberships
- Audit
- Nomination
- Remuneration

SIGGA SIGURDARDOTTIR – INDEPENDENT NON-EXECUTIVE DIRECTOR

Biography
Sigga was appointed as a Non-Executive Director to the Board effective 1 November 2019.

Sigga joined Tesco Bank as Chief Customer Officer in November 2019.

Sigga has worked in the financial services industry for 18 years, pioneering digital transformation at both American Express and Santander UK. Most recently, she was responsible for the development and launch of Asto, a Santander Fintech business, providing innovative cash-flow solutions to small businesses.

Sigga holds a doctorate in leadership and innovation from Manchester Business School, an MBA from IESE Business School as well as a BS degree in Marketing from the University of South Carolina.

Appointed to PLC Board
November 2019

Independent on appointment
Yes

External appointments
Tesco Bank

Committee memberships
- Audit
- Nomination
- Remuneration

CLAIRE BATY – COMPANY SECRETARY

Biography
Claire joined Auto Trader in July 2015 and is Company Secretary and Director of Governance. She is responsible for corporate governance; legal services; regulatory compliance; customer security; procurement; and risk management.

Claire was previously Deputy Company Secretary at Betfair Group plc and prior to that was Company Secretary at Centaur Media plc.

Claire is a qualified accountant, a member of the Institute of Chartered Secretaries and Administrators and holds an MBA from Manchester Business School.

This corporate governance statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2018 by the Financial Reporting Council.

Introduction
This statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs'). The UK Corporate Governance Code (the 'Code') is available on the Financial Reporting Council website at **frc.org.uk**.

Compliance with the 2018 Code
The Company has complied in full with all provisions of the 2018 Corporate Governance Code during the year. This report is structured to follow each of the sections of the Code:

Board leadership and company purpose

Strategy
The Board is responsible for setting the Group's purpose, for determining the basis on which the Group generates value over the long term and developing a strategy for delivering the objectives of the Group. The Strategic report, which can be found on pages 2 to 59, sets out the Group's purpose, strategy, objectives and business model.

Culture
Auto Trader has a distinctive culture that is values-oriented and underpinned by a diverse and inclusive workforce. The Board plays an important role in ensuring that this culture remains aligned with our long-term strategy, in setting values, demonstrating behaviours consistent with these values, and in monitoring the culture and behaviours of the organisation.

Recognising the importance of our values-led culture, the Board focused its annual strategy offsite on people, culture and values. This included discussions on the evolution of the culture over time and how this may need to adapt in the future as the business enters new areas of opportunity. It also included specific initiatives including the introduction of more family friendly policies and flexible working arrangements; considerations of our working environment; and initiatives to improve the diversity of the organisation.

The Board receives a regular Cultural Scorecard, designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board receives and discusses this on a regular basis during Board meetings.

Workforce engagement
A Board Engagement Guild has been established as the core mechanism by which the Board engages with the workforce. The Board has decided that it is not appropriate to designate a specific NED to carry out this role and instead shares this role across all NEDs. The Guild meets with the Chairman and Non-Executive Directors without Executive Directors or any members of senior management present and has met twice during the year, covering topics such as the CEO succession, BAME and LGBT+ representation, climate change and sustainability.

The Board Engagement Guild comprises members from across different parts of the business and canvases views and opinions from their colleagues to share with the Board. They are all active members of the Company's other existing guilds, which cover areas such as family & wellbeing, diversity & inclusion and sustainability.

> "The Board plays an important role in ensuring that our culture remains aligned with our long-term strategy.

As well as the Guild there are already a number of established ways in which the Company engages with the workforce, for example, an annual employee engagement survey; an annual conference; regular sharing of information from the CEO via regular business updates, emails and videos; and informal open forums such as breakfast forums.

Engagement with shareholders
The Board has a comprehensive investor relations programme to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts on the half-year and full-year results in November and June respectively. These updates are webcast live and then posted on the Group's investor relations website and are available to all shareholders.

The results presentations are followed by formal investor roadshows in the UK and overseas.

There is also an ongoing programme of attendance at conferences, one-to-one meetings and group meetings with institutional investors, fund managers and analysts. These meetings cover a wide range of topics, including strategy, performance and governance, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time. Meetings which relate to governance are attended by the Chairman or another Non-Executive Director as appropriate. Private shareholders are encouraged to give feedback and communicate with the Board through **ir@autotrader.co.uk**.

The Board receives regular reports on issues relating to share price, trading activity and movements in institutional investor shareholdings. The Board is also provided with current analyst opinions, forecasts and feedback from its joint corporate brokers, Bank of America and Numis, on the views of institutional investors on a non-attributed and attributed basis, and on the views of analysts from its financial PR agency, Powerscourt. Any major shareholders' concerns are communicated to the Board by the Executive Directors.

The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders and arrangements can be made through the Company Secretary.

Annual General Meeting

At the 2019 Annual General Meeting, all resolutions were passed with votes in support ranging from 90.25% to 100%.

The 2020 AGM will take place at 10:00am on Wednesday 16 September 2020 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. In light of the current restrictions over public gatherings due to COVID-19, the AGM will be run as a closed meeting. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to **ir@autotrader.co.uk**.

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. The Chairman, the Chair of each of the Committees and the Executive Directors will join the 2020 AGM by telephone. Shareholders are strongly encouraged to send any questions in respect of the AGM by email to **ir@autotrader.co.uk**. Following the meeting, responses to questions will be published on the website at **plc.autotrader.co.uk/investors**.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

Results of resolutions proposed at the AGM will be published on the Company's website: **plc.autotrader.co.uk/investors** following the AGM.

Whistleblowing

A whistleblowing policy has been adopted which includes access to a whistleblowing telephone service run by an independent organisation, allowing employees to raise concerns on an entirely confidential basis. Reports are directed to the Audit Committee Chair and the Company Secretary. The Audit Committee receives regular reports on the use of the service, any significant reports that have been received, the investigations carried out and any actions arising as a result.

Conflicts of interest

In accordance with the Company's Articles of Association, the Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. None of the Executive Directors have any external directorships as at the date of this report. The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not create any conflict of interest.

Concerns over operation of the Board

All of the Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Division of responsibilities

Board roles

To ensure a clear division of responsibility at the head of the Company, the positions of Chairman and Chief Executive Officer are separate and not held by the same person.

The division of roles and responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board.

David Keens is the Senior Independent Director.

Board and Committee responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate and is reviewed at least annually.

Each Committee has formally approved Terms of Reference which are reviewed and approved at least annually, or more frequently as circumstances require.

Details are published on our website at **plc.autotrader.co.uk/investors.**

CHAIRMAN

- Leadership and governance of the Board.
- Creating and managing constructive relationships between the Executive and Non-Executive Directors.
- Ensuring ongoing and effective communication between the Board and its key shareholders.
- Setting the Board's agenda and ensuring that adequate time is available for discussions.
- Ensuring the Board receives sufficient, pertinent, timely and clear information.

CHIEF EXECUTIVE OFFICER

- Responsible for the day-to-day operations and results of the Group.
- Developing the Group's objectives, strategy and successful execution of strategy.
- Responsible for the effective and ongoing communication with shareholders.
- Delegates authority for the day-to-day management of the business to the Operational Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business.

NON-EXECUTIVE DIRECTORS

- Scrutinise and monitor the performance of management.
- Constructively challenge the Executive Directors.
- Monitor the integrity of financial information, financial controls and systems of risk management.

SENIOR INDEPENDENT DIRECTOR

- Acts as a sounding board for the Chairman.
- Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive Officer or other Directors have failed to resolve.
- Meets with the other Non-Executive Directors without Executive Directors present.
- Leads the annual evaluation of the Chairman's performance.

COMPANY SECRETARY

- Available to all Directors to provide advice and assistance.
- Responsible for providing governance advice.
- Ensures compliance with the Board's procedures, and with applicable rules and regulations.
- Acts as secretary to the Board and all Committees.

Composition, succession and evaluation

At the date of this report, the Board consists of the Non-Executive Chairman, four independent Non-Executive Directors and three Executive Directors.

Ed Williams was considered to be independent on appointment. All of the Non-Executive Directors (David Keens, Jill Easterbrook, Jeni Mundy and Sigga Sigurdardottir) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. The Chairman's fees and the Non-Executive Directors' fees are disclosed on pages 84 and 85, and they received no additional remuneration from the Company during the year. Therefore, at 31 March 2020 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors.

Board and Committee meetings and attendance

Board meetings are planned around the key events in the corporate calendar, including the half-yearly and final results and the Annual General Meeting ('AGM'), and a strategy meeting is held each year.

In months where there is no Board meeting, a financial update call is held at which the Board discusses results with operational management. Once a year, Directors spend a day visiting customers.

During the year, the Chairman and Non-Executive Directors have met without Executive Directors present. In addition, the Non-Executive Directors have met without the Chairman and the Executive Directors present.

Attendance at meetings

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings held	9	4	7	3
Director				
Ed Williams	9/9	n/a	n/a	3/3
Trevor Mather[1]	8/8	n/a	n/a	n/a
Nathan Coe	9/9	n/a	n/a	n/a
Catherine Faiers[2]	8/8	n/a	n/a	n/a
Jamie Warner[3]	1/1	n/a	n/a	n/a
David Keens	9/9	4/4	7/7	3/3
Jill Easterbrook	9/9	4/4	7/7	3/3
Jeni Mundy	9/9	4/4	7/7	3/3
Sigga Sigurdardottir[4]	4/4	2/2	4/4	2/2

1. Retired from the Board on 29 February 2020.
2. Appointed to the Board on 1 May 2019.
3. Appointed to the Board on 1 March 2020.
4. Appointed to the Board on 1 November 2019.

Note: In addition to the scheduled Board meetings detailed above, regular weekly Board calls relating to COVID-19 took place during March 2020.

> The Board makes decisions in order to ensure the long-term success of the Group whilst taking into consideration the interests of wider stakeholders.

Time commitment

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. None of the Executive Directors have any external directorships as at the date of this report. The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

Induction and development

All newly appointed Directors receive an induction briefing on their duties and responsibilities as Directors of a publicly quoted company. There is a formal induction programme to ensure that newly appointed Directors familiarise themselves with the Group and its activities, either through reading, meetings with the relevant member of senior management or through sessions in the Board meetings. This was refreshed in response to the Board evaluation in 2019, and was utilised, tailored as appropriate, for the appointment of new Non-Executive and Executive Directors during the year.

The majority of Board meetings contain a presentation from senior management on one of the focus areas for the year. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate – refer to the table of activities on page 67.

All Directors are offered the opportunity to meet with customers and take part in sales calls to understand the business from a customer's perspective, or to take part or observe focus groups with consumers who use our website. All Directors receive regular newsletters from our sales and service team to ensure they are kept informed of the latest customer dialogue and sentiment.

The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur, and there is an annual Legal and Regulatory Update provided as part of the Board meeting. All Directors are required to complete our annual compliance training modules covering anti-bribery, anti-money laundering, data protection, information security and other relevant subjects. As part of the Board evaluation, the Chairman meets with each Director to discuss any individual training and development needs.

Board and Committee activities in 2020

The Board makes decisions in order to ensure the long-term success of the Group whilst taking into consideration the interests of wider stakeholders, such as employees, consumers, customers and suppliers, and other factors as required of it under s172 of the Companies Act 2006. Board meetings are one of the mechanisms through which the Board discharges this duty, and in order to formalise this process, a stakeholder framework has been established which is applied to all Board papers and discussions. Further information about engagement with the Group's stakeholders is included in the table on pages 28 and 29.

The Board's activities are structured through the year to develop and monitor the delivery of the Group's strategy and financial results; to receive feedback from and engage with stakeholder groups such as employees, customers and suppliers; and to maintain a robust governance and risk management framework. The table below sets out some of the Board's key activities during the year.

	STRATEGY	OPERATIONAL	FINANCIAL	PEOPLE AND CULTURE	SHAREHOLDERS	RISK AND GOVERNANCE
REGULAR REPORTS RECEIVED		**Monthly operational report with key achievements and issues in the month, view of the industry, competitors and customers.**	**Monthly financial report with results, KPIs, out-turn and external analyst consensus.**	**Monthly report of people changes, recruitment, resourcing needs and employee engagement.** **Quarterly Culture Scorecard monitoring.**	**Regular feedback from investor meetings.** **Quarterly shareholder analysis.**	**Approval of material contracts.** **Governance and regulatory updates.**
2019 April		• **Focus area:** Become to new cars what we are in used.		• CEO departure and succession planning.		• Tenure of Chair discussion. Update Board Schedule of Matters to give more authority to management for charitable donations.
June	• Review and approval of the mid-term financial plan.	• **Focus area:** Improve vehicle stock choice, volumes and accuracy.	• Approval of Annual Report and Preliminary Results.	• Approval of 2019 Bonus out-turn. • PSP and Single Incentive Plan targets and grants.	• Approval of dividend policy, capital structure and share buyback programme. • Recommendation of final dividend.	• Review and approval of Group risk register. • Review and approval of viability statement.
July	• Review of progress on Dealer Auction (joint venture with Cox Automotive).	• **Review:** Private advertising and Instant Offer. • **Focus area:** Develop a more efficient way to source, dispose and move vehicles.		• Board Engagement Guild.	• Review of feedback from analysts and investors from results roadshows.	• Audit Committee: internal audit and Cyber/GDPR updates.
September	• Acquisition of KeeResources Limited.	• **Focus area:** Continually innovate to create value for our customers. • **Focus area:** Maintain the best consumer experience for buying and selling vehicles.			• Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM').	• Review and approval of modern slavery statement. • Review of insurance programme.
October	• Strategy off-site with a particular focus on culture and people.	• Customer visits to small and large retailers.	• Key events for FY21.			
November		• **Review:** Use of our data.	• Approval of half-yearly report.	• Remuneration framework, employee share scheme, CEO and CFO salary.	• Approval of interim dividend.	• Review and approval of Group risk register. • Business continuity. • Audit Planning & SM&CR regime.
December		• **Review:** OEM: Manufacturer and Agency.				• External legal and regulatory update.
2020 February	• 2020 focus areas and operating plan.	• **Review:** Audience and marketing activities. • **Focus area:** Extend our product offering further down the buying funnel, towards online transactions.	• Review of tax compliance.	• Review of remuneration framework. • Gender pay gap reporting. • Succession planning, talent development and diversity.		• Review of internal and risk management framework and internal controls. • Review of external audit effectiveness.
March		• COVID-19 customer actions.	• COVID-19 financial scenarios planning.	• Director salary and fee reductions and bonus waivers. • Internal Board evaluation feedback and action plan.	• Approval of equity raise, suspension of share buybacks and suspension of guidance. • Agreement to set an ESG strategy and framework, and more metrics including Scope 3 GHG emissions reporting.	• COVID-19 contingency and business continuity planning. • Treasury Policy.

Information and support available to Directors

Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All Directors have access to the advice and services of the Company Secretary, Claire Baty. The appointment or removal of the Company Secretary is a matter for the whole Board.

Appointments to the Board

The Board has established a Nomination Committee, chaired by Ed Williams, with all other members comprising independent Non-Executive Directors. The main responsibilities of this Committee are to keep under review the structure, size and composition of the Board and its Committees; to identify and nominate candidates for appointment to the Board; to ensure that there are formal and orderly succession plans in place; and to oversee talent development, diversity and inclusion across the whole Group.

The work of the Committee is described on pages 70 to 72.

The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle K of the Code. Biographies of all members of the Board appear on pages 62 and 63.

Election of Directors

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next AGM and shall then be eligible for election by the shareholders. The AGM Notice sets out the specific reasons for reappointing each Director.

Tenure of Chair

The 2018 UK Corporate Governance Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Ed Williams joined the Auto Trader business as a Non-Executive Director in November 2010 when it was under private ownership. He joined the Auto Trader Group plc Board in February 2015 and the Company listed on the London Stock Exchange in March 2015.

As disclosed in the 2019 Annual Report, the Nomination Committee, led by David Keens as Senior Independent Director, considered this change in the Code and consulted with the FRC. The understanding of the Committee and the Board is that the nine-year period commences on the date that Auto Trader listed on the London Stock Exchange. The nine-year period for Ed Williams therefore runs to March 2024. However, it should be noted that these comments are made in reference to the maximum term stipulated in the new Code and do not commit the Company or Ed Williams to him remaining as Chairman until 2024.

Board evaluation and effectiveness

An internal evaluation was conducted in 2020. The next external evaluation is due in 2021; however, given the unfolding COVID-19 pandemic, the Board may consider deferring this into the next financial year (2022).

The internal review included the completion of a detailed questionnaire by each of the Board Directors, covering the following areas:

- Board meetings and information flows.
- The Board's role, knowledge and skills.
- Board composition and succession planning.
- Business strategy, performance and culture.
- Risk management.
- Engagement with shareholders and other stakeholders.
- The operation of each of the Board's Committees.
- Follow up of the recommendations raised in the previous review.

The results were reviewed by the Chairman and then discussed with the Board in March 2020.

ACTIONS ARISING FROM THE 2019 INTERNAL REVIEW	
Although Board papers are published on a timely basis, there is often a large volume of pre-reading in a short space of time.	There has been more discipline in ensuring the papers are as concise as possible without losing the detail required; and in publishing these piecemeal through a Board portal, so as to give more time to read.
As the Terms of Reference of each Committee expand, the agendas for each meeting become very full.	Additional Committee meetings were scheduled to spread the agenda items and enable more time for focus areas and discussions.
As the induction process has not been needed for a number of years, this becomes out of date and should be refreshed.	The induction process was reviewed and refreshed to ensure that it continues to provide Directors with the information and knowledge they need about the business and their role. This was used, on an appropriately tailored basis, for the new appointments during the year.

ACTIONS ARISING FROM THE 2020 INTERNAL REVIEW	
Particularly for the newer Board members, Board papers may include jargon/Company-specific terminology.	More focus by the Executive Directors and Company Secretary to ensure the jargon is kept to a minimum.
More formality around training and development needs.	Training plans to be developed for individual Directors, taking into account their existing knowledge, skills and experience, and records to be maintained of development activities.
More understanding of and engagement with newer customer groups (for example, manufacturers, leasing companies, automotive finance houses).	Arrangements to be made for the Board to engage directly with these customer groups, including customer visits and/or invitations to attend Board meetings.
A greater focus on the strategy for ESG matters, including establishing a governance framework and setting targets.	Governance arrangements for ESG and sustainability matters to be reviewed, and more focus on a formal strategy to be introduced. Further details will be provided in the 2021 Annual Report.

In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually. Overall, the results showed that the Board and its Committees continue to operate well, and that each individual Director continues to make an effective contribution.

Letters of appointment

The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting; or on request from **ir@autotrader.co.uk**. These letters set out the expected time commitment from each Director. Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

> The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls.

