AutoTrader

Driving change together. Responsibly.

AUTO TRADER GROUP PLC
Annual Report and Financial Statements 2021

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Our marketplace sits at the heart of the vehicle buying process, with the largest number of car buyers having access to the largest choice of trusted stock.

Auto Trader exists to grow both its car buying audience and core advertising business. It will change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online. We aim to build stronger partnerships with our customers, use our voice and influence to drive more environmentally friendly vehicle choices and create an inclusive and more diverse culture.

Making key decisions to strengthen our business

The past year has perhaps been the greatest challenge ever faced by our Company and our industry. As a result of early and decisive action that we took to protect our people and support our customers; our business, culture and customer relationships are in a strong position.

Looking ahead, we believe these actions have strengthened our foundations and positioned us well to enable car buying to shift online, which has been accelerated by the COVID-19 pandemic.

Chief Executive Officer's statement P8

How we engage with our stakeholders P20

plc.autotrader.co.uk Auto Trader Insight @ATInsight

Providing
more for our consumers

Investing more in our digital platforms

Having adapted our marketplace to help consumers shop safely for their next vehicle, we're now accelerating our focus on allowing consumers to do more of the car buying journey online when searching our extensive choice of trusted stock.

Supporting
our customers' businesses

Periodically offering free advertising for retailers

We provided considerable support during the COVID-19 crisis through free advertising to our retailer customers in April, May, December and February and at a discounted rate in June.

Protecting
the wellbeing of our people

Putting the mental and physical wellbeing of our people first

The health and wellbeing of our employees and their families is always front of mind, which is why we offered increased support throughout this difficult time.

Accelerating the digital car buying experience

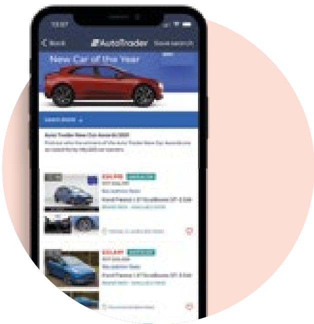
The pandemic has led to an acceleration in online buying behaviours across all industries, and automotive is no exception. We aim to change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online.

Strategic highlights

Pricing event

We successfully executed our annual pricing event in April 2020 which gave retailers access to additional products, including a new Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool.

91%
increase in retail checks performed during 2021



Package prominence

We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021 (March 2020: 23%). Following the year end, we have evolved our packages to allow further upsell.

26%
advanced and premium stock package penetration in March 2021

Our strategy P28

New car growth

We continue to grow our network effect model on new cars, closing the year with over 2,000 retailers paying for our new car product. On average there were over 47,000 physical new cars advertised on our platform during the year, attracting on average 1.4m unique visitors each month.

↑100%
increase in retailers paying for the new car product

2,000
retailers paying for the new car product in March **2021**

1,000
retailers paying for the new car product in March **2020**

Guaranteed Part-Exchange

We launched our Guaranteed Part-Exchange ('GPX') and Instant Offer products. GPX enables the consumer to get a guaranteed price for their part-exchange, while Instant Offer enables private sellers to sell their car at a guaranteed price.

c.1,000

retailers trialling our Guaranteed Part-Exchange product at year end

AutoConvert acquisition

We acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management; which will help us deliver future finance products on Auto Trader.

AutoConvert

>60

lenders integrated into AutoConvert

Financial

Revenue
£m

2021	**£262.8m**
2020	£368.9m
2019	£355.1m

Operating profit
£m

2021	**£161.2m**
2020	£258.9m
2019	£243.7m

Operating profit margin
%

2021	**61%**
2020	70%
2019	69%

Basic EPS
Pence per share

2021	**13.24p**
2020	22.19p
2019	21.00p

Financial KPIs P32

Operational

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

2021	**58.3m**
2020	50.8m
2019	49.1m

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

2021	**561.1m**
2020	492.5m
2019	485.0m

Live car stock
Average number per month

2021	**485,000**
2020	478,000
2019	461,000

Number of retailer forecourts
Average number per month

2021	**13,336**
2020	13,345
2019	13,240

Operational KPIs P34

Cultural

Employee engagement
% of employees who are proud to work at Auto Trader

2021	**93%**
2020	89%
2019	92%

Women as a % of total staff
As at March each year

2021	**39%**
2020	39%
2019	39%

BAME representation as a % of total staff
As at March each year

2021	**11%**
2020	10%
2019	8%

Total CO_2 emissions[1]
Tonnes of carbon dioxide equivalent

2021	**6,673**
2020	10,094

Cultural KPIs P36

1. The total amount of CO_2 emissions includes Scope 1, 2 and 3. 2021 and 2020 totals include emissions from additional relevant Scope 3 categories. The 2019 total includes limited Scope 3 emissions and has therefore been excluded from the above comparative.

What sets us apart as an investment opportunity?

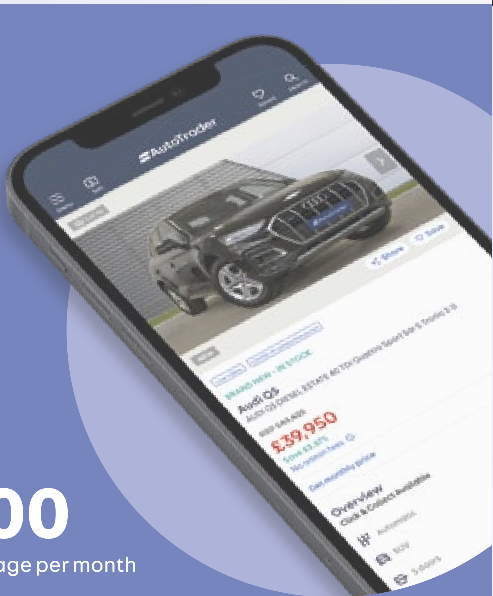
Read more about our investment proposition
plc.autotrader.co.uk/why-invest-in-us

1
Largest volume of in-market car buyers

Auto Trader has over 90% prompted brand awareness with consumers and attracts over 58 million cross platform visits each month. The audience is not only large but highly engaged, with an average of 561m minutes spent on Auto Trader each month and, when measured against competitors, we hold more than 75% share of minutes spent across all automotive classified sites. This scale, combined with our user experience, means we are the most effective sales platform for anyone wanting to sell a vehicle in the UK.

Market overview P12

58m
cross platform visits each month



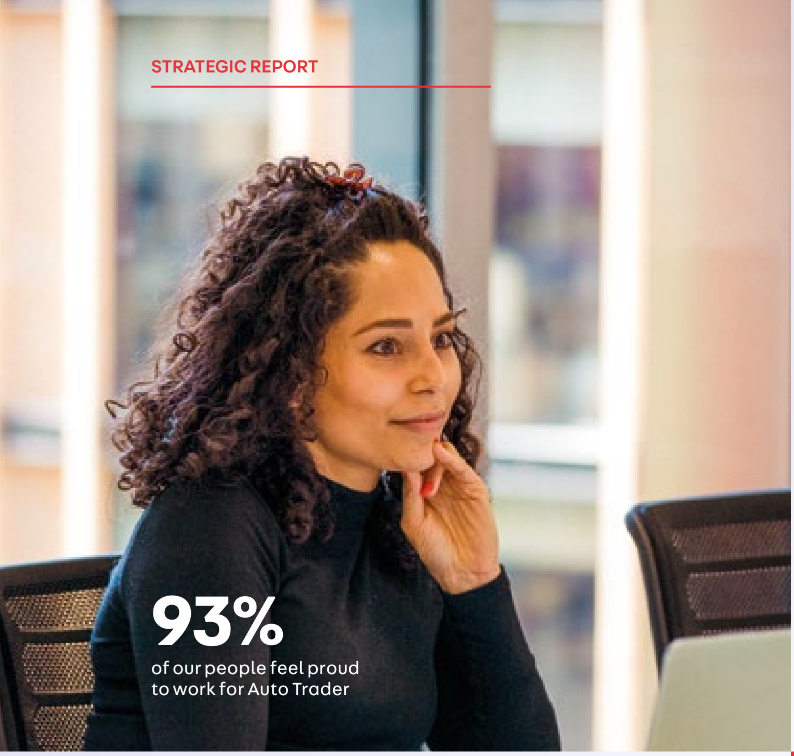
485,000
live car stock on average per month

2
The largest and most trusted automotive marketplace

Our marketplace hosts the largest number of vehicle sellers (listing 485,000 cars each day on average in the year) through our partnership with more than 13,300 retailers. Our marketplace provides our audience with an unrivalled choice of both new and used cars to meet all consumers' needs. Auto Trader is the most trusted automotive classified brand in the UK.

13,336
retailer forecourts

How we create value P18



93%
of our people feel proud to work for Auto Trader

3
Our people bring our values-led culture to life

We have built a digital culture that is values-led, customer-centric and data-driven, underpinned by a diverse and inclusive team. 93% of our people feel proud to work for Auto Trader and 92% say they would recommend us as a great place to work. 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.

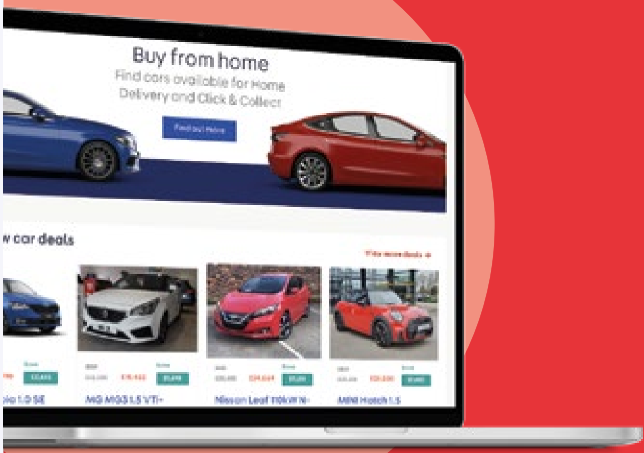
Make a difference P46

4
Product innovation is digitalising the car buying process

The large volume of data, and the insight derived from it, powers everything that we do, from new product launches, through iterative feature changes, to enhancements of our search experience. We invest in our products to provide the best possible digital journey for the consumer and are building the component parts to allow more of the car buying process to be completed online.

Operational review P38

41,400
software releases deployed in 2021



£152.9m
cash generated from operations in 2021

5
Financially robust and strong cash generation

The highly cash generative nature of the business allows us to invest in long-term growth drivers and in more normal times to return cash to shareholders. Following an equity raise in April 2020 we have a robust balance sheet and are now in a net cash position.

Financial review P42

> I hope and believe Auto Trader has looked after its shareholders, not at the expense of stakeholders, but precisely by focusing on doing the right thing for all stakeholders.

Ed Williams
Chairman

We have responded to the pandemic and are well positioned for the future

Overview
In this year's annual statement, I wanted to pose and attempt to answer two questions:
1. How has Auto Trader responded to the COVID-19 pandemic?
2. Is it possible that, following our biggest ever decline in revenues and profits, Auto Trader might be stronger than ever?

In doing so I may neglect other topics which, under normal circumstances, I might have focused on. In particular there is much I could have said regarding our focus on ESG matters, covered in detail elsewhere in this Annual Report.

COVID-19 and our stakeholders
On 1 April 2020, Auto Trader made use of the powers explicitly granted to the Board through our annual shareholder resolutions to issue new equity up to 5% of the total issued share capital of the Company. We raised £182.9m net of all fees. I thank our shareholders who supported this equity raise.

We used the proceeds of the equity raise to pay down the majority of our outstanding debt. Thereby we eliminated for all practical purposes the possibility of breaching our banking covenants. We suspended our dividend to conserve cash, as well as our share buyback programme, but also to protect our shareholders from the perception of their benefiting at a time when other stakeholders were suffering.

We provided our advertising services to all retailer customers for free in April, May, December and February and at a discount in June. We also extended payment terms in relation to invoices falling due during certain periods of lockdown. To the best of our knowledge this level of support from a market leading portal to its customers during the COVID-19 crisis is unprecedented anywhere in the world. Our ability to do this was made significantly easier as a result of removing the risk of breaching our banking covenants.

At the start of the crisis we furloughed around 25% of our employees, as retailers essentially closed their businesses. Towards the end of May and as soon as it seemed likely that the business could survive even the worst scenarios, all of our people placed on furlough returned to work and in September we voluntarily repaid all amounts to the Government claimed under the furlough scheme.

These have been challenging times for all our employees and continue to be so. None of our employees have to my knowledge suffered serious medical problems as a result of COVID-19, nor been infected with COVID-19 through work. But inevitably, given the number of deaths and the knock-on consequences to other healthcare, to mental health and to the restrictions imposed on us and our families, these have been challenging times. I would like to thank all our employees.

I hope our employees feel that the decision not to charge our customers helped make their working life a bit easier. I know the many messages of thanks from our customers have been greatly appreciated. I also hope that the financial strength of our business has given comfort about job security when so many have lost theirs or worry about the prospect.

Another stakeholder in our business is our Government. Our business benefits from so many things provided by the state and which we sometimes barely acknowledge. Education, healthcare, transportation and the rule of law, that allows increasingly sophisticated and "virtual" business to flourish. All things that benefit Auto Trader. We appreciate the support offered. We felt it essential to return the furlough money in full at the very earliest prudent time as well as paying our taxes when they would normally fall due rather than take advantage of further deferrals.

Auto Trader's rate of taxation is directly in line with the corporation tax rate of 19%. It is a source of pride to us that we make this contribution to our society; not a source of embarrassment that our approach to tax is less sophisticated than those of many companies. Like every company, we have many other stakeholders. I hope they all feel fairly treated and respected by Auto Trader.

It is our intention to reinstate our dividend with our next dividend payable in September 2021. The money we raised from shareholders in April 2020, together with remaining cash generated during the last year, allows us to move forward free of debt.

Coming full circle, I hope and believe Auto Trader has looked after its shareholders, not at the expense of stakeholders, but precisely by focusing on doing the right thing for all stakeholders.

Auto Trader stronger than ever

Auto Trader is the place where the most prospective car buyers come to view the largest selection of vehicles for sale from the largest number and widest range of sellers.

We have ended the year with more car retailers advertising with Auto Trader than prior to the pandemic. Our audience of prospective car buyers is at a record level. At times, as we moved out of the lockdowns, we experienced audience levels and activity on the site which far exceeded anything in our history. I believe that the bold decision to offer our advertising services for free to our retailer customers has been instrumental in retaining them, in making it attractive to them to advertise as many vehicles as possible and therefore for us to deliver the widest choice to consumers.

Many of our competitors responded to our lead by reducing their charges, but none did so both as completely as we did and in advance of our public statements. As competitors reduced marketing spend, our audience share grew more rapidly than ever before, reflecting the underlying loyalty to Auto Trader amongst the British public.

The pandemic has clearly benefited many online businesses, especially in the retail and entertainment sectors. As an advertising platform for our customers, with many of our customers closed for business for long periods of time, it would be wrong to assume that the pandemic has in any sense directly "been good for business". It is clear though, to our customers, just how important the internet now is to them generally and specifically the important role Auto Trader plays.

For a number of years Auto Trader has believed we would see a gradual migration online of more and more aspects of car buying, not just the activity of finding the next car. Our strategy had been to build and to acquire, through modest acquisitions of businesses with capabilities we wanted, a series of building blocks. These building blocks aim to be, virtually from the start, profitable additions to the Auto Trader business. But the end point of our journey used to seem like it might be many years off. In part this was because consumer behaviour usually takes time to change, but more because some in the automotive industry have been relatively slow to embrace change.

The last year has altered things, forever. During the pandemic, we have redeployed our resources to accelerate our plans for moving the car buying process online. This has included the launch of our "click and collect/home delivery" search function allowing our retailer customers to trade even during the second and third lockdowns when their "non-essential retail" premises have been closed. We have launched our Guaranteed Part-Exchange product and made a number of advances in the complex and regulated environment for car finance. We have more in the pipeline.

Our strategic direction is unchanged. Our approach has changed from "building blocks" to the early provision of an integrated solution for our customers who want to come on this journey. Our pace of execution has accelerated.

In a year in which we have delivered our worst financial performance ever:

- Our core business of online classified advertising is at the strongest levels in our history across a wide range of metrics.
- We are positioned to pursue changes in how cars are bought and sold. The opportunity arising could exceed the opportunities presented to Auto Trader as a result of the move from print to digital during the early years of this century.

Our people, their talents, energy and commitment have been key to the success of our traditional business. They will be vital to our success in this new world. After around two decades of reductions in the total size of workforce, we are now seeing a modest growth in numbers. I hope that, particularly in this environment, Auto Trader will offer all our increasingly diverse people outstanding opportunities to develop their working lives. And to change the mix between work and personal lives away from the current constraints, forward to new ways of working.

In the meantime I would like to express personal thanks to all our employees over the last year and particularly to note many personal experiences of interacting with individuals and smaller groups at a time when I have not had the normal face-to-face contact.

Concluding remarks

I have focused on stakeholders, but neglected one specific group. That group is the one with the responsibility for looking after and weighing the interests of all stakeholders: our Board, and in particular our Executive Directors.

Nathan Coe became CEO and Jamie Warner CFO on 1 March 2020. The responsibilities of Catherine Faiers, our COO, significantly expanded on that date.

I believe they have been responsible for contributing more to the wellbeing of every single stakeholder group in our business, in their first year, than any executive team in our more than 40-year history. I believe there is a high chance that their time as leaders will mark another reinventing of Auto Trader as we lead the transformation of how cars are bought and sold.

I know they would want me to share that praise far more widely within the business. That includes calling out our Non-Executive Directors, for their speed in recognising the nature of the challenge COVID-19 created, for their strong support for what, on paper, were difficult decisions, for their insights and shared experiences, and for their support, good spirits and enthusiasm even in the bleakest times.

In recent years there has been much talk about companies focusing on all their stakeholders. The language of that debate is frequently framed in terms of considering conflicting priorities and balancing different interests. At no time in the last year has it felt to myself or my colleagues that our decision-making was about resolving conflicts or seeking balance. Our best answer to the question "what should we do?" has been to answer the question "what is best for our stakeholders?".

Ed Williams
Chairman
10 June 2021

Chief Executive Officer's statement

Supporting stakeholders has never been more important

Nathan Coe
Chief Executive Officer

Overview

The past year has been like no other. The coronavirus pandemic ('COVID-19') has had a significant impact on all aspects of our lives and posed unforeseen challenges for all businesses, including our own. The automotive industry has had to face these challenges at a time when underlying pressures already existed, whether due to Brexit, increased regulation or the shift away from internal combustion powered vehicles. The way our customers do business is changing and following COVID-19 is set to change even quicker.

Throughout this year, we have consistently looked to support our stakeholders. Early in the crisis we looked to move quickly and decisively, which we believe has served us well. We have supported our employees and focused on their mental and physical wellbeing; we have adapted our marketplace to help consumers shop safely for their next vehicle; and we have supported the industry with offers and discounts at a time when our customers needed us. We have done all of this while making continued investments in our priority areas of putting more data in the hands of our customers, part-exchange and supporting a move towards selling online.

The support we provided, most notably to our customers, has had a material impact on our results for this financial year. Throughout the crisis we focused on three priorities:

- Protecting our people.
- Protecting our standing with customers.
- Ensuring we exit the crisis quickly and in a stronger position than before the pandemic.

We believe we have delivered on all three of these priorities. As the pandemic passes and restrictions are eased, we are in the best possible position to prosper and we are committed to taking a leadership position to bring the benefits of new technologies to car retailers and the car buying public.

Summary of operating performance

COVID-19 has had a significant impact over the last year. To support our customers through the various periods of national lockdown, we offered four months of free advertising and one month with a 25% discount. This was the primary contributing factor to our revenue decline of 29% to £262.8m which, due to our high operating leverage, resulted in an Operating profit decline of 38% to £161.2m. Despite this we feel confident in our strengthened audience position, our strong volumes of both stock and retailers at year end, and our opportunity to bring more of the car buying journey online.

Our purpose and strategic focus

Our purpose is encapsulated by 'Driving change together. Responsibly'. We aim to be at the forefront of helping the whole automotive industry to change. We will look to help retailers to digitise their businesses, move more of the car buying process online and assist consumers when making more environmentally friendly vehicle choices. We strive to be the best place to find, buy and sell a car in the UK on a platform that enables data-driven digital retailing for our customers. We continue to think about our strategy in terms of three commercial growth horizons: core; adjacent; and future, which sits alongside our make a difference strategy. We have made good progress across all areas through the year.

The COVID-19 pandemic has changed consumers' buying behaviour with more transactions being done remotely away from the retailer's physical showroom. Whilst we believe that the physical showroom will continue to play a role in the car buying process for some time to come, many of the processes that currently take place offline will be digitised, enabling more of the car buying journey to be done online. This is our key strategic focus and alongside continued growth in our core forms the basis of our growth aspirations.

Over the past year, we have developed and launched a Guaranteed Part-Exchange product that provides consumers with a convenient way to dispose of their vehicle, and digitises a core component of the buying journey. We also acquired AutoConvert, a finance, insurance and compliance software platform. The business's core functionality will underpin our future finance product on Auto Trader, which will enable finance agreements to be completed online. Finally, we are developing a way for consumers to reserve a car with a retailer on Auto Trader.

Fundamental to our core growth horizon is our ability to innovate and deliver continuous product development and user improvements for consumers, retailers and manufacturers. We adapted our marketplace to further help retailers advertise their stock during the pandemic. We increased the size of retailer adverts in search listings, added COVID-19 secure flags for retailers who adopted safety measures and provided detail of home delivery and collection options.

In April 2020, we successfully executed our annual pricing event which included an upgraded Performance Dashboard, our entry level pricing tool Retail Check and a new Market Insight tool. These tools give retailers access to up-to-date market intelligence so they can identify key market trends, understand how they impact performance, and inform business decisions. Embedding our data into the industry has long been a focus area, and with the recent acquisition of KeeResources and increased levels of online selling, there remains significant future opportunity.

Following year end, we have evolved our advertising package structure and changed the sort order for listings. Where our packages previously promoted adverts based on the device a consumer was searching on, we have created a consistent cross platform experience with adverts appearing in search based on a relevancy algorithm, which takes package level into account. As part of this change, we have discontinued our Basic package, introduced a higher level and re-branded our top three levels Enhanced, Super and Ultra. Towards the end of the year, we also launched a new product, Market Extension, that allows customers to sell vehicles outside their local area.

This product works for both centrally held vehicles and vehicles on physical forecourts where the retailer is prepared to either deliver to the buyer or move the vehicle to a closer location. Recently we have seen an increase in the average distance car buyers are willing to consider purchasing their next vehicle, making Market Extension a key product for the increasing number of retailers looking to sell online.

Within our adjacent horizon we continue to make progress with our new car advertising product. Network effects are beginning to take hold and we have grown both the number of retailers advertising their new car stock with us and the level of consumer engagement significantly over the past 12 months.

Maintaining our competitive position
Our audience performance has strengthened over the year, as consumers have looked to do more of the car buying journey online whilst forecourts have been closed. After an initial decline in visits through April and May 2020, audience rebounded strongly. Over the financial year the number of visits to our platforms increased by 15% to 58.3m on average per month (2020: 50.8m), and engagement, which we measure by total minutes spent on site, increased by 14% to 561m on average per month (2020: 492m).

ESG
We do not see ESG as a box ticking exercise or something tacked onto the side of our business. It is implicit in our purpose of 'Driving change together. Responsibly'. To oversee these efforts we have established a Corporate Responsibility Board Committee and a collection of KPIs and targets. We are on a path to setting a carbon net zero target for our business and have signed up to the 1.5C Science Based Targets initiative. We think about our environmental commitments in three ways: the impact we can have on consumers to make more environmentally friendly vehicle choices; the impact we can have on the industry to support the transition to electric vehicles; and the impact our own business has on the environment.

After five years of concerted effort, diversity and inclusion has become an important part of our culture. I am proud to report that despite the turbulent nature of the past year, we have launched new talent and leadership programmes with a significant focus on achieving diverse representation in these programmes. We published our ethnicity pay gap for the first time this year, and much like our gender pay gap, it has highlighted both the success of our efforts and the fact that there remains more to do.

Our people
I am both proud and incredibly grateful for the resilience all our people have shown in what has been a very tough year. Not only have they adapted seamlessly to working from home, but their collective efforts have meant we are in a stronger position today than at any point in recent history. It's very encouraging to report that 93% of our employees are proud to work at Auto Trader, up 4% from a year before.

Finally, I want to thank our people, our Board, our customer partners and our wider stakeholders for continuing to trust us to do the right thing. As Ed highlighted in his statement, we believe that doing the right thing does and will ultimately deliver better outcomes for all stakeholders. We remain confident that with a vaccine programme now firmly in place the industry can move forwards and capitalise on the opportunities we now have to enable cars to be bought and sold online.

Outlook
Auto Trader has started the new financial year in a strong position as a result of the actions taken in the last year. This is reflected in our recent trading performance, a strong pipeline of product innovations and improved relationships with customers. In the longer term, we will be beneficiaries of the major changes underway in the car retailing market, where more of the buying journey is moving online.

Despite unusually strong demand and tight supply, COVID-19 is currently having little impact on the financial performance of the business as we start financial year 2022. However, as seen in other countries, we cannot yet be sure that COVID-19 will not reappear as a significant negative factor in our future performance. The following remarks assume no significant restrictions on our retailers' ability to trade going forward.

In the year ahead, we expect to deliver high single digit growth on FY20 ARPR and Operating profit margins that are in line with FY20 levels, with FY20 being the year ended March 2020.

As we started the year, we successfully executed our annual pricing event in April 2021 including the launch of Retailer Stores, which offers customers their own dedicated, customisable location on Auto Trader. Retailer numbers for the year are likely to be in line with FY20 levels and stock is still expected to be a small headwind. Consumer Services, and Manufacturer and Agency revenue, which make up 14% of Group revenue, will recover from FY21 lows, but are unlikely to reach FY20 levels, as sellers favour part-exchange and new car advertising is impacted by semiconductor supply issues.

The Board is confident for the future prospects of the business.

Nathan Coe
Chief Executive Officer
10 June 2021

Committed to acting with purpose

Continue to strengthen our network effect model

During 2021, we have seen higher levels of audience visiting Auto Trader and higher levels of engagement across the most comprehensive selection of vehicles, from the largest selection of sellers.

14.1m
volume of leads sent to retailer customers in 2021 despite the UK seeing periods of lockdown

How we create value P18

Building on our core to bring more of the car buying journey online

We exist to drive change in how cars are bought and sold, to move more of the shopping process online and to enable retailers to digitise their businesses.

443k
volume of stock showing available for click and collect or home delivery in March 2021

Our strategy P28

Driving our culture and values through everything we do

We focus on ensuring we create a highly collaborative culture where people feel motivated and supported to be their true self at work and perform to their highest standards.

92%
of employees surveyed would recommend Auto Trader as a great place to work

Make a difference P46

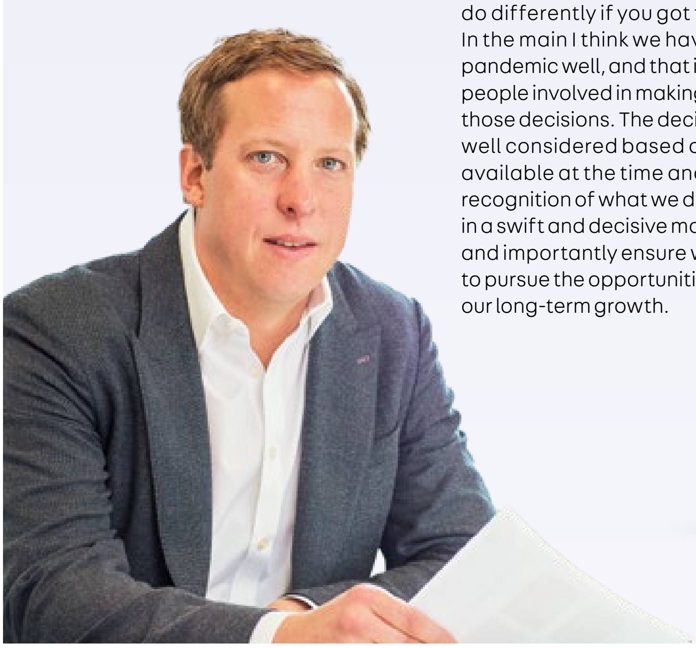
Q&A with Nathan Coe

Making key decisions to protect our business

Q.
How have you found your first year of being CEO?

A. Having to navigate the business through a global pandemic wasn't exactly what I imagined my first year would involve, but in many ways it has given us the opportunity to accelerate many of the areas that were important to me. Auto Trader is an incredible business that is underpinned by amazing people, so it is a pleasure and a privilege to help lead the organisation. We have had to make some bold decisions over the last 12 months but we believe by doing so we have protected our employees, supported our customers and strengthened our already strong position.

I am particularly proud of how we as a business have been able to stand by our customers when they needed us most. The support we have given customers through free advertising, extended payment terms and additional stock offers has made a material difference to them. We hope that by showing this support we have demonstrated in the clearest of ways the sort of partner we intend on being to them.



> Auto Trader is an incredible business that is underpinned by amazing people, so it is a pleasure and a privilege to help lead the organisation.

Q.
On reflection, would you have done anything differently in dealing with the global pandemic?

A. Hindsight is an exact science and so of course there are small things that you might do differently if you got the chance again. In the main I think we have navigated the pandemic well, and that is down to all of the people involved in making and implementing those decisions. The decisions we made were well considered based on the information available at the time and importantly as recognition of what we didn't know. We acted in a swift and decisive manner to mitigate risk and importantly ensure we could continue to pursue the opportunities that will underpin our long-term growth.

Q.
How have you ensured that key people initiatives have continued to get focus during the pandemic?

A. Our people are always front of mind. For me it was vitally important that the pandemic did not cause a material slow down in our people related plans – most notably what we want to do around diversity and inclusion. We therefore made a conscious decision to accelerate our efforts in this area which included launching an inclusive leadership programme for all leaders in the business.

We know that development is high on the agenda for our people, and was one of the areas people had concerns about during the various lockdowns. Our induction programme, people leader training courses and tech showcases were all adapted to be virtual. At the end of the year we launched our new Diverse Talent Accelerator programme, designed to help the next generation of leaders progress through the business.

93%
of our people feel proud to work at Auto Trader

Financial review P42

Make a difference P46

Strengthening our foundations for the future

Q.
What are you most excited about this coming year?

A. From a business angle it has to be seeing the industry and wider economy get back up and running after a difficult period. That said, car retailers have adapted well to the restrictions and since the first lockdown ended in June 2020 the volumes of transactions and the profit being made per car sold have been robust. For many that shift to distance selling has been challenging as there aren't any at scale digital solutions out there. Our desire is to help retailers with that going forward as we start to bring our digital retailing tools to market.

Q.
What do you think the biggest opportunities for Auto Trader are in the medium term?

A. We have great opportunities through all three of our strategic horizons.

The core marketplace is healthy and we have strengthened our position with both consumers and retailers over the last 12 months. We executed our annual pricing event in April and have re-launched our advertising packages to help those retailers who would like to advertise their vehicles even more effectively. We still believe we have significant headroom to increase advertising revenues, primarily through package upsell and through our new car marketplace, which ended the year with over 2,000 paying retailers.

The transition to digital retailing – enabling retailers to sell cars on Auto Trader is a huge opportunity. We have made great progress with our product development and we can see this coming together over the next 12-24 months. Becoming a sales channel to help retailers sell their inventory more efficiently and to help consumers shop more easily for cars provides a long-term opportunity to both strengthen our core and extend our impact and influence.

Q.
What do you think are the biggest threats for the business in the medium term?

A. There are a couple of things that we should be wary of but no stand out threat at the moment.

Clearly the economy is under some pressure. Any prolonged market downturn that reduces the number of transactions taking place could challenge our customers and ultimately their ability to spend with us. Our market has some cyclicality and stock has been a headwind for a few years now, although we have been able to mitigate its impact through price and product development.

Linked to that is anything that significantly impacts new car supply, such as concerns over semiconductors. Those new cars sold stimulate the used car market as they usually come with a part-exchange. In addition, the number of 'young' new cars in the market will be reduced 2-4 years after the downturn which can impact stock volumes.

We keep a close eye on all of our competitors. As we stand today we are well placed, but acutely aware that there are a number of new players that are looking to build meaningful brands in the automotive space.

Finally there are clearly significant changes taking place with the growing penetration of electric vehicles being manufactured. We need to ensure as the UK car parc sees higher penetration of these vehicles that the Auto Trader search experience and supporting content remain highly relevant for car buyers.

55%
of buyers would consider buying a used car online according to our research

26%
of our retailer customers' stock using one of our two highest package levels at March 2021

Q.
What does your timeframe look like to enable people to buy a car online?

A. Our goal for some time has been to develop products that make it easier for consumers to do more of the car buying journey from the comfort of their own home. By making things simple and transparent for the consumer through a digital journey that they control we anticipate that cars will sell quicker and that retailers can increase their penetration of ancillary products. This in turn will increase retailer profitability, and there is the further upside if retailers adapt their operating models to one that is lower cost.

There are four main elements to transacting a car online:

- Being able to find the right car – which is our core marketplace today.
- Being able to get a detailed and accurate valuation for your part-exchange.
- Financing your next car.
- Paying for or reserving the vehicle.

We are launching our digital solutions for each of these elements separately; we've launched our part-exchange product, GPX, with a trial during FY21. We have made great strides in our finance product with the acquisition of AutoConvert and good progress with reservations. We expect to have some functionality for both of those products in the coming financial year.

Once we have those elements a consumer will be able to do the majority of a transaction online. They may still want to visit a retailer but the visit will be shorter and more of a handover experience than a negotiation.

Driving change in tomorrow's car market

We are continually adapting our onsite experience to meet the needs of both our consumers and customers. This is core to remaining the UK's largest digital automotive marketplace for new and used cars.

35.1m
size of UK car parc as at 31 Dec 2020

COVID-19

As a result of national and local lockdowns during the pandemic, retailers have had to shut showrooms for parts of the year. This, inevitably, had an immediate impact on their ability to sell vehicles.

Both new and used car transactions declined most significantly during the first lockdown in April and May 2020. During the subsequent lockdowns the decline in car transactions was less severe as retailers adapted, bringing more of their forecourt experience online, adopting a 'click and collect' or home delivery model. Demand for vehicles has been strong following periods of lockdown as consumers place an even higher value on having exclusive use of a vehicle. Good levels of demand combined with periods of constrained supply have led to 12 consecutive months of price growth for used cars up to year end. Supply is expected to remain somewhat constrained in the months ahead, particularly due to the shortage of semiconductors which is limiting new car production.

UK economy

The UK economy is starting to recover from the recent wave of COVID-19. According to data published on 13 April by the Office for National Statistics ('ONS'), UK gross domestic product ('GDP') is estimated to have grown by 0.4% in February 2021 following a contraction of 2.2% in January.

It is widely expected that school re-openings and other lockdown easing measures will have yielded GDP gains. However, at the end of February the UK economy was still 7.8% smaller than the levels seen in February 2020.

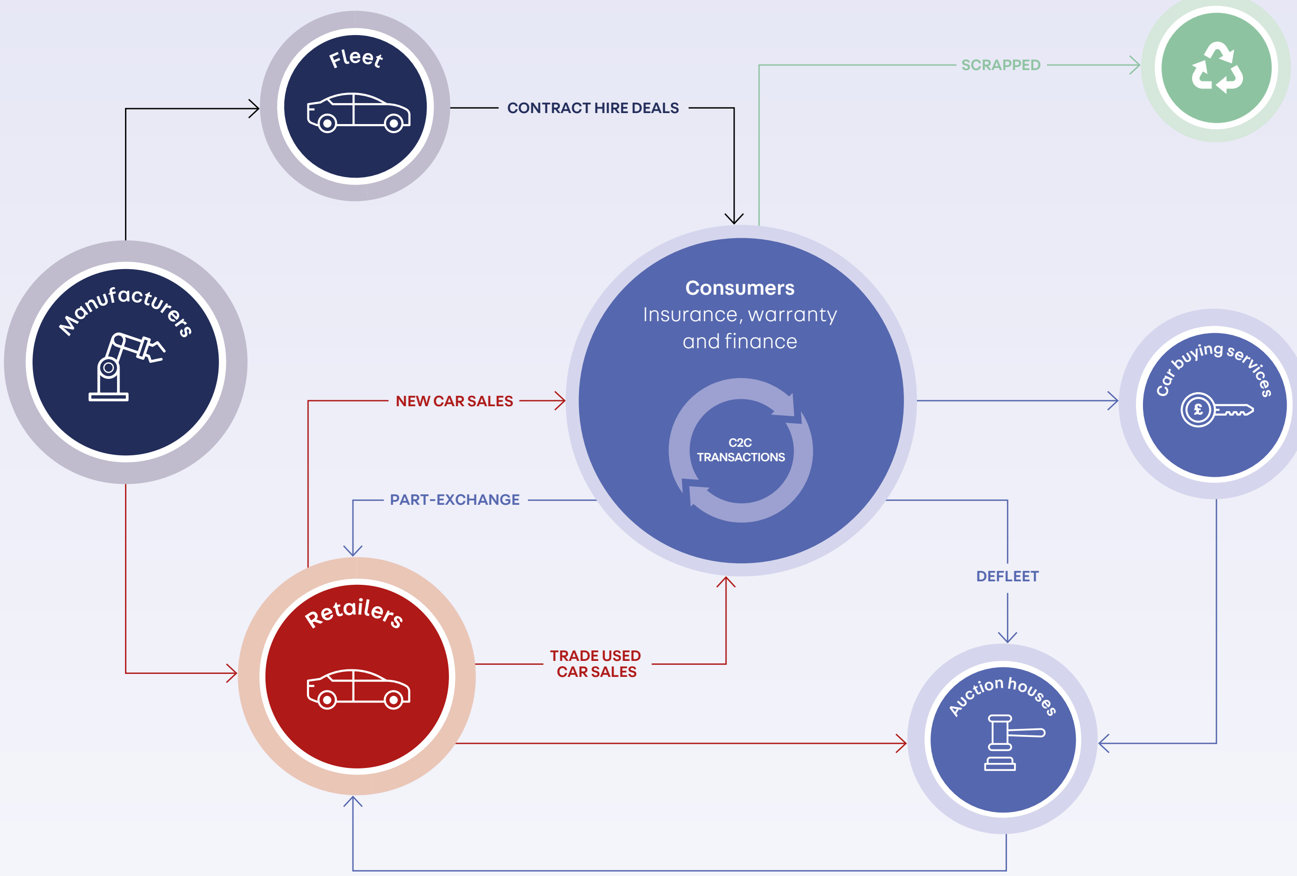
The Chancellor unveiled a number of fiscal packages to support businesses and individuals through the pandemic. A recent Reuters poll of economists predicts that unemployment will peak at 6.2% once the Government furlough scheme ends, before recovering during 2022.

The economic outlook for the UK is uncertain, however current Auto Trader data sets show that there is a robust level of consumer demand for vehicles in the market.

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.



Brexit

The UK left the EU on 31 January 2020 and to date we have not seen a meaningful impact. The final Trade and Cooperation Agreement between the UK and the EU removed significant levels of uncertainty, as vehicles will be able to be freely traded without tariffs applying (although with an increased administrative burden).

New car transactions

1.6m

number of new car registrations in the 12 months to March 2021

New car registrations declined 24.9% to 1.6m in the 12 months to March 2021 as a result of COVID-19 as retailer showrooms have seen periods of closure during the year. New cars registered in calendar year 2020 were the lowest since 1992. The most extreme period of decline was during the first lockdown in the spring. Since June 2020 there was a recovery in new car registrations as restrictions were eased. With further restrictions reintroduced later in the year, the decline in new car sales was less severe as retailers adapted to a 'click and collect' or home delivery model.

Despite the impact of COVID-19, alternative fuel vehicles ('AFVs') still grew in the year with new car transactions of AFVs increasing by 53.2% in the 12 months to March 2021, accounting for more than one in six registrations. This is supported by consumers being more conscious of their environmental footprint and the Government bringing forward the ban on the sale of petrol and diesel cars to 2030.

Used car transactions

6.5m

number of used car transactions in the 12 months to March 2021

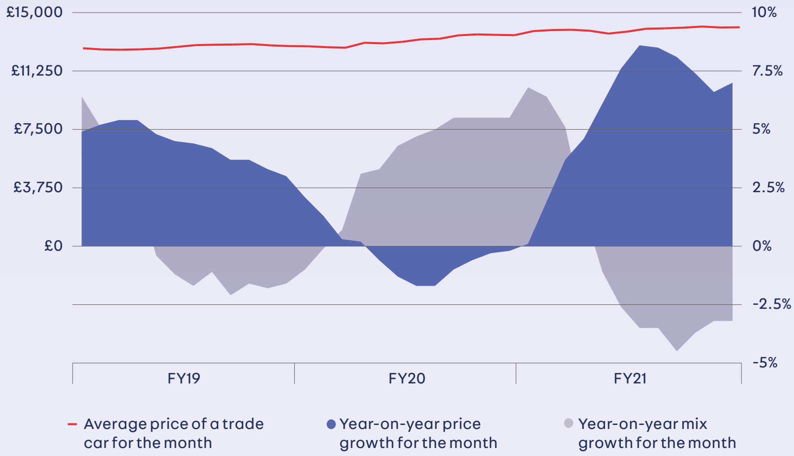
Used car transactions declined 15.1% to 6.5m in the 12 months to March 2021. As with new, used car sales have also been impacted by the enforced closure of retailer showrooms, although the impact has been less than that seen on new car registrations. There were signs of recovery as lockdown restrictions eased during the summer, however as restrictions tightened there was a further decline in transaction volumes.

The average length of ownership has increased from 3.5 years to 4.2 years. Again, this was impacted by those months where transactions were lower due to showroom closures.

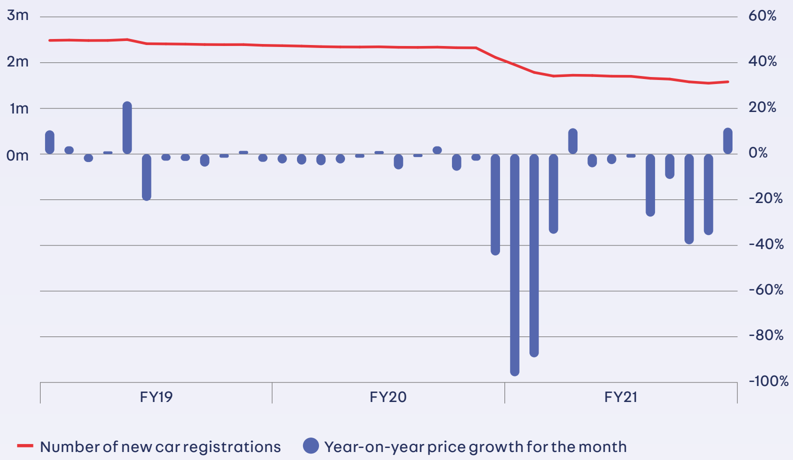
Retail Price Index

The average price of a used car advertised on Auto Trader for the 12 months ending March 2021 was £13,800.

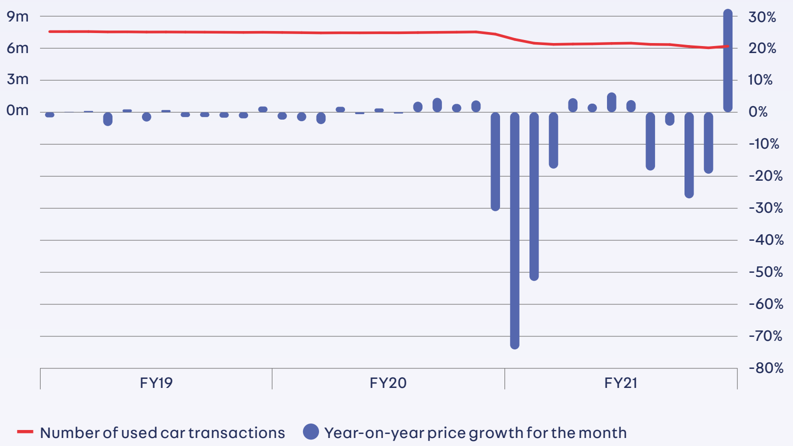
The Auto Trader Retail Price Index tracks the average retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of cars being sold. March 2021 marks 12 consecutive months of price growth over the year for used cars as prices increased over the 12-month period to March 2021 by 6.3%. The ongoing strength of pricing has been driven, in part, by ongoing supply constraints in the market, as well as the solid levels of consumer demand that remain despite lockdown restrictions. Petrol and diesel increased by 6.6% and 6.5% respectively, and alternative fuel vehicles decreased by 1.1%.



12-month rolling new car registrations



12-month rolling used car transactions



4 key trends shaping the future of our industry

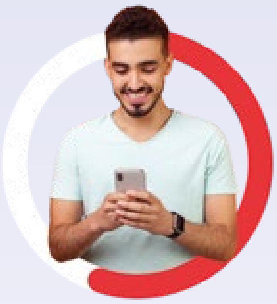
The automotive industry as a whole is facing an unprecedented wave of change, most notably in the way people buy cars and the acceleration in the adoption of electric vehicles. Over the next 5 to 10 years, the cars consumers drive and the ways in which they buy, own and use them will be dramatically reshaped.

1

Doing more of the car buying journey online

A seamless blend of online and offline experiences is what tomorrow's consumers demand

Consumer sentiment shifts towards doing more online
There is growing demand from consumers for more of the car buying process to be available online. Consumers believe that shifting to more of an online model will make comparing cars easier, avoid haggling and help in the research and understanding of ancillary products. Auto Trader research shows that 61% of consumers think buying online is appealing when presented with a tangible example of how it could work.



55%
of buyers would consider buying a used car online according to our research

60%
of buyers would pay an online deposit according to our research

How we're future ready

- **Delivering transparent prices online, helping to build trust for consumers**
- **Guaranteed Part-Exchange ('GPX') product, providing consumers with greater certainty on the value of their existing car and the avoidance of haggling**
- **Our hub for buying online enabled car buyers to search for over 440,000 vehicles that were available via click and collect or home delivery in March**

Retailers embracing the online journey
Due to a number of new market entrants and the impact of the pandemic, we are seeing greater appetite from our retailer customers for products which allow consumers to complete more of the transaction online.

2

Supercharged demand for EVs

Unlocking valuable sales opportunities in a sector of the automotive market which is only set to grow

Electric sales set to overtake internal combustion engines ('ICE') by 2025
The demand for alternatively fuelled vehicles, particularly electric vehicles ('EVs'), continues to grow. The Government has outlined plans to ban the sale of new conventional petrol and diesel cars from 2030, and 'hybrid' vehicles from 2035. There are several obstacles for mass adoption including price and range of travel but despite this our research shows that over 71% of consumers are considering an EV for their next car. As technology improves and costs decrease, this demand is only going to increase.

71%
of consumers are considering an EV for their next car

10%
of total expected British car parc will be EVs by 2025

106%
increase in EV leads during 2021

70%
increase in advert views for EVs in 2021

How we're future ready

- **We have implemented new search filters for electric vehicles including battery range and charge time**
- **Growing the volume of EV vehicles available on Auto Trader, giving consumers increased choice**
- **Sharing Auto Trader's Market Insight within the industry to better understand changing consumer preferences**

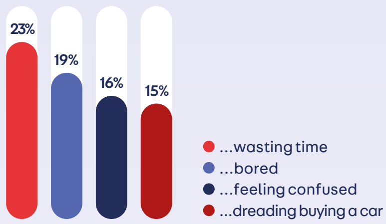
3

Data-driven retailer decision-making

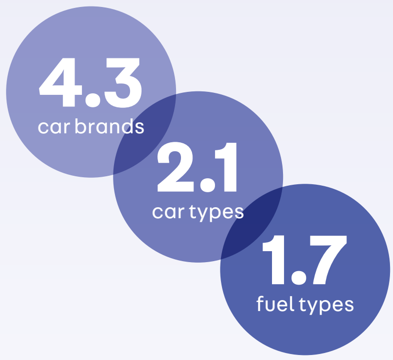
Putting more data in the hands of our retailers will lead to greater efficiency, and, crucially, increased profitability

A more transparent experience
With digital tools increasing the levels of transparency within the car buying journey, it is ever more important for our retailers to make better use of data in how they operate their businesses. The value of the part-exchange, finance offers and other ancillary products are all becoming more discoverable in the online journey and therefore comparable. Auto Trader's aim is to bring more of this information together in one place to make the process of buying a car easier. Price indicator flags, dealer reviews and vehicle history checks all help to do this today.

Car buying 'pain points' throughout the process means consumers are...



On average, when buying a car, someone will consider...



How we're future ready

- The largest and most trusted choice of new and used cars in the marketplace
- We offer pricing tools: giving retailers the broadest, most accurate view of the market
- Instant Offer and GPX enable sellers to sell their car at a guaranteed price

> We know that the most successful retailers utilise data to complement their own expertise, and this year, it's never been more important to be led by fact rather than speculation.
>
> —
>
> **Ian Plummer**
> Commercial Director

4

Continued demand for exclusive access to a car

With COVID-19 having had a profound impact, the need for personal space has never been stronger

Consumers continue to want exclusive access to a car
One thing that remains is the consumer's desire to have exclusive access to a car. Whilst we might be prepared to not own our cars in a traditional sense, we still consider them as a personal possession. Accordingly, we're not comfortable sharing them, especially with people we don't know. Whilst 72% of consumers would be happy to share their car with a family member and 41% with a close friend, just 8% would be comfortable handing their keys over to an acquaintance and 2% a stranger. The COVID-19 pandemic has reinforced this, with more people placing a great amount of importance on their own personal space.