Audit, risk and internal control

The Board has established an Audit Committee, chaired by David Keens and comprised entirely of independent Non-Executive Directors. The Chairman is not a member of the Committee. The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management, internal control, internal audit and external auditors. The work of the Committee is described on pages 73 to 76.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2020 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Report of the Audit Committee on pages 73 to 76 for details of the review process.

See pages 58 and 59 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The processes in place for assessment, management and monitoring of risks are described in Principal risks and uncertainties on pages 54 to 57.

The Audit Committee reviews the system of risk management and internal controls through reports received from management, along with others from internal and external auditors. Management continues to focus on how internal controls and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 31 March 2020 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board considered the weaknesses identified and reviewed the developing actions, plans and programmes that it considered necessary. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

Remuneration

The Board has established a Remuneration Committee, chaired by Jill Easterbrook and comprised entirely of independent Non-Executive Directors. The Remuneration Committee is responsible for determining the remuneration policy, and for setting remuneration for the Executive Directors, the Chairman and senior employees; for monitoring the remuneration policies for the wider organisation; and for ensuring the alignment of reward with the culture of the organisation.

The work of the Committee is described on pages 77 to 89.

ED WILLIAMS
CHAIR OF THE NOMINATION COMMITTEE

OVERVIEW

- Composed of the Chairman and four independent Non-Executive Directors.
- At least one meeting held per year.
- Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation.

OUR PROGRESS IN 2020

- Implementation of succession plan, resulting in appointment of Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.
- Appointment of an additional independent Non-Executive Director, increasing the proportion of women on the Board to 50%.
- Followed up on the recommendations of the 2019 external Board evaluation, and reviewed the results of the 2020 internal evaluation.
- Review and updating of formal succession plans for the Chairman, Non-Executive Directors, Executive Directors and senior management.

FOCUS AREAS FOR 2021

- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.
- Support management and the Board in promoting diversity in senior management and across the workforce, including identifying and developing talent.

3
meetings were held during the year:

100%
meeting attendance by all Committee members

Member	Meetings attended/ total meetings held	Percentage of meetings attended
Ed Williams (Chair)	3/3	100%
David Keens	3/3	100%
Jill Easterbrook	3/3	100%
Jeni Mundy	3/3	100%
Sigga Sigurdardottir[1]	2/2	100%

1. Appointed to the Committee on 1 November 2019.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**.

> The Committee believes that effective succession planning is critical to the Company's long-term success.

Dear shareholders,

I am pleased to present the Report of the Nomination Committee for 2020.

Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

The Committee oversees diversity and inclusion across the whole Group and monitors succession planning and talent development below Board level.

How the Committee operates

All members of the Committee are independent Non-Executive Directors. The Chairman of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor or such other matters in which he may have a potential conflict of interest. For those meetings, the Senior Independent Director ('SID') is invited to take the Chair unless the SID is in contention for the role or also has a potential conflict of interest.

The Committee meets at least once a year, and on an ad hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer attends for all or part of meetings so that the Committee can understand his views, particularly on key talent within the business.

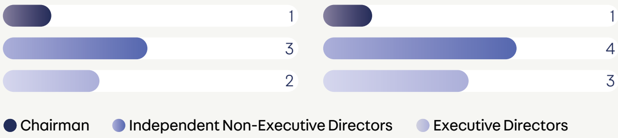
Succession planning

The Committee believes that effective succession planning is critical to the Company's long-term success. We have a continual formal succession planning process to ensure orderly succession for the Board and senior management.

Our succession plan was put into practice this year when Trevor Mather retired as CEO on 29 February 2020.

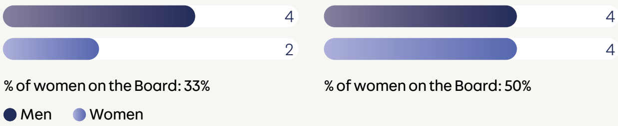
Board composition

As at 31 March 2019 | As at 31 March 2020



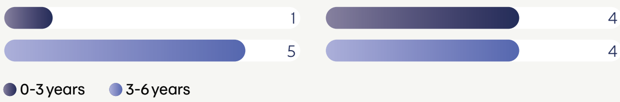
Gender diversity

As at 31 March 2019 | As at 31 March 2020



Board tenure[1]

As at 31 March 2019 | As at 31 March 2020



1. Refers to period since appointment to the PLC Board.

Board skills and experience

The Board brings a wide range of skills and experience to complement the Group and its strategy. Board members have leadership experience within large and listed companies, and each have their own specialist experience.

Following the announcement in April 2019 of Trevor's planned retirement, Nathan Coe was appointed as CEO-Designate, and after a transitional period of several months, Nathan was appointed as CEO on 1 March 2020. Catherine Faiers was promoted to the Board as Chief Operating Officer on 1 May 2019, which enabled Nathan to focus on an orderly handover. Jamie Warner was appointed as CFO on 1 March 2020.

During the year, the Committee has updated and developed the formal succession plans for the new Board, including the Chairman, Non-Executive Directors, Executive Director and senior management.

Appointment of Non-Executive Director

The Committee keeps under continual review the size and composition of the Board, and also the skills, knowledge and experience required of the Board in the context of the Group's strategy. Taking into consideration the Group's increasing involvement in regulated activities such as consumer finance, and the need for an orderly succession plan for the current Non-Executive Directors, the Committee identified a need to appoint an additional independent Non-Executive Director.

The process for identifying candidates was led by the Committee:

- A comprehensive candidate search brief was agreed, including the required industry skills, knowledge and experience required, and taking into consideration the benefits of diversity on the Board.
- An external executive recruitment consultant, Ivy Street, was engaged, with whom the Group has no other relationship.
- The shortlisted candidates each met with members of the Board on a one-on-one basis. These meetings included an assessment of candidates in the context of the expected values and behaviours of Board members.

Following this process, Sigga Sigurdardottir was identified as the Committee's preferred candidate, having extensive experience in digital transformation and financial services. Following recommendation to the Board, Sigga was appointed as a Non-Executive Director with effect from 1 November 2019.

Policy on appointments to the Board

A priority for the Committee has been, and will continue to be, ensuring that members of the Board collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

Appointments are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. The Committee takes account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity, including gender and ethnic diversity.

We adopted the Hampton-Alexander target for women representation on our Board in 2019, and we are pleased to report that we continue to exceed this target, with an equal number of women and men on the Board. We continue to aspire to this as a longer-term goal for the women in senior management and for the organisation as a whole.

We acknowledge the recommendations of the Parker review, but have not at this stage set a target, and do not currently meet the recommendations.

Diversity and inclusion

The Nomination Committee's Terms of Reference include the responsibility to oversee diversity and inclusion across the whole Group, not just at Board and senior management level. We recognise that women, and employees from a BAME (Black, Asian and Minority Ethnic) background continue to be under-represented at senior management level and throughout the organisation.

We remain committed to improving diversity at all levels, in particular in parts of the business where women are currently underrepresented, such as technology, and to attract and develop more employees from a BAME background at all levels and areas of the organisation.

The Company has established a Diversity and Inclusion Guild, with representation from across all parts of the business and led by members of our Operational Leadership Team. This Guild is responsible for developing and driving our strategy to create a diverse, inclusive and conscious Auto Trader, and reports to the Nomination Committee on its activities and progress. The work of the Guild is described in more detail on page 44.

At the end of our financial year, 40% of the Operational Leadership Team ('OLT') were women, and 32% of the OLT's direct reports were women, a combined total of 32%, which means that we are close to meeting the Hampton-Alexander Review recommendations.

Board evaluation

We carried out an internal Board evaluation during the year, which included following up on the recommendations of the 2019 externally facilitated Board evaluation. This is described in detail on pages 68 and 69 of the Corporate governance statement. Our next external Board evaluation is due to take place in 2021; however, given the evolving COVID-19 pandemic, the Board may consider deferring this into the next financial year.

Election and re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire and offer themselves for election or re-election to the Board. The Directors who have been in post throughout the year have been subject to a formal evaluation process, and both the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2020 AGM relating to the election and re-election of the Directors.

I welcome any questions in respect of the work of the Committee, which can be submitted to **ir@autotrader.co.uk**.

Ed Williams
Chair of the Nomination Committee
25 June 2020

Impact of the 2018 Corporate Governance Code

As reported in the 2019 Annual Report, the 2018 UK Corporate Governance Code applies to us from 1 April 2019. The new Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board.

Ed Williams joined the Auto Trader business as a Non-Executive Director in November 2010 when it was under private ownership. He joined the Auto Trader Group plc Board in February 2015 and the Company listed on the London Stock Exchange in March 2015.

The Committee, led by David Keens as Senior Independent Director, has considered this change in the Code and has consulted with the FRC. The understanding of the Committee and the Board is that the nine-year period commences on the date that Auto Trader listed on the London Stock Exchange. The nine-year period for Ed Williams therefore runs to March 2024. However, it should be noted that these comments are made in reference to the maximum term stipulated in the new Code and do not commit the Company or Ed Williams to him remaining as Chairman until 2024.

REPORT OF THE AUDIT COMMITTEE

DAVID KEENS
CHAIR OF THE AUDIT COMMITTEE

OVERVIEW

- Composed of four independent Non-Executive Directors.
- David Keens is considered by the Board to have recent and relevant experience. All members have significant commercial and operating experience in consumer and digital businesses.
- At least three meetings held per year.
- Meetings are attended by the CEO, COO, CFO, internal auditors and external auditors by invitation.

OUR PROGRESS IN 2020

- Discuss key areas of financial judgement including the acquisition of KeeResources.
- Assessing the Group's going concern and viability statements, including the impact of COVID-19.
- Review the effectiveness of internal audit, internal controls and risk management.
- Evaluate the effectiveness and independence of external audit.

FOCUS AREAS FOR 2021

- Agree with KPMG any changes for their 2021 audit.

4
meetings were held during the year:

100%
meeting attendance by all Committee members

Member	Meetings attended/ meetings held	Percentage of meetings attended
David Keens (Chair)	4/4	100%
Jill Easterbrook	4/4	100%
Jeni Mundy	4/4	100%
Sigga Sigurdardottir[1]	2/2	100%

1. Appointed to the Committee on 1 November 2019.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors.**

> The Committee was fully engaged and supportive of the capital raising undertaken in April this year, which was a response to the disruption caused by COVID-19, as detailed in this Annual Report as a post balance sheet event.

Dear shareholders,

I am pleased to introduce this, my fifth, Audit Committee report.

The Committee is comprised entirely of independent Non-Executive Directors. I fulfil the requirement for a Committee member to have recent and relevant financial experience, and all members (and therefore the Committee as a whole) have competence in consumer and digital businesses.

The Board approves the Terms of Reference of the Committee, which assists the Board in discharging its responsibilities. This includes monitoring the integrity of the Group's financial reporting; effectiveness of the internal control and risk management framework; internal audit; and the independence and effectiveness of external audit. Our internal audit function is outsourced to Deloitte LLP, who provide us with specialist expertise in delivering a risk based rolling review programme.

Our external auditors, KPMG, and internal auditors, Deloitte, regularly attend Audit Committee meetings. The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other members of management attend by invitation.

The Committee has reviewed the content in the Annual Report and believes that this explains our strategic objectives and is fair, balanced and understandable. We have considered the impact of COVID-19 on our business and you will find important detail on this in other sections of the Annual Report. The Committee was fully engaged and supportive of the capital raising undertaken in April this year, which was a response to the disruption caused by COVID-19, as detailed in this Annual Report as a post balance sheet event.

Whilst this Report of the Audit Committee contains some of the matters addressed during the year, it should be read in conjunction with the external auditor's report starting on page 94 and indeed the Auto Trader Group plc financial statements in general.

At the 2019 AGM, shareholders approved the Board's recommendation to re-appoint KPMG LLP as our external auditors. The Committee has carried out a review of the effectiveness and independence of KPMG and has recommended to the Board that they are re-appointed at the 2020 AGM.

David Keens
Chair of the Audit Committee
25 June 2020

Financial reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, result announcements, dividend proposals and any other formal announcement relating to the Group's financial performance.

The Committee assessed the accounting principles and policies adopted, and whether management had made appropriate estimates and judgements.

In doing so, the Committee discussed management reports and enquired into judgements made. The Committee reviewed the reports prepared by the external auditor on the 2019 half-year statement and 2020 Annual Report.

The Committee, together with management and KPMG, identified significant areas of financial statement risk and judgement as described below.

DESCRIPTION OF SIGNIFICANT AREA	AUDIT COMMITTEE ACTION
Revenue recognition Revenue recognition for the Group's revenue streams is not complex. However, this remained an area of focus due to the large volume of transactions and as revenue is the largest figure in the income statement.	The Committee reviewed the assumptions and disclosure around revenue recognition made by management, particularly in relation to offers given to customers as a response to the disruption caused by COVID-19 as set out on pages 4 to 7. This will result in reduced revenue for the first half of the year to March 2021 at least and increased bad debt risk as customers are under increased pressure. The Committee was satisfied with the explanations provided and conclusions reached in relation to revenue recognition.
Share-based payments The Company has a number of share-based payment arrangements, accounted for under IFRS 2. These require the use of valuation models and certain assumptions in determining their fair value at grant date and in the recognition of charges and, as such, this is a significant estimate.	The Committee reviewed the assumptions made by management, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP, DABP and Single Incentive Plan. The Committee reviewed the comments within KPMG's report into the calculation of the charge and is satisfied that the share-based payment accounting is appropriate and in accordance with accounting standards.
Acquisition accounting Management's assessment of the allocation and valuation of goodwill and intangible assets as part of the acquisition of KeeResources.	The Committee reviewed the assumptions made by management in respect of the identification and valuation of intangible assets, and the allocation of consideration, and was satisfied that these were appropriately accounted for under IFRS 3. KeeResources is a relatively small business in comparison to the Group and is in its early integration stage.
Investment value in joint venture In the prior year, the Group entered a joint venture agreement with Cox Automotive UK named Dealer Auction. Management's assessment of the recoverability of the investment value, given the infancy of the investment, is based on future estimated cash flow forecasts.	The Committee reviewed the assumptions made by management, particularly in relation to the future cash flow forecast to support the carrying value of the investment of the joint venture, and was satisfied that these were appropriately accounted for given the infancy of Dealer Auction.
Going concern and viability statement The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities as they fall due. The period over which the Directors have determined it is appropriate to assess the prospects of the Group has been defined as three years. In addition, the Directors must consider if the going concern assumption is appropriate.	The Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group's medium-term plan and cash flow forecasts for the period to March 2023. The Committee discussed with management the appropriateness of the three-year period, and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 54 to 57. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required were discussed. Scenarios covering events that could adversely impact the Group were considered. The Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions. It is worth noting, the disruption caused by COVID-19 after the year end has required the Committee to regularly re-assess the projections and conclusions. Significant actions have been taken to limit the impact of loss of revenue, to reduce costs and to reduce debt by way of the capital raising completed on 1 April 2020. For additional detail, please refer to the external auditor's report and Strategic report contained in this Annual Report.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2020 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with an early draft of the Annual Report, and provided feedback on areas where further clarity or information was required in order to provide a complete picture of the Group's performance. The final draft was then presented to the Audit Committee for review before being recommended for approval by the Board. When forming its opinion, the Committee reflected on discussions held during the year and reports received from the internal and external auditors, and considered the following:

Is the report fair?	• Is a complete picture presented and has any sensitive material been omitted that should have been included? • Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? • Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	• Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? • Do you get the same messages when reading the front end and the back end independently? • Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence? • Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? • How do these compare with the risks that KPMG include in their report?
Is the report understandable?	• Is there a clear and cohesive framework for the Annual Report? • Are the important messages highlighted and appropriately themed throughout the document? • Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2020 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The Committee's responsibilities include a review of the risk management systems and internal controls to ensure that they remain effective and that any identified weaknesses are properly dealt with. The Committee:

- reviews annually the effectiveness of the Group's internal control framework;
- receives reports from the Group's outsourced internal audit function and ensures recommendations are implemented where appropriate; and
- reviews reports from the external auditors on any issues identified in the course of their work, including any internal control reports received on control weaknesses, and ensures that there are appropriate responses, from management.

The Group has internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The internal control systems include the elements described below.

ELEMENT	APPROACH AND BASIS FOR ASSURANCE
Risk management	Whilst risk management is a matter for the Board as a whole, the day-to-day management of the Group's key risks resides with the Operational Leadership Team ('OLT') and is documented in a risk register. A review and update of the risk register is undertaken twice a year and reviewed by the Board. The management of identified risks is delegated to the OLT, and regular updates are given to executive management at monthly Risk Forum meetings.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, balance sheet, cash flow and detailed analysis. The month-end pack also includes KPIs and these are reviewed each month by the OLT and the Board. Results are compared against the Plan or Reforecast and narrative provided by management to explain significant variances.
Budgeting and reforecasting	An annual Plan is produced and monthly results are reported against this. A monthly rolling forecast is also produced to identify how the Group is performing over the balance of the year versus the original Plan. The Plan is prepared using a bottom up approach, informed by a high-level assessment of market and economic conditions. Reviews are performed by the OLT and the Board whilst the Plan is also compared to the top down Medium Term Plan ('MTP') as a sense check. The Plan is approved by the OLT and the Board.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's Terms of Reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers, payroll and discounts/refunds. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Internal audit

Deloitte has been appointed as the Group's outsourced internal audit function. They are accountable to the Audit Committee and use a risk-based approach to provide independent assurance over the adequacy and effectiveness of the control environment. The internal audit work plan for 2020 was approved by the Audit Committee and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas, including:

- Third-party verification and performance of revenue-share partners.
- Non-financial operating metrics.
- Procurement to payment processes.

Management actions that are recommended following the audits are tracked to completion and reviewed by the Committee to ensure that identified risks are mitigated appropriately.

The Committee met with representatives from Deloitte without management present and with management without representatives of Deloitte present. There were no issues of significance raised during these meetings.

External auditors

One of the Committee's roles is to oversee the relationship with the external auditor, KPMG, and to evaluate the effectiveness of the service provided and their ongoing independence. The Committee has carried out a review based on discussion of audit scope and plans, materiality assessments, review of auditors' reports and feedback from management on the effectiveness of the audit process, and has concluded that the external auditor remains effective and independent.

The Committee reviewed KPMG's findings of the external auditor in respect of their review of the half-yearly report for the six-month period ending 30 September 2019, and in respect of the audit of the financial statements for the year ended 31 March 2020. The Committee met with representatives from KPMG without management present and with management without representatives of KPMG present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The Committee has reviewed, and is satisfied with, the independence of KPMG as the external auditor. In particular, discussions have been held with KPMG's senior management to verify the Group's audit partner's performance and standing within KPMG. There were no conflicts or matters of concern conveyed.

Non-audit services provided by the external auditor

The external auditor is primarily engaged to carry out statutory audit work. There may be other services where the external auditor is considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity, in accordance with the EU Audit Reform, and will be assessed going forward in line with the FRC Ethical and Auditing Standards.