How we're future ready

- Auto Trader has the largest selection of trusted stock in the UK for car buyers
- We already have representative finance pricing on Auto Trader but aim to include a finance application journey
- 2021 has seen the introduction of leasing deals being shown on Auto Trader

Changes in ownership models
Over the past few years the industry has seen a number of new ownership models introduced to the market. Fewer people are buying their car outright whilst financing arrangements, leasing and subscriptions are becoming more popular. The benefits afforded by these models, most notably the convenience of being able to switch to a new car every few years, have opened consumers up to the greater flexibility and cost efficiency that these new access models can offer. With focus on the consumer benefits of the products and the relative cost comparisons, we'll see the change in consumer behaviour accelerate even further.

74%
of consumers said they were more concerned about their personal space due to COVID-19

56%
of consumers agree that owning a car is more important today than it was before the pandemic

48%
of consumers said they would be less likely to use public transport once restrictions have been lifted

Driving change together. Responsibly.

Our purpose defines everything we do

We exist to grow both our car buying audience and core advertising business. We will change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online. We aim to build stronger partnerships with our customers, use our voice and influence to drive more environmentally friendly vehicle choices and create an inclusive and diverse culture.

Our purpose has helped us form our strategy, which we display as three commercial growth horizons, alongside our make a difference strategy. We aim to deliver on our purpose by...

...continuing to strengthen our network effect model

We continue to attract more car buyers, through higher levels of stock and sales for our customers:

How we create value P18

...building on our marketplace to bring more of the car buying journey online

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

Core

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

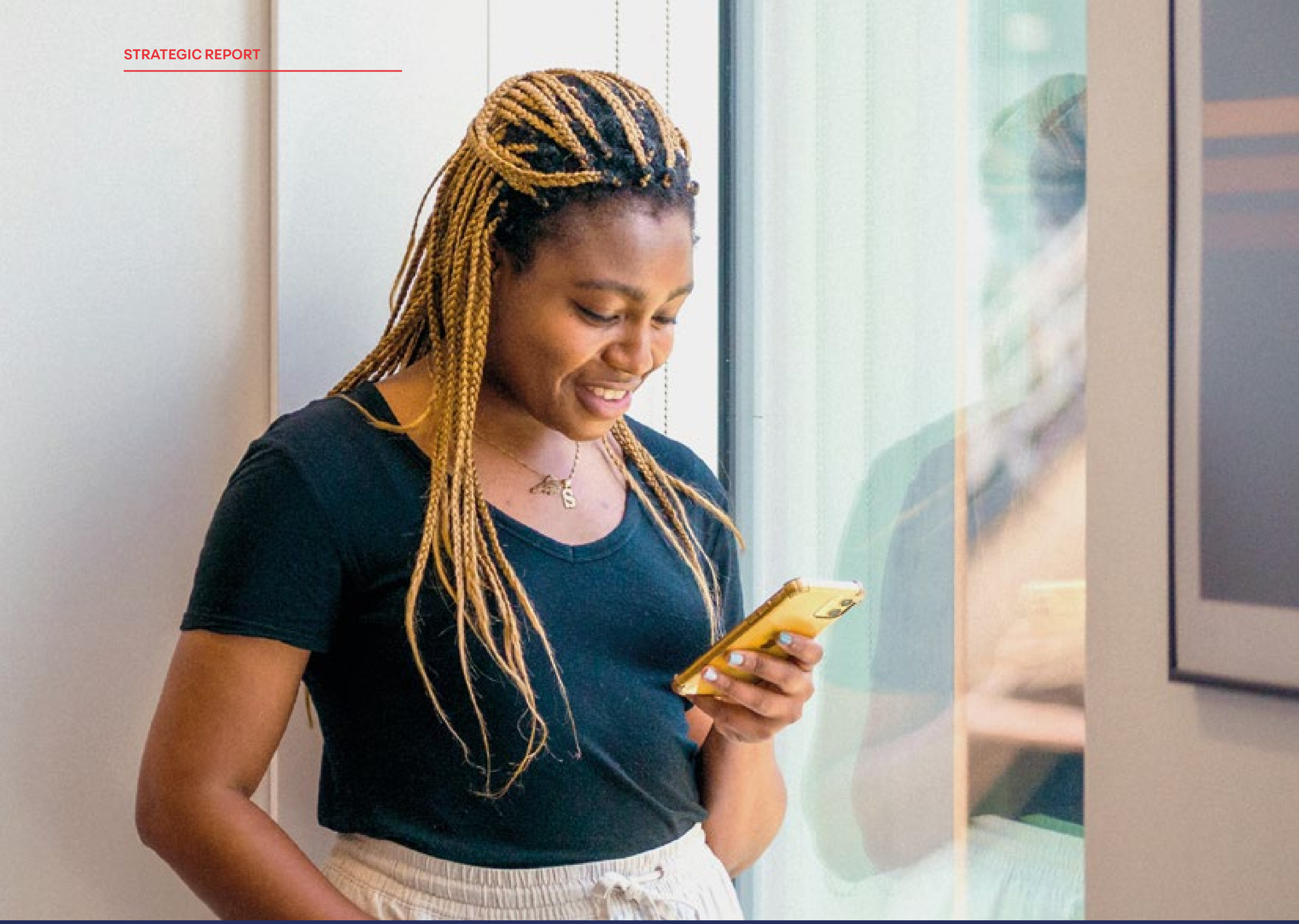
Adjacent

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

Future

We believe future opportunities exist through bringing more of the car buying journey online

Our strategy P28



...making a difference to our people, our communities and the wider environment

We are committed to being a responsible business and have focused our make a difference strategy around three distinct pillars:

Our make a difference strategy

- Diversity and inclusion
- Environmental sustainability
- Ethics and compliance

Make a difference P46

...driving our culture and values through everything we do

We focus on ensuring we create a highly collaborative culture where people feel motivated and supported to live our values every day:

Diversity and inclusion P48

Better use of the digital journey to put consumers in their next car

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
92%
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
155m
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 new growth opportunities.

Software releases
41,400
in 2021

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) across our offices
909
on average in 2021

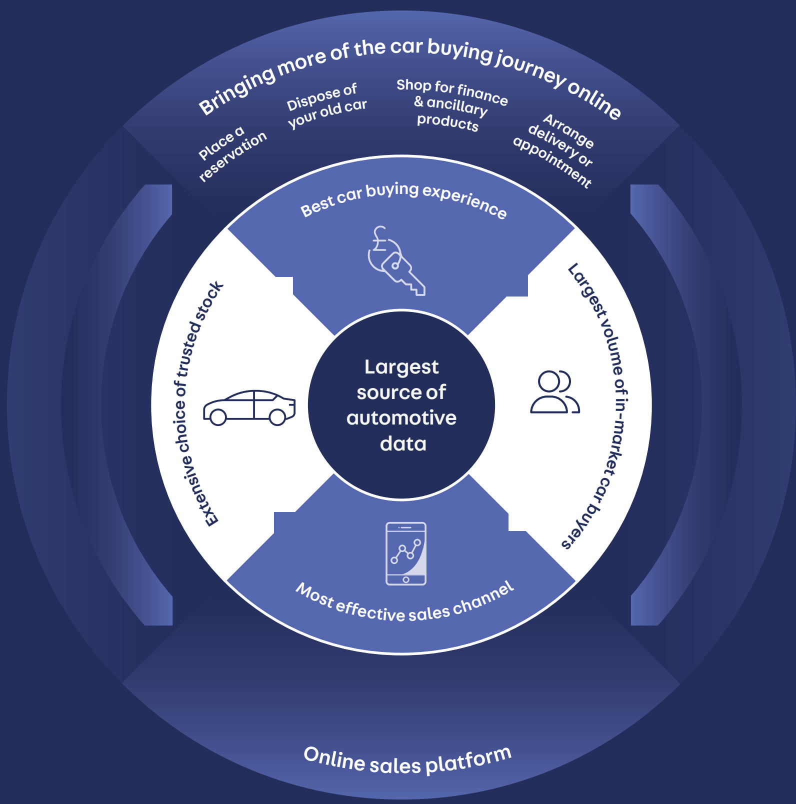
Cash generation
The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

Cash generated from operations
£152.9m
in 2021

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 volume of in-market car buyers 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 our customers.



Creating an online sales platform on top of our strong network effect model
With changes in consumer habits brought about by COVID-19, we are building components that allow more of the car buying journey to be completed online. The Auto Trader platform provides both car buyers and retailers with the tools required to convert buying interest into sales.

Acting responsibly

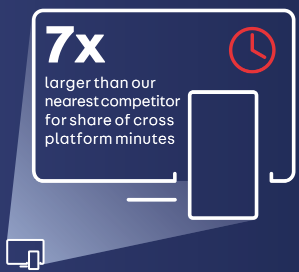
Risk management and corporate governance

How we operate to be the best place to find, buy and sell a car in the UK and to be the platform that enables data driven digital retailing for our customers.

Our strategy P28

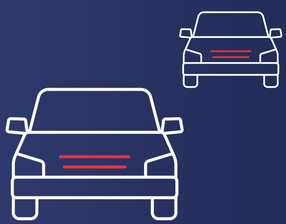
Make a difference P46

Largest volume of in-market car buyers
The scale of our consumer audience means we are the most effective sales platform for anyone who is wanting to sell a vehicle.



58.3m
monthly average cross platform visits

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



485,000
live car stock on average per month

Bringing the car buying journey online
Development of tools to convert car buyers' interest into sales whilst on the Auto Trader platform, stretching our influence beyond just the advertising of the vehicle.

14.1m
volume of leads submitted to retailer customers in 2021

Value outputs

How we share value with 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.

8.1m
car transactions in the UK in 2021

For customers

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

13,336
average retailer forecourts in 2021

For partners & suppliers

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

350,000
Zuto finance applications submitted by our consumers

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.

93%
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.

31,400
trees planted in 2021 as part of our partnership with Ecologi

For investors

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

£15.7m
of net cash at March 2021

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.

As a marketplace, we have a diverse set of stakeholders and aim 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 content 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.

Consumers

Their needs
- Ease of buying or selling a vehicle
- Comprehensive choice of vehicles
- Clear and accurate information
- Transparency about the vehicle, about the seller and about the payment options

How we engage
- We speak to consumers for our Car Buyers Report, and biannual Market Reports to gauge views on the car market
- We hold consumer onsite surveys which provide constant feedback and an NPS score
- 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

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
- Monthly retailer sentiment surveys, which evaluate value for money
- Regular thought leadership, insight-driven reports, such as the Car Buyers Report, and the biannual Market Reports
- Hosting industry insight events, dealer masterclasses, webinars and conferences
- Sales team "on the ground" (operating virtually during 2021)
- Summary of the Voice of the Customer emails circulated to the Board
- Business partnering by the Operational Leadership Team ('OLT') and other senior management
- Attendance by customers at Board meetings

Employees

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

How we engage
- Board Engagement Guild engages directly with the Board
- Quarterly virtual conferences, regular CEO and OLT virtual business updates
- Annual benefits roadshow, salary workshops and share scheme pulse survey
- Save as you earn share schemes
- D&I guilds with networks for BAME, Women, Age, LGBT+, Neurodiversity and Disability with OLT sponsors. Including specific Board reverse mentoring by BAME employees
- Regular employee check-in surveys
- Health and safety assessments
- Wellbeing forums
- Whistleblowing service

During these challenging times, we've acted decisively to protect the long-term profitability and viability of our business, whilst being sure to also support 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.

Providing more for consumers

A core part of our network effect model is having the largest and most engaged audience.

Read more P22

Supporting our customers' businesses

We want to maintain our role as the most effective sales channel for our customers.

Read more P24

Protecting the wellbeing of our people

Our employees have shown huge resilience in managing the challenges of the last year.

Read more P26

Safeguarding our business

Taking swift, decisive action to protect our business and our stakeholders.

Financial review P42

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 time taken to pay 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

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 within the organisation
- Engagement with the Office for Low Emission Vehicles ('OLEV'), Carbon Literacy Training and participation in the 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 through STEM ambassadors
- Consumer research and user testing to understand what information is most helpful when buying an electric vehicle
- Signed up to the 1.5C Science Based Targets initiative
- Signed up to the UN's 'Climate Change Now' initiative

Investors

Their needs

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

How we engage

- Open, honest and balanced communication available to all shareholders
- Comprehensive investor relations programme including the formal presentation of results and subsequent roadshows, ongoing attendance at conferences, one-to-one and group meetings held with institutional investors, fund managers and analysts. Feedback is regularly provided to the Board
- 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**
- Annual Report, AGM, corporate website and market announcements
- Share relevant industry related data with analysts
- Engagement with proxy advisors and other agencies
- Active consultation on remuneration framework and policies

Providing more for our consumers

Strategic decisions relating to our consumers...

Guaranteed Part-Exchange product

We have launched both a Guaranteed Part-Exchange ('GPX') and an Instant Offer product over the last 12 months. GPX enables a consumer to visit a retailer's advert and get a guaranteed price for their part-exchange. Instant Offer enables consumers a convenient way to sell their car privately, with the added benefit of having their car collected from their own home or place of work. Both are operated through a partnership with Cox Automotive.

Creating a digital forecourt experience

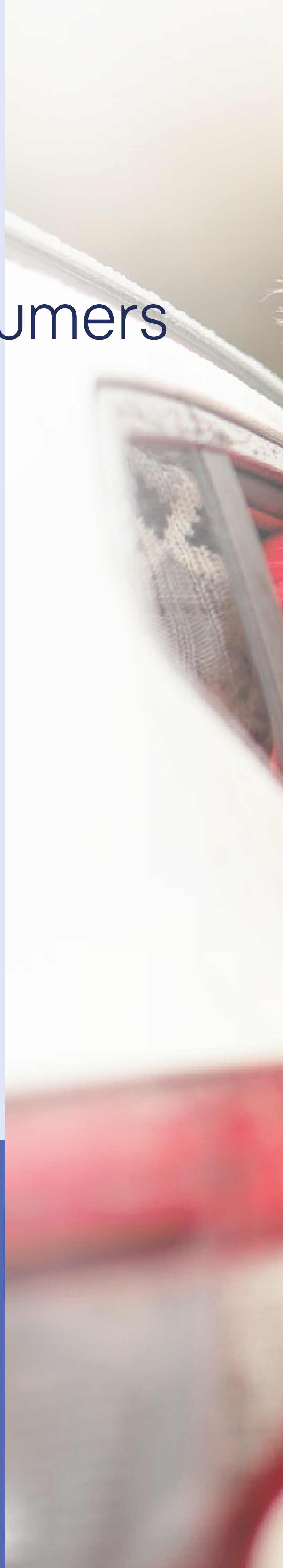
We have recently launched Retailer Stores to create a digital forecourt experience on Auto Trader for retailers to showcase their business, brand and stock, giving car buyers confidence to buy from them. This will improve the user experience, allowing retailers to stand out, bring their brand to life, showcase awards and drive greater levels of consumer confidence.

COVID-19 safety measures

Four features are highlighted on the advert view that have been designed to give consumers confidence to purchase a vehicle safely. These include safety measures in place at the dealership, live video viewings allowing consumers to virtually walk around the vehicle, the availability of a home delivery service and click and collect options.

Extensive choice of trusted stock

We continue to deliver more choice to our consumers through our increased new car offering as well as an extensive choice of used car stock. We closed the year with over 2,000 retailers paying for our new car product with 47,000 physical new cars on average advertised on our platform during the year. Despite the impact of COVID-19, good stock levels have consistently been maintained on Auto Trader. We offered a stock offer which allowed customers to double their stock for free from late March to mid-July 2020 resulting in greater levels of choice for the consumer.



Impact on stakeholders

Primary
We constantly seek to balance consumer needs with customer and commercial outcomes

Consumers · Employees · Customers

Secondary

Partners & suppliers · Investors

How the Board's engagement with this stakeholder influenced decision-making

As we moved decisively to respond to COVID-19, a key outcome we sought was to maintain significant choice on Auto Trader for consumers to continue with a comprehensive choice of vehicles. We have subsequently considered how to ensure the car buyer feels safe when making their next purchase with the introduction of new features. Finally, with the feedback from consumer research about the car buying journey, we are looking to introduce new products to make the car buying journey more efficient.

> I bought a car on Auto Trader in January during lockdown and was amazed at how easy it was. I found the car on site and contacted the dealer who then video called me to walk me around the vehicle, talked me through the features and then I got it delivered to my door. It was completely seamless and stress-free.

Jon Lenton
Used car buyer

Growing value for our stakeholders

47,000
physical new cars advertised on site on average in the year

443,000
cars available for click and collect or home delivery in March 2021

485,000
physical live cars on site on average in the year

> Over the last 12 months Auto Trader has been more than a marketing platform, it really has fulfilled that skills gap you experience as a small independent. The webinars, team meetings and the personal emails have all been a massive factor in my success in such a difficult trading period.

Lee Carr
Vehicle Select Ltd

Growing value for our stakeholders

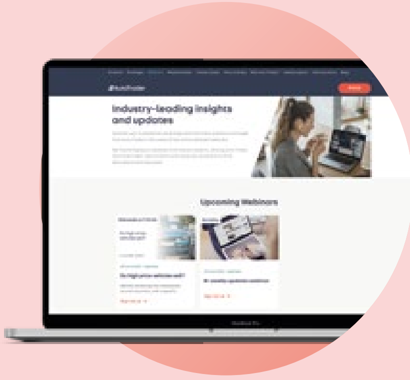
>75%
of all minutes spent on automotive marketplaces are spent on the Auto Trader platform

561m
cross platform minutes in 2021

588
average number of viewers of our weekly webinars in 2021

Supporting our customers' businesses

Strategic decisions relating to our customers...



Providing free advertising

We provided significant support throughout the pandemic by providing free advertising to our retailer customers in April, May, December and February and at a discounted rate in June. We also extended payment terms in relation to invoices falling due during periods of lockdown, as well as implementing a stock offer early in the crisis so that retailers could advertise more of their vehicles on our platforms at no additional cost.

Accelerating digital retailing experience

We acquired AutoConvert, a finance, insurance and compliance software platform with an integrated customer relationship management system. AutoConvert is a core finance component in the digital car buying journey. We believe an online finance journey will help customers to increase finance penetration and also reduce processing costs through greater automation.

Weekly live and on-demand webinars

We started hosting a series of live and on-demand weekly webinars, to update the industry on what we were seeing through our platforms, as well as to provide insight from industry bodies and other experts. All this information was designed to support retailers through the crisis and keep them informed on market trends.

Launching Retailer Performance Masterclasses

We launched Retailer Performance Masterclasses ('RPM'), which is a new online learning centre for retailers, complete with bitesize masterclasses to help retailers improve their business profitability across the automotive ecosystem; from sourcing the right stock to pricing to market and improving advert quality.

Embedding our data and insight into the industry

As part of our annual pricing event this year, we gave retailers a product bundle that included an upgraded Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool. This gave retailers the tools to make informed decisions through a volatile trading period, whilst also further embedding our data into the industry.

Impact on stakeholders

Primary
Customers have been faced with difficult challenges over the past year

Customers
Consumers

Secondary

Partners & suppliers
Investors

How the Board's engagement with this stakeholder influenced decision-making

With such a difficult period faced by our customers during the last year as a result of COVID-19, as well as a change in consumers' buying behaviour impacting the automotive retailing landscape, the Board has consistently considered the needs of customers. The Board receives regular updates on customer sentiment to understand and determine what support our customers needed throughout the crisis as well as shaping product development and embedding our data into the industry to help customers improve their businesses.

Protecting the wellbeing of our people

Strategic decisions relating to our employees...

Working from home

As the pandemic took hold in March 2020, we seamlessly transitioned to working remotely by adapting our systems and technology to enable our employees to continue working collaboratively despite being at home. We have also permanently adopted a new flexible working policy, which will enable a hybrid way of working in future.

Employee updates

We launched OL:TV where the Operational Leadership Team ('OLT') have provided regular live updates throughout the year to employees on a broad range of topics. Additionally, there have been two Company virtual conferences: ATCONversations, where the OLT gave updates on the Company purpose, future strategy and ways of working.

Health and wellbeing

With health and wellbeing being paramount, initiatives have been launched to increase employee support services. We have also supplied equipment to ensure safe working conditions, as well as adopting new software such as Miro, an online collaboration platform, and scaled up Microsoft Teams.

Improving diversity and inclusion

We continue to nurture our inclusive culture and enrich our work community with diverse individuals. Much of this work is supported and informed by our many employee networks and guilds representing: women, BAME, LGBT+, disability & neurodiversity and age.

Inclusive culture programmes

To increase our representation across all levels of the organisation, we aim to stimulate the flow of diverse talent from early careers through to senior leadership by both targeted development programmes and equipping our leaders to get the very best out of everyone on their team and support their development through the organisation. We have launched a number of learning and development programmes, including: Inclusive Leadership ('IL') and Diverse Talent Accelerator ('DTA'), as well as a programme of continuous leadership development.

Impact on stakeholders

Primary
Employees have seen significant disruption to their ways of working this year

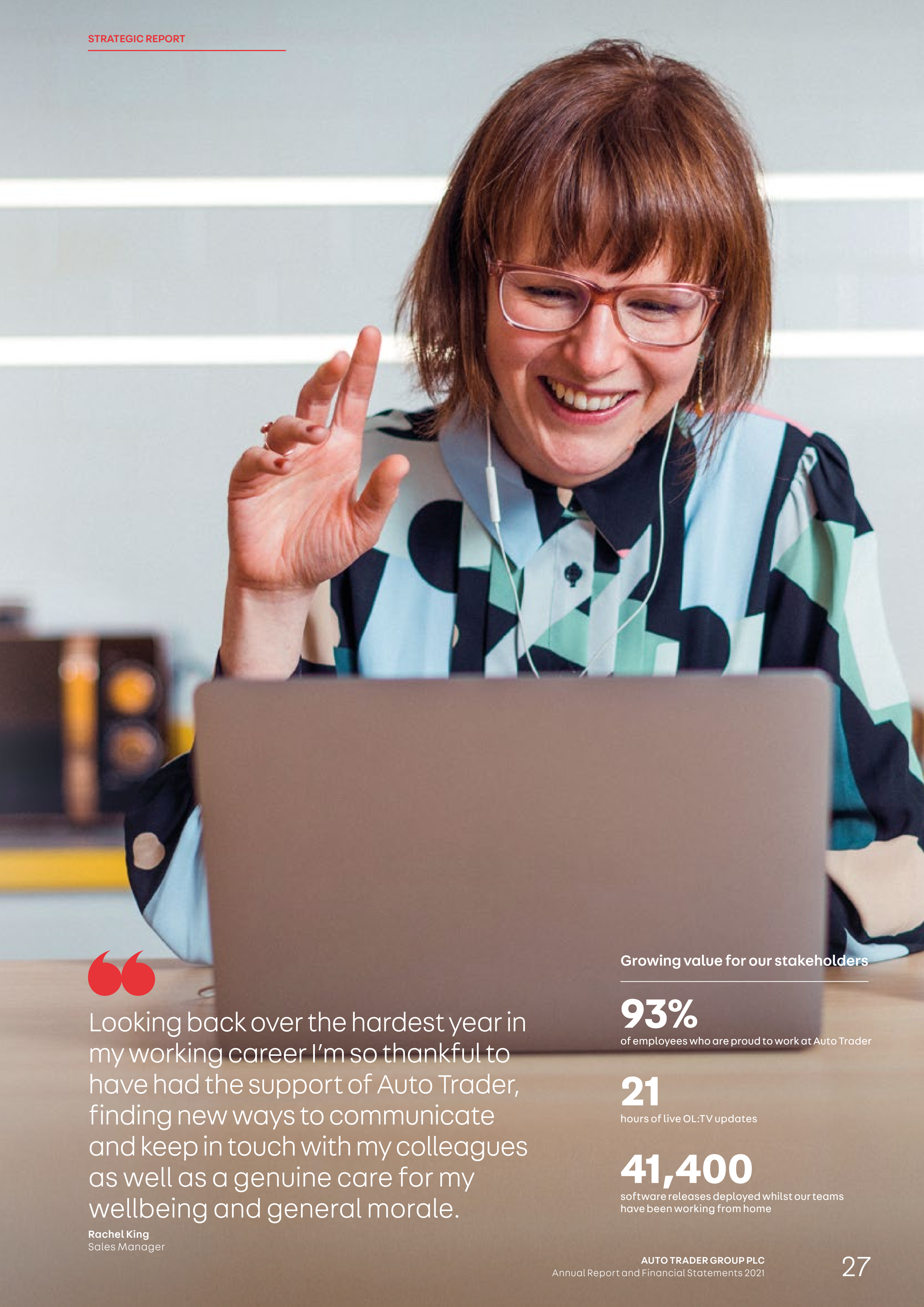
Employees
Customers
Consumers

Secondary

Partners & suppliers
The community & the environment
Investors

How the Board's engagement with this stakeholder influenced decision-making

The Board has consistently discussed and reviewed the views of employees, through feedback from both the Executive Directors and the Employee Engagement Guild. With such significant change to working practices, not least the introduction of a new long-term flexible working policy, it has been essential to do so. 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 quarterly basis during Board meetings.



"Looking back over the hardest year in my working career I'm so thankful to have had the support of Auto Trader, finding new ways to communicate and keep in touch with my colleagues as well as a genuine care for my wellbeing and general morale.

Rachel King
Sales Manager

Growing value for our stakeholders

93%
of employees who are proud to work at Auto Trader

21
hours of live OL:TV updates

41,400
software releases deployed whilst our teams have been working from home

Our purpose has helped us form our strategy which we display as three commercial growth horizons

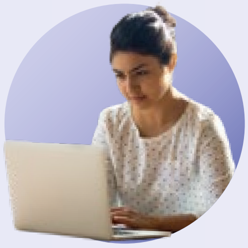
Focus areas

Core

The largest and most engaged consumer audience underpins our network effect marketplace model. We continue to invest in the online car buying 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 both new and used vehicles, whilst continuously creating value to allow retailers and manufacturers to increase sales.

1 Provide the best online car buying experience in terms of transparency, choice and convenience

>75% share of minutes across automotive classified sites in 2021



2 Create tools and products to allow retailers and manufacturers to increase sales

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 more transparency around pricing.

A key strategic priority is to further embed our data into the industry, giving buyers and retailers up-to-date insight, allowing them to make better and faster decisions. We have made real progress this year and have not only increased the volume of data we have shared but also the frequency.

3 Become to new cars what we are in used

1.4m unique new car visitors on average each month in 2021

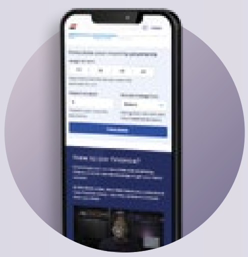
4 Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

We continue to evolve both our products and consumer experience, bringing more of the car buying journey online. Across both new and used cars, we aim to make the current process significantly more efficient, for both car buyers and our dealer customers, by leveraging our digital tools.

5 Enable more of the transaction to be completed on the Auto Trader platform

>60 lenders integrated into AutoConvert



Acting with integrity

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

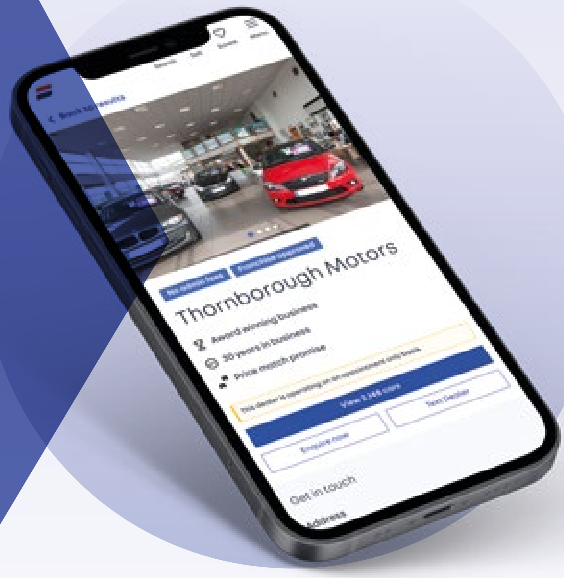
Make a difference P46

How we manage risk P62

Governance overview P72

2021 progress	How we measure progress	Associated risks
We have offered unprecedented support to our retailer customers by providing free advertising in April, May, December and February, as well as at a discounted rate in June, as a result of retailers being forced to close. Additionally, to help consumers shop responsibly, we have introduced a range of COVID-19 safety measures to help them with their journey, including delivery options, live video viewings and safety measure flags. We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021 (March 2020: 23%). Much of the increase was driven by offer periods, where advertising was free in December and February, and retailers took advantage of lower advertising costs to gain additional exposure for their stock in search results, putting them in the best position to be found first more often. We made the decision to remove standard format display advertising to improve our consumer experience.	• Revenue • Average Revenue Per Retailer ('ARPR') • Operating profit and margin • Basic EPS • Cash generated from operations • Cross platform visits • Cross platform minutes • Retailer forecourts • Live stock • Employee engagement	• COVID-19 • Economy, market and business environment • Brand and reputation • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • IT systems and cyber securities • Employees • Reliance on third parties • Response to climate change • Regulatory and compliance
We closed the year with over 2,000 retailers paying for our new car product, a 100% increase on where we exited the previous financial year. On average there were 47,000 physical new cars advertised on our platform during the year (2020: 31,000), attracting 1.4m unique visitors on average across the period. We successfully executed our annual pricing event which gave retailers a product bundle that included an upgraded Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool. We started hosting weekly live and on-demand webinars as well as launching Retailer Performance Masterclasses, all designed to support retailers through the crisis and help them maintain a competitive advantage.	• Revenue • Average Revenue Per Retailer ('ARPR') • Operating profit and margin • Basic EPS • Cash generated from operations • Cross platform visits • Cross platform minutes • Retailer forecourts • Live stock • Employee engagement	• COVID-19 • Economy, market and business environment • Brand and reputation • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • Employees • Reliance on third parties • Response to climate change
We launched our Guaranteed Part-Exchange ('GPX') and Instant Offer products. Instant Offer enables private sellers to sell their car at a guaranteed price, where GPX enables the consumer to get a guaranteed price for their part-exchange. We acquired AutoConvert, a finance, insurance and compliance software platform with an integrated customer relationship management system. This is integral to help us deliver our future finance product on Auto Trader, which should enable finance agreements to be completed online.	• Revenue • Average Revenue Per Retailer ('ARPR') • Operating profit and margin • Basic EPS • Cash generated from operations • Cross platform visits • Cross platform minutes • Retailer forecourts • Live stock • Employee engagement	• Brand and reputation • Increased competition • Failure to innovate: disruptive technologies and changing consumer behaviours • IT systems and cyber securities • Employees • Reliance on third parties • Regulatory and compliance

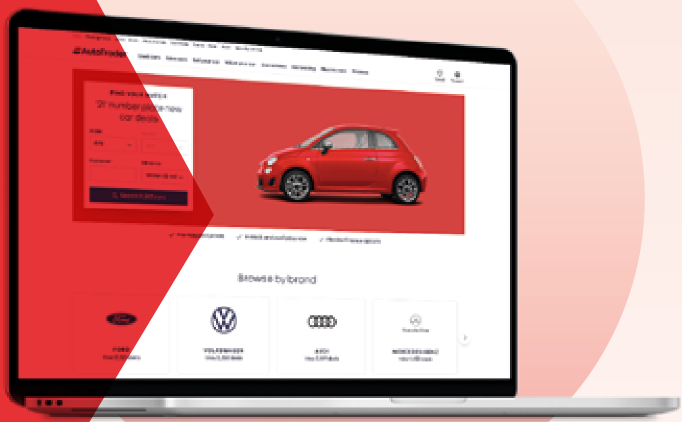
Core



Future opportunities

Growing demand and regulatory change means we need to ensure our site remains as relevant for electric vehicles as it has been for internal combustion engines. We continue to evolve our package staircase to enable dealers to compete on our platform.

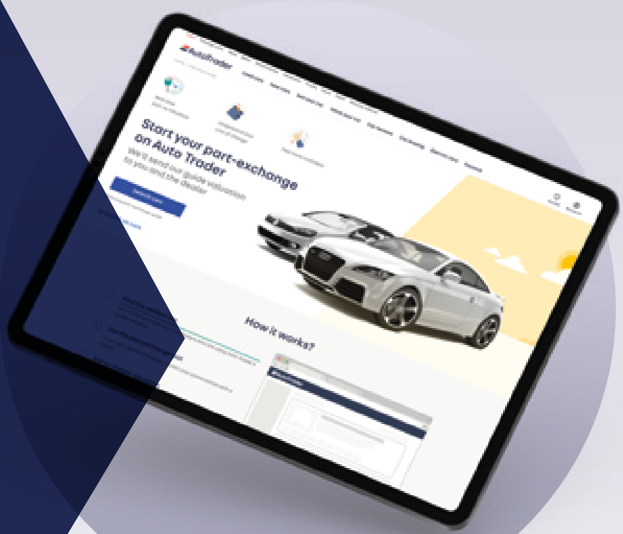
Adjacent



Future opportunities

Evolving our new car proposition with the introduction of monthly finance quotes. Further embedding our data into the industry, broadening our customer sets whilst utilising both Auto Trader's and KeeResources' unique data.

Future



Future opportunities

A significant part of our strategy is bringing more of the car buying journey online. With the monetisation of our Guaranteed Part-Exchange ('GPX') product, and the launch of reservations and finance applications, we aim to make real progress in 2022.

1

Provide the best online car buying experience in terms of transparency, choice and convenience

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 and create a more transparent buying experience.

2

Create tools and products to allow retailers and manufacturers to increase sales

Evolving our package staircase

In May 2021, we have re-launched our package staircase to include an additional higher level package and changed our prominence products to operate consistently across all platforms and devices. This gives retailers the choice to capture a greater share of consumer visits on Auto Trader, whilst creating a consistent cross platform search experience.

70%
increase in advert views for EVs in 2021

Retailer Stores

We have introduced a new digital forecourt experience on our marketplace, with the launch of Retailer Stores. The new fully customisable virtual storefronts will enable retailers to significantly enhance their digital profile by creating their own dedicated brand destination on Auto Trader.

3

Become to new cars what we are in used

Monthly prices

By adding monthly finance quotes to new car stock we will allow consumers to search by monthly prices just as they do on used, bringing finance consideration higher up the buying funnel. We have also introduced leasing deals onto Auto Trader.

4

Embed our data and insight to enable buyers and retailers to make better and faster decisions

Total Cost of Ownership ('TCO')

Utilising both Auto Trader and KeeResources unique data, we will look to grow data subscriptions providing whole life cost data which uses our vehicle data and taxonomy.

New customer sets

We aim to broaden our customer sets when it comes to the sale of our data. There is significant opportunity outside of our core retailer customer segment.

1.4m
unique new car visitors on average each month during the year

5

Enable more of the transaction to be completed on the Auto Trader platform

Online reservations

We are developing functionality which will allow the consumer to reserve a car online through our platform. This provides clarity in the willingness of the consumer to purchase the vehicle and should ensure a more efficient sales process.

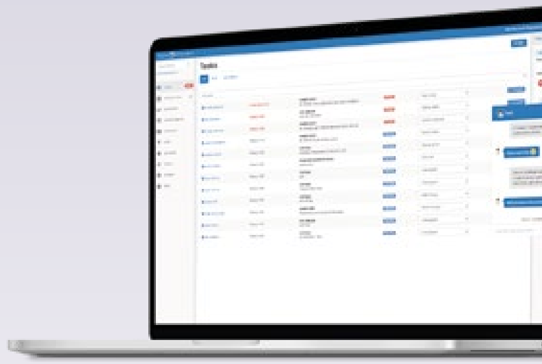
Guaranteed Part-Exchange

Following a successful trial of our Guaranteed Part-Exchange ('GPX') product, we aim to monetise this product in 2022. GPX will reduce haggling on the forecourt and avoid the retailer taking any unwanted part-exchanges.

Finance applications

Our acquisition of AutoConvert gives us the integration into lenders which is fundamental for our finance journey. We aim to develop a way for finance applications to be available through Auto Trader, allowing consumers to go through the application process maximising efficiency and transparency.

1.5m
finance applications through AutoConvert since acquisition



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

Financial

Revenue
£m

£262.8m
-29%

2021		£262.8m
2020		£368.9m
2019		£355.1m

Relevant focus areas

2 3 4 5

Definition

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

Progress

Revenue generated in the year was significantly impacted by the support we provided to the industry in the year. We offered free advertising to retailers through four months of the year and provided a 25% discount in June as they reopened from the first lockdown. Consumer Services and Manufacturer and Agency revenues also declined with the nationwide lockdowns impacting demand.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

Yes

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

£1,324
-32%

2021		£1,324
2020		£1,949
2019		£1,844

Relevant focus areas

2 3 4 5

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

COVID-19 related offers for retailers reduced ARPR by 37% in the year as we provided four months' free advertising and a 25% discount for one month. Underlying ARPR grew through price and product. Growth in product resulted from additional data products included as part of our pricing event, further upsell to our higher level packages and continued increases in the number of retailers on our new car product. These increases were partially offset by a decline in stock, which largely occurred through the summer of 2020 when supply was tight.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

Operating profit
£m

£161.2m
-38%

2021	Margin 61%	£161.2m
2020	Margin 70%	£258.9m
2019	Margin 69%	£243.7m

Relevant focus areas

2 3 4 5

Definition

Operating profit is as reported in the Consolidated income statement on page 124. 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 decreased by 38% as the reduction in revenue driven by the COVID-19 related offers largely dropped through to profit as a result of the Group's high operating leverage. Administrative costs reduced by 8% as we focused on cost control, primarily through marketing costs which reduced by 43% year-on-year.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

Yes

Directors' remuneration report P94

Our growth horizons and relevant focus areas

Core

1 Provide the best online car buying experience in terms of transparency, choice and convenience

2 Create tools and products to allow retailers and manufacturers to increase sales

Adjacent

3 Become to new cars what we are in used

4 Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

5 Enable more of the transaction to be completed on the Auto Trader platform

Basic EPS

pence per share

13.24p

-40%

2021	13.24p
2020	22.19p
2019	21.00p

Relevant focus areas

2 3 4 5

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 reduced by 40%, much of which was driven by net income which declined 38%. The weighted average number of shares in issue increased by 4% driven by the placing of an additional 46.5m shares in April 2020.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

Cash generated from operations

£m

£152.9m

-42%

2021	£152.9m
2020	£265.5m
2019	£258.5m

Relevant focus areas

2 3 4 5

Definition

Cash generated from operations is as reported in the Consolidated statement of cash flows on page 128. It comprises net cash generated from operating activities, before income taxes paid.

Progress

Cash generated from operations decreased by 42% to £152.9m in the year. The majority of this cash was used to reduce the level of debt held by the Group given the uncertainty caused by the COVID-19 pandemic.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

Our growth horizons and relevant focus areas

Core
1. Provide the best online car buying experience in terms of transparency, choice and convenience
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Adjacent
3. Become to new cars what we are in used
4. Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future
5. Enable more of the transaction to be completed on the Auto Trader platform

Operational

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

58.3m
+15%

2021	58.3m
2020	50.8m
2019	49.1m

Relevant focus areas

1 3 4 5

Definition

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

Progress

Cross platform visits increased by 15% year-on-year. Strong consumer demand for cars coupled with social distancing restrictions resulted in audience growth as consumers relied on us as the place they could go to find their next car. We continue to use Comscore for a comparison to competitors and our share of minutes remains over 75% across all automotive classified sites.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

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

561.1m
+14%

2021	561.1m
2020	492.5m
2019	485.0m

Relevant focus areas

2 3 4 5

Definition

Monthly average minutes spent across all our platforms, as measured by Google Analytics.

Progress

We measure consumer engagement by the time spent on our site. Cross platform minutes increased by 14% to 561.1 million as a result of increased visits and our market leading consumer experiences that help individuals find their next car.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

Directors' remuneration report P94

Number of retailer forecourts
Average number per month

13,336
-0%

2021	13,336
2020	13,345
2019	13,240

Relevant focus areas
2 3 4 5

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

Progress
The number of retailers using our platform declined through the first quarter of the financial year as lockdown measures were implemented for the first time. When restrictions were lifted in June the number of retailers advertising on our platforms increased. Overall, the average number of retailers advertising with us across the year was 13,336.

Relevant risks
- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?
No

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

909
+7%

2021	909
2020	853
2019	804

Relevant focus areas
1 2 3 4 5

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 7% year-on-year. The acquisitions of AutoConvert in July 2020 and KeeResources mid-way through last financial year have been the primary driver of the increase, together contributing an additional 49 FTEs to the year's average.

Relevant risks
- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?
No

Live stock
Average number per month

485,000
+1%

2021	485,000
2020	478,000
2019	461,000

Relevant focus areas
1 3

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. For used cars, we charge our retailer customers on a cost per advertised slot basis for their advertising package, meaning the stock on our website has some correlation to our Retailer revenue.

Progress
Live car stock on site increased by 1%. To support customers during the first national lockdown we implemented an offer that allowed retailers to double their live stock on Auto Trader for no additional charge. Growth also came from new cars which increased by 52% to 47,000 on average over the year.

Relevant risks
- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?
No

A new way of measuring our cultural performance

We have identified six cultural KPIs that we consider to be most relevant in assessing how we are progressing against our make a difference strategy.

> Our work community is a place where differences are celebrated and where diverse individuals can thrive.
>
> –
>
> **Alison Ross**
> People and Culture Director

Cultural

Employee engagement

% of employees who are proud to work at Auto Trader

93%

+4% pts

Relevant focus areas

1 2 3 4 5

Definition

We define employee engagement by measuring the percentage of people who are proud to work for Auto Trader. Based on a survey to all employees in January 2021 asking our people to rate the statement "I am proud to work for Auto Trader". Answers were given on a five-point scale from strongly disagree to strongly agree and were collated through Culture Amp.

Progress

Over the past 12 months our people have had to navigate a number of challenges and we have done everything we can to support them. By taking appropriate measures and keeping clear lines of communication open with our people, we have been able to maintain a high level of engagement at 93%.

Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No
Future years: No

Women as a % of total staff

As at March each year

39%

+0% pts

Relevant focus areas

1 2 3 4 5

Definition

We calculate our diversity percentages using headcount (2021: 953, 2020: 904, 2019: 798). The percentage of employees who identify as women (both cis and trans) at the end of March. In calculating this percentage we take into account all gender identities, including non-binary.

Progress

We recognise the importance of gender diversity. Over the past 12 months, the percentage of our employees who identify as women was unchanged at 39%. We remain committed to improving gender diversity within our organisation.

Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No
Future years: Yes

Women as a % of leadership

As at March each year

34%

+2% pts

Relevant focus areas

1 2 3 4 5

Definition

We calculate our diversity percentages using headcount (2021: 953, 2020: 904, 2019: 798). The percentage of those in leadership positions who identify as women (both cis and trans) at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and those direct reports of the OLT. In calculating this percentage we take into account all gender identities, including non-binary.

Progress

The percentage of employees who identify as women in leadership roles increased in the year by 2% to 34%. Of the 108 people in leadership positions who define their gender when asked, 37 were women. We recognise there is a lot to do in this area and we launched our Diverse Talent Accelerator programme to support our people, particularly women and those from a BAME background, develop into leadership roles.

Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No
Future years: Yes

Make a difference P46

Directors' remuneration report P94

Our growth horizons and relevant focus areas

Core

1. Provide the best online car buying experience in terms of transparency, choice and convenience
2. Create tools and products to allow retailers and manufacturers to increase sales

Adjacent

3. Become to new cars what we are in used
4. Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

5. Enable more of the transaction to be completed on the Auto Trader platform

BAME representation as a % of total staff

As at March each year

11%

+1% pts

2021	11%
2020	10%
2019	8%

Relevant focus areas

1 2 3 4 5

Definition

The percentage of our headcount that define themselves as BAME as at 31 March. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

Progress

We recognise the importance of diversity. Over the past 12 months we have increased the percentage of our employees who define themselves as BAME by 1% to 11%. Of the 752 of people who define their ethnicity when asked, 102 are BAME. There were 201 employees (21%) who have not yet disclosed their ethnicity or opted not to do so.

Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No

Future years: Yes

BAME representation as a % of leadership

As at March each year

6%

+2% pts

2021	6%
2020	4%
2019	2%

Relevant focus areas

1 2 3 4 5

Definition

The percentage of those in leadership positions that define themselves as BAME at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and those direct reports of the OLT. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

Progress

The percentage of BAME employees in leadership roles increased in the year by 2% to 6%. Of the 108 people in leadership positions who define their ethnicity when asked, six were BAME. We recognise there is a lot to do in this area and we launched our Diverse Talent Accelerator programme to help people, particularly women and those from a BAME background, develop into leadership roles.

Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No

Future years: Yes

Total CO_2 emissions

Tonnes of carbon dioxide equivalent

6,673 tonnes

-34%

2021	6,673
2020	10,094

Relevant focus areas

1 2 3 4 5

Definition

The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the GHG Protocol, a Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK Government ('BEIS') conversion factor guidance for the year reported. The total amount of CO_2 emissions includes Scope 1, 2 and 3. 2021 and 2020 totals include emissions from additional relevant Scope 3 categories. The 2019 total includes limited Scope 3 emissions and has therefore been excluded from the above comparative. See page 54 for our reported Scope 3 emissions.

Progress

The total amount of CO_2 emissions reduced in the year by 34% to 6,673 tonnes of carbon dioxide equivalent. Climate change is treated as a Board-level governance issue. Our newly formed Corporate Responsibility Committee evidences our commitment to ensuring as a business we keep progressing with our climate change agenda. We're committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), fully embedding them over the coming year.

Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

Linked to remuneration?

Current year: No

Future years: Yes

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

Catherine Faiers
Chief Operating Officer

We have continued to invest in our products and services, to ensure that we're delivering the best possible consumer experience.

120,000
GPX consumer valuations since launch

2,000
retailers paying for the new car product in March 2021

Overview

COVID-19 has understandably had a significant impact on the last year and presented a number of challenges for us to overcome. I am proud of the decisive way we have supported our people, our customers and our business, responding to those challenges, and I believe we are in a stronger position as a result of the way we have navigated the last 12 months.

Supporting our people

The financial year started with the UK in lockdown and with all of our people working from home. With our business continuity planning in place, our transition to working remotely was almost seamless, which is testament to our systems, technology and the resilience of our employees.

For many, working from home brought additional strains and stresses. The health and wellbeing of our employees and their families is always front of mind. We increased the level of support for our people and have sustained this throughout the last 12 months. Many of these initiatives will remain, such as increased employee support services for mental and physical health, and more regular all-Company communication. We have also taken the decision to adapt our working policies to reflect the changing way we will all work going forwards. We will enable our people to better balance their work and home life to retain some of the benefits we have seen from a very different way of working. Encouragingly, when asked, 93% of employees say they are proud to work at Auto Trader which has risen from 89% in 2020 despite the challenges faced over the last 12 months.

We continued to progress our other key people-related strategies, such as our focus on driving a more diverse and inclusive Auto Trader. Our employee networks have played an integral role this year both in terms of providing support but also in driving new initiatives aimed at developing talent in our business in different ways. For example, we launched a Diverse Talent Accelerator programme, aimed at supporting a diverse group of individuals to grow and prosper in the business. Another programme, Inclusive Leadership, was rolled out to provide people leaders with the skills and insight to support the development of individuals, recognising their own unique strengths. We are pleased with the progress we have made in the year, but recognise that it will take time for these initiatives to have a meaningful impact on our newly reported cultural KPIs.

Supporting our industry

Through the financial year, our customers, who are predominantly car retailers, were required to close their showrooms at various times as restrictions were tightened. Periodically through the financial year, we have provided significant financial support to help our customers navigate these challenging times.

During the first lockdown in April and May, we took the decision to offer our advertising packages for free to customers. This was at a time when retailer showrooms were required to close and when most customers did not have the processes in place to sell remotely.

We also implemented a stock offer so that retailers could advertise more of their vehicles on our platforms at no additional cost, and extended payment terms so we were not a cash burden during a period where they could not sell vehicles. When forecourts were able to reopen on 1 June, we then provided retailers with a 25% discount on their advertising packages for the month of June.

We also provided retailers access to our new Market Insight product earlier than planned and created ways for retailers to advertise their vehicles even more effectively with the creation of home delivery, click and collect and live video flags. We started hosting weekly webinars, to update the industry on what we were seeing through our platforms as well as to provide insight from industry bodies and other experts. All of this activity was designed to support retailers through the crisis.

Over the past 12 months, many retailers have adapted their operations to facilitate some form of distance selling, such that the second and third lockdowns have not impacted trading as severely as the first. Nevertheless, the restrictions have still impacted the number of cars that were sold and therefore the profitability of our customers. We therefore offered free advertising again for the months of December 2020 and February 2021 to continue this support of our customers.

Overall, we provided free advertising services for four months of the year along with a 25% discount for June. 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 to further deepen our relationships in the months and years ahead.

Our audience

We have retained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader (2020: over 75%).

Our audience performance has strengthened over the year with average monthly cross platform visits increasing by 15% to 58.3 million per month (2020: 50.8 million). Engagement, which we measure by total minutes spent on site, increased by 14% to an average of 561 million minutes per month (2020: 492 million minutes).

Our strategy in action

Relevant focus areas

1 2

Our strategy P28

Continuing to improve our core marketplace

Updated our advertising package staircase

We have amended our advertising package structure and changed the sort order for listings. We have discontinued our basic package, introduced a higher level and re-branded our top three levels, Enhanced, Super and Ultra. We have also created a consistent cross-platform experience with adverts appearing in search, based on a relevancy algorithm, which takes package level into account.

Highlighting COVID-19 secure safety measures

We highlighted COVID-19 secure safety measures in the advert view to give consumers confidence to purchase a vehicle safely. These included safety measures in place at dealerships, live video viewings, availability of home delivery and click and collect options.