NON-AUDIT SERVICE	POLICY
Audit-related services directly related to the audit For example, the review of interim financial statements, compliance certificates and reports to regulators.	Considered to be approved by the Committee up to a level of £100,000 for each individual engagement, and to a maximum aggregate in any financial year of 70% of the average audit fees paid to the audit firm in the last three consecutive years. Any engagement of the external auditor to provide permitted services over these limits is subject to the specific approval in advance by the Audit Committee.
Prohibited services In line with the EU Audit Reform, services where the auditor's objectivity and independence may be compromised. Prohibited services are detailed in the FRC Revised Ethical Standard 2019 and include tax services, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met, in accordance with the EU Audit Reform, and will be assessed going forward in line with the new FRC Ethical and Auditing Standards.

Refer to **plc.autotrader.co.uk/investors** for full details of the policy. During the year, KPMG charged the Group £36,000 for audit-related assurance services.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 – statement of compliance

As a competitive tender was carried out in 2016, and KPMG LLP were first appointed as statutory auditors in the financial year to March 2017, we have complied with the requirement that the external audit contract is tendered within the 10 years prescribed by EU and UK legislation and the Code's recommendation. The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

David Keens
Chair of the Audit Committee
25 June 2020

JILL EASTERBROOK
CHAIR OF THE REMUNERATION COMMITTEE

OVERVIEW

- Composed of four independent Non-Executive Directors.
- The Company Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other relevant individuals are invited to attend the meetings when appropriate – no person is present during any discussion relating to their own remuneration.
- The Company Secretary acts as secretary to the Committee.

OUR PROGRESS IN 2020

- From 1 April 2020 the entire Board voluntarily waived at least 50% of their salaries or Board fees, to be returned to normal levels from 1 July 2020 following a return to charging customers and the unfurloughing of all employees.
- The Executive Directors have waived their FY20 annual bonus entitlement.
- For FY21 we will not be operating an annual bonus but will be granting a larger PSP three-year award which will vest based on TSR performance.

FOCUS AREAS FOR 2021

- Review the Remuneration Policy to ensure it is aligned with strategy and the creation of sustainable long-term value creation and that it is appropriate in the context of evolving shareholder guidance and corporate governance in advance of submitting a revised Policy to a binding vote at the AGM in September 2021.

7
meetings were held during the year:

100%
meeting attendance by all Committee members

Member	Meetings attended/ total meetings held	Percentage of meetings attended
Jill Easterbrook (Chair)	7/7	100%
David Keens	7/7	100%
Jeni Mundy	7/7	100%
Sigga Sigurdardottir[1]	4/4	100%

1. Sigga Sigurdardottir was appointed to the Board and Remuneration Committee on 1 November 2019.

In addition, Ed Williams was in attendance at all meetings by invitation.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**.

Annual statement by the Chair of the Remuneration Committee

> In these uncertain times, it is important that remuneration arrangements continue to align Executive Directors with the long-term interests of shareholders.

Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') for the year ended 31 March 2020.

As highlighted in the Chairman's statement on page 8 and the Chief Executive Officer's statement on page 12, the business's performance before the outbreak of COVID-19 was good with both revenue and operating profit increasing year on year, despite it being a challenging year for retailers due to UK automotive market pressures. Since the start of the COVID-19 crisis, the business has focused on its people, customers and long-term priorities to ensure the business emerges from the crisis strongly and the business's operations continue to be maintained to a high standard.

On 1 April 2020 we announced that the entire Board had voluntarily offered to temporarily forego at least 50% of their salaries or Board fees, and that the Executive Directors had also requested that their annual FY20 bonus entitlement be waived. The Board believes that acting swiftly in this way is the clearest indication that we stand together with all our stakeholders, whether employees, customers, shareholders or suppliers. Following the return to charging customers from 1 June 2020, and the return of all of our employees from furlough, we intend to return Directors' salaries and fees to normal levels from 1 July 2020.

Remuneration approach for 2021

To date, we have operated a traditional remuneration framework including an annual bonus with deferral and an annual award under our long-term incentive plan, the Performance Share Plan.

The COVID-19 outbreak has resulted in significant disruption in the UK automotive market, with dealerships closed for an extended period. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. There remains, however, a significant degree of uncertainty for the sector as well as the wider economy.

Board changes

On 6 February 2020, we announced that, as the transition to the new executive team has been progressing well, the retirement date of Trevor Mather was brought forward and he stepped down from the Board on 29 February 2020 (rather than 31 March 2020 as originally announced). Nathan Coe was therefore appointed as CEO (previously CFO & CEO-designate) effective from 1 March 2020. In addition, Jamie Warner joined the Board as CFO effective from 1 March 2020. Catherine Faiers was promoted to COO and joined the Board from 1 May 2019. Details of their remuneration arrangements are provided in this report.

This uncertainty makes it difficult to predict performance over the short and medium term which makes setting robust and meaningful targets for incentive arrangements very challenging. While the short term is difficult to predict the Board continues to have full confidence that we have the right offering, operational structure and culture to succeed over the long term and deliver value for our shareholders. The Committee considers that it is important that remuneration arrangements continue to align Executive Directors with the long-term interests of shareholders.

We therefore intend to operate a modified approach to remuneration for FY21 as follows:

- **No annual bonus plan** will operate for FY21 (meaning executives will not receive any bonus payment for a two-year period covering April 2019 to March 2021).
- The Executive Directors will be made an award under the **Performance Share Plan** ('PSP') of 250% of salary. The proposed award represents a reduction of c.30% for the CEO and c.10% for the CFO and COO compared to their previous aggregate incentive opportunity of 350% of salary (200% PSP and 150% annual bonus) and 280% (150% PSP and 130% annual bonus) of salary respectively, and is below the maximum PSP grant allowed under our approved Remuneration Policy of up to 300% in exceptional circumstances.
- The PSP award will be based on the Company's **TSR performance** compared to the FTSE350 index (excluding investment trusts) over three years from 1 April 2020. No portion of the award will vest for performance which is below the index, 25% of the award will vest for performance equal to the index. Maximum vesting will require performance 25% ahead of the index. This vesting schedule is consistent with the approach used for PSP awards in 2015, 2016 and 2017.

When determining the proposed approach for FY21 the Committee sought to meet three key principles: (1) to minimise the potential cash outflow to protect the business; (2) to maintain as much consistency as possible with the approach used in prior years; (3) to align Executive Directors' remuneration with shareholder returns.

The Committee considers that this approach meets these objectives. Not operating a cash bonus minimises cost and cash liability in respect of the financial year, and by having the incentive opportunity fully awarded in shares (with a three-year vesting period plus a two-year holding period) we will align executives with shareholders over the medium term. We have also reduced the overall incentive opportunity by c.30% for the CEO and c.10% for the CFO and COO recognising the broader economic environment and to support our cost management programme.

Due to the current uncertainty it was considered very challenging to set robust and fair financial targets for the PSP, and furthermore we believe that the success or otherwise of the Company's response to COVID-19 is most likely to be reflected in the share price relative to that of other companies. We also wanted to ensure that the vesting outcome remains aligned with shareholder returns and hence the award is based on TSR performance.

In line with best practice and shareholder expectations the Committee shall retain discretion to adjust the vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

The intention is that we will operate this approach for FY21 only. We are due to submit a new Directors' Remuneration Policy to shareholders at the 2021 AGM (our last policy was approved by shareholders at the 2018 AGM). The Committee will therefore be undertaking a full review of our approach to remuneration policy over the next 12 months and will be consulting with shareholders on any proposed changes in due course.

The CEO and CFO's salaries were reviewed in advance of their appointment and were set at £568,000 and £330,000 respectively, with effect from 1 March 2020. The COO's salary will remain at £350,000. In response to the COVID-19 outbreak, with effect from 1 April 2020 the Executive Directors have voluntarily offered to temporarily forego 50% of their salaries. Pension and benefits are unchanged for 2020. The Company Chairman and the Senior Independent Director have waived 100% of their fees, and I and the other Non-Executive Directors have waived 50% of our fees from the same date. The intention is to return all salaries and fees to normal levels from 1 July 2020.

Performance and reward in 2020

Annual bonus

The annual bonus for 2020 was based 75% on Operating profit and 25% on strategic targets (average live car stock and live retailers paying for our new car package). Up until the outbreak of COVID-19 the business was performing well considering the challenging market, with revenue and operating profit improving year on year. The steps taken towards the end of the year to protect the long-term interests of the business have, however, impacted overall performance for the year. Performance against annual bonus targets would have resulted in a total bonus for 2019/20 of c.26% of maximum. In response to the COVID-19 outbreak, however, the Executive Directors have requested that their bonus for FY20 be waived. The Chief Financial Officer, Jamie Warner, who was appointed to the Board on 1 March 2020, has waived part of his pre-appointment Single Incentive Plan award, which was based on the same performance conditions as the annual bonus scheme.

Performance Share Plan ('PSP')

PSP awards granted in June 2017 will vest in June 2020 based on performance over the three years to 31 March 2020. The award was based 75% on Cumulative Underlying operating profit performance and 25% on TSR relative to the FTSE250 (excluding investment trusts). As detailed on page 85, actual performance resulted in a payout of 48.6% of the maximum 75% in respect of Cumulative Underlying operating profit performance, and the maximum of 25% in respect of TSR, giving an overall total performance of 73.6%. The net value of vested awards is subject to a two-year holding period.

The Committee carefully considered the level of payout and concluded that the level of PSP award vesting appropriately reflected the underlying performance of the Company and the strategic progress over the three years and therefore it was not necessary to exercise discretion to adjust payouts.

UK Corporate Governance Code and amended disclosure requirements

The Committee continues to monitor developments in the 2018 UK Corporate Governance Code and emerging guidance from investors. We comply with the requirements of the new Code, following the introduction of a number of provisions last year. These will form part of the Remuneration Policy put to shareholders at the 2021 AGM.

- Our pension provision for Executive Directors since listing has been aligned with our broader employee population.
- We operate a post-vesting holding period for the PSP and malus and clawback provisions apply.
- Last year, the Committee introduced a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Any Executive Director who leaves from 1 April 2019 will be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure.
- This is our second year of disclosing our CEO pay ratio, as we voluntarily disclosed a year in advance of being required to under the regulations. Our median all employee to CEO pay ratio is 34.2 compared to 42.0 last year, and compared to a median ratio for the FTSE250 of 37.0 and for the FTSE100 of 72.0. The Committee considers the ratio is within a reasonable range taking into account the structure and nature of our business.

The Committee intends to review our Remuneration Policy in the coming year in advance of putting the Policy to a binding vote at the 2021 AGM in line with the normal renewal cycle.

Retirement arrangements for Trevor Mather

As noted above, Trevor Mather stepped down from the Board and his role of CEO on 29 February 2020. Trevor received his normal base salary, pension and benefits until his retirement. Trevor was eligible for an annual bonus in respect of FY20 but elected to waive any bonus in line with other Executive Directors. The Committee determined that Trevor will be treated as a 'good leaver' in respect of outstanding share incentives. In light of his planned retirement, Trevor Mather did not receive a PSP award 2019. Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years post leaving following his retirement from the Board on 29 February 2020. Further details are provided on page 87.

I look forward to receiving your support on the Directors' remuneration report at the 2020 AGM and I welcome any specific questions, which can be submitted to **ir@autotrader.co.uk**.

Jill Easterbrook
Chair of the Remuneration Committee
25 June 2020

Annual remuneration report

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UKLA's Listing Rules. This report is subject to an advisory shareholder vote at the AGM on 16 September 2020.

Summary of Directors' Remuneration Policy ('Policy') and implementation for 2021

Our Policy was put to shareholders for approval at the AGM on 20 September 2018 and applies to payments made from this date. We consulted with shareholders when designing and implementing this Policy and received a strong level of support with 96% of shareholders voting in favour. The following provides a summary of the Policy along with details of how the Policy will be implemented during 2021.

As outlined above, the COVID-19 outbreak has resulted in significant disruption in the UK automotive market, with dealerships closed for an extended period. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. There remains, however, a significant degree of uncertainty for the sector as well as the wider economy. This uncertainty makes it difficult to predict performance over the short and medium term which makes setting robust and meaningful targets for incentive arrangements very challenging. In light of this **no annual bonus plan** will operate for FY21 with the Executive Directors receiving an award under the **Performance Share Plan** only.

For full details of the Policy approved by shareholders please refer to the 2018 Annual Report and Accounts which can be found at **plc.autotrader.co.uk/investors**.

ELEMENT	OVERVIEW OF OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CONDITIONS	IMPLEMENTATION FOR 2021
Salary	Salaries are normally reviewed annually with changes effective from 1 April.	No maximum salary level or salary increase; however, any base salary increases will normally be in line with the percentage increases awarded to other employees of the Group.	N/A	The CEO and CFO's salaries were set at £568,000 and £330,000 respectively, with effect from 1 March 2020 following their appointment to their roles. When setting their salaries, the Committee considered: • Market reference points • Individual performance and experience • Wider context in the organisation – salary levels for other employees and wider business performance The COO's salary will not be increased from 1 April 2020 and will remain at £350,000. In response to the COVID-19 outbreak, with effect from 1 April 2020 the Executive Directors voluntarily offered to temporarily forego 50% of their salaries. The intention is to return these to normal levels from 1 July 2020.
Benefits	Benefits include private medical cover, life assurance and income protection insurance.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	No changes.
Pension	Directors are eligible to receive employer contributions to the Company's defined contribution pension plan, a salary supplement in lieu of pension benefits (or combination of the above).	Maximum contribution in line with the contribution of other employees in the Group, currently 5% of salary.	N/A	No changes. Our pension policy is in line with the wider workforce and therefore we already comply with the 2018 Code in this area.

<table>
<tr><th>ELEMENT</th><th>OVERVIEW OF OPERATION</th><th>MAXIMUM OPPORTUNITY</th><th>PERFORMANCE CONDITIONS</th><th>IMPLEMENTATION FOR 2021</th></tr>
<tr>
<td>Performance Share Plan ('PSP')</td>
<td>Awards vest after three years subject to performance conditions and continued employment.
Awards are normally in the form of nil-cost options.
Executive Directors are required to retain vested shares for at least two years from the point of vesting.
A dividend equivalent accrues on awards.
Recovery and withholding provisions apply, as described below.
A dividend equivalent provision applies, as described below.</td>
<td>Normal circumstances: maximum of 200% of salary.
Exceptional circumstances: maximum of 300% of salary.</td>
<td>For awards granted in 2020, performance measures and targets will be as follows:
<table>
<tr><th></th><th>Threshold (25% vesting)</th><th>Stretch (100% vesting)</th></tr>
<tr><td>TSR (100% weighting)</td><td>Equal to Index TSR</td><td>Equal to Index TSR plus 25% or above</td></tr>
</table>
TSR performance is calculated based on a three-month average to the beginning and end of the performance period.
Vesting is on a straight-line basis between threshold and stretch.
Performance will be assessed based on the Company's TSR performance compared to the FTSE350 Index (excluding investment trusts) over the three years ending 31 March 2023.
See below for further details on performance measures.</td>
<td>No annual bonus plan will operate for FY21.
The Executive Directors will be made an award under the Performance Share Plan of 250% of salary. This represents a reduction of c.30% for the CEO and c.10% for the CFO and COO compared to the previous aggregate incentive opportunity (annual bonus plus PSP) of 350% of salary and 280% of salary respectively.</td>
</tr>
<tr>
<td>All-employee Share Plans – SIP & SAYE</td>
<td>The Company operates two all-employee tax-advantaged plans, namely a Save As You Earn ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees.
Executive Directors are eligible to participate on the same basis as other employees.</td>
<td>Maximum permitted based on HMRC limits from time to time.</td>
<td>N/A</td>
<td>No changes.</td>
</tr>
</table>

ELEMENT	OVERVIEW OF OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CONDITIONS	IMPLEMENTATION FOR 2021
Share ownership guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company. This is expected to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.	The minimum share ownership guideline is 200% of salary for current Executive Directors.	N/A	In 2019, the Committee introduced a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Any Executive Director who leaves from 1 April 2019 will normally be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure. This guideline will apply to any shares acquired from incentive plans from 1 April 2019 and may include the net value of outstanding DABP awards and PSP awards subject only to a holding period. The Committee will have discretion to operate the policy flexibly and may waive part or all of the requirement where considered appropriate, for example in compassionate circumstances. Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years following his retirement from the Board on 29 February 2020.

Additional information

UK Corporate Governance Code

The Directors' Remuneration Policy has been developed taking into account the following principles:

- **Simple and clear:** the remuneration framework has been designed to be simple and transparent to ensure that it is understood by shareholders, participants and other stakeholders. Remuneration opportunities are set taking into account external and internal comparisons. Incentive opportunities are capped so that the maximum potential payout under each scheme is clear.
- **Aligned to strategy, culture and purpose:** the remuneration framework has been designed to support our strategy of leading the future of the UK's digital automotive marketplace. When setting Directors' Remuneration Policy, the Committee considers the approach to remuneration throughout the workforce and how this framework supports the dynamic, inclusive, collaborative culture Auto Trader aims to create and sustain.
- **Shareholder value and alignment:** the remuneration framework provides close alignment with long-term value creation for shareholders through the selection of appropriate performance measures and targets, with the majority of remuneration delivered in shares. Executives are expected to build up and retain (including post stepping down as an Executive Director) a shareholding in the Company.
- **Mitigating risk:** our remuneration framework includes features which mitigate risk where appropriate. Our policy includes provisions which enable the Committee to exercise discretion to ensure that incentive outcomes are appropriate. Our policy also includes provisions which allow for the application of clawback and / or malus in specific negative circumstances. We normally carry out a robust target setting process each year taking into account our strategic plan as well as external expectations of performance. Targets are set to ensure that the maximum remuneration can only be earned for delivering exceptional performance while not encouraging excessive risk taking.

Recovery and withholding provisions
Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment of a cash bonus, the grant date of an award under the DABP or the vesting date of PSP awards:

- a material misstatement of or restatement to the audited financial statements or other data;
- an error in calculation leading to over-payment of bonus; or
- individual gross misconduct.

Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the net bonus or PSP vesting and seeking a cash repayment.

Selection of performance measures
Annual bonus
The annual bonus scheme will not operate for FY21.

PSP
2020 PSP awards will be based on relative TSR performance compared to the FTSE350 (excluding investment trusts). Due to the current uncertainty, it was considered very challenging to set robust, fair and appropriate financial targets for the PSP. We also believe that the success or otherwise of the Company's response to COVID-19 is most likely to be reflected in the share price relative to that of other companies, as opposed to revenue and profit performance. We also wanted to ensure that the vesting outcome remains aligned with shareholder returns.

Differences in Remuneration Policy between Executive Directors and other employees
Whilst the Policy described above applies specifically to the Company's Executive Directors, the Policy principles are designed with due regard to employees across the Group.

- Pay increases for Executive Directors are generally in line with the increase received for other senior employees across the Group, and lower than the average increase in salary across the wider employee population of around 3.75% (reflecting both general market, promotions and individual rewards for performance). However, during FY21, there will be no pay increase for Executive Directors, nor for the wider workforce.
- Pension contributions for Executive Directors are also in line with the wider workforce. The Executive Directors have the same access to benefits as all other members of the workforce.

However, there are some differences.

- 'At risk, performance-linked pay' is restricted to the most senior employees in the Company, as it is this group that is most influential in driving corporate performance.
- The Committee is committed to promoting a culture of widespread share ownership across all levels of the organisation. At senior levels this will predominantly be achieved through participation in performance-based incentive plans, whilst across the rest of the workforce it will be supported via all-employee share plans.

As described more fully on pages 42 and 64, a Board Engagement Guild has been established to enable the Non-Executive Directors, including all members of the Remuneration Committee, to engage directly with the workforce. The Committee also has access to the results of the annual employee survey which includes matters relating to remuneration and wider pay policies.

Service contracts and policy for payments on loss of office
The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary and pension. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.

Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period and will normally be subject to mitigation. The Committee will consider the particular circumstances of each leaver and retains flexibility as to at what point, and the extent to which, payments are reduced.

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office or on request from **ir@autotrader.co.uk**. The CEO's service contract date is 1 April 2017, the CFO's service contract date is 1 March 2020, and the COO's service contract date is 1 May 2019.

Remuneration Policy for the Chairman and Non-Executive Directors

ELEMENT	OVERVIEW OF OPERATION	IMPLEMENTATION FOR 2021
Fees	Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits. The Chairman receives a single fee covering all of his duties. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit and Remuneration Committees and for performing the Senior Independent Director role.	There will be no increase in Chairman or Non-Executive Director fees with effect from 1 April 2020. In response to the COVID-19 outbreak, with effect from 1 April 2020 the Chairman and the Senior Independent Director voluntarily temporarily waived all of their fees, and the other Non-Executive Directors voluntarily temporarily waived 50% of their Board fees. The intention is to return these to normal levels from 1 July 2020. **Base fees** • Chairman – £184,013 • Non-Executive Directors – £56,827 **Additional fees** • SID – £9,742 • Audit Committee Chair – £9,742 • Remuneration Committee Chair – £9,742 There is no additional fee payable to the Chair of the Nomination Committee. The Company Chairman is currently Chair of the Nomination Committee.

Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment. The letters of appointment are available for inspection at the Company's registered office or on request from **ir@autotrader.co.uk**. Details of the appointment terms of the Non-Executive Directors are as follows:

	Start of current term	Expiry of current term
Ed Williams	6 March 2018	5 March 2021
David Keens	1 May 2018	30 April 2021
Jill Easterbrook	1 July 2018	30 June 2021
Jeni Mundy	1 March 2019	28 February 2022
Sigga Sigurdardottir	1 November 2019	31 October 2022

Single figure of remuneration for the year ended 31 March 2020 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2020.

£'000	Salary and fees	Benefits	Annual bonus[1]	Long-term Incentives[2]	Pension	Total
Executive						
Trevor Mather[3]	521	1	–	1,008	26	**1,556**
Nathan Coe[4]	393	1	–	533	20	**947**
Catherine Faiers[5]	321	1	–	54	16	**392**
Jamie Warner[6]	28	–	–	7	1	**36**
Non-Executive						
Ed Williams	184	–	–	–	–	**184**
David Keens	76	–	–	–	–	**76**
Jill Easterbrook	67	–	–	–	–	**67**
Jeni Mundy	57	–	–	–	–	**57**
Sigga Sigurdardottir[7]	24	–	–	–	–	**24**

1. The outcome for the annual bonus for FY20 was c.26% of maximum as detailed below however, in response to the COVID-19 outbreak, the Executive Directors have requested that their bonus for FY20 be waived.
2. 73.6% of PSP awards granted in 2017 will vest in June 2020 for performance over the three-year period to 31 March 2020. For the purpose of the single figure the vested shares have been valued based on the three-month average share price to 31 March 2020 of 529.38p. Dividend equivalents to the value of £40,852 for Trevor Mather, £21,615 for Nathan Coe, £2,171 for Catherine Faiers and £160 for Jamie Warner have also been included. 24% of the vested value is due to share price growth of 32% since the date of award. No discretion was exercised in relation to share price appreciation. Jamie Warner includes a pro-rated amount for the Single Incentive Plan.
3. Trevor Mather stepped down from the Board on 29 February 2020. His amounts reflect his service as an Executive Director. Further details on his leaving arrangements are set out on page 87.
4. Nathan Coe was promoted to the role of CFO and CEO-designate effective 1 May 2019 from his previous role as COO & CFO. He was appointed CEO effective 1 March 2020. The amounts disclosed reflect his service as COO & CFO, CFO & CEO-designate and CEO during the year.
5. Catherine Faiers was appointed COO and to the Board effective 1 May 2019. The amounts disclosed reflect her service in the year as an Executive Director.
6. Jamie Warner was appointed CFO and to the Board effective 1 March 2020. The amounts disclosed reflect his service in the year as an Executive Director.
7. Sigga Sigurdardottir was appointed to the Board on 1 November 2019. The amounts disclosed reflect fees from this date.

The following table shows the aggregate emoluments earned in the year ended 31 March 2019.

£'000	Salary and fees	Benefits	Annual bonus	Long-term Incentives[1]	Pension	Total
Executive						
Trevor Mather	557	1	641	825	28	**2,052**
Nathan Coe	370	1	426	353	19	**1,169**
Non-Executive						
Ed Williams	180	–	–	–	–	**180**
David Keens	75	–	–	–	–	**75**
Jill Easterbrook	65	–	–	–	–	**65**
Jeni Mundy	56	–	–	–	–	**56**

1. 51.2% of PSP awards granted in 2016 vested in June 2019 for performance over the three-year period to 31 March 2019. In last year's report, for the purpose of the single figure the vested shares were valued based on the three-month average share price to 31 March 2019 of 467.88p, giving a value of £683k for Trevor Mather and £292k for Nathan Coe including dividends. The amounts disclosed in the table have been revalued based on the share price on the date of vesting of 564.80p. c.31% of the vested value is due to share price growth of 45% since the date of award. No discretion was exercised in relation to share price appreciation.

Additional information to support the single figure

Benefits

Benefits include: private healthcare, life assurance and income protection insurance.

Pension

Employer's pension contributions of 5% of salary were paid in respect of Executive Directors in line with those received for the wider UK employee population.

Annual bonus for the year ended 31 March 2020

The performance measures, targets and performance outcomes for the annual bonus for the year ended 31 March 2020 are shown in the following table:

Performance measures		Weighting	Threshold	Target	Stretch	Actual performance	Payout (as a % of maximum)
Financial	Operating profit	75%	£258m	£268m	£278m	£259m	17.2% of the 75%
Strategic targets	Stock – average live car stock	12.5%	470k	490k	500k	478k	4.0% of the 12.5%
	New cars – live retailers paying for our new car package	12.5%	600	1,200	1,850	1,028	5.2% of the 12.5%
Total		**100%**					**26.4% of the 100%**

Payout for performance between threshold and stretch is calculated on a pro-rata basis. The payout at threshold is 20% of maximum, and the payout at target is 50% of maximum. As noted above, in response to the COVID-19 outbreak, the Executive Directors have requested that their bonus for FY20 be waived. In respect of 2019/20 Jamie Warner participated in the Single Incentive Plan which is our incentive plan for below Board senior roles, and is based on the same performance measures as the annual bonus plan. Jamie waived the vesting element of this award which was due to vest in 2020.

Performance Share Plan vesting for year ended 31 March 2020

The PSP award granted in 2017 and will vest in June 2020 based on performance to 31 March 2020. The performance conditions this award was based on, the targets and performance delivered are set out in the table below:

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance	Payout (as a % of maximum)
Cumulative Underlying operating profit	75%	£690m	Equal to or above £750m	£721.8m	48.6% of the 75%
TSR compared to the FTSE250 Index (excluding investment trusts)[1]	25%	Equal to Index TSR	Equal to Index TSR plus 25% or above	Index TSR plus 26%	25% of the 25%
Total vesting					**73.6% of the 100%**

1. TSR performance is calculated based on a three-month average to the beginning and end of the performance period.

For performance between the threshold and stretch targets, vesting is calculated on a pro-rata basis.

Nathan Coe and Trevor Mather will be required to retain vested shares delivered under this PSP for at least two years from the point of vesting, subject to the terms of the PSP holding period. 2017 PSP awards were granted to Catherine Faiers and Jamie Warner before they were appointed to the Board. Their awards are therefore not subject to a holding period.

When considering the level of annual bonus payout and long-term incentive vesting, the Committee also considered the underlying performance of the Group over the performance period, taking into account performance against key financial and non-financial indicators as well as the share price performance and the experience of shareholders and other stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded the proposed pay-out outcomes detailed above to be appropriate. Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2019/20.

Scheme interests awarded during the year (Audited)

Awards granted in the year under the DABP and PSP are shown below. The award granted to Jamie Warner under the Single Incentive Plan, prior to his appointment to the Board, are also shown.

Executive Director	Number of shares awarded	Face/maximum value of awards at grant date[2]
DABP awards[1]		
Trevor Mather	57,125	£320,700
Nathan Coe	37,937	£212,981

Awards are granted as nil-cost options.

1. DABP awards were granted in respect of the annual bonus for the year to 31 March 2019. The awards will normally be eligible to vest two years from grant (17 June 2021) based on continuous employment.
2. Face/maximum value was calculated based on the closing share price on the day before grant date (17 June 2019) of 561.40p.

Executive Director	Number of shares awarded	Multiple of salary	Face/maximum value of awards at grant date[3]	% award vesting at threshold (% maximum)	Performance period
PSP awards[1]					
Nathan Coe	134,307	200%	£754,000	25%	1 April 2019 to 31 March 2022
Catherine Faiers	93,516	150%	£525,000	25%	1 April 2019 to 31 March 2022
Jamie Warner[2]	32,062	n/a%	£180,000	25%	1 April 2019 to 31 March 2022

Awards are granted as nil-cost options.

1. PSP awards will normally be eligible to vest three years from grant (17 June 2022) based on performance over the three years to 31 March 2022 and continuous employment.
2. Prior to his appointment to the Board, Jamie Warner received a PSP award in line with his previous role.
3. Face/maximum value was calculated based on the closing share price on the day before grant date (17 June 2019) of 561.40p.

The performance conditions applying to the 2019 PSP awards shown in the table above are set out below. Each element will be assessed independently.

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Operating profit	75%	Operating profit compound annual growth rate for the three years ended 31 March 2022	6.5% p.a.	Equal to or above 11% p.a.
Total Group revenue	25%	Total Group revenue compound annual growth rate for the three years ended 31 March 2022	5% p.a.	Equal to or above 8% p.a.

For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting below threshold performance.

Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting.

Executive Director	Number of shares awarded	Face/maximum value of awards at grant date
Single Incentive Plan awards[1]		
Jamie Warner	68,133	£382,500

Awards are granted as nil-cost options.

1. In June 2019 Jamie Warner was granted an award under the Single Incentive Plan, which operates for senior executives below the Board. This award vests based on performance for 2019/20 based on the same performance criteria as the annual bonus for Executive Directors as summarised above. 26% of this award is therefore capable of vesting based on performance achieved. 50% of this amount may vest in June 2020, 25% in June 2021 and 25% in June 2022. In response to the COVID-19 outbreak, Jamie has elected to waive the 50% of the award which was due to vest in June 2020. The face/maximum value was calculated based on the closing share price on the day before grant date (17 June 2019) of £561.4p.

Directors' shareholding and share interests (Audited)

Executive Directors are required to maintain shareholding in the Company equivalent in value to 200% of salary. If an Executive Director does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company's discretionary share-based employee incentive schemes until the guideline is met. Non-Executive Directors do not have shareholding guidelines.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31 March 2020, or at the date of retiring from the Board.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance	Number of vested but unexercised nil cost options	Number of awards held under the DABP and Single Incentive Plan[2] conditional on continued employment	Unvested Sharesave options and Share Incentive Plan shares	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 31 March 2020 (or date of leaving)[3]
Executive Directors							
Trevor Mather[4]	11,623,031	389,136	587,772	103,129	–	200%	9,440%
Nathan Coe	2,924,366	430,981	251,901	63,485	–	200%	2,455%
Catherine Faiers	16,792	175,187	–	31,335	–	200%	21%
Jamie Warner	–	56,140	–	53,570	7,449	200%	Nil%
Non-Executive Directors							
Ed Williams	6,875,444	–	–	–	–	N/A	N/A
David Keens	50,000	–	–	–	–	N/A	N/A
Jill Easterbrook	–	–	–	–	–	N/A	N/A
Jeni Mundy	–	–	–	–	–	N/A	N/A
Sigga Sigurdardottir	–	–	–	–	–	N/A	N/A

1. Includes shares owned by connected persons and shares vesting under the PSP subject to a holding period. Only beneficially owned shares count towards the shareholding guideline.
2. The Single Incentive Plan operates for senior executives below the Board. These awards were granted to Catherine Faiers and Jamie Warner before they were appointed to the Board.
3. Based on the Director's salary and the mid-market price at close of business on 31 March 2020 of 439.1p.
4. Trevor Mather retired from the Board on 29 February 2020. The shareholdings disclosed were as at the date of leaving the Board.

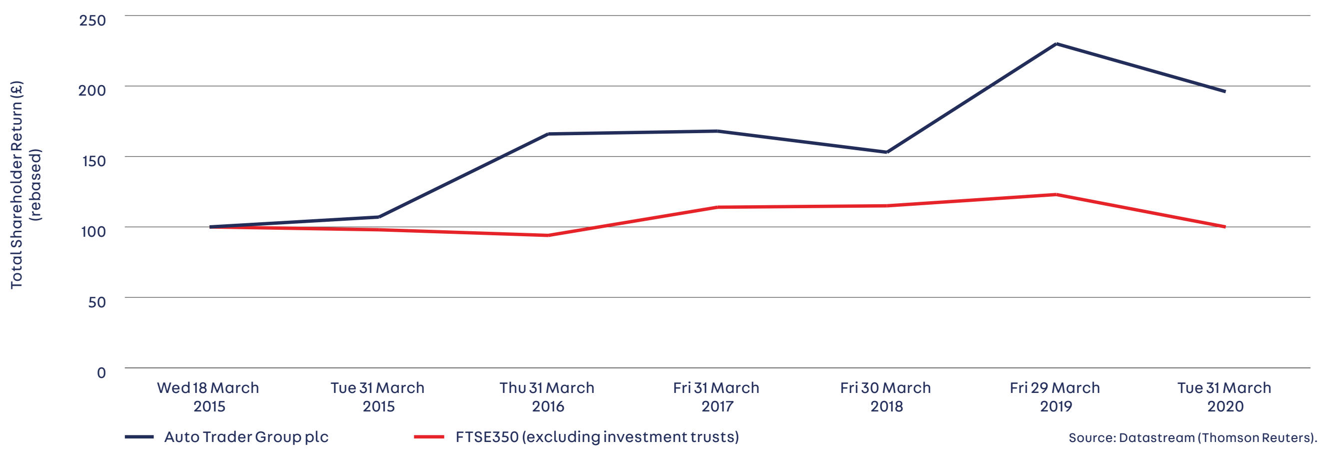
Payments to former Directors (Audited)
There were no payments made to former Directors during the year.

Retirement arrangements for Trevor Mather
Trevor Mather stepped down as CEO and from the Board on 29 February 2020. Trevor received his normal base salary, pension and benefits until his retirement on 29 February 2020. He did not receive any payment in lieu of notice under his contract as he worked substantially all of his notice. Trevor was eligible to receive an annual bonus in respect of 2019/20, however, in line with the other Executive Directors, Trevor elected to waive his bonus for 2019/20. Further details are provided on page 84.

On the recommendation of the Remuneration Committee, the Board has determined that Trevor will be treated as a "good leaver" in respect of the annual bonus, the Company's Performance Share Plan ('PSP') and the Deferred Annual Bonus Plan ('DABP').

In accordance with the scheme rules, outstanding PSP awards will vest to the extent that targets are met. They will be pro-rated for time elapsed since grant and will vest on the normal vesting dates. In light of his planned retirement, Trevor Mather did not receive a PSP award in June 2019. Outstanding DABP awards will vest in full on the normal vesting dates. Trevor has voluntarily undertaken to retain shares equivalent to 200% of his salary, for a minimum of two years post leaving, in line with the newly adopted post-employment shareholding guidelines.

Performance graph and CEO remuneration table
The graph below illustrates the Company's TSR performance relative to the FTSE350 Index (excluding investment trusts) of which the Company is a constituent, from the start of conditional share dealing on 18 March 2015. The graph shows the performance over that period of a hypothetical £100 invested.



Source: Datastream (Thomson Reuters).

CEO remuneration

The table below sets out the CEO's single figure of total remuneration together with the percentage of maximum annual bonus awarded over the same period.

	2020[1]	2019[2]	2018	2017	2016	2015[3]
CEO total remuneration (£'000)	**1,619**	2,052	2,929	980	1,339	20
Annual bonus (% of maximum)	**n/a[4]**	76.75%	50.3%	51.8%	100%	N/A[5]
PSP vesting (% of maximum)	**73.6%**	51.2%	100%	N/A[6]	N/A[6]	N/A[6]

1. The 2020 figures reflect Trevor Mather's service as CEO to 29 February 2020, and Nathan Coe's service as CEO from 1 March 2020.
2. The 2019 CEO total remuneration has been updated to reflect the value of the PSP based on the share price on the date of vesting of 564.80p rather than the three-month average share price to 31 March 2019 of 467.88p.
3. From the date of Admission in March 2015.
4. The CEO elected to waive his bonus in respect of 2019/20.
5. Private company when bonus plan implemented in 2015.
6. No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

Percentage increase in the remuneration of the CEO

The table below shows the average increase in each component between the CEO and the average employee in the Company from 2019 to 2020.

	Change in remuneration levels	
Component	**CEO**	**Average employee**
Salary	2%	4%
Benefits[1]	12%	19%
Bonus[2]	(100%)	n/a

1. The average value of benefits has increased due to an increase in the cost of private medical insurance.
2. There are no employees participating in the annual bonus scheme other than the CEO and COO & CFO as all other employee variable pay schemes are now settled in shares.

CEO pay ratio

The table below shows the ratio between the CEO's total single figure calculated as set out above on page 84 and the median, lower and upper quartile total remuneration for our UK based workforce. Our median all employee to CEO pay ratio is 34.2:1 which the Committee considers is within a reasonable range taking into account the structure and nature of our business. Last year, we voluntarily disclosed our CEO pay ratio a year in advance of being required to under the regulations.