85%

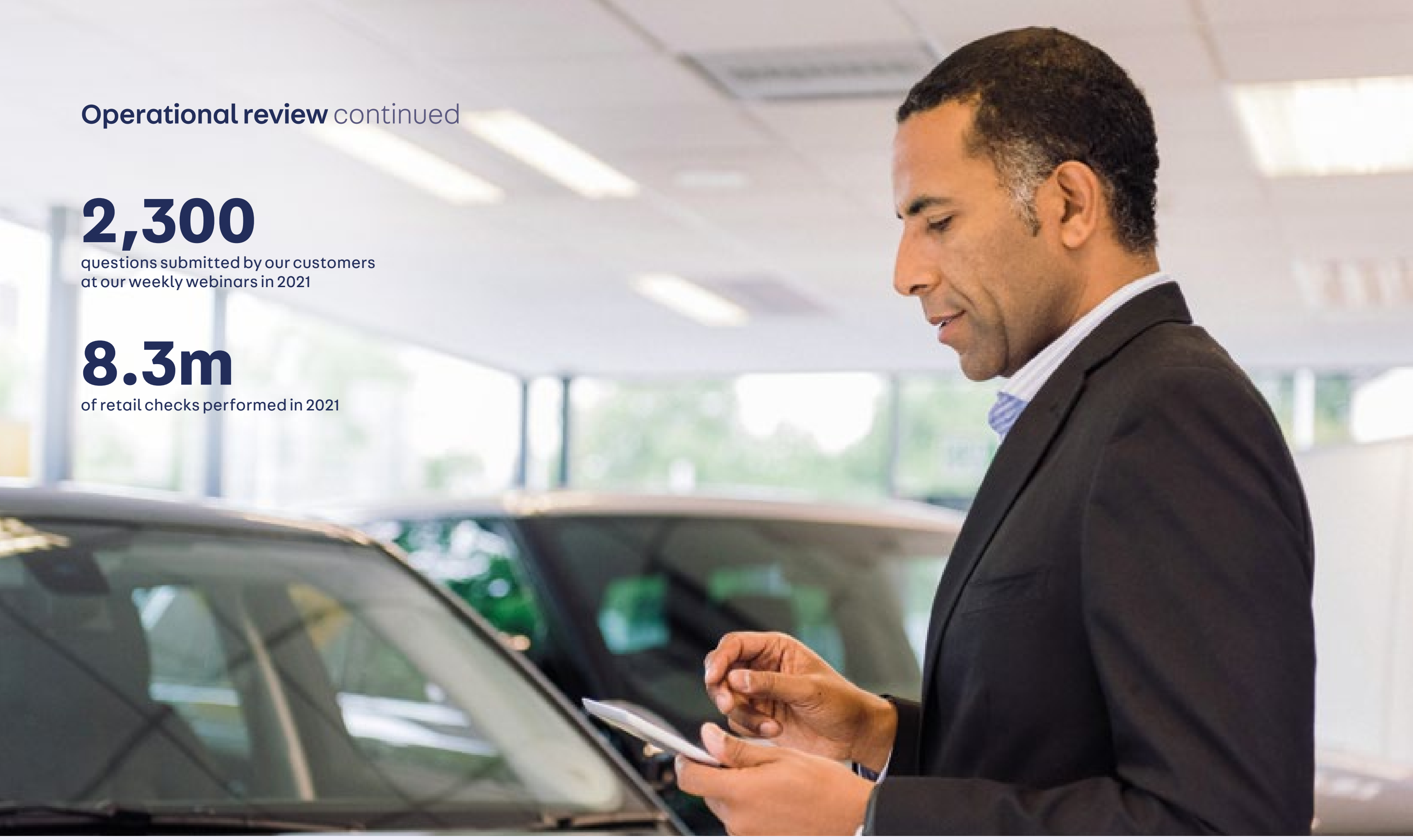
of adverts that display a COVID-19 secure flag in March 2021

Increasing package prominence

We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021, allowing retailers to gain additional exposure for their stock in search results (March 2020: 23%).

26%

advanced and premium package penetration in March 2021



2,300
questions submitted by our customers at our weekly webinars in 2021

8.3m
of retail checks performed in 2021

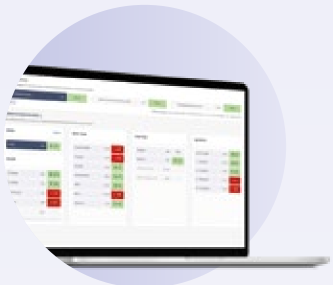
Our strategy in action

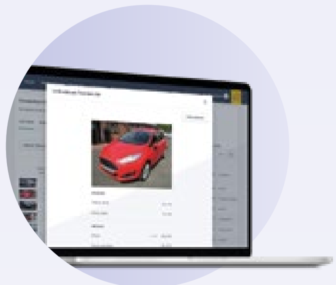
Relevant focus areas

4

Our strategy P28

Leading the way for retailers through data-led products and insights





Market Insight

The Market Insight tool gives retailers access to up-to-date market intelligence so they can identify key market trends, understand how those may impact performance, and inform them how to adapt accordingly.

Performance Dashboard

An upgraded Performance Dashboard allows retailers to measure, track and improve advert performance on Auto Trader. Optimising advert performance through a simple Performance Rating that results in more leads and sales for the retailer.

Retail Check

Now bundled into our independent retailer advertising packages, Retail Check gives retailers the broadest, most accurate view of the live retail market, helping them make better and faster pricing decisions on cars they are considering to buy and for stock that's already on their forecourt.

Insights

We launched Retailer Performance Masterclasses, a new online learning centre for retailers, helping them improve their business profitability, and hosted a series of live and on-demand weekly webinars, to update the industry on what we are seeing through our platforms.

Following an initial decline in visits through April and May 2020, the number of visits to our platform increased as consumer demand came back strongly. With lockdown restrictions in place, and people unable to visit forecourts, this drove more people to research and make their purchase decisions online. This resulted in significantly more digital footprints left on Auto Trader, increasing the attribution of sales we may have influenced, generating 14.1m leads sent to retailer customers in 2021.

Retailer and stock levels

The average number of retailer forecourts advertising on our platforms was broadly flat at 13,336 (2020: 13,345). We have seen a steady increase in the number of retailers advertising on our platform since June and saw a year-on-year increase in the second half of the year.

Total live stock on site increased by 1% to an average of 485,000 cars (2020: 478,000). We saw significant downward pressure on stock listings through the summer created by supply constraints. However, this improved from September and as with our retailer forecourt number, saw good levels of year-on-year growth in the second half. New car stock has seen consistent growth, averaging 47,000 in the year (2020: 31,000).

In the first quarter of our financial year, when retailer forecourts were closed and we allowed customers to 'double their stock for free', physical stock on Auto Trader reached a record high. After retailers reopened in June, the number of cars available for retail steadily reduced, with high levels of demand outstripping supply. That supply shortage continued into the second quarter of our financial year; we also converted part of the stock offer which resulted in a decrease in stock on site.

The supply side of the market started to normalise in the autumn and so levels of stock advertised on Auto Trader steadily increased. Stock levels remained strong through the remainder of the second half of the year, along with customers taking advantage of the 'free' advertising months in December and February as retailers recognised the importance of advertising on our platforms at a time when restrictions were still in place.

Helping retailers advertise effectively

We continue to develop our products so that our customers can compete on our marketplace whilst also developing products which will allow car buyers to complete more of the transaction online, thereby making the forecourt experience more efficient.

Our higher level advanced and premium packages have offered this through the year. In May 2021, we have evolved our package staircase. With more buyers than ever using Auto Trader typically before they visit a showroom, retailers recognise the growing importance of being highly visible on our marketplace. This dynamic, along with the 'free' advertising months in December and February, helped us increase penetration of stock on our two highest package levels to 26% in March 2021 (March 2020: 23%).

Another area of focus has been our new car proposition. We ended the year with over 2,000 retailers (2020: over 1,000) paying to advertise new cars on our site, an increase of over 100%. The average number of new cars advertised on our platforms over the year increased to 47,000 (2020: 31,000), attracting 1.4m unique visitors on average each month across the period.

Making the car buying process easier

Over the last year there has been a shift in consumer appetite to do more online and shopping for a car is no different. The dynamic of the pandemic though has not only brought about a change in consumer behaviour, it has also changed how our customers have operated their forecourts. Many have adapted their forecourts to facilitate vehicles being sold at a distance. Whilst some of the status quo in how cars are bought and sold will undoubtedly return as restrictions are eased, both consumers and retailers have experienced a different model. Digital products and services will help to reinforce this in the coming months. We believe we are well positioned to support the industry in making changes needed to bring more of the car buying journey online.

During the year we launched our buy online hub. This dedicated section of the site allows consumers to find cars available for home delivery or click and collect. It played a key role in promoting the availability of retail options for consumers during the pandemic. Our aim over the near future is to evolve this proposition so that consumers can complete more of the buying process online through our marketplace.

As part of our strategy to bring more of the car buying journey online, in October we began enrolling customers onto our Guaranteed Part-Exchange ('GPX') product. This product enables consumers to get an accurate price for their existing vehicle whilst shopping on Auto Trader, eliminating the need to haggle over a part-exchange whilst also not requiring the dealer to take risk on the vehicle. At year end we had c.1,000 customers trialling the product.

In July 2020, we acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management. The business helps its customers to both increase finance penetration and to reduce costs by automating the customer journey. AutoConvert's customers include automotive dealers, dealer networks and financial brokers. The business's core functionality, coupled with the fact it is integrated into over 60 lenders, will help us deliver our future finance product, which will enable finance agreements and approvals to be completed on Auto Trader. We expect to pilot this in the second half of the current financial year.

Finally, our product teams made good progress on a solution that will enable vehicle reservations to be completed on Auto Trader. We expect this product to evolve over the next 6-12 months and form a key component of facilitating an online transaction. We anticipate that consumers' willingness to complete this part of the transaction online has been improved by changing habits brought about by COVID-19 and believe it can significantly increase the efficiency of our customers.

Our research of car buyers tells us that 55% of buyers would consider buying a used car online, 60% would pay an online deposit, 80% want to have at least some idea of the part-exchange value and 70% want an idea of finance options before visiting a retailer. It is anticipated that over the next 12 months, we will evolve the car buying journey on Auto Trader to include all three components, in one easy to complete user journey.

Changes in our infrastructure

We have made substantial progress during the year in migrating our platform and technology infrastructure to the cloud. Moving to the cloud has enabled us to take advantage of improved performance, enhanced security and a quicker product release cycle. We expect to have migrated all of our services to the cloud by the end of the coming financial year. Despite the disrupted nature of this year, we saw an increase in the number of product releases to 41,000 (2020: 37,000).

Catherine Faiers
Chief Operating Officer
10 June 2021

> Revenue was impacted by our decision to provide free advertising to our retailer customers in April, May, December and February, and at a 25% discount in June, due to the closure of their forecourts given COVID-19 lockdown restrictions.

Safeguarding our business for the long-term benefit of all stakeholders

Jamie Warner
Chief Financial Officer

Equity placing

On 1 April 2020 we raised proceeds of £182.9m net of fees through an equity placing. This strengthened our balance sheet and liquidity position, enabling us to navigate the COVID-19 crisis in the long-term interests of our stakeholders. The raise also ensured that the Group was in the best position to take advantage of strategic opportunities, such as the acquisition of AutoConvert, as well as continuing to support customers while remaining well within our debt covenants.

Suspension of capital allocation policy

With heightened uncertainty caused by COVID-19, we suspended our capital policy in late March 2020 to conserve cash within the business. We have subsequently recommended a final dividend for the year which will be paid in September. Our long-term capital allocation policy remains unchanged. We aim to distribute around one third of net income as dividends and, having significantly reduced our debt position, will use surplus cash generated to buy back shares.

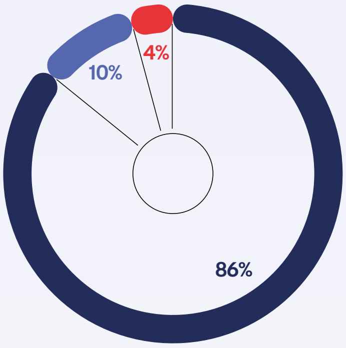
Controlling costs

Early in the crisis, we reduced discretionary spend across the business, the majority of which related to marketing spend. Our Executive Directors also forewent 50% of their salary during Q1 and agreed to forego annual bonuses earned in relation to the previous financial year. The remainder of the Board waived their fees by 50% or more for the duration of Q1.

Repaid Government support

Early in the crisis we used the Government Coronavirus Job Retention Scheme ('CJRS') for around 25% of our employees, many of whom were in demand based roles, which were impacted by retailers effectively closing their business. We also deferred our VAT payments due between the period 20 March to 30 June 2020. Towards the end of May and as soon as it seemed likely that the business could survive even the worst scenarios, all of our people placed on furlough returned to work. We have subsequently repaid all amounts claimed under the CJRS and we are up to date on all VAT payments.

Our revenue streams



- **Trade**
  £225.2m
  a 31% YoY decrease (2020: £324.3m)
- **Consumer Services**
  £26.6m
  a 6% YoY decrease (2020: £28.3m)
- **Manufacturer and Agency**
  £11.0m
  a 33% YoY decrease (2020: £16.3m)

Revenue

£262.8m
-29%
(2020: £368.9m)

Operating profit

£161.2m
-38%
(2020: £258.9m)

Revenue (£m)	2021	2020	Change
Retailer	**211.9**	312.1	(32%)
Home Trader	**6.3**	8.3	(24%)
Other	**7.0**	3.9	79%
Trade	**225.2**	324.3	(31%)
Consumer Services	**26.6**	28.3	(6%)
Manufacturer and Agency	**11.0**	16.3	(33%)
Total	**262.8**	368.9	(29%)

Costs (£m)	2021	2020	Change
People costs (including share-based payments)	**60.0**	55.8	8%
Marketing	**9.8**	17.3	(43%)
Other costs	**27.9**	33.6	(17%)
Depreciation and amortisation	**6.3**	6.5	(3%)
Total administrative expenses	**104.0**	113.2	(8%)

Revenue fell to £262.8m (2020: £368.9m), down 29% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, decreased by 31% to £225.2m (2020: £324.3m).

Retailer revenue fell by 32% to £211.9m (2020: £312.1m). Revenue was impacted by our decision to provide free advertising to our retailer customers in April, May, December and February, and at a 25% discount in June, due to the closure of their forecourts given COVID-19 lockdown restrictions.

The average number of retailer forecourts advertising on our platforms was broadly flat at 13,336 (2020: 13,345). We had a reasonable decline in the first quarter, but subsequently saw a steady increase in the number of retailers advertising on our platform since June 2020.

Average Revenue Per Retailer ('ARPR') declined by 32% to £1,324 (2020: £1,949). The £625 decrease was heavily impacted by the COVID-19 related discounts previously mentioned. Excluding those discounts, ARPR grew by £87 year-on-year, as a decline in paid stock was offset by an increase in price and product:

- COVID-19 related discounts: The impact of discounts provided to support customers during the various lockdown periods contributed a decline of £712 to total ARPR (2020: £0).
- Price: Our price lever contributed an increase of £50 (2020: £53) to total ARPR as we executed our annual pricing event for all customers on 1 April 2020, which included additional products but also a like-for-like price increase.
- Stock: The number of cars advertised on Auto Trader increased by 1% to 485,000 (2020: 478,000), this was boosted by the growth in new cars seen on Auto Trader due to growing take up on our new car product. Used car stock marginally declined in the year as we saw stock levels reduce through the second quarter, with the overall number of cars available to retail decreasing as a result of high demand and tightened supply. Stock levels recovered through the second half, although not enough to offset the decline. The year-on-year decline in the number of used cars live on site contributed to the decline in the levels of paid retailer stock resulting in a £52 decline in the stock lever (2020: decline of £30).
- Product: Our product lever contributed an increase of £89 (2020: £82) to total ARPR. Much of this product growth was a result of our annual pricing event underpinned by three products: an upgraded Performance Dashboard, Retail Check and a new Market Insight tool. There was also growth in our new car advertising product with over 2,000 paying retailers at the end of March 2021 (March 2020: over 1,000). The penetration of our higher yielding advanced and premium packages also increased to 26% of retailer stock (March 2020: 23%), as retailers continue to recognise the value of receiving greater prominence within our search listings and took advantage of the free advertising offered in December and February. We also saw a small contribution from our new Market Extension product.

Home Trader revenue declined by 24% to £6.3m (2020: £8.3m). Other revenue increased by £3.1m to £7.0m (2020: £3.9m) mainly through the acquisition of KeeResources and AutoConvert which contributed £3.7m (2020: £1.9m) and £1.1m (2020: £0.0m) to this revenue line respectively.

Consumer Services revenue decreased by 6% in the period to £26.6m (2020: £28.3m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, decreased to £16.6m (2020: £20.1m). This was offset by an increase in Motoring Services revenue, which was up 21% to £9.9m (2020: £8.2m) as a result of strong growth in both our insurance and finance offerings. We also launched our new instant offer product in the year, which enables private sellers to sell their car at a guaranteed price, which contributed £0.1m to Private revenue.

Revenue from Manufacturer and Agency customers declined by 33% to £11.0m (2020: £16.3m). In addition to the impact of the pandemic, we also removed standard format display advertising to improve the core search experience. This removal contributed £3.9m to the overall reduction in Manufacturer and Agency revenue.

Costs

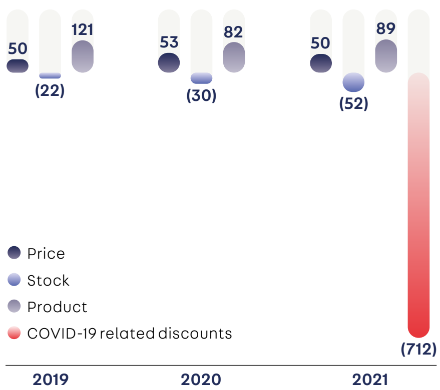
The Group made the decision to reduce costs, mainly through the reduction of discretionary marketing spend, which led to total costs decreasing by 8% to £104.0m (2020: £113.2m).

People costs, which comprise all staff costs and third-party contractor costs, increased by 8% to £60.0m (2020: £55.8m). The increase in people costs was primarily driven by an increase in the average number of full-time equivalent employees (including contractors) to 909 (2020: 853), much of which was down to the acquisition of KeeResources and AutoConvert which contributed a combined 49 to the increase in the period.

Marketing spend decreased by 43% to £9.8m (2020: £17.3m) as discretionary spend was reduced in response to the pandemic.

Other costs, which include data services, property related costs and other overheads, decreased by 17% to £27.9m (2020: £33.6m). The decrease was primarily due to lower overhead costs, including lower travel and office related costs. Depreciation and amortisation declined to £6.3m (2020: £6.5m) with the reduction coming from reduced software amortisation.

ARPR levers (£)



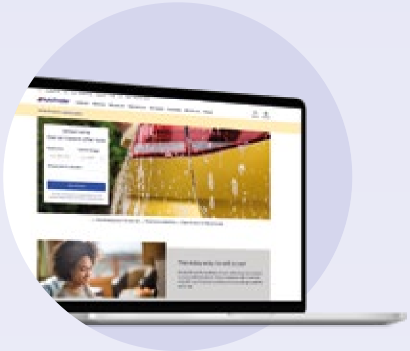
Our strategy in action

Relevant focus areas

5

Our strategy P28

Accelerating the digital retailing experience



Guaranteed Part-Exchange ('GPX')

GPX enables a consumer to visit a retailer's advert and get a guaranteed price for their part-exchange. Through partnership with Cox Automotive retailers are provided with an efficient and risk-free disposal route for any unwanted part-exchange.

c.1,000

retailers currently trialling our Guaranteed Part-Exchange product

1.5m

finance applications through AutoConvert since acquisition

Instant Offer launch

We launched Instant Offer, which enables private sellers to sell their car at a guaranteed price. The proposition offers consumers a convenient way to sell their car privately, with the added benefit of having their car collected from their own home or place of work.

AutoConvert acquisition

We acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management systems. The business helps its customers to both increase finance penetration and to reduce costs by automating the full customer journey for the automotive sector.

Operating profit (£m)	2021	2020	Change
Revenue	262.8	368.9	(29%)
Administrative expenses	(104.0)	(113.2)	(8%)
Share of profit from joint ventures	2.4	3.2	(25%)
Operating profit	161.2	258.9	(38%)

Operating profit

During the period Operating profit fell by 38% to £161.2m (2020: £258.9m). Operating profit margin decreased by nine percentage points to 61% (2020: 70%).

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased to £2.4m (2020: £3.2m) in the period as a result of reduced auction activity during the periods of lockdown.

Profit before taxation

Profit before taxation decreased by 37% to £157.4m (2020: £251.5m). This decrease results from the Operating profit performance, partially offset by a reduction in net finance costs of £3.8m (2020: £7.4m).

Interest costs on the Group's RCF totalled £2.9m (2020: £6.3m). The decrease reflects a reduced average drawn level through the period. At 31 March 2021 the Group had drawn £30.0m of the facility (31 March 2020: £313.0m). Amortisation of debt costs amounted to £0.6m (2020: £0.7m). Interest costs relating to leases totalled £0.3m (2020: £0.4m) and interest charged on deferred consideration was £0.1m (2020: £nil). This was offset by interest receivable on cash and cash equivalents of £0.1m (2020: £nil).

Taxation

The Group tax charge of £29.6m (2020: £46.4m) represents an effective tax rate of 19% (2020: 18%). After removing the impact of Dealer Auction, which is consolidated post-tax, this is in line with the average standard UK rate.

Earnings per share

Basic earnings per share fell by 40% to 13.24 pence (2020: 22.19 pence) based on a weighted average number of ordinary shares in issue of 965,175,677 (2020: 924,499,320). Diluted earnings per share of 13.21 pence (2020: 22.08 pence) decreased by 40%, based on 967,404,812 shares (2020: 929,247,835) which takes into account the dilutive impact of outstanding share awards. The increase in the number of shares was due to the equity raise completed on 1 April 2020, which issued approximately 46 million shares.

Cash flow and net debt

Cash generated from operations decreased to £152.9m (2020: £265.5m) as a result of the reduction in Operating profit. Corporation tax payments decreased to £28.2m (2020: £69.8m), due to lower profit before taxation and due to the last financial year including two additional payments as a result of the changes to HMRC's payment profile. Net cash generated from operating activities was £124.7m (2020: £195.7m).

As at 31 March 2021 the Group had net cash of £10.3m (31 March 2020: net debt of £282.4m), representing a net reduction of £292.7m. Net bank debt, which is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements, is in a net cash position of £15.7m (2020: net bank debt of £275.4m). At the year end, the Group had drawn £30.0m of the Syndicated revolving credit facility (31 March 2020: £313.0m) and held cash and cash equivalents of £45.7m (2020: £37.6m).

Leverage, defined as the ratio of Net bank debt to EBITDA, decreased to zero (2020: 1.0x) as we exit the year in a net cash position. Interest paid on these financing arrangements was £3.0m (2020: £6.4m).

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 £182.9m net of all 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.

Capital structure and dividends

In March 2020 the Group suspended its capital allocation policy to safeguard the business in response to the COVID-19 outbreak. Despite the challenging trading conditions, the Group has remained cash generative and the Board believes now is the right time to reinstate its capital allocation policy.

The Group's capital allocation policy remains broadly 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. Having reduced our debt position, any surplus cash following these activities will be used to continue our share buyback programme. The Board is therefore recommending a final dividend for the year of 5.0p (2020: nil) and expects to resume its share buyback programme shortly. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 17 September 2021, the final dividend will be paid on 24 September 2021 to shareholders on the register of members at the close of business on 27 August 2021.

No interim dividend was paid, and therefore total dividends for the year are 5.0p (2020: 2.4p). Total dividends paid during the financial year were nil (2020: £64.7m). No shares were repurchased during the financial year (2020: 11.4 million were repurchased for a total consideration of £61.7m).

At the 2020 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,560,474 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2021 AGM and the Directors intend to seek a similar general authority from shareholders at the 2021 AGM. The Board intends to commence the share buyback programme shortly, 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.

Acquisition of AutoConvert

On 31 July 2020, the Group acquired AutoConvert (legally named BlueOwl Network Limited) for the consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. AutoConvert is a finance, insurance and compliance software platform with integrated customer relationship management systems for the automotive sector.

In the eight months post acquisition, AutoConvert contributed £1.7m of revenue and £2.0m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

Going concern

The Group generated significant cash from operations during the period, despite the impact of COVID-19 on Q1 trading. At 31 March 2021 the Group had drawn £30m of its £400m unsecured revolving credit facility ('RCF') and had cash balances of £46m. The £400m RCF is committed until June 2023, when it reduces to £317m through to maturity in June 2025.