A significant proportion of the CEO's pay is in the form of variable pay through the annual bonus and the PSP. CEO pay will therefore vary year on year based on Company and share price performance. The CEO to all-employee pay ratio will therefore also fluctuate taking this into account.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**A**	**50.4:1**	**34.2:1**	**24.8:1**
2019	A	59.4:1	42.0:1	30.3:1

Notes:
- Method A has been used to determine the relevant employees on the basis that this approach is in line with the approach used to calculate the single total figure for the CEO and therefore is the most robust.
- The salary for the P25 employee was £30,125 and total remuneration was £32,119. The salary for the P50 employee was £45,000 and total remuneration was £47,379. The salary for the P75 employee was £62,782 and total remuneration was £65,196.
- The P25, P50 and P75 employees were determined as at 31 March 2020 based on full-time equivalent remuneration. Only employees who were employed as at the end of the financial year were included; salaries were annualised, taking account of mid-year increases. The total remuneration includes salary, allowances, taxable benefits, pension contributions and share-based payments. Taxable benefits are based on the previous tax year (2019) with estimates used for those employees who joined part way through the year. Options under the SAYE scheme are included as at the date of grant, based on the difference between the market value at grant date and the exercise price. Options under discretionary plans (PSP and Single Incentive Plan) are based on the date that the performance conditions were achieved, and valued using the three-month average share price to 31 March 2020 of 529.8p.

The CEO single figure used for the purpose of calculating the pay ratio is based on Trevor Mather's service as CEO to 29 February 2020, and Nathan Coe's service as CEO from 1 March 2020.

It should be noted that the CEO's single figure of remuneration includes PSP awards, which are affected by changes in the Company's share price and achievement of targets over a three-year performance period; and also Annual Bonus, which are affected by achievement of targets over a one-year performance period. The fall in the ratio between 2019 and 2020 is due to the waiver by the CEO of the Annual Bonus for FY20.

The Board have confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression, and is appropriate for the Company's size and structure.

Relative importance of the spend on pay

The following table shows the Group's actual spend on pay for all employees compared to distributions to shareholders. The average number of employees has also been included for context. Revenue and Operating profit have also been disclosed as these are two key measures of Group performance.

	2020 £m	2019 £m	% change
Employee costs (see note 7 to the consolidated financial statements)	**55.3**	56.0	(1%)
Average number of employees (see note 7 to the consolidated financial statements)	**849**	802	6%
Revenue (see Consolidated income statement)	**368.9**	355.1	4%
Operating profit	**258.9**	243.7	6%
Dividends paid and proposed and share buybacks (see notes 25 and 27 to the consolidated financial statements)	**84.1**	156.4	(46%)

Funding of equity awards

Share awards may be funded by a combination of newly issued shares, treasury shares and shares purchased in the market. Where shares are newly issued or from treasury, the Company complies with Investment Association dilution guidelines on their issue. The current dilution usage of all share plans is c. 0.75% of shares in issue.

Where shares are purchased in the market, these will be held by a trust, in which case the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 31 March 2020, the Trust held 523,955 shares in respect of the Share Incentive Plan.

External directorships

Auto Trader recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Auto Trader. The Company Chairman would approve any such directorships in advance to ensure that there was no conflict of interest. Trevor Mather was appointed as a director on the board of Matches Fashion Limited, a fashion retail business, on 9 September 2018. From the period from appointment until 29 February 2020, fees of £55,000 were payable to Trevor for this appointment, and which he was entitled to retain. The Board approved the appointment and confirmed that it was satisfied that there was no conflict of interest.

Membership of the Committee

Jill Easterbrook is the Committee Chair, and its other members are David Keens, Jeni Mundy and Sigga Sigurdardottir. Refer to pages 61 and 77 for further details of the membership of the Committee, the Terms of Reference, the meetings held and activities during the year.

External advisors

During the year the Committee received advice from Deloitte who were appointed in October 2017 following a competitive tender process. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in their dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Fees are charged on a time and materials basis. During the year Deloitte was paid £16,250 for advice provided to the Committee. Deloitte provided additional services to the Company in relation to internal audit, risk advisory and tax services.

Statement of shareholder voting

Shareholder voting in relation to recent AGM resolutions is as follows:

	Votes for	% of votes cast for	Votes against	% of votes cast against	Abstentions
2018 AGM: Remuneration Policy (binding)	746,257,288	94.93%	39,870,834	5.07%	152,057
2019 AGM: Annual Report on Remuneration (advisory)	754,803,958	95.56%	35,075,821	4.44%	224,875

Approval

This Directors' remuneration report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Easterbrook
Chair of the Remuneration Committee
25 June 2020

The Directors have pleasure in submitting their Report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 31 March 2020.

Statutory information

Information required to be part of the Directors' report can be found elsewhere in this document, as indicated in the table below, and is incorporated into this Report by reference:

SECTION OF ANNUAL REPORT	PAGE REFERENCE
Employee involvement	Strategic report; Making a difference (page 42)
Employees with disabilities	Strategic report; Making a difference (page 44)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 22 to 27)
Greenhouse gas emissions	Strategic report; Making a difference (page 47)
Non-financial reporting	Strategic report: Making a difference (page 40)

Information required by LR 9.8

Information required to be included in the Annual Report by LR 9.8 can be found in this document as indicated in the table below:

SECTION OF ANNUAL REPORT	PAGE REFERENCE
Allotment of shares during the year	Note 25 to the consolidated financial statements
Directors' interests	Directors' remuneration report (page 87)
Significant shareholders	Directors' report (page 92)
Going concern	Principal risks and uncertainties (pages 58 and 59)
Long-term incentive schemes	Directors' remuneration report (pages 80 to 89)
Powers for the Company to buy back its shares	Directors' report (page 91)
Significant contracts	Directors' report (page 92)
Significant related party agreements	Directors' report (page 92)
Statement of corporate governance	Corporate governance statement (pages 64 to 69)

Management report

This Directors' report, on pages 90 to 93, together with the Strategic report on pages 2 to 59, form the Management Report for the purposes of DTR 4.1.5R.

Strategic report

The Strategic report, which can be found on pages 2 to 59, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee and the Directors' remuneration report on pages 64 to 89, all of which form part of this Directors' report and are incorporated into it by reference.

2020 Annual General Meeting

The 2020 AGM will take place at 10:00am on Wednesday 16 September 2020 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. In light of the current restrictions over public gatherings due to COVID-19, the AGM will be run as a closed meeting. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to **ir@autotrader.co.uk**. The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the whole of the financial year ending 31 March 2020, and to the date of approving this report unless otherwise stated:

- Ed Williams.
- Trevor Mather (resigned 29 February 2020).
- Nathan Coe.
- David Keens.
- Jill Easterbrook.
- Jeni Mundy.
- Catherine Faiers (appointed 1 May 2019).
- Sigga Sigurdardottir (appointed 1 November 2019).
- Jamie Warner (appointed 1 March 2020).

All Directors will stand for election or re-election at the 2020 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

At each AGM each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an AGM in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring

Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 100 to 149.

The Company declared an interim dividend on 7 November 2019 of 2.4 pence per share which was paid on 24 January 2020.

As a result of the current economic uncertainty surrounding the impact of COVID-19, the Directors are not recommending a final dividend for the year.

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. At the 2020 AGM, resolution 18 proposes an amendment to the Articles of Association to reflect recent developments in market practice in respect of holding combined physical and electronic general meetings (also known as 'hybrid' meetings). These hybrid meetings would enable members to attend and participate in the business of the meeting by attending a physical location or by means of an electronic facility or facilities. It is not the current intention of the Board to routinely hold combined physical and electronic general meetings. These amendments are being made to provide the Directors with the flexibility should they need to make alternative arrangements for participation in meetings (including where physical participation may be prevented or restricted).

Share capital and control

The Company's issued share capital comprises ordinary shares of £0.01 each which are listed on the London Stock Exchange (LSE: AUTO.L). The ISIN of the shares is GB00BVYVFW23.

The issued share capital of the Company as at 31 March 2020 comprised 922,540,474 of £0.01 each, and 4,090,996 shares were held in treasury. On 3 April 2020, 46,468,300 additional shares were allotted for a consideration of £4.00 per share as a result of a non-pre-emptive placing.

As at 25 June 2020 the issued share capital of the Company comprises 969,008,774 of £0.01 each, and 3,429,427 shares were held in treasury.

Further information regarding the Company's issued share capital and details of the movements in issued share capital during the year are provided in note 25 to the Group's financial statements. All the information detailed in note 25 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 29 to the Group financial statements.

Authority to allot shares

Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. In the 2019 AGM, resolution 13 conferred upon the Directors the authority under Section 551 of the 2006 Act to allot ordinary shares up to a maximum nominal amount of £6,196,079 (619,607,899 shares), representing approximately two thirds of the Company's existing share capital of which 309,757,499 shares (representing approximately one third of the Company's issued ordinary share capital) could only be allotted pursuant to a rights issue. Special resolution 14 further conferred upon Directors the authority to allot ordinary shares up to a maximum nominal amount of £464,683 (46,468,300 shares), for cash, on a non-pre-emptive basis. As noted above, the Directors used this authority to conduct a non-pre-emptive placing of 46,468,300 ordinary shares which was completed on 3 April 2020.

In the Notice for the 2020 AGM, ordinary resolution 13 seeks a new authority to allow the Directors to allot ordinary shares up to a maximum nominal amount of £6,437,518 (643,751,750 shares), representing approximately two thirds of the Company's existing share capital at 25 June 2020, of which 321,827,596 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. Special resolution 14 seeks a new authority to allow the Directors to allot ordinary shares on a non-pre-emptive basis up to a maximum nominal amount of £482,790 (48,278,967 shares), representing approximately 5% of the Company's existing share capital at 25 June 2020. Special resolution 15 seeks a new authority to allow the Directors to allot ordinary shares on a non-pre-emptive basis in connection with an acquisition or specified capital investment, up to a further maximum nominal amount of £482,790 (48,278,967 shares), representing approximately 5% of the Company's existing share capital at 25 June 2020.

Authority to purchase own shares

The Company's share buyback programme continued during the year. By resolutions passed at the 2019 AGM the Company was authorised to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 11,431,823 ordinary shares of £0.01 each were purchased in the year to 31 March 2020, being 1.23% of the shares in issue at the time the authority was granted. The average price paid per share was 538.85p with a total consideration paid (inclusive of all costs) of £62.0m. 774,734 shares were purchased for treasury, and the remaining 10,657,089 shares were purchased to be immediately cancelled. The Directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares (excluding shares held in treasury) either to be cancelled or retained as treasury shares.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Auto Trader Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands, unless the Directors decide in advance that a poll will be conducted, or unless a poll is demanded at the meeting. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts

The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the revolving credit facility agreement, which contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Transactions with related parties

As described in note 33, during the year, the Group transacted with Burns Sheehan Limited, a third party in which a Director holds a shareholding. This company is deemed to be a related party. Costs incurred were in respect of recruitment consultancy services which amounted to £26,250 (2019: £1,250). There were no amounts outstanding at the year end. All transactions were completed at an arm's length basis.

Compensation paid to Directors and Key Management is as disclosed in note 8 to the Group financial statements.

Research and development

Innovation, specifically in software, is a critical element of Auto Trader's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area.

Since 30 September 2013, the Group has changed its approach to technology development such that the Group now develops its core infrastructure through small-scale, maintenance-like incremental improvements, and as a result the amount of capitalised development costs has decreased as less expenditure meets the requirements of IAS 38, Intangible Assets.

Indemnities and insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2020. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of Section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental

Information on the Group's greenhouse gas emissions is set out in the 'Making a difference' section on page 47 and forms part of this Report by reference.

Political donations

There were no political donations made during the year or the previous year.

Post balance sheet events

COVID-19

Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

Management have assessed these events as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

Equity raise

As noted above, 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 £183.2m net of fees incurred.

Interests in voting rights

At the year end the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, of the following significant interests in the issued ordinary share capital of the Company:

	AT 31 MARCH 2020		AT 25 JUNE 2020	
SHAREHOLDER	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each
BlackRock Inc.	90,997,987	9.90%	88,810,670	9.20%
Kayne Anderson Rudnick Investment Management LLC.	76,844,345	8.31%	76,844,345	8.31%
Baillie Gifford & Co.	47,482,549	5.01%	47,482,549	5.01%

RCF extension

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

External branches

The Group had no active registered external branches during the reporting period.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk, are given in note 31 to the consolidated financial statements.

Disclosure of information to auditors

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm, to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approval of Annual Report

The Strategic report and the Corporate governance report were approved by the Board on 25 June 2020.

Approved by the Board and signed on its behalf.

Claire Baty
Company Secretary
25 June 2020

1. Our opinion is unmodified

We have audited the financial statements of Auto Trader Group plc for the year ended 31 March 2020 which comprise the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company balance sheet, 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 four financial years ended 31 March 2020. 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	£10.4m (2019:£9.6m) 4.1% (2019: 4.0%) of Group profit before tax
Coverage	99.3% (2019: 100%) of Group profit before tax

Key audit matters		vs 2019
Event driven	**New –** Group and parent company: Going concern including the impact of COVID-19 on the business	▲
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 judgement, 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
Going concern including the impact of Coronavirus on the business Refer to page 73 (Report of the Audit Committee), page 105 (accounting policy) and page 105 (financial disclosures).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. The judgement is based on an evaluation of the inherent risks to the Group's and the parent company's business model and how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to affect the Group's and the parent company's available financial resources over this period were: • The uncertainty of the impact of Coronavirus with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance; • The impact on the Group's financial covenants of uncertainty arising from the Coronavirus. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have required to have been disclosed.	**Our procedures included:** • **Funding assessment**: we assessed the loan covenant compliance to check whether the Group is at risk of breaching the covenants and reviewed 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; • **Historical comparisons**: we considered the historical accuracy of management's forecasting in the previous year in comparison to actual performance achieved; • **Sensitivity analysis**: we considered sensitivities over the level of financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risks identified individually and collectively; • **Evaluating Directors' intent**: we evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; and • **Assessing transparency**: we assessed the completeness and accuracy of the matters covered in the going concern disclosure against our understanding of the risks. **Our results** We found the going concern disclosure without any material uncertainty to be acceptable (2019: no key audit matter). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the Coronavirus.

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

	The risk	Our response
Revenue recognition (£368.9m; 2019: £355.1m). Refer to page 73 (Report of the Audit Committee), page 107 (accounting policy) and page 115 (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 within Singleview relating to the Trade and Manufacturer & Agency revenue streams are updated manually by Auto Trader personnel over time, we consider a significant risk exists in relation to revenue recognition in respect of fraud. **Accounting treatment** As a result of COVID-19, changes were made to the pricing of certain customer arrangements. The risk for our audit was whether revenue was recognised appropriately where changes had been made.	**Our procedures included:** • **Data comparisons:** Using computer assisted audit techniques to match sales information from the billing system to the accounting records; • **Tests of details:** Using computer assisted audit techniques to match the entire population of sales to cash received during the year and trade receivables and accrued income outstanding at the year end. Selecting a sample of trade receivables and assessing their recoverability with reference to post year end cash receipts and appropriateness of the expected credit losses provision; • **Accounting analysis:** Considering incentives offered to customers in light of COVID-19 including free listings post year end, offered before year end, to assess whether March revenue is correctly recognised in accordance with the accounting standard. • **Tests of details:** Inspecting credit notes raised in the year and post year end to assess the adequacy of the credit note provision and that revenue is not misstated; and • **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 (2019: acceptable).
Recoverability of parent company's investment in subsidiary (£1,218.3m; 2019: £1,216.0m). Refer to page 73 (Report of the Audit Committee), page 145 (accounting policy) and page 147 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent company's investment in subsidiary represents 77% (2019: 75%) of the 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.	**Our procedures included:** • **Comparing valuations:** comparing the carrying amount of the investment to the market capitalisation of the Group, as all of the Group's trading operations are contained within the subsidiary and its subgroup. **Our results:** We found the parent company's assessment of the recoverability of the investment in subsidiary to be acceptable (2019 result: acceptable).

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 £10.4m (2019: £9.6m), determined with reference to a benchmark of Group profit before tax of £251.5m (2019: £242.2m), of which it represents 4.1% (2019: 4.0%).

The materiality of the parent company financial statements as a whole was set at £6m (2019: £5.0m), determined with reference to a benchmark of parent company net assets, of which it represents 0.5% (2019: 0.4%).

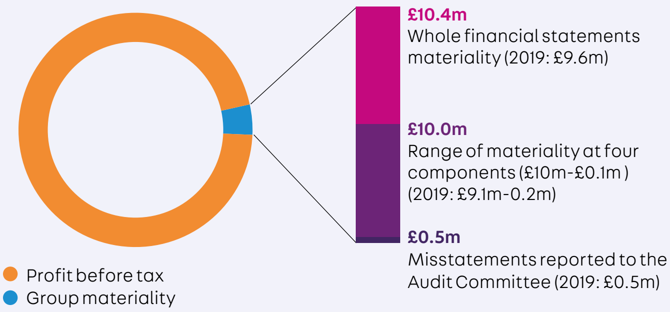
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2019: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 5 (2019: 4) reporting components, we subjected 3 (2019: 4) to full scope audits for Group purposes, all of which were performed by the Group audit team.

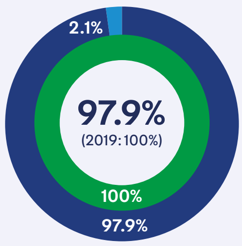
The components within the scope of our work accounted for the percentages illustrated below.

Profit before tax
£251.5m (2019: £242.2m)

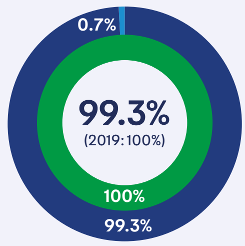
Group materiality
£10.4m (2019: £9.6m)



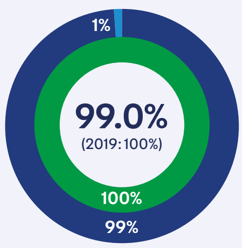
Group revenue



Group profit before tax



Group total assets



- Full scope for Group audit purposes 2020
- Full scope for Group audit purposes 2019
- Residual components

4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything 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 a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 90 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. 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

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability statement (page 59) that they have carried out a robust assessment of the 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 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.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

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 report to you if:

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

We are required to report to you if the Corporate governance statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

6. 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 93, 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 other irregularities (see below), 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, other irregularities 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**.

Irregularities – ability to detect

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, through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation 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 and certain aspects of company legislation recognising the regulated nature of part of the Group's activities. 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. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

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 (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. 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.

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
25 June 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Revenue	5	**368.9**	355.1
Administrative expenses		**(113.2)**	(112.3)
Share of profit from joint ventures	16	**3.2**	0.9
Operating profit	6	**258.9**	243.7
Finance costs	9	**(7.4)**	(10.2)
Profit on the sale of subsidiary	10	**–**	8.7
Profit before taxation		**251.5**	242.2
Taxation	11	**(46.4)**	(44.5)
Profit for the year attributable to equity holders of the parent		**205.1**	197.7
Basic earnings per share (pence)	12	**22.19**	21.00
Diluted earnings per share (pence)	12	**22.08**	20.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Profit for the year		**205.1**	197.7
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.3)**	(0.1)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax	24	**0.6**	0.2
Other comprehensive income for the year, net of tax		**0.3**	0.1
Total comprehensive income for the year attributable to equity holders of the parent		**205.4**	197.8

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	13	**341.9**	317.5
Property, plant and equipment	14	**13.1**	16.7
Deferred taxation assets	23	**6.8**	6.2
Retirement benefit surplus	24	**0.9**	–
Net investments in joint ventures	16	**52.2**	49.0
		414.9	389.4
Current assets			
Trade and other receivables	18	**56.0**	56.1
Current income tax assets		**0.4**	–
Cash and cash equivalents	19	**37.6**	5.9
		94.0	62.0
Total assets		**508.9**	451.4
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	25	**9.2**	9.3
Retained earnings		**1,180.1**	1,095.8
Own shares held	26	**(17.9)**	(16.5)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Capital redemption reserve		**0.8**	0.7
Other reserves		**30.2**	30.5
Total equity		**141.6**	59.0
Liabilities			
Non-current liabilities			
Borrowings	21	**310.5**	310.3
Deferred taxation liabilities	23	**2.9**	0.5
Provisions for other liabilities and charges	22	**1.1**	1.0
Lease liabilities	15	**7.0**	14.3
Deferred income	5	**10.0**	10.6
		331.5	336.7
Current liabilities			
Trade and other payables	20	**33.3**	31.2
Current income tax liabilities		**–**	22.4
Provisions for other liabilities and charges	22	**0.4**	0.3
Lease liabilities	15	**2.1**	1.8
		35.8	55.7
Total liabilities		**367.3**	392.4
Total equity and liabilities		**508.9**	451.4

The financial statements were approved by the Board of Directors on 25 June 2020 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 2020

	Note	Share capital £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 2018		**9.5**	**1,042.7**	**(16.9)**	**(1,060.8)**	**0.5**	**30.6**	**5.6**
Profit for the year		–	197.7	–	–	–	–	197.7
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	(0.1)	(0.1)
Remeasurements of post-employment benefit obligations		–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	197.9	–	–	–	(0.1)	197.8
Transactions with owners								
Employee share schemes – value of employee services		–	4.7	–	–	–	–	4.7
Exercise of employee share schemes		–	(3.7)	5.6	–	–	–	1.9
Transfer of shares from ESOT		–	(0.6)	0.6	–	–	–	–
Tax impact of employee share schemes		–	0.6	–	–	–	–	0.6
Cancellation of shares		(0.2)	(88.2)	–	–	0.2	–	(88.2)
Acquisition of treasury shares		–	–	(5.8)	–	–	–	(5.8)
Dividends paid		–	(57.6)	–	–	–	–	(57.6)
Total transactions with owners, recognised directly in equity		(0.2)	(144.8)	0.4	–	0.2	–	(144.4)
Balance at 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	24	–	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	29	–	3.4	–	–	–	–	3.4
Exercise of employee share schemes		–	(2.7)	2.8	–	–	–	0.1
Transfer of shares from ESOT	26	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	0.4	–	–	–	–	0.4
Cancellation of shares	25	(0.1)	(57.7)	–	–	0.1	–	(57.7)
Acquisition of treasury shares	26	–	–	(4.3)	–	–	–	(4.3)
Dividends paid	27	–	(64.7)	–	–	–	–	(64.7)
Total transactions with owners, recognised directly in equity		(0.1)	(121.4)	(1.4)	–	0.1	–	(122.8)
Balance at March 2020		**9.2**	**1,180.1**	**(17.9)**	**(1,060.8)**	**0.8**	**30.2**	**141.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated from operations	28	**265.5**	258.5
Income taxes paid		**(69.8)**	(42.2)
Net cash generated from operating activities		**195.7**	216.3
Cash flows from investing activities			
Purchases of intangible assets – financial systems		**(0.2)**	(0.3)
Purchases of intangible assets – other		**–**	(0.3)
Purchases of property, plant and equipment		**(1.3)**	(1.7)
Payment for acquisition of shares in joint ventures	16	**–**	(19.7)
Payment for acquisition of subsidiary, net of cash acquired	30	**(25.3)**	–
Net cash used in investing activities		**(26.8)**	(22.0)
Cash flows from financing activities			
Dividends paid to Company's shareholders	27	**(64.7)**	(57.6)
Repayment of Syndicated Term Loan	21	**–**	(343.0)
Drawdown of Syndicated revolving credit facility	21	**324.5**	447.1
Repayment of Syndicated revolving credit facility	21	**(324.5)**	(134.1)
Repayment of other borrowings	30	**(0.7)**	–
Payment of refinancing fees	21	**(0.5)**	(3.3)
Payment of interest on borrowings	32	**(6.4)**	(6.6)
Payment of lease liabilities	32	**(2.9)**	(3.1)
Purchase of own shares for cancellation	25	**(57.4)**	(87.7)
Purchase of own shares for treasury	26	**(4.3)**	(5.8)
Payment of fees on repurchase of own shares	25	**(0.3)**	(0.5)
Contributions to defined benefit pension scheme	24	**(0.1)**	–
Proceeds from exercise of share-based incentives		**0.1**	1.9
Net cash used in financing activities		**(137.2)**	(192.7)
Net increase in cash and cash equivalents		**31.7**	1.6
Cash and cash equivalents at beginning of year	19	**5.9**	4.3
Cash and cash equivalents at end of year	19	**37.6**	5.9

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 2020 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 2020 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 Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretation Committee ('IFRS IC'), certain interpretations as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS.

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

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.

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

Throughout the year ended 31 March 2020 the Group has continued to generate significant cash and has an overall positive net asset position. The Group had cash balances of £37.6m at 31 March 2020 (2019: £5.9m). During the year £126.4m (2019: £151.1m) of cash was returned to shareholders via dividends and discretionary share buybacks.

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 a termination date of 23 June 2023. The Group has extended the term for £316.5m of the Syndicated RCF to 23 June 2025. At 31 March 2020 the Group had £313.0m of the facility drawn (2019: £313.0m).

Financial projections for the period of 12 months from the date of this report have been impacted by the COVID-19 global pandemic. The Group implemented measures to support customers by allowing vehicles to be advertised for free throughout the period in which Government enforced lockdown restrictions resulted in the temporary closure of retailers.

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 £183.2m on 3 April 2020.

Stress case scenarios have been modelled to make the assessment of viability, 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.

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 customer offers on revenue recognition

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.

Judgement was made in assessing if the communication of the free period for April represents a contract modification under IFRS 15. Management have determined that as our services were free for April, a price change that is deemed to be universally accepted by customers, this does represent a contract modification. The impact of the modification has been considered and revenue recognised in line with IFRS 15.

Home Trader and Private 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.

In March 2020 all Home Trader and Private advert customers with an advert live on 19 March 2020 were notified that their adverts would be extended until the end of April 2020. This represents a modification of the contract under IFRS 15 and this modification has been reflected in the financial statements.

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 from 24 March 2020 would be expected to have an adverse effect on the cash flows of retailers and credit risk is therefore likely to be increased over this period.

Adjustments were made to the expected credit losses on financial assets to reflect this. Further details are set out in note 31. The 'lockdown' event and subsequent closure of dealer forecourts was pre year end, and estimates were made for the impact of this at the balance sheet date. The events post year end, being the extension of the 'lockdown' and subsequent closure of dealer forecourts, provided additional evidence of conditions that already existed at the balance sheet date. These events were deemed to be adjusting post balance sheet events (note 35) and have been reflected in the estimates made.

Carrying values of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated within note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates (note 13).

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 29).

2. Significant accounting policies

Changes in significant accounting policies

New and amended standards adopted by the Group

The following new standards, and amendments to standards, have been adopted by the Group for the first time for the financial year beginning on 1 April 2019:

- IFRIC 23, Uncertainty over income tax treatments was issued in June 2017. IFRIC 23 sets out how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Prepayments Features with Negative Compensations – Amendments to IFRS 9.

The adoption of these standards and 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: Amendments to References to Conceptual Framework in IFRS Standards, Definitions of a Business – Amendments to IFRS 3 and Definition of Material – Amendments to IAS 1 and IAS 8. 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 2019.

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 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.

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 three 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.

(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. Revenue is 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.

(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.

2. Significant accounting policies continued

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.

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 as 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 ECLs were adjusted for the current 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.

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.

2. Significant accounting policies continued

c) Software

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

d) Software and website development costs and financial systems

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

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

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

Property, plant and equipment

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

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

Land, buildings and leasehold improvements:

• 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).

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

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

2. Significant accounting policies continued

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 98% 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 £2.3m (2019: £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 78.0% (2019: 82.0%) 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 31.

The COVID-19 pandemic has caused significant disruption for our customers and resulted in the closure of forecourts. As a result, the proportion of customers paying by direct debit reduced and there is increased uncertainty over the cash flows for our customers. To support our customers through these challenging times, we extended credit terms for their 1 April 2020 invoice. 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 2020, the Group held cash and cash equivalents of £37.6m (2019: £5.9m). 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 2020, £313.0m was drawn under the Syndicated RCF.

To secure liquidity for the Group in a time of significant uncertainty, £37.6m of cash and cash equivalents was held as at 31 March 2020 in response to the COVID-19 crisis.

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 gross proceeds of £185.9m 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 19. Total equity is as shown in the Consolidated balance sheet.

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

	2020 £m	2019 £m
Total net debt	**282.4**	321.0
Total equity	**141.6**	59.0
Total capital	**424.0**	380.0

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 2020, the Group had borrowings of £313.0m (2019: £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, it has been determined that there are three operating segments (2019: one operating segment), being Auto Trader ('AT'), Webzone ('WZ') and KeeResources ('Kee'). A change in the operational reporting structure of the business led to WZ being reported as a separate segment during the period. The Group has restated the corresponding items for prior periods.

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

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the operating segments. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

There is considered to be only one reporting segment, which is the Group, the results of which are shown in the Consolidated income statement. A reconciliation of each segment's Operating profit to the Group Profit before tax is shown below.

	2020					2019			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Segment	**AT**	**WZ**	**Kee**	**Group**	**Total**	AT	WZ	Group	Total
Total segment Revenue	**361.3**	**5.3**	**2.4**	**(0.1)**	**368.9**	349.9	5.2	–	355.1
Total segment Operating profit	**254.7**	**1.7**	**(0.2)**	**2.7**	**258.9**	241.1	1.7	0.9	243.7
Finance costs – net	**–**	**–**	**–**	**(7.4)**	**(7.4)**	–	–	(10.2)	(10.2)
Profit on the sale of subsidiary	**–**	**–**	**–**	**–**	**–**	–	–	8.7	8.7
Profit before tax	**254.7**	**1.7**	**(0.2)**	**(4.7)**	**251.5**	241.1	1.7	(0.6)	242.2

Group adjustments which are borne centrally and are not attributable to any specific operating segment include finance costs on the Group's RCF, share of profit from joint ventures, the elimination of transactions and consolidation adjustments. Consolidation adjustments include the amortisation of intangible assets recognised under IFRS 3 business combinations.

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	2020 £m	2019 £m
UK	**363.6**	349.9
Ireland	**5.3**	5.2
Total revenue	**368.9**	355.1

Trade receivables	2020 £m	2019 £m
UK	**24.3**	24.5
Ireland	**0.7**	0.4
Total net trade receivables	**25.0**	24.9

Non-current assets (excluding deferred tax)	2020 £m	2019 £m
UK	**401.3**	376.6
Ireland	**6.8**	6.6
Total non-current assets (excluding deferred tax)	**408.1**	383.2

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	2020 £m	2019 £m
Retailer	**312.1**	293.0
Home Trader	**8.3**	10.2
Other	**3.9**	1.4
Trade	**324.3**	304.6
Consumer Services	**28.3**	28.0
Manufacturer and Agency	**16.3**	22.5
Total revenue	**368.9**	355.1

Contract balances

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

	2020 £m	2019 £m
Receivables, which are included in trade and other receivables	**28.4**	27.0
Accrued income	**28.1**	28.0
Deferred income	**(13.7)**	(13.2)

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. £3.7m (2019: £2.6m) of the deferred income balance is classified as a current liability within trade and other payables (note 20). Included within deferred income is £10.6m (2019: £11.2m) 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 16). Revenue relating to this service is recognised on a straight-line basis over a period of 20 years; given this time period the liability has been split between current and non-current liabilities.

6. Operating profit

Operating profit is after charging the following:

	Note	2020 £m	2019 £m
Staff costs	7	**(55.3)**	(56.0)
Contractor costs		**(0.5)**	(0.4)
Depreciation of property, plant and equipment	14	**(3.9)**	(4.9)
Amortisation of intangible assets	13	**(2.6)**	(4.0)
Profit on sale of property, plant and equipment		**0.3**	0.1

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:

	2020 £m	2019 £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 £36,000 (2019: £34,396). Fees payable for other non-audit services in the year were nil (2019: £3,000).

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:

	2020 Number	2019 Number
Customer operations	**398**	370
Product and technology	**323**	317
Corporate	**128**	115
Total	**849**	802

The aggregate payroll costs of these persons were as follows:

	Note	2020 £m	2019 £m
Wages and salaries		**44.5**	43.2
Social security costs		**5.1**	4.7
Defined contribution pension costs	24	**2.1**	2.2
		51.7	50.1
Share-based payments and associated NI (note 29)	29	**3.6**	5.9
Total		**55.3**	56.0

Wages and salaries include £20.7m (2019: £17.3m) 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 77 to 89:

Key Management compensation

During the year to 31 March 2020, Key Management comprised the members of the OLT (who are defined in note 4) and the Non-Executive Directors (2019: OLT and the Non-Executive Directors). The remuneration of all Key Management (including all Directors) was as follows:

	2020 £m	2019 £m
Short-term employee benefits	**4.1**	5.3
Share-based payments	**3.0**	3.5
Pension contributions	**0.1**	0.2
Total	**7.2**	9.0

9. Finance costs

	2020 £m	2019 £m
On bank loans and overdrafts	**6.3**	6.5
Amortisation of debt issue costs	**0.7**	2.8
Interest unwind on lease liabilities	**0.4**	0.9
Total	**7.4**	10.2

Amortisation of debt issue costs incurred on the former Senior Facilities Agreement was accelerated in the prior year resulting in an additional £2.0m recognised in the 2019 Consolidated income statement.

10. Disposal of a subsidiary

In the previous year on 31 December 2018, the Group disposed of a subsidiary undertaking, Auto Trader Auto Stock Limited, as part of the consideration for shares in Dealer Auction (Holdings) Limited.

Auto Trader Auto Stock Limited was a subsidiary incorporated on 3 August 2018 by another Group subsidiary, Auto Trader Limited. The trade and assets of Auto Trader Limited's 'Smart Buying' product line, its retailer-to-retailer marketplace, were transferred to Auto Trader Auto Stock Limited on 1 November 2018.

Revenue generated from the Smart Buying product in the nine-month period to 31 December 2018 was £1.3m. The disposal of the Smart Buying product line does not represent a discontinued operation under IFRS 5 as the product was not either a separate major line of business or geographical area of operations.

A profit on disposal was recognised in the 2019 Consolidated income statement:

	2019 £m
Proceeds from disposals	28.4
Intangible assets – Goodwill	(8.4)
Intangible assets – Licence agreement	(11.3)
Profit on sale of subsidiary	8.7

11. Taxation

	2020 £m	2019 £m
Current taxation		
UK corporation taxation	**47.1**	44.9
Foreign taxation	**0.2**	0.2
Adjustments in respect of prior years	**(0.1)**	(0.1)
Total current taxation	**47.2**	45.0
Deferred taxation		
Origination and reversal of temporary differences	**–**	(0.6)
Effect of rate changes on opening balance	**(0.8)**	–
Adjustments in respect of prior years	**–**	0.1
Total deferred taxation	**(0.8)**	(0.5)
Total taxation charge	**46.4**	44.5

The taxation charge for the year is lower than (2019: lower than) the effective rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	**251.5**	242.2
Tax on profit on ordinary activities at the standard UK corporation tax rate of 19% (2019: 19%)	**47.8**	46.0
Expenses not deductible for taxation purposes	**0.2**	0.3
Income not taxable	**(0.6)**	(1.7)
Adjustments in respect of foreign tax rates	**(0.1)**	(0.1)
Effect of rate changed on deferred tax	**(0.8)**	–
Adjustments in respect of prior years	**(0.1)**	–
Total taxation charge	**46.4**	44.5

Taxation on items taken directly to equity was a credit of £0.4m (2019: £0.6m) relating to tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2019: 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. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

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 2020 (2019: 17%).

12. Earnings per share

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held 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 2020			
Basic EPS	**924,499,320**	**205.1**	**22.19**
Diluted EPS	**929,247,835**	**205.1**	**22.08**
Year ended 31 March 2019			
Basic EPS	941,506,424	197.7	21.00
Diluted EPS	944,254,998	197.7	20.94

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 2020	Weighted average number of shares
Issued ordinary shares at 31 March 2019	**933,197,563**
Weighted effect of ordinary shares purchased for cancellation	**(3,974,149)**
Weighted effect of ordinary shares held in treasury	**(4,184,444)**
Weighted effect of shares held by the ESOT	**(539,650)**
Weighted average number of shares for basic EPS	**924,499,320**
Dilutive impact of share options outstanding	**4,748,515**
Weighted average number of shares for diluted EPS	**929,247,835**

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.

13. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Database £m	Other £m	Total £m
Cost						
At 31 March 2018	442.8	55.3	12.6	–	17.1	**527.8**
Additions	–	0.3	0.3	–	–	**0.6**
Disposals	(12.4)	(42.4)	–	–	(1.3)	**(56.1)**
Exchange differences	(0.1)	–	–	–	–	**(0.1)**
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**
Accumulated amortisation and impairments						
At 31 March 2018	120.8	54.4	8.9	–	13.9	**198.0**
Amortisation charge	–	0.6	2.4	–	1.0	**4.0**
Disposals	(3.9)	(42.2)	–	–	(1.3)	**(47.4)**
Exchange differences	0.1	–	–	–	–	**0.1**
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**
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**
Net book value at 31 March 2018	**322.0**	**0.9**	**3.7**	**–**	**3.2**	**329.8**

13. Intangible assets continued

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 (three to 15 years). The longest estimated useful life remaining at 31 March 2020 is 15 years (31 March 2019: five years).