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress case scenarios were modelled to take into account severe but plausible impacts of COVID-19. The results of stress testing demonstrated that the combination of significant free cash flow, existing cash resources and the discretionary nature of dividend payments and share buybacks were sufficient for the Group to withstand such impacts and continue to comply with the RCF's financial covenants with significant headroom. For these reasons, the Directors continue to adopt the going concern basis in preparing these financial statements.

Post balance sheet events

Manchester office lease

On 14 April 2021, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The lease will last for five years until April 2026 with total lease commitments over the five-year period of £1.9m.

Dealer Auction dividend

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

Jamie Warner
Chief Financial Officer
10 June 2021

Committed to being a responsible business

We are pleased to announce our new make a difference strategy

At Auto Trader our purpose sits beneath an overarching goal of 'Driving change together. Responsibly.' Within this we aim to 'make a difference' to our people, our communities, our industries as well as the wider environment, whilst ensuring we act at all times as a responsible business.

With the changing environment over the past year, we have reviewed our purpose, our strategy and our focus areas. As part of this review we have looked to ensure our new make a difference strategy is aligned and embedded within our overall Group strategy. During the year we have sought input from stakeholders and this new make a difference strategy has been reviewed and approved by the Board.

Our strategy for the coming year falls within three distinct pillars

Our make a difference strategy

Driving change together. Responsibly.

Making a difference to our people, our communities and the wider environment.

Diversity and inclusion

Significantly improve the diversity of our organisation, particularly within leadership.

Read more P48

Environmental sustainability

Commitment to become carbon neutral and start our journey to carbon net zero. Help car buyers make more sustainable vehicle choices.

Read more P53

Ethics and compliance

Trust and transparency are integral to our marketplace – we have established policies, procedures and training to ensure that everyone at Auto Trader understands our expectation of behaving professionally, ethically and legally. We promote a culture of compliable and shared responsibility by providing advice and information to keep our employees, consumers and customers smart, safe and secure.

Read more P58

Reporting frameworks

We aim to report comprehensively and transparently about ESG topics to provide our investors and other stakeholders with information about our approach to ESG and our ability to manage its associated risks and opportunities. Our reporting therefore focuses on the Sustainability Accounting Standards Board ('SASB') standards referencing SASB's reporting framework for the "Internet and Media Services" and "Media & Entertainment" industries and the Task Force on Climate-related Financial Disclosures ('TCFD').

We will review the indicators of the UN Sustainable Development Goals in the coming year and identify where we can make meaningful contribution but our primary focus will be on developing our disclosures in line with SASB and TCFD.

To ensure we continue to evolve our make a difference strategy and make progress towards our goals, this year we established a new Corporate Responsibility Committee. The Committee gives Board level oversight working in alignment with our guilds and networks to oversee our progress in fulfilling our goals to make a difference.

Report of the Corporate Responsibility Committee P90

We have identified six cultural KPIs that we currently consider to be the most relevant in assessing how we are progressing against our make a difference pillars. We will continuously monitor these to ensure we are making progress and the KPIs remain relevant. To demonstrate the importance we place on our make a difference priorities, we have linked some of our cultural KPIs to remuneration.

Key performance indicators P32

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.

FTSE4Good

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	Cultural KPIs
Environmental	• Sustainability Network	• Environmental sustainability: pages 53 to 57	• Total Scope 1, 2 & 3 CO_2 emissions
Our people	• Code of Conduct • Stakeholder engagement • Board Engagement Guild • Whistleblowing Policy • BAME Network • Women's Network	• Diversity and inclusion: pages 48 to 52 • Section 172(1) Statement: pages 20 and 21	• People who are proud to work at Auto Trader • Gender diversity • Ethnic diversity • Women in leadership roles • BAME in leadership roles
Social and community	• Ethical Procurement Policy • Customer Charter • Volunteering days • Diversity and Inclusion Guild • Make a Difference Guild • Wellbeing Guild	• Diversity and inclusion: pages 48 to 52 • Environmental sustainability: pages 53 to 57	• Gender diversity • Ethnic diversity • Women in leadership roles • BAME representation in leadership roles • People who are proud to work at Auto Trader
Human rights	• Modern Slavery Policy • Privacy Policy	• Ethics and compliance: pages 58 to 61	
Anti-bribery and anti-corruption	• Anti-bribery, Gifts and Hospitality Policy	• Ethics and compliance: pages 58 to 61	
Business model		• How we create value: pages 18 and 19	
Principal risks		• Principal risks and uncertainties: pages 64 to 69	
Non-financial key performance indicators		• Operational and cultural KPIs: pages 34 to 37	

Diversity and inclusion

Aligned with our overarching company purpose of 'Driving change together. Responsibly', our diversity and inclusion vision is to nurture our inclusive culture and enrich our workforce with diverse individuals who collaborate for the benefit of our business, industries and communities.

At Auto Trader we are passionate about diversity and inclusion because it fuels innovation, drives engagement and attracts talent; diversity and inclusion is a fundamental part of our culture and aspiration to be curious, community minded and courageous. We want to build a diverse and inclusive workplace where every one of us can be our best and true selves; 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 customers and consumers. Diversity for everyone at Auto Trader means respect for and the 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.

In order to achieve our diversity and inclusion strategic commitments we will:

Take action	• Recruit more diverse individuals concentrating on our focus areas • Support our people to grow through our Inclusive Culture Development Programmes • Educate each other and increase awareness via our training and employee network activities
Measure impact	• Analyse and act on employee feedback through our guilds, networks and surveys • Monitor the make up of our workforce across our focus areas • Calculate the different pay gaps and report on our gender and ethnicity pay gap in 2021
Do more	• Keep increasing representation of diverse individuals across all levels of the organisation at a steady pace every year • Improve the employee experience, remove systematic barriers and reduce the gender and ethnicity pay gaps • Make a difference in our industries and communities

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.

Gender and ethnic diversity

We remain committed to improving diversity and inclusion within our organisation as we believe this improves individual and team performance and allows us to identify and attract talent that we may not otherwise access.

Like most organisations, particularly those in both the technology and automotive sector, there is significant room for improvement. Our gender diversity at Board level remained at 50:50 (2020: 50:50), although women were less well represented in the organisation as a whole at 39% (March 2020: 39%) and in leadership roles, as defined by Hampton-Alexander, at 34% (March 2020: 32%). We are pleased to be one of only nine FTSE100 companies to have at least a 50:50 gender parity on the Board. From an ethnicity perspective, we have not yet met the Parker Review recommendation of having a member of our Board from a BAME background but are committed to doing so. We also aim to increase the percentage of BAME employees: we are currently at 11% (2020: 10%), with 21% of employees currently not disclosed. The percentage of BAME employees in a leadership role, again using the Hampton-Alexander definition, is currently at 6% (2020: 4%).

As at 31 March 2021	Men	Women	Non-binary/other	Men as a % of total	Women as a % of total
Board	4	4	0	50%	50%
OLT	6	4	0	60%	40%
OLT direct reports	63	32	0	66%	34%
Total Company	582	368	3	61%	39%

As at 31 March 2021	White	BAME	Not disclosed	White as a % of total	BAME as a % of total
Board	8	0	0	100%	0%
OLT	10	0	0	100%	0%
OLT direct reports	77	6	12	81%	6%
Total Company	650	102	201	68%	11%

Gender and Ethnicity Pay Gap Report

We released our first combined Gender and Ethnicity Pay Gap Report 2020 (published in March 2021, reporting the pay gap as at 5 April 2020). Whilst it is a legal requirement for us to publish our gender pay gap, this year we have also chosen to voluntarily publish information about ethnicity. We continue to be committed to welcoming, and just as importantly retaining, a diverse and inclusive workforce to drive our organisation forwards. Although we are making progress with our goals, the impacts of our work to address the issue systemically will take time to bear fruit, hence the continued gender and ethnicity pay gaps. We will continue to work hard to address the issues we believe are relevant to reduce these gaps and believe that our new programmes will go some way to help us realise our goals.

Gender and ethnicity pay gap 2020

Hourly pay gap between men and women

Auto Trader Limited

Mean hourly pay gap

15.1% ↑ +3.0% pts

2020	15.1%
2019	12.1%
2018	9.1%

Median hourly pay gap

19.2% ↑ +1.3% pts

2020	19.2%
2019	17.9%
2018	13.9%

Auto Trader Group[1]

Mean hourly pay gap

15.9% ↑ +1.0% pts

2020	15.9%
2019	14.9%
2018	12.3%

Median hourly pay gap

20.6% ↑ +2.9% pts

2020	20.6%
2019	17.7%
2018	13.3%

At Auto Trader Limited

Salary quartiles	% Women 2020	% Women 2019	% Women 2018	% Men 2020	% Men 2019	% Men 2018
Lower quartile	**51.0%**	49.2%	47.9%	**49.0%**	50.8%	52.1%
Lower middle quartile	**44.6%**	43.8%	40.9%	**55.4%**	56.2%	59.1%
Upper middle quartile	**29.2%**	28.7%	30.3%	**70.8%**	71.3%	69.7%
Upper quartile	**32.1%**	33.5%	34.7%	**67.9%**	66.5%	65.3%
Total number of employees	**307 (39.3%)**			**475 (60.7%)**		

Hourly ethnicity pay gap

At Auto Trader Limited

Salary quartiles	BAME	White
Lower quartile	**20.6%**	79.4%
Lower middle quartile	**14.7%**	85.3%
Upper middle quartile	**10.0%**	90.0%
Upper quartile	**9.4%**	90.6%
Total number of employees[2]	**93 (13.7%)**	**588 (86.3%)**

Mean ethnicity pay gap

14.8%

Median ethnicity pay gap

21.6%

1. This includes all full pay relevant employees within the Auto Trader Group as at 5 April 2020, including Auto Trader Group plc (which had only three employees), Webzone Limited (a company registered in Ireland), and KeeResources. We have reported this voluntarily.
2. In calculating these percentages we restricted the total population to those who disclosed their ethnicity.

Gender pay gap

We recognise that the gender pay gap has widened in 2020, and there are two main drivers for this. Firstly, we have increased the proportion of women in entry level roles; our graduate intake this year was predominantly women (63%). There is a significant challenge in both the technology and automotive industries when it comes to gender balance, therefore we remain determined to create a solution by overinvesting in our early career programmes. We believe that over time this will result in a sustainable pipeline of female talent throughout our organisation. We are also making progress in the lower middle quartile as women who previously entered the business in an early career capacity progress upwards through the organisation. Another positive indicator that our long-term strategy is working is that women in technology roles have also increased again this year to 24%. The second main driver of our pay gap has been the reduction in the proportion of women in the upper quartile salary roles. This is due to a combination of senior women leavers, senior male promotions and senior male hires. We are taking action through our new development programmes aimed at mid-career levels, and we acknowledge that there is more work to do in improving the gender balance of recruitment into these upper quartile roles.

As part of our Remuneration Policy we continue to take a simple approach to reward and the vast majority of employees do not receive bonus or commission. Our senior leadership team and other key individuals receive incentive awards which are fully settled in shares over a three-year period. However, the bonus pay gap looks back over a 12-month period (April 2019-March 2020), and share awards are included in the calculations at the time when an employee chooses to exercise their share options, not when the awards are granted. The bonus pay gap reported includes the exercise of awards from previous years (when our senior leadership team was not as gender balanced as today), and also includes multiple awards for some employees depending when they have chosen to exercise, and is therefore not a reflection of the current award structure. This has had an impact on both our mean and median bonus pay gap figures.

Ethnicity pay gap

For the first time, we have shared ethnicity pay gap figures voluntarily for Auto Trader Ltd. The data is representative of 86.8% of our business, as those who chose not to disclose their ethnicity are not included in the pay gap report. Our representation of BAME employees included in the pay gap report is 13.7%, which, whilst it is almost reflective of wider society, is not reflective of the communities in which we work. It is therefore an area we actively want to improve on and will continue to do so.

BAME Network reverse mentoring sessions

The BAME Network ran a speed reverse mentoring session for both our OLT and our PLC Board. The aim of the event was to share our BAME colleagues' stories so that our leadership teams could get a better understanding of the challenges that the BAME community face.

Reverse mentoring acknowledges that a more senior person is the one who is looking for a fresh outlook rather than the other way around in the traditional mentoring sense. The BAME Network thought it would be an effective approach for the leadership team to better understand the challenges the BAME community faces.

The objectives of the evening were

- To increase awareness, understanding and education of some of the challenges BAME employees may face in the workplace.
- To create a forum for honest, open and safe dialogue on all things BAME at Auto Trader for both employees and senior leaders.
- To inspire and create allies, who will play an active role in advocating diversity and inclusion throughout their Tribes and Squads.

Much like speed dating, OLT and Board members spent 10 minutes with a different BAME member having open and frank conversations before moving to the next. This was an opportunity to put race on the agenda with our senior leaders and to give them a safe space to not only hear stories from our BAME network members but also to ask any questions that they had.

> It was a humbling event to be part of – a sincere thank you to you all for making it happen. I feel privileged to hear some of the family background and childhood stories that were shared along with the highs and lows in personal journeys so far. It also gave me food for thought about Auto Trader-specific experiences that we can learn from.
>
> —
>
> **Rebecca Clark**
> Sales Director

> It must have taken a great deal of courage to share your stories in such a brave and open way. Getting that understanding has made a real difference to me, and it's something we should aim to spread across the organisation.
>
> —
>
> **Nathan Coe**
> Chief Executive Officer

The proportion of employees from BAME non-white backgrounds is higher in the lower quartile pay bands as our business and industries face similar challenges to those faced by women. We are working on increasing the recruitment of BAME non-white individuals and we are already having success as 30% of our early career intake have been from a BAME background. We are hopeful that the introduction of our two new development programmes, Inclusive Leadership and the Diverse Talent Accelerator, will help us to make further progress in this area.

Actions we are taking

Supported by our Corporate Responsibility Committee and our OLT, our colleagues are working on initiatives in order to achieve our two diversity and inclusion commitments that we believe will directly contribute to closing the pay gaps that exist:

- Have a representative workforce across all levels of our business with a focus on women, LGBT+, BAME, disability & neurodiversity and age.
- Create an environment where everyone feels included with high levels of engagement, especially across the different diversity focus areas.

In the last 12 months we have launched two talent programmes; one focusing on Inclusive Leadership for all leaders across our organisation and the second a Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues. Both programmes have been designed to support our overall ambitions to be more inclusive and diverse by supporting people's development through the organisation.

As part of our commitment to increase representation across our business at every level we are always looking for new ways to ensure all our people feel empowered and that they have the support to continue their personal growth and professional development at Auto Trader. We have continued investing in our early career programmes, welcoming new graduates and apprentices to our business, as well as forming a new partnership to recruit returners following a career break. We hope these programmes will begin to positively change our pay gaps over the coming years as they help to address both gender and ethnicity representation across our business.

We remain committed to supporting disabled and neurodiverse employees and those who become disabled during their employment with us. Recognising that everyone is unique, we provide the right support to ensure they continue to realise their full potential and develop their careers with us. As part of the disability confident scheme, our resourcing team co-ordinates our involvement in the Guaranteed Interview Scheme for all disabled candidates that meet the criteria for our roles.

Inclusive Companies
We are proud to be recognised by the Inclusive Companies Top 50 award as the seventh most inclusive employer in the UK. The Inclusive Companies Membership exists to challenge the lack of diverse representation within UK based organisations and to assist employers foster a truly inclusive environment.

Disability Confident
We are pleased to be recognised as a disability confident leader, receiving the highest level of accreditation from the Department of Work & Pension Disability Confident Employer Scheme. The scheme enables organisations to see disability through a different lens, building understanding about the cultural, commercial and employment opportunities of recruiting and retaining disabled talent.

Automotive 30% Club
The Automotive 30% Club powered by Gaia Innovation Limited, is a voluntary network of MDs and CEOs from UK based automotive organisations, with the purpose of achieving a better gender balance within the automotive industry, and with the aim of filling at least 30% of key leadership positions in the member organisations with diverse women by 2030.

Change the Race Ratio
We have signed up to Change the Race Ratio, committing to taking action to increase racial and ethnic participation in our business. If we act now we can create a more diverse and inclusive business community, competitive advantage and a more equitable society.

Our Diversity & Inclusion Strategy is designed and delivered by a group of passionate colleagues that form our Diversity & Inclusion Guild and various employee networks. Throughout the year they have remained focused on their commitments and continued supporting their communities.

BAME

Our BAME (Build A Multi-cultural Environment) Employee Network is a well-established group of Black, Asian and minority ethnic colleagues, and allies, that work to tackle inequalities and celebrate inclusivity. During the past year of the global pandemic and the tragic events that re-ignited a global movement to tackle racism, our network served as a safe space where colleagues could connect and support each other and share how the events that preceded the Black Lives Matter movement affected them. The network hosted a webinar with Black Leaders during Black History Month addressing the Black Lives Matter movement, which reached more than 1,000 people from a mixture of public and private sector businesses. We also created an "About Race" web page with useful resources, from books to podcasts, to encourage colleagues and our external audiences to educate themselves and raise awareness.

The network supported the business to sign up to several race charters including: Business in the Community ('BITC') "Race at Work Charter" and the Confederation of Business Industry ('CBI') "Change the Race Ratio" initiative.

We joined the newly formed Black Leaders organisation, an action focused national community of Black leaders, Black professionals, non-Black company CEOs, influencers and allies who collaborate with each other to address the inequalities and the systemic barriers faced by Black people across all aspects of society. Signing up to these will ensure we can create meaningful strategies to achieve the changes we all want to see. We supported the work of the charity, Blue Print for All, who run high impact programmes with disadvantaged young people and communities.

Disability and neurodiversity

In its third year, our Disability & Neurodiversity Network continues to create a more accessible and inclusive environment for our colleagues. 13% of our colleagues have disclosed a disability or neurodiverse condition. The Network partners with various charities including the National Autistic Society, Royal National Institute for Deaf People and the Business Disability Forum to educate colleagues and raise awareness. This year the Network launched the Hidden Disability Sunflower Scheme across Auto Trader that shines a light on the challenges that colleagues with hidden disabilities can experience, with colleagues sharing their stories in an effort to break down stigma and change perception.

LGBT+
Our Group LGBT+ representation is currently 6.9% and, for a fourth consecutive year, our LGBT+ Network has continued to support our colleagues and connect with local LGBT+ charities, including The Proud Trust and the George House Trust. This year we were not able to keep up with our tradition of taking part in the Manchester Pride Festival but instead the network put together a powerful poem and completed a virtual parade that was captured in video as they "Marched for Peace" aligned with the theme of this year's festival.

Age
This year we launched a new employee network which will focus on creating an inclusive environment for the multigenerational workforce of Auto Trader. The network has established its commitments and formed a partnership with Carers UK.

Gender parity
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 by investing in our early career 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 hosted a webinar focusing on the #ChooseToChallenge theme to consider the role we all need to play in 'choosing to challenge' and calling out gender bias and inequality. We then ran a follow up workshop to talk in more detail about how to challenge effectively and with confidence.

Employee engagement
Our employees are key to helping us fulfil our purpose and at Auto Trader we are proud to have a culture of open feedback. We use formal and informal mechanisms to assess and improve employee engagement and satisfaction. Employee engagement surveys help us assess and act on engagement and satisfaction levels. During this particularly challenging year, we felt it was even more important to regularly check in with employees and we therefore carried out regular 'Check-Ins'.

93%

of our employees are proud to work at Auto Trader

We listen to the feedback and, with the support of our senior leaders and their teams, we review and develop action plans. We also look to Glassdoor for feedback; our rating based on more than 300 reviews is 4.4 out of 5.

To ensure our Board understands the experience and listens to the views of our employees we established our Board Engagement Guild. The Guild is aligned with the 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. The Guild has representatives from different areas of our business, with the main focus of gathering feedback from our employees to feed up to the Board to enable it to gain insight and understanding of our culture from an employee perspective, as well as discuss a variety of subjects. This year the Guild met four times and discussed topics including diversity, sustainability and our response to COVID-19. The Board engages with our people in various other ways: attending different employee-led events; through regular business updates where they update colleagues on our strategic deliverables; and also monthly breakfast sessions where they can ask questions and gain useful insights in a relaxed environment. The move to working from home during the last financial year has required us to find different ways of staying connected with our employees. We achieved this initially through bi-weekly updates from our CEO, which moved to monthly updates mid-way through the year. We have also continued to deliver our annual employee conference by adapting to shorter virtual events that have occurred regularly in the year. Regular team meetings also continue to take place to focus on team deliverables and objectives, but also to maintain team connectivity and wellbeing.

Investing in and supporting our talent
Our ambition is to make sure that everyone's career is supported by learning opportunities, including self-learning, mentoring, coaching and innovative programmes. Our focus on investing in the personal and professional development of our colleagues continued this year and we very swiftly offered different learning and development opportunities delivered virtually.

During the year 100% of our employees were offered training. We provided 2,555 hours of mandatory training as part of our Compliance Essentials training programme (see Ethics and compliance section page 58). In addition, 18,912 hours of non-mandatory training were delivered covering a broad range of learning and development, including awareness (e.g. diversity & inclusion, carbon literacy), leadership, customer experience, product training, coaching and skills training. The majority of the training was provided by our in-house L&D team. The annual cost of training during the financial year was £249,000 (average cost per employee £261), including external trainer and platform costs, but excluding our own employment costs. We also provide sponsorship for professional qualifications and access to continuing professional development for our finance, legal and compliance teams.

Wellbeing of our employees
Our People team worked with our Wellbeing Guild and Mental Health First Aiders to continue to provide valuable support for our colleagues during this challenging time. From offering Calm subscriptions, coffee chats and various online resources; we continued to stay close to our employees and respond to their changing needs. All people leaders attended a refresher course on mental health awareness to boost knowledge and confidence in identifying and supporting issues that impact on and relate to people's mental health, and learn practical skills that can be used every day – both face-to-face and remotely – to help support team members, particularly during the current pandemic. Our Mental Health First Aiders provided support to various colleagues remotely, including counselling through our Employee Assistance Programme. We also introduced a fitness coach who provided virtual exercise classes and nutrition advice throughout the year. To enable our colleagues to look after their financial wellbeing we ran sessions with specialists providing mortgage advice.

Communities
Our Make a Difference Guild is committed to empowering our employees to support our local communities and national charities. Although physical volunteering decreased due to Government restrictions, employees continued to volunteer with charities such as Omega Chatterbox to provide support to those who are lonely or isolated. Our employees remained passionate about fundraising throughout the pandemic and Auto Trader continued to provide match funding. We supported the Greater Manchester Combined Authority ('GMCA') Technology Fund as an emergency response to support disadvantaged young people learning from home as a result of school closures during lockdown through donations of repurposed laptops. We will continue to work with our Educational Outreach contacts to repurpose our technology going forwards.

Mental health and wellbeing are incredibly important to us. This is reflected in our support of the charity Ben, the automotive industry's charity aimed at providing support to those working in the automotive industry and their immediate families. Last year, we pledged a two-year multi-faceted partnership with Ben and the first stage of this was a donation of £55,000 at a time when Ben made an urgent appeal for funds. Ben provides much needed support to those who need it the most. By providing not just our financial support but also through our people providing their skills and technical knowledge, we hope to be able to make a real difference to the work that Ben does.

Environmental sustainability

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. We need to give back more to the planet than we take out and protect our business from the impact of climate change. Our strategy is to drive change across our operations and our supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle the climate crisis.

At Auto Trader, climate change is treated as a Board-level governance issue. Our newly formed Corporate Responsibility Committee evidences our commitment to drive improvements in our environmental and wider sustainability performance and ensure as a business we are making real progress with our environmental commitments. We're committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), fully embedding them over the coming year (including conducting climate-related scenario analysis on the impacts of 2°C and 4°C rises in global temperatures).

Our environmental commitments can be split into two main components:

1. Net zero carbon emissions	Our people are environmentally aware and our business is actively cutting our carbon emissions, with a goal of doing no harm to the planet through net zero carbon emissions. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away.
2. Supporting car buyers	Supporting the sale of alternative fuel vehicles and helping car buyers make environmentally friendly vehicle choices. We will use our insight to support the industry, aligned with the UK's strategy "Road to Zero".

Total CO_2 emissions[1]

	2021		2020 restated	
	UK	Global	UK	Global
Scope 1	**34**	**45**	195	241
Scope 2	**277**	**291**	392	424
Total (Scopes 1 and 2)	**311**	**336**	587	665
KwH ('000s)	**1,284**	**1,383**	2,263	2,561
Scope 3		**6,337**		9,429
Total (Scopes 1, 2 and 3)		**6,673**		10,094
Revenue		**£262.8m**		£368.9m
Carbon intensity[2]		**25.40**		27.36

1. Scopes 1 and 2 are reported in tonnes of CO_2 equivalent.
2. Absolute carbon emissions divided by revenue in millions.

Methodology

The Group is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG reporting period is aligned to the financial reporting year. The methodology used to calculate 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 guidance for the year reported.