For the year to 31 March 2020, the amortisation charge of £2.6m (2019: £4.0m) has been charged to administrative expenses in the income statement. At 31 March 2020, £0.1m (2019: £0.1m) of software and website development costs represented assets under construction. Amortisation of these assets will commence when they are brought into use.

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.

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. The goodwill allocated to each CGU is as follows: Digital £307.6m, Webzone £6.0m and KeeResources £13.9m. The recoverable amount of the CGU is determined from value-in-use calculations that use cash flow projections from the latest three-year plan. The carrying value of CGUs is the sum of goodwill, property, plant and equipment (including lease assets), intangibles and lease liabilities, as follows:

	2020 £m	2019 £m
Digital	**311.9**	327.6
Webzone	**5.8**	6.6
KeeResources	**28.3**	–
Total	**346.0**	334.2

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 each CGU and take into account the markets in which they operate. 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, with adjustments made to reflect a period of low revenue due to COVID-19. Cash flows beyond the budgeted period of five years are extrapolated using the estimated growth rate stated into perpetuity; a rate of 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.

Digital and Webzone

The pre-tax discount rate used within the Digital and Webzone recoverable amount calculations was 9.4% (2019: 8.5%) 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 same discount rate has been applied to both the Digital and Webzone CGUs as the principal risks and uncertainties associated with the Group, as highlighted on pages 54 to 57, would also impact each CGU in a similar manner. The Board acknowledges that there are additional factors that could impact the risk profile of each CGU, which have been considered by way of sensitivity analysis performed as part of the annual impairment tests.

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

	2020	2019
Annual growth rate (after plan period)	**3.0%**	3.0%
Risk free rate of return	**1.3%**	3.0%
Market risk premium	**6.2%**	5.0%
Beta factor	**1.08**	0.83
Cost of debt	**2.3%**	3.3%

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 and Webzone CGUs.

Having completed the 2020 impairment review, no impairment has been recognised in relation to the CGUs (2019: no impairment).

KeeResources
A pre-tax discount rate of 12.0% has been applied to the Kee CGU, based upon the weighted average cost of capital reflecting specific principal risks and uncertainties to KeeResources. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor and comparator companies which are used in deriving the cost of equity.

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

	2020
Annual growth rate (after plan period)	**3.0%**
Risk free rate of return	**0.9%**
Market risk premium	**8.3%**
Beta factor	**1.10**

Forecast cash flows assume good levels of organic growth in the medium term primarily through increased data subscription revenue, and are adjusted in the short term to reflect the reduced revenues as a result of COVID-19.

Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The amounts by which these two assumptions would need to change to individually and collectively for the estimated recoverable amount to be equal to the carrying amount are set out below:

- Increasing the pre-tax discount rate to 13.5%.
- Decreasing the annual growth rate after the plan period to 1.4%.
- Increasing the pre-tax discount rate to 12.9% and decreasing the annual growth rate after the plan period to 2.0%.

Having completed the 2020 impairment review, no impairment has been recognised in relation to the KeeResources CGU.

14. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2018	18.3	16.8	1.1	**36.2**
Additions	0.8	0.9	0.2	**1.9**
Disposals	(1.3)	(3.7)	(0.1)	**(5.1)**
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**
Accumulated depreciation				
At 31 March 2018	3.1	12.9	0.5	**16.5**
Charge for the year	2.5	1.9	0.5	**4.9**
Disposals	(1.3)	(3.7)	(0.1)	**(5.1)**
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**
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**
Net book value at 31 March 2018	**15.2**	**3.9**	**0.6**	**19.7**

Included within property, plant and equipment are £6.8m (2019: £11.9m) of assets recognised as leases under IFRS 16. Further details of these leases are disclosed in note 15. The depreciation expense of £3.9m for the year to 31 March 2020 (2019: £4.9m) has been recorded in administrative expenses.

During the year, £0.4m (2019: £5.1m) worth of property, plant and equipment with £nil net book values were disposed of.

15. 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.

	2020 £m	2019 £m
Net book value property, plant and equipment owned	**6.3**	4.8
Net book value right of use assets	**6.8**	11.9
	13.1	16.7

Net book value of right of use assets	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Balance at 1 April 2018	13.0	0.1	0.6	13.7
Additions	–	–	0.2	0.2
Depreciation charge	(1.5)	–	(0.5)	(2.0)
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)
At 31 March 2020	**6.5**	**0.1**	**0.2**	**6.8**

Lease liabilities in the balance sheet at 31 March	2020 £m	2019 £m
Current	**2.1**	1.8
Non-current	**7.0**	14.3
Total	**9.1**	16.1

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 31.

During the 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.

The Group renegotiated the London office lease agreement for the remaining office space. The change to the agreement represents 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.

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 represent 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	2020 £m	2019 £m
Depreciation charge of right-of-use assets	**1.7**	2.0
Interest on lease liabilities	**0.4**	0.9
Gain on disposal of right-of-use assets	**0.2**	–
Total amounts charged in the income statement	**2.3**	2.9

Cash outflow	2020 £m	2019 £m
Total cash outflow for leases	**2.9**	3.1

16. Net investments in joint ventures

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

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited).

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 investment in joint ventures £m	Group's share of net assets £m	Net investments in joint ventures £m
Carrying value			
As at 1 April 2018	–	–	–
Investment in joint venture	48.1	–	48.1
Share of result for the year taken to the income statement	–	0.9	0.9
As at 31 March 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**

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

	2020 £m	2019 £m
Non-current assets	**98.4**	98.9
Current assets		
Cash and cash equivalents	**9.7**	0.2
Other current assets	**1.2**	6.9
Total assets	**109.3**	106.0
Liabilities		
Current liabilities	**2.3**	5.5
Total liabilities	**2.3**	5.5
Net assets	**107.0**	100.5

	2020 £m	2019 £m
Revenues	**13.0**	3.5
Profit for the year	**6.4**	1.8
Total comprehensive income	**6.4**	1.8

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.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest, is given in note 34.

17. Other investments

Shares in other undertakings

	£m
Investment in IAUTOS Company Limited	
At 31 March 2020 and 31 March 2019	–

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 strategic 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.

18. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**28.4**	27.0
Less: provision for impairment of trade receivables	**(3.4)**	(2.1)
Net trade receivables	**25.0**	24.9
Net accrued income	**27.1**	28.0
Prepayments	**3.8**	2.9
Other receivables	**0.1**	0.3
Total	**56.0**	56.1

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 £1.0m (2019: nil).

Exposure credit risk and expected credit losses relating to trade and other receivables are disclosed in note 31.

19. Cash and cash equivalents

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

	2020 £m	2019 £m
Sterling	**36.9**	5.8
Euro	**0.7**	0.1
Cash at bank and in hand	**37.6**	5.9

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% (2019: 0.3%).

20. Trade and other payables

	2020 £m	2019 £m
Trade payables	**4.7**	4.3
Accruals	**7.4**	10.5
Other taxes and social security	**16.6**	13.0
Deferred income	**3.7**	2.6
Other payables	**0.5**	0.3
Accrued interest payable	**0.4**	0.5
Total	**33.3**	31.2

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.

21. Borrowings

Non-current	2020 £m	2019 £m
Syndicated RCF gross of unamortised debt issue costs	**313.0**	313.0
Unamortised debt issue costs on Syndicated RCF	**(2.5)**	(2.7)
Total	**310.5**	310.3

The Syndicated RCF is repayable as follows:

	2020 £m	2019 £m
Two to five years	**313.0**	313.0
Total	**313.0**	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 one year, incurring additional associated debt transaction costs of £0.5m. The Syndicated RCF will now terminate in two tranches:
• £316.5m will mature in June 2025; and
• £83.5m will mature at the original termination date of June 2023.

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:

	2020 £m	2019 £m
One month or less	**313.0**	313.0
Total	**313.0**	313.0

22. Provisions for other liabilities and charges

	Dilapidations provision £m	Holiday pay provision £m	Total £m
At 31 March 2019	1.0	0.3	1.3
Charged to the income statement	–	0.4	0.4
Recognised under IFRS 16	0.1	–	0.1
Utilised in the year	–	(0.3)	(0.3)
At 31 March 2020	**1.1**	**0.4**	**1.5**

	2020 £m	2019 £m
Current	**0.4**	0.3
Non-current	**1.1**	1.0
Total	**1.5**	1.3

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 2021.

23. Deferred taxation

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

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2018	1.2	3.9	0.2	**5.3**
Credited to the income statement	0.7	(0.2)	0.1	**0.6**
Credited directly to equity	0.3	–	–	**0.3**
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**

Deferred taxation liabilities	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2018	–	–	0.7	**0.7**
Credited to the income statement	–	–	(0.2)	**(0.2)**
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**

The Group has estimated that £0.8m (2019: £1.1m) 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 £2.1m have been recognised in relation to the acquisition of KeeResources for the value of intangible assets recognised under IFRS 3 business combinations. See note 30 for further details.

24. 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 2020 the pension contributions to the Group's defined contribution schemes amounted to £2.1m (2019: £2.2m). At 31 March 2020, there were £0.3m (31 March 2019: £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 2020, approximately 55% of the defined benefit obligation ('DBO') is attributable to former employees who have yet to reach retirement (2019: 60%) and 45% to current pensioners (2019: 40%). 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 2020 (2019: £70,000) and is committed to further contributions of £140,000 per annum under the current Schedule of Contributions. The next funding valuation is due no later than 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 2020, 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:

	2020 %	2019 %
Discount rate for scheme liabilities	**2.30**	2.45
CPI inflation	**1.95**	2.35
RPI inflation	**2.75**	3.45
Pension increases		
Pre 1988 GMP	**–**	–
Post 1988 GMP	**1.85**	2.10
Pre 2004 non GMP	**5.00**	5.00
Post 2004	**2.75**	3.35

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

24. 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:

	2020		2019	
	Men Years	Women Years	Men Years	Women Years
Member aged 65 (current life expectancy)	**86.9**	**88.9**	86.8	88.9
Member aged 45 (life expectancy at age 65)	**88.6**	**90.7**	88.5	90.7

It is assumed that 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement (2019: 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:

	2020 £m	2019 £m
Past service cost	**–**	0.4
Settlement cost	**0.2**	–
Total amounts charged to the Consolidated income statement	**0.2**	0.4

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.

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.

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

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

	2020 £m	2019 £m
Return on Scheme assets below / (in excess of) that recognised in net interest	**1.5**	(0.9)
Actuarial losses due to changes in assumptions	**(0.1)**	0.3
Actuarial gains due to liability experience	**(0.1)**	(0.5)
Effect of the surplus cap	**(2.2)**	0.9
Deferred tax on surplus	**0.3**	–
Total amounts recognised within Consolidated statement of comprehensive income	**(0.6)**	(0.2)

Amounts recognised in the balance sheet are as follows:

	2020 £m	2019 £m
Present value of funded obligations	**18.8**	20.0
Fair value of plan assets	**(19.7)**	(22.2)
Effect of surplus cap	**–**	2.2
Net (asset) recognised in the Consolidated balance sheet	**(0.9)**	–

During the year, the Trustees of the Scheme sought legal advice which concluded that the Group has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Group has concluded that IFRIC 14 does not apply, and therefore has recognised the accounting surplus of £0.9m and an associated deferred tax liability of £0.3m in the Consolidated balance sheet. The Group has not restated the prior year.

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

	2020 £m	2019 £m
Fair value of Scheme assets at the beginning of the year	**22.2**	21.0
Interest income on Scheme assets	**0.6**	0.5
Remeasurement (losses)/gains on Scheme assets	**(1.5)**	1.0
Contributions by the employer	**0.1**	0.1
Settlements	**(1.2)**	–
Net benefits paid	**(0.5)**	(0.4)
Fair value of Scheme assets at the end of the year	**19.7**	22.2

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

	2020 £m	2019 £m
Fair value of Scheme liabilities at the beginning of the year	**20.0**	19.7
Past service cost	**–**	0.4
Interest expense	**0.5**	0.5
Actuarial (gains) / losses on Scheme liabilities arising from changes in assumptions	**(0.1)**	0.3
Actuarial (gains) on Scheme liabilities arising from experience	**(0.1)**	(0.5)
Settlements	**(1.0)**	–
Net benefits paid	**(0.5)**	(0.4)
Fair value of scheme liabilities at the end of the year	**18.8**	20.0

Movements in post-employment benefit obligations were as follows:

	2020 £m	2019 £m
Opening post-employment benefit obligation	**–**	–
Past service cost	**–**	0.4
Settlement cost	**0.2**	–
Interest	**(0.1)**	–
Contributions by the employer	**(0.1)**	(0.1)
Remeasurement and experience gains	**1.3**	(1.2)
Effect of surplus cap	**(2.2)**	0.9
Closing post-retirement benefit surplus	**(0.9)**	–

Plan assets are comprised as follows:

	2020		2019	
	£m	%	£m	%
Equities	**10.0**	**51.0**	12.2	55.0
Bonds	**7.2**	**37.0**	8.9	40.0
Cash	**1.4**	**7.0**	–	–
Real estate	**1.1**	**5.0**	1.1	5.0
Total	**19.7**	**100.0**	22.2	100.0

All plan assets have a quoted market price.

Sensitivity to key assumptions

The key assumptions are deemed to be the discount rate, inflation rates and life expectancy. The tables below gives 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 2020	–	19.7
Defined benefit obligation at 31 March 2020	0.9	(17.9)
Surplus at 31 March 2020	**0.9**	**1.8**

24. Retirement benefit obligations continued

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

	Change £m	New value £m
Assets of the Scheme at 31 March 2020	–	19.7
Defined benefit obligation at 31 March 2020	(0.3)	(19.1)
(Deficit)/Surplus at 31 March 2020	**(0.3)**	**0.6**

Following a 1 year increase in life expectancy

	Change £m	New value £m
Assets of the Scheme at 31 March 2020	–	19.7
Defined benefit obligation at 31 March 2020	(0.9)	(19.7)
Deficit at 31 March 2020	**(0.9)**	**–**

25. Share capital

	2020		2019	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**933,198**	**9.3**	952,161	9.5
Purchase and cancellation of own shares	**(10,657)**	**(0.1)**	(18,963)	(0.2)
Total	**922,541**	**9.2**	933,198	9.3

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 11,431,823 ordinary shares of £0.01 were purchased in the year (2019: 20,229,881). The average price paid per share was 538.8p (2019: 461.5p), with a total consideration paid (inclusive of all costs) of £62.0m (2019: £94.0m). 774,734 shares were purchased to be held in treasury (2019: 1,266,000 shares), with 10,657,089 being cancelled. Included within shares in issue at 31 March 2020 are 523,955 (2019: 565,555) shares held by the ESOT and 4,090,996 (2019: 3,996,041) shares held in treasury, as detailed in note 26.

26. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.6	–	0.6
Repurchase of own shares for treasury	–	(5.8)	(5.8)
Share-based incentives exercised	–	5.6	5.6
Own shares held as at 31 March 2019	(0.8)	(15.7)	(16.5)
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 – 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 2018	932,761	4,194,989	5,127,750
Transfer of shares from ESOT	(367,206)	–	(367,206)
Repurchase of own shares for treasury	–	1,266,000	1,266,000
Share-based incentives exercised	–	(1,464,948)	(1,464,948)
Own shares held as at 31 March 2019	565,555	3,996,041	4,561,596

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**

27. Dividends

Dividends declared and paid by the Company were as follows:

	2020		2019	
	Pence per share	£m	Pence per share	£m
2018 final dividend paid	**–**	**–**	4.0	37.9
2019 interim dividend paid	**–**	**–**	2.1	19.7
2019 final dividend paid	**4.6**	**42.6**	–	–
2020 interim dividend paid	**2.4**	**22.1**	–	–
	7.0	**64.7**	6.1	57.6

The Directors are not recommending a final dividend for the year ended 31 March 2020. The 2020 interim dividend paid on 24 January 2020 was £22.1m. The 2019 final dividend paid on 24 September 2019 was £42.6m.

The Directors' policy with regard to future dividends is set out in the Strategic report on page 39.

28. Cash generated from operations

	2020 £m	2019 £m
Profit before taxation	**251.5**	242.2
Adjustments for:		
Depreciation	**3.9**	4.9
Amortisation	**2.6**	4.0
Share-based payments charge (excluding associated NI)	**3.4**	4.7
Share of profit from joint ventures	**(3.2)**	(0.9)
(Profit)/loss on sale of property, plant and equipment	**(0.3)**	0.1
Difference between pension charge and cash contributions	**0.2**	0.3
Finance costs	**7.4**	10.2
Profit on disposal of subsidiary	**–**	(8.7)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**1.0**	(1.5)
Trade and other payables	**(0.2)**	2.2
Provisions	**(0.8)**	1.0
Cash generated from operations	**265.5**	258.5

29. 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.

The total charge in the year relating to the four schemes was £3.6m (2019: £5.9m) with a Company charge of £1.1m (2019: £2.3m). 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.

29. Share-based payments continued

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Share Incentive Plan ('SIP')	**–**	–	**–**	–
Sharesave scheme ('SAYE')	**0.4**	0.3	**–**	–
Performance Share Plan ('PSP')	**1.2**	2.1	**0.7**	1.3
Deferred Annual Bonus and Single Incentive Plan	**1.8**	2.3	**0.4**	0.4
Total share-based payment charge	**3.4**	4.7	**1.1**	1.7
NI and apprenticeship levy on applicable schemes	**0.2**	1.2	**–**	0.6
Total charge	**3.6**	5.9	**1.1**	2.3

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

	2020 Number	2019 Number
Outstanding at 1 April	**320,872**	690,791
Dividend shares awarded	**3,641**	4,518
Forfeited	**(2,650)**	(9,275)
Released	**(39,404)**	(365,162)
Outstanding at 31 March	**282,459**	320,872
Vested and outstanding at 31 March	**282,459**	320,872

The weighted average market value per ordinary share for SIP awards released in 2020 was 556.1p (2019: 386.1p). The SIP shares outstanding at 31 March 2020 have fully vested (2019: fully vested). Shares released prior to the vesting date relate to those attributable to good leavers as defined by the scheme rules.

Irish SIP

	2020 Number	2019 Number
Outstanding at 1 April	**5,416**	35,922
Exercised	**(4,062)**	(30,506)
Outstanding at 31 March	**1,354**	5,416
Vested and outstanding at 31 March	**1,354**	5,416

The weighted average market value per ordinary share for Irish SIP options exercised in 2020 was 548.9p (2019: 350.0p). The SIP shares outstanding at 31 March 2020 have fully vested (2019: 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 Operating 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 17 June 2019, the Group awarded 259,885 nil cost options under the PSP scheme. For the 2019 awards, in line with the 2018 awards, the Group's performance is measured by reference to the growth in Operating profit (75% of the award) and growth in Revenue (25% of the award) over the three-year period April 2019 – March 2022 (2018 awards: April 2018 – March 2021).

For other previous awards, the Group's performance had been measured by reference to 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 fair value of the 2018 award was determined using a Black-Scholes pricing model. The PSP awards granted prior to 2018 have been valued using the Monte Carlo model for the TSR element 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

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 2020 was as follows:

	2020 Number	2019 Number
Outstanding at 1 April 2019	**2,978,478**	3,104,563
Options granted in the year	**259,885**	452,695
Dividend shares awarded	**8,570**	9,749
Options forfeited in the year	**(297,678)**	(105,213)
Options exercised in the year	**(568,666)**	(483,316)
Outstanding at 31 March 2020	**2,380,589**	2,978,478
Exercisable at 31 March 2020	**873,575**	721,269

The weighted average market value per ordinary share for PSP options exercised in 2020 was 576.2p (2019: 445.0p). The PSP awards outstanding at 31 March 2020 have a weighted average remaining vesting period of 0.5 years (2019: 0.8 years) and a weighted average contractual life of 7.0 years (2019: 7.6 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.

On 16 June 2019, the Group awarded 95,062 nil cost options under the DABP. 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

29. Share-based payments continued

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

	2020 Number	2019 Number
Outstanding at 1 April 2019	**149,397**	303,880
Options granted in the year	**95,062**	71,552
Dividend shares awarded	**2,261**	3,343
Options exercised in the year	**(80,106)**	(229,378)
Outstanding at 31 March 2020	**166,614**	149,397
Exercisable at 31 March 2020	**–**	–

The weighted average market value per ordinary share for DABP options exercised in 2020 was 549.0p (2019: 438.1p). The DABP awards outstanding at 31 March 2020 have a weighted average remaining vesting period of 0.9 years (2019: 0.8 years) and a weighted average contractual life of 8.9 years (2019: 8.8 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.

Single Incentive Plan Award

The Group operates a Single Incentive Plan Award ('SIPA') for the Operating 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 17 June 2019, the Group awarded 699,024 nil cost options under the SIPA scheme. For the 2019 awards, the Group's performance is measured by reference to Operating profit (75% of the award), live car stock advertised on **autotrader.co.uk** (12.5% of the award) and the number of retailers paying for the new car product as at 31 March 2020 (12.5% of the award), as well as separate individual performance conditions for some OLT members and key employees. The fair value of the 2019 award was determined to be £5.65 per option 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

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:

	2020 Number	2019 Number
Outstanding at 1 April	**923,052**	–
Options granted in the year	**699,024**	974,106
Dividend shares awarded	**4,109**	–
Options exercised in the year	**(254,407)**	–
Options forfeited in the year	**(235,118)**	(51,054)
Outstanding at 31 March	**1,136,660**	923,052
Exercisable at 31 March	**51,680**	–

The weighted average market value per ordinary share for SIPA options exercised in 2020 was 561.0p (2019: no share exercised). The SIPA awards outstanding at 31 March 2020 have a weighted average remaining vesting period of 0.4 years (2019: 0.4 years) and a weighted average contractual life of 4.2 years (2019: 3.7 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

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.

	2020		2019	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,347,698**	**3.05**	1,530,852	2.61
Options granted in the year	**298,237**	**4.32**	699,528	3.49
Options exercised in the year	**(43,526)**	**2.68**	(721,748)	2.64
Options lapsed in the year	**(161,652)**	**3.17**	(160,934)	2.70
Outstanding at 31 March	**1,440,757**	**3.31**	1,347,698	3.05
Exercisable at 31 March	**–**	**–**	34,731	2.64

The weighted average market value per ordinary share for Sharesave options exercised in 2020 was 548.8p (2019: 424.8p). The Sharesave options outstanding at 31 March 2020 have a weighted average remaining vesting period of 1.7 years (2019: 2.3 years) and a weighted average contractual life of 2.2 years (2019: 2.8 years).

30. Business combinations

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, Group 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.

30. Business combinations continued

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 Kee 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.

31. Financial instruments

Financial assets

	Note	2020 £m	2019 £m
Net trade receivables	18	**25.0**	24.9
Net accrued income	18	**27.1**	28.0
Other receivables	18	**0.1**	0.3
Cash and cash equivalents	19	**37.6**	5.9
Total		**89.8**	59.1

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2020 was £89.8m (2019: £59.1m). The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by geographic region was:

	2020 £m	2019 £m
UK	**51.0**	52.0
Ireland	**1.1**	0.9
Total	**52.1**	52.9

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

	2020 £m	2019 £m
Retailers	**45.8**	45.6
Manufacturer and Agency	**2.5**	4.9
Other	**3.8**	2.4
Total	**52.1**	52.9

The Group's most significant customer accounts for £0.9m (2019: £0.5m) of net trade receivables as at 31 March 2020.

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 2020.

	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)**	

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.

31. Financial instruments continued

Comparative information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at 31 March 2019 is set out below:

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	–	28.0	–	No
Current	0.4%	21.5	(0.1)	No
Past due 1–30 days	0.7%	2.9	–	No
Past due 31–60 days	8.5%	0.4	–	No
Past due 61–90 days	43.7%	0.2	(0.1)	No
More than 91 days past due	97.0%	2.0	(1.9)	No
		55.0	**(2.1)**	

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	2020 £m	2019 £m
At 1 April	18	**2.1**	3.4
Charged during the year		**2.4**	0.8
Acquired through business combinations		**0.1**	–
Utilised during the year		**(1.2)**	(2.1)
At 31 March	18	**3.4**	2.1

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

	Note	2020 £m	2019 £m
At 1 April	18	–	–
Charged during the year		1.0	–
At 31 March	18	**1.0**	–

Cash and cash equivalents

Cash balances are held with the Group's principal bankers, NatWest, and are used for working capital purposes. The Directors do not consider deposits at this institution to be at risk.

Financial liabilities

	2020			2019		
	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	**13.0**	**–**	**13.0**	15.6	–	15.6
Borrowings (gross of debt issue costs)	**313.0**	**–**	**313.0**	313.0	–	313.0
Leases	**9.1**	**0.7**	**9.8**	16.1	3.6	19.7
Total	**335.1**	**0.7**	**335.8**	344.7	3.6	348.3

Trade and other payables are as disclosed within note 20, 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 21 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 £6.4m (2019: £6.6m).

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

Liquidity risk

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

As at 31 March 2020	Trade and other payables £m	Borrowings £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**

As at 31 March 2019	Trade and other payables £m	Borrowings £m	Leases £m	Total £m
Due within one year	15.6	–	2.7	18.3
Due within one to two years	–	–	2.7	2.7
Due within two to five years	–	313.0	7.5	320.5
Due after more than five years	–	–	6.8	6.8
Total	15.6	313.0	19.7	348.3

Fair values

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

32. 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 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**

March 2019	At 1 April 2018 £m	Cash flow £m	Non-cash changes £m	At 31 March 2019 £m
Debt due after more than one year	340.8	(30.0)	(0.5)	310.3
Accrued interest	0.5	(6.6)	6.6	0.5
Lease liabilities	18.2	(3.1)	1.0	16.1
Total debt and lease financing	359.5	(39.7)	7.1	326.9
Cash and cash equivalents	(4.3)	(1.6)	–	(5.9)
Net debt	355.2	(41.3)	7.1	321.0

32. Net debt continued

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 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**

	Liabilities		Equity				
	Borrowings and accrued interest	Finance lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2018	**341.3**	**18.2**	**9.5**	**1,042.7**	**(16.9)**	**(1,029.7)**	**365.1**
Changes from financing cash flows							
Dividends paid to Company's shareholders	–	–	–	(57.6)	–	–	(57.6)
Repayment of Syndicated Term Loan	(343.0)	–	–	–	–	–	(343.0)
Drawdown of Syndicated revolving credit facility	447.1	–	–	–	–	–	447.1
Repayment of Syndicated revolving credit facility	(134.1)	–	–	–	–	–	(134.1)
Payment of refinancing fees	(3.3)	–	–	–	–	–	(3.3)
Payment of interest on borrowings	(6.6)	–	–	–	–	–	(6.6)
Payment of lease liabilities	–	(3.1)	–	–	–	–	(3.1)
Purchase of own shares for cancellation	–	–	(0.2)	(87.7)	–	0.2	(87.7)
Purchase of own shares for treasury	–	–	–	–	(5.8)	–	(5.8)
Payment of fees on repurchase of own shares	–	–	–	(0.5)	–	–	(0.5)
Payment of fees on repurchase of own shares	–	–	–	1.9	–	–	1.9
Total changes from financing cash flows	(39.9)	(3.1)	(0.2)	(143.9)	(5.8)	0.2	(192.7)
Other changes – liability related							
Interest expense	9.3	0.9	–	–	–	–	10.2
Other	0.1	–	–	–	–	–	0.1
Total liability related other changes	9.4	0.9	–	–	–	–	10.3
Total equity related other changes	–	–	–	197.0	6.2	(0.1)	203.1
Balance as of 31 March 2019	**310.8**	**16.0**	**9.3**	**1,095.8**	**(16.5)**	**(1,029.6)**	**385.8**

33. Related party transactions

Dealer Auction Limited

The Group transacted the following related party transactions with its joint venture, Dealer Auction Limited (previously Dealer Auction (Holdings) Limited) and its subsidiaries (together 'Dealer Auction'), 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 and has been recognised within revenue. At 31 March 2020, deferred income outstanding in relation to the licence agreement was £10.6m.

The Group provided services to Dealer Auction as per the Transitional Services Agreement entered into on its formation. The Group also seconded an employee from April 2019 to November 2019. The Group did not recharge Dealer Auction for the provision of these services, the total value of which is estimated to be £0.2m.

The Group also provided invoicing and collection services for Dealer Auction's Smart Buying product. 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 £2.3m.

During the period Dealer Auction provided data services to the Group amounting to £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 £1.0m outstanding with Dealer Auction as at 31 March 2020.

Other related party transactions

During the year, the Group transacted with Burns Sheehan Limited, a third party in which a Director holds a shareholding. This company is deemed to be a related party. Costs incurred were in respect of recruitment consultancy services which amounted to £26,250 (2019: £1,250). There were no amounts outstanding at the year end. All transactions were completed on an arm's length basis.

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 24.

34. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2020 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	Non-trading	Ordinary	–	100%
Kwiksystems Limited [1]	England and Wales	Non-trading	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.

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

All subsidiaries have a year end of 31 March.

34. Subsidiaries and joint ventures continued

Joint ventures

At 31 March 2020 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] (previously Dealer Auction (Holdings) Limited)	England and Wales	Online marketplace	Ordinary	–	49%
Dealer Auction (Operations) Limited[1] (previously Dealer Auction Limited)	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.

35. Post balance sheet events

COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections across many countries. The conditions that existed at the balance sheet date were that, a disease was present in a number of countries globally. The novel Coronavirus that had been present in China was spreading rapidly. On 11 March 2020 the World Health Organization declared the virus a global pandemic. On 16 March 2020 the UK Government introduced social distancing measures to safeguard the public alongside a number of fiscal measures that included Government backed loans.

On 23 March 2020 the Government instructed the British public that they must remain at home unless for very limited purposes ('lockdown'). These instructions resulted in retailers closing their forecourts to comply with the new rules with immediate effect. The restrictions came into force on 24 March 2020 and would last indefinitely, with the first review being no earlier than 13 April 2020.

Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

The social distancing measures were extended on 13 April 2020 and 7 May 2020. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. Management have assessed these extensions to the lockdown period as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

Equity placing

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 £183.2m net of fees incurred.

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.

RCF extension

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

COMPANY BALANCE SHEET

AT 31 MARCH 2020

	Note	2020 £m	2019 £m
Fixed assets			
Investments	3	**1,218.3**	1,216.0
		1,218.3	1,216.0
Current assets			
Debtors	4	**368.1**	415.9
Cash and cash equivalents	5	**–**	–
		368.1	415.9
Creditors: amounts falling due within one year	6	**(489.5)**	(411.4)
Net current assets		**(121.4)**	4.5
Net assets		**1,096.9**	1,220.5
Capital and reserves			
Called-up share capital	9	**9.2**	9.3
Own shares held	10	**(17.9)**	(16.5)
Capital redemption reserve		**0.8**	0.7
Retained earnings		**1,104.8**	1,227.0
Total equity		**1,096.9**	1,220.5

The financial statements were approved by the Board of Directors on 25 June 2020 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 2020

	Share capital £m	Own shares held £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at March 2018	9.5	(16.9)	0.5	1,372.3	1,365.4
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	(0.2)	–	0.2	(88.2)	(88.2)
Dividends paid	–	–	–	(57.6)	(57.6)
Share-based payments	–	–	–	4.7	4.7
Exercise of employee share schemes	–	5.6	–	(3.7)	1.9
Transfer of shares from ESOT	–	0.6	–	(0.6)	–
Acquisition of treasury shares	–	(5.8)	–	–	(5.8)
Tax on share-based payments	–	–	–	0.3	0.3
Total transactions with owners recognised directly in equity	(0.2)	0.4	0.2	(145.1)	(144.7)
Balance at 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 March 2020	**9.2**	**(17.9)**	**0.8**	**1,104.8**	**1,096.9**

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 2020. The comparative financial information presented is at and for the year ended 31 March 2019.

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 £0.2m (2019: 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 £60,100 (2019: £58,350). 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 29 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 the carrying value of investments has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of investments have been determined based on value-in-use calculations, which require the use of estimates.

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

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.

1. Accounting policies continued

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 77 to 89.

3. Investments in subsidiaries

	2020 £m	2019 £m
At beginning of the period	**1,216.0**	1,212.9
Additions	**2.3**	3.1
At end of the period	**1,218.3**	1,216.0

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 34 to the consolidated financial statements.

4. Debtors

	2020 £m	2019 £m
Amounts owed by Group undertakings	**366.7**	414.7
Other receivables	**0.1**	–
Deferred tax asset	**1.3**	1.2
Total	**368.1**	415.9

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

5. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**–**	–

6. Creditors: amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to Group undertakings	**488.4**	409.7
Accruals and deferred income	**1.1**	1.7
Total	**489.5**	411.4

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 2020 and the year ended 31 March 2019 may be analysed as follows:

Financial assets	2020 £m	2019 £m
Financial assets measured at amortised cost	**366.8**	414.7

Financial liabilities	2020 £m	2019 £m
Financial liabilities measured at amortised cost	**489.5**	411.4

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:

	2020		2019	
	Pence per share	£m	Pence per share	£m
2018 final dividend paid	–	–	4.0	37.9
2019 interim dividend paid	–	–	2.1	19.7
2019 final dividend paid	**4.6**	**42.6**	–	–
2020 interim dividend paid	**2.4**	**22.1**	–	–
	7.0	**64.7**	6.1	57.6

The Directors are recommending no final dividend for the year ended 31 March 2020.

The 2020 interim dividend paid on 24 January 2020 was £22.1m. The 2019 final dividend paid on 24 September 2019 was £42.6m.

The Directors' policy with regard to future dividends is set out in the Strategic report on page 39.

9. Called-up share capital

	2020		2019	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**933,198**	**9.3**	952,161	9.5
Purchase and cancellation of own shares	**(10,657)**	**(0.1)**	(18,963)	(0.2)
Total	**922,541**	**9.2**	933,198	9.3

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 11,431,823 ordinary shares of £0.01 were purchased in the year (2019: 20,229,881). The average price paid per share was 538.8p (2019: 461.5p), with a total consideration paid (inclusive of all costs) of £62.0m (2019: £94.0m). 774,734 shares were purchased to be held in treasury (2019: 1,266,000), with 10,657,089 being cancelled (2019: 18,963,811).

Included within shares in issue at 31 March 2020 are 523,955 (2019: 565,555) shares held by the ESOT and 4,090,996 (2019: 3,996,041) shares held in treasury, as detailed in note 10.

10. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.6	–	0.6
Repurchase of own shares for treasury	–	(5.8)	(5.8)
Share-based incentives	–	5.6	5.6
Own shares held as at 31 March 2019	(0.8)	(15.7)	(16.5)
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 – 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 2018	932,761	4,194,989	5,127,750
Transfer of shares from ESOT	(367,206)	–	(367,206)
Repurchase of own shares for treasury	–	1,266,000	1,266,000
Share-based incentives exercised in the year	–	(1,464,948)	(1,464,948)
Own shares held as at 31 March 2019	565,555	3,996,041	4,561,596
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**

11. Related parties

During the year, a management charge of £3.3m (2019: £4.6m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £366.7m and £488.4m respectively for debtors and creditors (2019: £414.7m and £409.7m) as set out in notes 4 and 6.

12. Post balance sheet event

COVID-19

The impact and timeline of COVID-19 has been set out within note 35 to the consolidated financial statements. Based on information provided there have been no changes in the judgements made by management for the Company and no adjustments have been made.

Equity placing

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 £183.2m net of fees incurred.

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.

RCF extension

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

UNAUDITED FIVE-YEAR RECORD

	2020 £m	2019 £m	2018 £m	2017[1] £m	2016[1] £m
Trade	**324.3**	304.6	281.2	262.1	236.4
Consumer Services	**28.3**	28.0	29.8	31.8	30.3
Manufacturer and Agency	**16.3**	22.5	19.1	17.5	14.9
Revenue	**368.9**	355.1	330.1	311.4	281.6
Costs	**(113.2)**	(112.3)	(108.8)	(108.3)	(112.0)
Share of profit from joint ventures	**3.2**	0.9	–	–	–
Operating profit	**258.9**	243.7	221.3	203.1	169.6
Net interest expense	**(7.4)**	(10.2)	(10.6)	(9.7)	(14.6)
Profit on disposal of subsidiary	**–**	8.7	–	–	–
Profit before taxation	**251.5**	242.2	210.7	193.4	155.0
Taxation	**(46.4)**	(44.5)	(39.6)	(38.7)	(28.3)
Profit after taxation	**205.1**	197.7	171.1	154.7	126.7
Net assets/(liabilities)	**141.6**	59.0	5.6	(21.4)	(51.5)
Net bank debt (gross bank debt less cash)	**275.4**	307.1	338.7	355.0	392.6
Cash generated from operations	**265.5**	258.5	228.4	212.9	180.1
Basic EPS (pence)	**22.2**	21.0	17.7	15.6	12.7
Diluted EPS (pence)	**22.1**	20.9	17.7	15.6	12.7
Dividend per share (pence)	**2.4**	6.7	5.9	5.2	1.5

1. 2017 and 2016 financial years have not been restated for IFRS 16.

SHAREHOLDER INFORMATION

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Financial calendar 2020–2021

Annual General Meeting	16 September 2020
2021 Half-year results	5 November 2020
2021 Full-year results	10 June 2021

Shareholder enquiries
Our registrars will be pleased to deal with any questions regarding your shareholdings (see contact details in the opposite column). Alternatively, if you have internet access, you can access **www.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.

NOTES

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