- Following the Scope 3 work undertaken this year, 168 tonnes of emissions from our data centres have been reclassified from Scope 3 to Scope 2 as this more accurately reflects the ownership of these assets. The previous reported figure for Scope 2 in FY20 was 256 tonnes.
- Following the Scope 3 work undertaken this year, the FY20 Scope 3 emissions have been restated to include emissions from additional relevant Scope 3 categories identified. The previous reported figure for Scope 3 was 1,684, of which 168 has been reclassified to Scope 2.
- During FY21 our offices remained largely closed with our employees working from home. As a result, there was very little commuting. FY21 includes emissions generated from homeworking for energy use from office equipment and home heating. We have used the base case calculations as set out in the Homeworking Emissions Whitepaper prepared by EcoAct, in partnership with Lloyds Banking Group and Natwest Group.
- We have identified a small amount of emissions from natural gas usage (3 tonnes) and have included this in our restated and current year figures.

Our goal to reach carbon net zero

We are at the start of our carbon net zero journey but we are committed to making progress. Our focus this year has been to shape our climate related strategy for the coming year and articulate within the business how we can take positive steps to drive change in this area. We recognise the seriousness of the climate crisis and we have signed up to the UN's "Climate Neutral Now" initiative and also the Science Based Targets initiative ('SBTi'), committing to set ambitious emission reduction targets. We aim to submit our targets to the SBTi within the two-year time frame set out by the SBTi. To help us accurately assess and develop strategies to reach carbon net zero, we have undertaken further work to evaluate our emissions more comprehensively and we will use the outcome of this work to inform our goal to set a net zero target with clear interim targets to measure our progress.

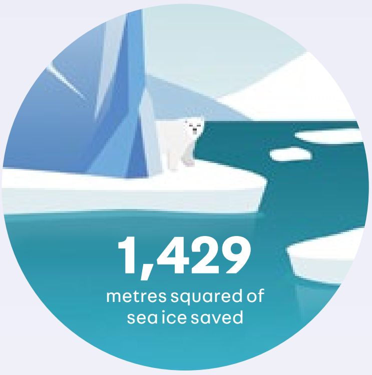
Our biggest direct impacts are carbon emissions from our use of energy. Our reported Scope 1 and Scope 2 include direct emissions from mobile combustion and indirect emissions from the generation of purchased energy. As part of our journey to transition to carbon net zero, this year we undertook a more detailed analysis of our Scope 3 emissions. We worked with a consultancy to complete a Scope 3 greenhouse gas ('GHG') inventory aligned with the internationally recognised corporate accounting standard GHG Protocol and the requirements of the Science Based Target initiative ('SBTi'). We mapped our organisational activities in line with the 15 Scope 3 Value Chain standard categories to define the relevance and materiality of each category to our business and calculated our emissions from each. Although we reported Scope 3 emissions in the prior year, this more detailed analysis has identified further relevant categories and so we have restated our prior year emissions to factor in these additional categories. From the 15 different emission categories that fall within Scope 3, the following have been identified as relevant to Auto Trader:

- Purchased goods and services (an Environmentally Extended Input Output database methodology was used to calculate the GHG footprint across total spend in the year)
- Capital goods
- Fuel and energy related activities (not included in Scope 1 and Scope 2)
- Waste generated in operations
- Business travel
- Employee commuting
- Investments

With this broader understanding of our Scope 3 emissions, our plan in the coming year is to develop Science Based Targets ('SBT') that are fully compliant with the SBTi criteria and to establish our plan to carbon net zero. 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.

Projects Auto Trader has helped fund through our partnership with Ecologi[1]

478
tonnes of carbon reduction, equating to:



1. Ecologi finance carbon reduction projects around the world supporting two different impact-driven climate projects every month.

Onshore wind energy generation in Taiwan
This large-scale project harnesses the strong prevailing winds along Taiwan's western coast, developing two onshore wind farms (one of 103.5 MW and one of 46 MW). Combined, the wind farms consist of 62 turbines which generate renewable energy which is delivered straight to the national grid. Carbon emission reductions of around 300,000 tonnes per year therefore come from the displacement of fossil fuel energy within the grid.

As well as helping accelerate the country's shift toward renewables, boosting wind energy production helps to lessen the reliance on fossil fuel imports, representing an economic and national security boost as well. In addition, the project is engaged in several activities that help to preserve the local ecosystem – such as regular beach clean-ups and guided tours that raise awareness about climate change, pollution and other environmental issues. The project has also supported the reforestation of a small parcel of local land, which is encouraging local biodiversity.

This project is verified by the Gold Standard.

Providing clean energy through hydropower in Kanungu, Uganda
The Ishasha Small Hydropower project supports a 6.6 MW hydropower station which is located 500 metres below the border of Bwindi Forest National Park on the Ishasha river. It harnesses water from the river and drops it approximately 90 metres through two turbines to generate 29.404 GWh of electricity per year. This is fed into the Uganda grid, displacing electricity generated from the Uganda source mix. If the project activity was not implemented, the same amount of electricity would be generated from the fossil fuel power plants connected to the grid. Therefore the funding of this project directly prevents the equivalent of 19.03 tonnes of CO_2e from entering the atmosphere every year.

As well as providing clean energy to the grid, this hydropower station also enables access to electricity for local communities within the area, providing both social and economic benefits. Without a modern source of electricity, medicine and food cannot be refrigerated, and children cannot study at night or access quality learning resources. Providing access to electricity also facilitates economic growth within the region, supporting the growth of local entrepreneurs and providing potential for industry expansions.

This project is verified by the Verified Carbon Standard.

Forest protection in Northern Zimbabwe
The Kariba REDD+ Project protects almost 785,000 hectares of forests and wildlife on the southern shores of Lake Kariba, near the Zimbabwe-Zambia border. One of the largest registered REDD+ projects by area, it acts as a giant biodiversity corridor that connects four national parks and eight safari reserves, protecting an expansive forest and numerous vulnerable and endangered species – including the African elephant, lion, hippopotamus and southern ground hornbill.

Kariba REDD+ is a community-based project, administered by the four local Rural District Councils ('RDCs') of Binga, Nyaminyami, Hurungwe and Mbire, and has achieved Climate, Community & Biodiversity Standards ('CCBS') certification. This means that the project supports a range of activities beyond simply environmental protection, including promoting the independence and wellbeing of the local communities. Improved clinic amenities provide better healthcare, infrastructure including new roads and water boreholes improve daily life, and school subsidies are offered to the poorest quartile of the population. Project activities in conservation agriculture, community gardens, beekeeping training, fire management, and ecotourism create jobs and facilitate sustainable incomes, benefiting the entire region.

This project is verified by the Verified Carbon Standard and the Climate, Community & Biodiversity Standards.

Our progress in 2021

We know that it will take time to reduce our emissions. That is why this year we started working with Ecologi, a UK-based non-government organisation, to develop a carbon offsetting programme focused on a combination of high-impact social and community initiatives and projects to support tree planting, both in the UK and overseas. Whilst our ambition is to reach carbon net zero, this year we achieved carbon neutrality across Scope 1 and 2. By 31 March 2021 we offset 478.44 tonnes of CO_2 to neutralise our Scope 1 and Scope 2 emissions. In addition, we planted 251 trees in the UK and 31,183 trees overseas. Whilst we are on our journey to being able to set a carbon net zero target we will continue with our offsetting programme.

As a result of the COVID-19 pandemic, our offices have largely been closed during the reporting period. Combined with minimal business travel we have seen a dramatic decrease in our Scope 1 and Scope 2 emissions in line with the reduction of office building energy consumption. However, we have also taken positive action to reduce our Scope 1 and Scope 2 emissions, most notably this year being our migration from physical data centres to the cloud. Our intention is to completely migrate all our technology to public cloud providers, where we are able to more efficiently manage resources. By adopting a cloud-native approach to software development, we are building systems that are resilient, manageable, and observable, as well as requiring fewer resources to operate. This year, we made a 50% reduction in our primary physical data centre space, and we expect to further reduce this in the next reporting period.

With our employees spending the majority of this year working from home rather than in the office, employee commuting and business related travel have been minimal resulting in a significant reduction in our Scope 3 emissions. Under the GHG protocol, homeworking is currently an optional disclosure covered in the Employee commuting (Category 7) section of Scope 3 emissions. In prior years, homeworking has not been material. However, in order to provide a credible comparison of year-on-year total emissions, and with the significant scale of homeworking this year, we have chosen to include emissions generated as a result of our employees working from home within our Scope 3 emissions for FY21. We anticipate a shift to regular homeworking from a larger proportion of our employees and we will seek to include these emissions in future reporting periods.

As an operator of an online marketplace, we have a relatively small carbon footprint. 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. All our offices (with the exception of one subsidiary office) use greener energy suppliers and as our employees return to the office, we will reinstate our operational initiatives to reduce our emissions: we have invested in video conferencing equipment in our London and Manchester offices, installing clickshare and polystudio in our offices to facilitate enhanced virtual meetings and collaborative online working; the use of passive infrared sensor lighting in the London office which is activated by movement; and switching off electrical items while the office is closed.

As a technology business, one of our main components of waste generated in operations (Category 5) is the disposal of technology equipment such as laptops. We are now working with local programmes to repurpose laptops. We have greatly reduced the use of paper in our offices by reducing the number of printers and removing waste bins by desks. Where possible, we have replaced paper-based communications with online digital alternatives, including marketing reports and communications to employees, customers and shareholders. 95% of our invoices are delivered via e-billing and nearly all of our supplier invoices are received by email. We operate recycling systems in the offices established with local authorities and recycling schemes to encourage less waste.

Sustainability Network

We have a well-established Sustainability Network comprised of passionate employees with a goal of making life at Auto Trader more sustainable. The Network is sponsored by our Commercial Director, Ian Plummer. The Network meets monthly and since its creation has built a wider network of over 200 people who all now share and implement sustainability ideas. They aim to increase awareness and encourage positive changes for individuals, as well as in our offices, in a bid to reduce our overall environmental impact. Since the group started, they have made positive changes such as: getting rid of single use plastic takeaway boxes in the Manchester canteen; producing branded reusable water and coffee cups for staff to reduce single use plastic cups; starting a plastic recycling bag system to reduce people getting bags when they buy their lunch; and introducing more environmentally friendly menu options in the canteen and for catered lunches for meetings, i.e. cooking with ingredients that have lower food miles, less meat, and more vegan options. We also 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. The trees help the organisation to mitigate the effects of global warming and deforestation, providing incomes to local communities.

Carbon Literate Organisation Silver

18%

of our business has now been through the carbon literacy training

Carbon literacy

We embarked on our carbon literacy training early in 2019. The training is structured to scale our impact from global to individual. One of the most effective parts of the course is making the connections between individuals and the impact of climate change. By the end of the training our Carbon Heroes (what we like to call our carbon literate colleagues) commit to a group commitment focused on making climate positive changes within our business. They also make personal commitments. These have ranged from changing energy suppliers, to commuting differently and reducing unnecessary travel. The groups have been working on meat free Mondays in our canteen, raising carbon footprint awareness and looking at our business travel policy. We have also planted a tree in the UK for every person who has completed the carbon literacy training.

18% of our business has now been through the training as at 31 March 2021. We also have a group of accredited Carbon Heroes who will become our next generation of facilitators to ensure that more of our business can experience the training. We want to reach every person in our business so it is vital we continue at pace to run sessions and aim to train 50% of our employees over the next financial year. As well as training our employees, we also plan to support Cooler Projects to create a carbon literacy toolkit with members of the automotive retail industry. The toolkit will be made available to all retailers and the charity will also offer training to accredit trainers from different retailer businesses.

Help car buyers make more sustainable vehicle choices

Our success comes from a breadth of expertise and we want to combine that with our voice to influence the automotive industry to support urgent action to tackle the climate crisis. We can also use our data and partnerships to upskill our customers on alternatively fuelled vehicles ('AFVs') and help consumers make more informed choices to improve outcomes for the environment.

We recognise that the automotive sector accounts for a significant proportion of global carbon emissions. In 2020, the UK Government announced it is bringing forward its ban on the sale of new petrol and diesel-engined cars and vans from 2040 to 2030 – while some hybrids will be allowed until 2035.

The sale of new electric vehicles ('EVs') could overtake petrol and diesel sales by as early as 2025, whilst AFVs more broadly could pass them even earlier, in 2024.[1]

There is growing positive sentiment for electric and low emissions vehicles. By the time the Government's ban on the sale of new petrol and diesel cars comes into effect in 2030, EVs and AFVS are likely to represent as much as 30% and 40% respectively of the total British car parc. The results from our latest Car Buyers tracker (February 2021) showed 47% of recent car buyers considered an AFV in the car buying process (up from 40% in February 2020). Results from our latest National Representative Market tracker (February 2021) showed 29% of consumers said they intend to buy an electric/hybrid vehicle sooner as a result of the Prime Minister's announcement in November 2020 to ban the sale of new petrol/diesel cars in 2030.[2]

As a business we want to use our influence to help the UK achieve more environmentally friendly private road transport and ensure Auto Trader remains relevant over the next decade. This focus has come about as we have looked at evolving our core strategy and purpose.

Progress in 2021

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 AFVs. We regularly meet with various Government departments, including HM Treasury and the Department for Transport's Office for Low Emission Vehicles, to share our data and insights to help guide policy around the topic; we also support the industry trade bodies with their initiatives. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditations ('EVA') on **autotrader.co.uk** – those retailers that meet the strict guidelines of the initiative are able to include a kitemark on their adverts.

On our marketplace, we have taken steps to make it easier for car buyers to search for AFVs by improving search filters to include battery range, charge time and quick charge time which also appears on full page adverts. Searches specifying a fuel type and including hybrid/EV in the search are steadily increasing, representing over 9% of total searches where a fuel type is specified. A growing number of AFV vehicles are available to view on Auto Trader, giving consumers increased choice, with an average of over 42,000 distinct stock items appearing on the site during FY21 (an increase of 80% YoY).

Growing positive sentiment for electric and low emissions vehicles

29%

of consumers said they intend to buy an electric/hybrid vehicle sooner as a result of the ban on the sale of new petrol/diesel cars in 2030

25%

said the announcement of the new ban didn't impact them as they were always considering buying an electric/hybrid before 2030

There were over 117m advert views of hybrid/EVs during FY21, an increase of over 50% compared to the prior year.

We have also introduced a new electric vehicle hub and regularly publish articles and videos on electric vehicles. Through our acquisition of KeeResources we now have data tools that enable manufacturers to promote their electric vehicles as a viable alternative to petrol and diesel engined cars by highlighting the total cost of ownership.

We are working with academic institutions to develop our understanding around electrification. Over the coming months we will support retailers through EV training and detailed pricing EV data as well as increasing our data sharing with Government and industry bodies to help ensure public policy is based on the latest insight.

Climate Neutral Now

We have signed up to the UN's "Climate Neutral Now" initiative, committing to contribute to accelerating the transformative change needed to reach net zero GHG emissions by 2050 or earlier.

Science Based Targets initiative

We have signed up to setting a science-based target through the Science Based Targets initiative, committing to set ambitious emission reduction targets.

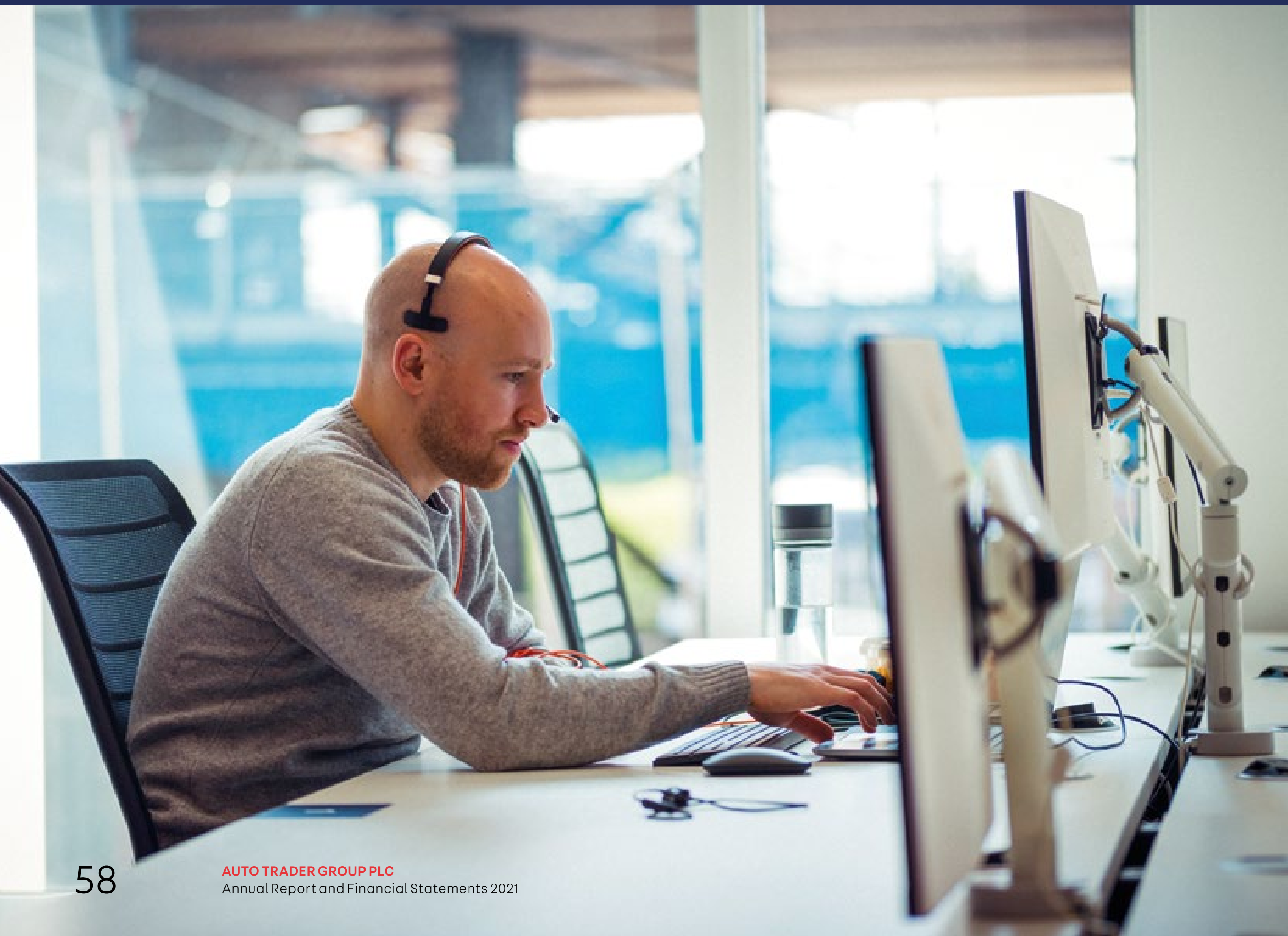
1. Car Buyers tracker – survey answered by car buyers who have bought in the last six months or are looking to buy in the next six months.
2. Nationally representative tracker – survey answered by a nationally representative sample of consumers.

Ethics and compliance

As an online marketplace, cybersecurity and protecting customer and consumer data is a primary area of focus for Auto Trader. The COVID-19 pandemic has led to an inevitable surge in the use of digital technologies which in turn has led to an increased risk in online fraud, scams, intrusions, and security breaches.

As we shift to an accelerated adoption of digital retailing it is paramount that our data security infrastructure keeps pace.

We have continued to invest heavily in data security and protection, and our fraud prevention, data protection and information security teams work vigilantly to ensure that the data Auto Trader processes is secure and that we comply with data protection legislation. Our main trading subsidiary, Auto Trader Limited, is FCA Authorised, and we have a detailed framework to ensure compliance with the FCA's principles, rules and guidance. We have well established policies, procedures and compliance training to ensure that we remain the most trusted marketplace for vehicle buyers and operate in an ethical and compliant way at all times. We continue to review and strengthen our policies and processes in line with legislation and to meet new threats and challenges facing all online businesses.



Data security

To mitigate the risk of cyber crime we continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure. We are currently in the process of adopting the National Institute of Standards and Technology ('NIST') cybersecurity framework to manage and reduce cybersecurity risks. Our Internal Auditor, Deloitte, has carried out a review of our approach to the development and implementation of the NIST framework to ensure we prevent, detect and respond appropriately to cyber attacks.

We have a rolling internal audit programme which is outsourced to Deloitte, and includes regular reviews of cyber security, GDPR compliance and FCA compliance. Internal audit reports are reported to the Audit Committee and monitored to ensure recommendations are actioned.

We have been Payment Card Industry Data Security Standards ('PCI DSS') compliant since 2013. Independent audits are conducted every two years to review our information security policies and processes. To maintain best practice, we use an external Quality Security Assessor to conduct annual audits.

Security incidents are detected via security tools such as Palo Alto Cortext, Microsoft ATA and Cloudflare. Additionally, our dedicated security teams conduct application vulnerability testing and penetration testing. Security incidents are responded to by a dedicated security squad in conjunction with relevant teams, for example, where phishing is involved our Connect IT team are engaged in containment and clean up.

We have fully documented processes to respond to any security or data incident; this includes informing the relevant regulatory bodies within specified timescales. All documents are reviewed and updated annually to ensure they accurately reflect current work practices and systems.

Auto Trader uses two directories to control access to almost all systems. They include Active Directory for applications and services which we host and run ourselves and Azure Active Directory which controls access to cloud based systems such as people hub, office 365 and our public cloud providers. Both of these systems are synchronised so that changes in one are immediately replicated in the other resulting in an extremely secure approach.

All user accounts are protected by multi factor authentication ('MFA') regardless of device and location, providing enhanced authentication. Privileged user accounts exist using a least privilege approach meaning there should be full segregation of duties. Again these accounts have MFA enabled on them and have a much more strict access policy. We also have a number of security systems that monitor and manage the above approach including AlienVault, Microsoft ATA, ManageEngine AD Audit Plus etc.

Data security measures: homeworking

All employees have continued to work mainly from home as a result of the COVID-19 pandemic. We reviewed the impact of this on data security solutions to address the risks identified.

Additional risks in respect of security, PCI compliance, data loss and internal controls

The introduction of the PCI Pal solution has mitigated the identified risks related to taking payments remotely. This has been fully assessed as part of our annual PCI DSS attestation of compliance and approved by an external Quality Security Assessor ('QSA'). We continue to monitor all elements of security and risk to ensure ongoing compliance.

Unsecure personal devices – risk of home office networks being infected by malware

Our corporate provided machines have a number of policies applied to them including endpoint firewall, protecting inbound connections as well as advanced endpoint protection technologies. We have advanced metrics/logs that bring together networking, endpoint, productivity (Office 365) and authentication to build up a picture of attacks that might take place, and each area advances the protection of the others.

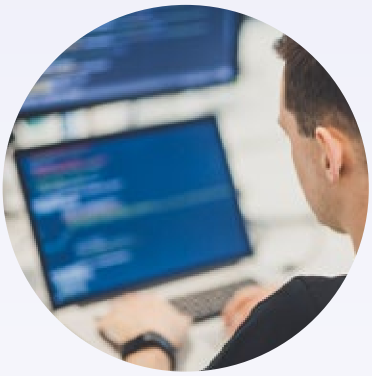
Increase in COVID-19 themed attacks

We use Microsoft Defender for Office 365 to enhance our level of protection for email, teams, OneDrive and SharePoint data. This technology suite allows us to automate the removal of almost all phishing emails as well as malware and ransomware.

When layered on top of the Defender for endpoint that's been deployed across the corporate estate, it blocks attacks before they reach our colleagues. This wasn't in response just to COVID-19 but also with the increase in levels of ransomware attacks.

Increased use of cloud based tools

Our policies dictate the use of Microsoft Teams or Slack as the preferred technology stack for video calling. We employ a detailed DPIA (Data Protection Impact Assessment) process for all new cloud solutions and these processes prompt a full security review of that solution. Where possible data should be stored in the EU, SSO (Single Sign On) should be deployed as standard and data transferred using SSL (secure sockets layer)/TLS (transport layer security) options only.



Data privacy

Data is at the heart of everything we do and for that reason we take the protecting of it very seriously. 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, does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our Privacy Policy[1].

All Auto Trader employees are required to complete annual training for GDPR as part of our Compliance Essentials training programme and we have established processes to cover all aspects of the GDPR: Data Protection Impact Assessments ('DPIAs') are conducted to help identify and minimise any data protection risks for new or changed products or services; all processes are recorded and records of processing activity ('ROPAs') are reviewed quarterly by data owners. These include the lawful basis for process and data retention periods; our privacy notices are reviewed and updated regularly. We have separate notices for consumers, employees and retailers; and we have processes in place to respond to Subject Access Requests ('SAR') and Erasure requests.

1. Please see autotrader.co.uk/privacy-notice for our full Privacy Policy.

Where required, 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 (gathered separately) 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. We record all instances of data loss and have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the Information Commissioner's Office ('ICO') and FCA, without undue delay and within stipulated deadlines. Where required we take corrective action as soon as possible.

We are yet to see any impact of Brexit in relation to GDPR. The Brexit transition period ended on 31 December 2020. As part of the new trade deal, the EU has agreed to delay transfer restrictions for at least four months, which can be extended to six months (known as the bridge). The UK Government are awaiting adequacy decisions from the European Commission. In the absence of adequacy decisions, at the end of the bridge transfers from the European Economic Area ('EEA') to the UK will need to comply with EU GDPR transfer restrictions. We will continue to monitor the ICO's site for further guidance in this area.

Maintaining a trusted marketplace

It is important to our customers and our consumer audience that adverts displayed on Auto Trader are accurate and genuine. 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 and investigate adverts that are potentially fraudulent or misleading in price or mileage. This allows us to work quickly to remove adverts if deemed necessary. 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.

Operating ethically

At Auto Trader we are committed to carrying out all business activities in an honest and open manner and strive to apply high ethical standards in all our business dealings. We believe this contributes to a fairer and honest marketplace where customers and consumers know that we can be trusted.

We have a well established online training and awareness programme, provided by DeltaNet International, that all Auto Trader employees, including Board members and Non-Executive Directors, have to complete annually. The training includes compliance modules for information security, GDPR, anti-bribery and corruption, corporate criminal offence of facilitating tax evasion, anti-money laundering, modern slavery and whistleblowing to ensure all our employees remain up to date and alert to unethical practices and potential risks to our consumers or customers.

We have implemented an Ethical Procurement process aligned with our commitments. When deciding which suppliers and partners we should work with, we take a holistic view; alignment with our values and culture is as important as commercial considerations. We encourage our suppliers and partners to drive their own environmental, social and governance efforts in line with their principles. We engage with our suppliers to share good practice, experiences and understand what initiatives they engage in, areas such as charity and community support, diversity and inclusion, sustainability, modern slavery and anti-trafficking. We continue to develop and look for ways to pro-actively seek supplier relationships with those who equally share our passion for contributing to the community and creating diversity and inclusivity within their own cultures and supply chains.[1] We publish information about our supplier payment practices and performance. On average, we take 36 days (2020: 36 days) to pay our supplier invoices, with 96% (2020: 94%) paid within agreed terms during the reporting period.

At Auto Trader, we're committed to providing users of our marketplace with the most efficient experience of buying with the assistance of products and services designed to help them choose the right car, at the right price, and from the right place. In the process, we promise to always treat customers fairly, which we believe is essential to our business in order to maintain the trust that customers place in our brand. As outlined in our Customer Charter, all customers are treated fairly and consistently, with transparent and standardised pricing and business practices.[2]

We have zero tolerance to any aspect of bribery and corruption, both within our business and in our dealings with our customers, suppliers, partners and other third parties we deal with in the course of our business. We have an established anti-bribery and corruption policy and procedures in place, including reporting of gifts and hospitality and standard contractual clauses and mandatory annual training as part of our Compliance Essentials training programme.

At Auto Trader, we actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have concerns or experience any serious malpractice or wrongdoing in our business. Our whistleblowing policy is important to make sure we maintain high ethical standards to ensure customer and public confidence in our organisation and operations. There is an internal reporting facility for employees to discuss concerns and we also operate an anonymous and confidential whistleblowing helpline through an independent organisation. Reports are directed to the Audit Committee Chair and the Company Secretary.

FCA compliance

Auto Trader Limited, the main trading subsidiary of the Group, is authorised by the FCA for consumer credit and insurance intermediary activities. Our activities primarily relate to providing finance and insurance introductions to consumers for third parties, be it dealers or commercial partners.

We have specialist internal resource within our Governance, Risk and Compliance team with significant experience of working in FCA regulated businesses, and we have developed a detailed governance framework to ensure that we comply with the principles, rules and guidance applicable to our activities.

We have implemented the Senior Managers & Certification Regime, which came into effect in December 2019. Senior Managers at Auto Trader are Nathan Coe, Catherine Faiers, Jamie Warner and Claire Baty. Certain members of the Operational Leadership Team hold Certificated Functions. These individuals have been assessed and certified as Fit and Proper. All employees are subject to the Conduct Rules, and have received appropriate training and guidance.

We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with the requirements, including financial promotions, product change management, complaint handling, vulnerable customers and transparency. Our commitment to Treating Customers Fairly is outlined in our Customer Charter.[2]

Tax transparency

Auto Trader is committed to being a responsible taxpayer acting in a transparent manner at all times. Our detailed tax policy[3] includes further transparency on our approach to risk management and governance, and our attitude towards tax planning. In 2021, our total tax contribution was £106m (2020: £153m). Taxes borne by the Group totalled £34m (2020:£76m) and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £72m (2020: £77m) and consist of PAYE deductions, employees' NICs and net VAT collected.

Protecting the physical health and safety of our employees

A programme of ergonomic assessments was carried out to review homeworking arrangements and equipment was provided to those who needed it for an effective and safe homeworking environment.

In order to create a safe space for our colleagues in the office environment, we carried out a comprehensive risk assessment to identify measures needed to achieve a COVID-19 secure working environment.

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. 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 activities. During the year there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

COVID-19 response

Following Government restrictions and guidance that all staff should work from home where possible we recognised the potential practical implications and our continued responsibility to support the health and wellbeing of staff in the new working environment. It was important that we helped staff to minimise health risks by providing information and equipment to support working arrangements at home. A programme of ergonomic assessments was completed with all staff to review homeworking arrangements and we delivered office chairs, desks, monitors, and keyboards to those employees who needed that equipment for an effective and safe homeworking environment.

Throughout the past 12 months all working from the office has been voluntary and was really aimed at our colleagues who were isolated from family and friends who felt that they needed social interaction in a safe environment. The physical health and safety of our employees is of paramount importance. In order to create a safe space for our colleagues, we carried out a comprehensive risk assessment to identify the measures needed to achieve a COVID-19-secure environment, which has been continually updated and shared with all employees. We designed and installed clear signage that was consistent across our offices with educational videos, introduced a booking system, temperature check and ensured all the spaces adhered to the social distance guidelines. With the one way system, hand sanitisers, repurposed meetings rooms, reduced capacity and implementing stricter cleaning routines, this gave us a safer environment to work from.

1. Please see plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf for further information.
2. Please see plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf for further information.
3. Please see plc.autotrader.co.uk/responsibility/group-tax-strategy for further information.
4. Please see plc.autotrader.co.uk/media/2060/auto-trader-modern-slavery-policy-2020.pdf for further information.

How we manage risk

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. It receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

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.

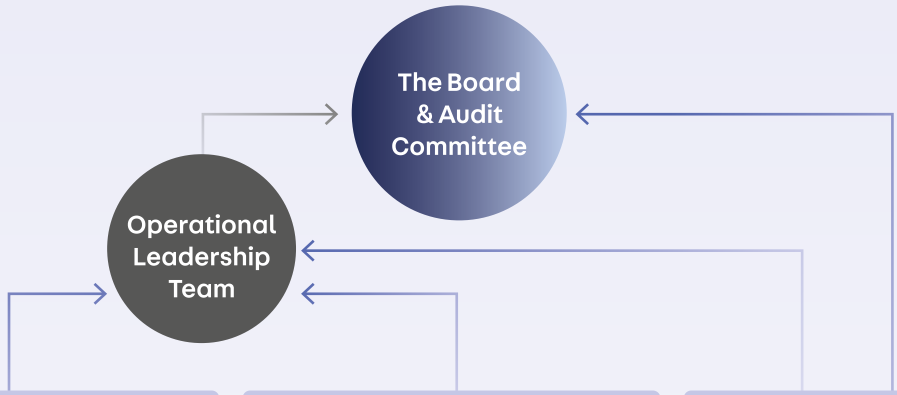
Responsibilities

The Board
- 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
- 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
- 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 Forum; Cyber Risk forum; Health 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 and external auditors
- Identify process improvements and efficiencies

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:

Effective risk management

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 are identified and evaluated to establish the root causes, impact and likelihood of occurrence. Risks are categorised as:

- Contextual risks, driven by changes in the external environment
- Operational risks, arising out of the existing business
- Emerging risks relating to new initiatives or products

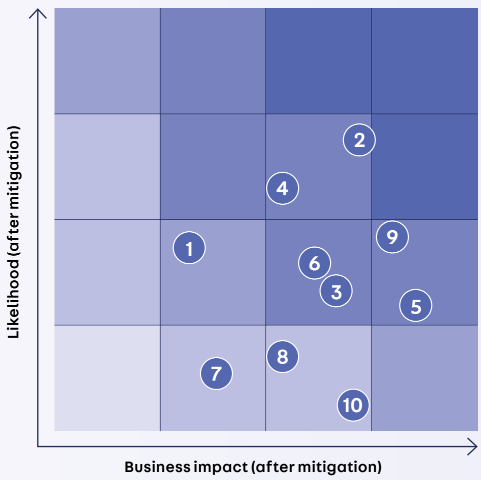
3 Respond to, manage and mitigate risks

The adequacy of controls and other mitigations are assessed. If additional mitigations are required, 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, in conjunction with the Group's Risk and Compliance function. 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 assessment matrix



1. COVID-19
2. Economy, market and business environment
3. Brand and reputation
4. Increased competition
5. Failure to innovate: disruptive technologies and changing consumer behaviours
6. IT systems and cyber security
7. Employees
8. Reliance on third parties
9. Response to climate change
10. Regulatory and compliance

The Board notes the future requirement for UK premium listed companies to implement disclosures consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, or to explain why not. On page 92, we include a summary of our current progress on the TCFD disclosures, and we intend to evolve our disclosures in future years in line with the TCFD's recommendations. 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.

We have also included in our principal risks the risk of a failure to comply with regulatory requirements. As the Group continues its development of digital retailing products and services, the exposure to regulatory risks in respect of data protection and compliance with the Financial Conduct Authority's regulations becomes more likely and the impact more significant, and has therefore been added to the list of principal risks.

Identifying, monitoring and managing the Group's principal 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.

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.

1. COVID-19

↓ Decrease

Relevant focus areas

1 2 3 4

Potential impact

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. Between 24 March 2020 and at various points throughout the year, the Government introduced measures to contain the spread of COVID-19 which resulted in a series of national and local lockdowns in the UK and Ireland. This impacted on many of our existing principal risks as follows:

- **Economy:** The COVID-19 restrictions resulted in vehicle retailers being required to close their showrooms, which had an immediate impact on vehicle transactions and the automotive retailing landscape. As the restrictions eased, there was a risk that decreased consumer confidence could lead to a reduced number of transactions. These risks could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer and Agency customers and private sellers.
- **Employees:** In line with Government guidance, the vast majority of our workforce continued to work remotely during the year. There is a risk that 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 increased 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.
- **A crisis or major event prevents the business or its customers/suppliers from being able to operate:** Any scenario, including that 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, could cause major disruption to our business.

Changes in the year

- **Economy:** As described more fully on pages 12 and 13, new car registrations declined 24.9% and used car transactions declined 15.1% in the 12 months to March 2021. However, the UK economy is starting to recover, and whilst the economic outlook for the UK is uncertain, our current Auto Trader data sets show that there is a robust level of consumer demand in the market.
- **Employees:** We seamlessly transitioned to working remotely by adapting our systems and technology to enable our employees to continue working collaboratively despite being at home, as described on page 26. We have also permanently introduced a new flexible working policy, which will enable a hybrid way of working in future. With health and wellbeing being paramount, initiatives were launched to increase employee support services as described on page 52.
- **Reliance on third parties:** All of our critical and material suppliers continued to operate without disruption.
- **A crisis or major event prevents the business or its customers/suppliers from being able to operate:** The business was able to continue to operate fully throughout the period. Our customers were required to close their forecourts at various periods throughout the year, but were able to continue to operate on a click and collect or home delivery basis. This was supported by our new product offerings and financial support as described on pages 22 and 25.

Overall, the risk level on all of the COVID-19 related risks has decreased during the year, and up to the date of this report.

Key mitigations

- **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.
- **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.
- **Employees:** From the onset of the situation, we have engaged with our employees through regular and transparent communications, in the form of 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 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.
- **Reliance on third parties:** 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.

Our growth horizons and relevant focus areas

Core

1. Provide the best online car buying experience in terms of transparency, choice and convenience
2. Create tools and products to allow retailers and manufacturers to increase sales

Adjacent

3. Become to new cars what we are in used
4. Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

5. Enable more of the transaction to be completed on the Auto Trader platform

2. Economy, market and business environment

— No change

Relevant focus areas: 1 3

Potential impact	Changes in the year	Key mitigations
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 impact of the trade agreement with respect to the UK's departure from the EU; or supply chain disruptions. 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 12 and 13, new car registrations declined by 24.9% and used car transactions decreased by 15.1% in the 12 months to March 2021. However, the UK economy is starting to recover, and whilst the economic outlook for the UK is uncertain, our current Auto Trader data sets show that there is a robust level of consumer demand in the market. We have not seen material evidence of consolidation by retailers during the year, and retailer numbers have only marginally fallen. The final Trade and Cooperation Agreement between the UK and the EU removed significant levels of uncertainty, as vehicles will be able to be freely traded without tariffs applying (although with an increased administration burden). However, the requirements around the Rules of Origin have the potential to create a barrier to trade, in particular in respect of the manufacture of batteries, where there is a lack of domestic production facilities. There is a current global shortage of microchips, which is having an impact on production for some brands. This may result in a temporary shortage in supply, impacting how much new car stock dealers have available to advertise, and temporarily slowing down the transaction cycle. Overall, on balance, this risk has remained unchanged.	• The mitigations in respect of the COVID-19 position specifically are outlined above in (1). • We monitor new and used car transactions closely, using data from SMMT, DVLA, and observing behaviour on our marketplace, and from engaging closely with our customers. • 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 core advertising listings 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 and reputation

— No change

Relevant focus areas: 1 2 3 4 5

Potential impact	Changes in the year	Key mitigations
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 over 90% 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 59, helps to protect us from the adverse impact of a significant data breach or cyber attack. • We have well developed breach reporting and crisis management programmes that enable us to identify, escalate and appropriately handle any emerging issues that could result in reputational damage.

4. Increased competition

— No change

Relevant focus areas: 1 2 3 4 5

Potential impact	Changes in the year	Key mitigations
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. 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 held more than a 75% share of minutes spent on automotive classified sites, and our cross platform visits grew by over 15% as measured by Google Analytics. The actions we took to support customers throughout the pandemic were market-leading and helped us to maintain our levels of retailer customers and stock. The impact of COVID-19 has strengthened the case for online marketing of vehicles which has reduced the attractiveness of offline competitors.	• 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

↘ Slight decrease

Relevant focus areas: 1 2 3 4 5

Potential impact	Changes in the year	Key mitigations
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 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. During the year, we adapted our marketplace to further help retailers advertise their stock during the pandemic. We increased the size of retailer adverts in search listings, added COVID-19 secure flags for retailers who adopted safety measures and provided detail of home delivery and collection options. We are also developing products to enable more of the car-buying journey to be done online. We have developed and launched a Guaranteed Part-Exchange product which digitises a core component of the buying journey and we are developing functionality to enable consumers to reserve a car with a retailer on Auto Trader and to complete finance agreements online.	• 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.

Our growth horizons and relevant focus areas

Core

1. Provide the best online car buying experience in terms of transparency, choice and convenience
2. Create tools and products to allow retailers and manufacturers to increase sales

Adjacent

3. Become to new cars what we are in used
4. Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

5. Enable more of the transaction to be completed on the Auto Trader platform

6. IT systems and cyber security

— No change

Relevant focus areas 1 2 5

Potential impact	Changes in the year	Key mitigations
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 significant 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. As described more fully on page 59, during the year we carried out a review of the impact of remote working on our data security risks and implemented new solutions to mitigate these risks. As we move further along the digital retailing journey, our exposure to a cyber attack and the impact of a breach will increase. 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 back ups 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. • 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. • We are in the process of adopting the National Institute of Standards and Technology ('NIST') cybersecurity framework to manage and reduce cybersecurity risks. • We have a rolling internal audit programme which is outsourced to Deloitte, and includes regular reviews of cyber security.

7. Employees

— No change

Relevant focus areas 1 2 3 4 5

Potential impact	Changes in the year	Key mitigations
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 whilst also ensuring that we continue to build a diverse and inclusive culture. Failure to do so could result in a reduction in employee engagement and the loss of key talent, and could also have a negative impact on business performance.	Despite the challenges posed by remote working, employee engagement has increased, with 93% of employees completing our engagement survey saying they are proud to work at Auto Trader. Our Glassdoor rating based on anonymous reviews is 4.4 out of 5. We continued to focus on investing in the personal and professional development of our colleagues during the year, and adapted our induction, learning and development programmes to be delivered virtually. We launched two new talent programmes; one focusing on Inclusive Leadership for all leaders across our organisation and the second a Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues. As described above 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. • We carry out active succession planning and career development plans to retain and develop our executives. Talent development is 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 regular employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, networks, guilds and all-employee conferences. • 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 2 5
Potential impact	**Changes in the year**	**Key mitigations**
We rely on third parties with regard to technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products, 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 retailer customers and a loss of audience due to impaired consumer experience.	We have improved our risk monitoring processes over critical and material suppliers and partners, and despite the risks posed by the pandemic, we have not experienced any material disruptions. During the year, we have partnered with Cox Automotive to provide a disposal route for our Guaranteed Part-Exchange product. With the acquisition of AutoConvert, we have secured ownership of the platform which will underpin our online finance applications journey. 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.

9. Response to climate change	↑ Increase	Relevant focus areas 1 3
Potential impact	**Changes in the year**	**Key mitigations**
Risks associated with climate change are emerging as a major factor affecting the long-term resilience of our businesses and could impact the execution of our strategy. Regulatory change and environmental concerns from car buyers could significantly impact the automotive market, with demand shifting away from internal combustion engine ('ICE') vehicles towards electric vehicles ('EV'). These changes present a risk to the continuing relevance of both our existing customer base and car buyers, if we do not adapt for these changing preferences. Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers. Failure to deliver against our environmental commitments would undermine our reputation as a responsible business and may result in legal exposure or regulatory sanctions. We are at risk of new policies that seek to mitigate climate change or promote climate change adaptation, all the more so now that Governments are starting to legislate for net zero by 2050.	The UK Government brought forward the ban on the sale of new petrol and diesel cars to 2030 which is likely to result in consumer and societal expectations for low carbon transport increasing at a faster pace. A move to EVs could mean that OEMs shift more quickly to a business model of selling direct to consumers and as the second hand market steadily moves towards newer electric models, our customers will have to evolve their forecourt mix accordingly. The speed at which this change takes place will also dictate whether there is an impact on the residual value of ICE vehicles being held by our customers. The growing penetration of electric vehicles and the continued advancement of technology has the potential to change the future of vehicle ownership, with the possibility that people pay for short-term access to cars as and when they need them, including through subscription deals and car-sharing apps.	• We monitor consumer demand and are evolving our product offering to help consumers when they are considering purchasing an electric vehicle. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditations ('EVA') on **autotrader.co.uk**. • Through our acquisition of KeeResources, we now have data tools that enable manufacturers to promote their electric vehicles as a viable alternative to petrol and diesel engined cars by highlighting the total cost of ownership. • A working group has been established which focuses on using our voice to help consumers make more environmentally friendly choices and identifying risks and opportunities in respect of climate change. • We actively support the industry's efforts to increase the consumer adoption of AFVs. We regularly meet with various Government departments, including HM Treasury and the Department for Transport's Office for Zero Emission Vehicles, to share our data and insights to help guide policy around the topic; we also support the industry trade bodies with their initiatives and are working with academic institutions to develop our understanding around electrification. • We have formed a Corporate Responsibility Committee to oversee our environmental commitments. The role of the Committee is to lend support, to monitor progress and provide guidance on our priority areas, ensuring that our targets are ambitious, realistic, and in the long-term interests of the Group, our stakeholders and the environment. • We have signed up to the UN's "Climate Neutral Now" Pledge and also the Science Based Targets initiative, committing to set ambitious emissions reduction targets. • We have started to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and look to fully embed them over the coming year (including conducting climate-related scenario analysis on the impacts of 2°C and 4°C rises in global temperatures). • Our Sustainability Network is focused on making life at Auto Trader more sustainable through increasing employee awareness and driving impactful changes towards our journey to becoming carbon neutral and net zero.

Our growth horizons and relevant focus areas

Core

1 Provide the best online car buying experience in terms of transparency, choice and convenience

2 Create tools and products to allow retailers and manufacturers to increase sales

Adjacent

3 Become to new cars what we are in used

4 Embed our data and insight to enable buyers and retailers to make better and faster decisions

Future

5 Enable more of the transaction to be completed on the Auto Trader platform

10. Regulatory and compliance	↑ Increase	Relevant focus areas 1 5
Potential impact	**Changes in the year**	**Key mitigations**
The Group operates in a constantly changing and complex regulatory environment. There is a risk that the Group, or its subsidiaries, fail to comply with these requirements or to respond to changes in regulations, including GDPR and the Financial Conduct Authority's rules and guidance. This could lead to reputational damage, financial or criminal penalties and impact on our ability to do business.	Our strategic focus area to bring more of the car buying journey online has the potential to increase the Group's exposure to regulatory risks, in particular the nature and extent of personal information that will be collected and in the execution of the online finance application journey.	• We have dedicated internal expertise within the business who are responsible for identifying, assessing and responding to upcoming changes in laws and regulations, and we utilise external specialists where necessary. • We have developed a detailed governance framework to monitor our legal and regulatory risks, and to ensure that we comply with the principles, rules and guidance applicable to our regulated activities. These are regularly reported upwards to the Audit Committee and Board. • We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with regulatory requirements, including Information Security, Data Protection, Financial promotions, Product change management, Complaints handling and Vulnerable customers. • Auto Trader Limited has implemented the FCA's Senior Managers & Certification Regime, which came into effect in December 2019. The relevant individuals have been assessed and certified as Fit and Proper. All employees are subject to the FCA's Conduct Rules, and have received appropriate training and guidance.

A spotlight on the impact of COVID-19

Q&A

Addressing our stakeholders' concerns around the global pandemic. Identifying, reviewing and responding to the impact of COVID-19 on our strategic objectives.

Q.

How do you expect costs and capital returns to change post COVID-19?

A. During the pandemic, we made the decision to reduce costs mainly through cutting discretionary marketing spend in periods where our customers were forced to close their forecourts. Post COVID-19, we do not expect to see a significant change to our underlying cost base as a result of the pandemic.

Despite the challenging trading conditions of the past year, the Group has remained cash generative and therefore the Directors are recommending a final dividend for the year of 5.0p and the resumption of its share buyback programme. The Group's long-term capital allocation policy remains largely 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. Having reduced our debt position, any surplus cash following these activities will be used for share buybacks.

Q.

How could the 2030 petrol and diesel car ban impact the Group?

A. As outlined in the Market overview on pages 12 to 15, the demand for electric vehicles ('EVs') has continued to grow over the past year, accelerated by the Government's announcement to ban the sale of petrol and diesel cars by 2030. This change will have huge implications on the UK car parc and the automotive industry.

As the UK's largest automotive marketplace, we will support our manufacturer and retailer customers to advertise these vehicles. We will also support consumers with their research and purchase decisions through providing clear and transparent information, such as total cost of ownership data, to help them in their purchasing decision.

Q.

Has COVID-19 accelerated the change in the move to online sales for vehicles and how does this impact you?

A. The COVID-19 pandemic has seen a change in consumers' buying behaviour with an increasing number of transactions being completed online and away from the retailer's physical showroom. We believe that many of the processes that currently take place offline are ready to be digitised and enabling more of the car buying journey to be done online is a key strategic focus for our business. This forms the basis of our future growth horizon.

The pace of change has increased as a result of the pandemic with growing demand from consumers for more of the car buying process to be available online. Over the past year, supporting our future growth horizon, we have developed and launched a Guaranteed Part-Exchange product that provides consumers with a convenient way to dispose of their vehicle, and digitises a core component of the buying journey. We also acquired AutoConvert, a finance, insurance and compliance software platform. The business's core functionality will help us deliver our future finance product on Auto Trader, which should enable finance agreements to be completed online. We are also developing a way for consumers to reserve a car with a retailer on Auto Trader.

Q.

How do you think retailers will perform over the next 12 months as lockdown restrictions ease?

A. We saw good levels of consumer demand as we ended the year, with trends in audience and leads continuing to grow. Some pent up demand in the market should provide retailers with the opportunity for good performance over the next 12 months, however it is likely there may be supply constraints in the market, as we saw coming out of previous lockdowns.

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 28 to 31, and pages 18 and 19, respectively, are central to assessing its future prospects. The Group's purpose is to drive change in how cars are bought and sold, to move more of the shopping process online and to enable retailers to digitise their businesses.

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 is the UK and Ireland's largest digital automotive marketplace, with the largest volume of in-market car buyers and 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 2024 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 April 2021, which considered the Group's current position and its prospects over the forthcoming years.

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 2024. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated revolving credit facility ('RCF').

The first year of the financial forecasts is based off the Group's 2022 annual budget. 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 and we continue to invest in the online car buying experience;
- growth in adjacent areas of new car and product developments to further embed our data into the industry, giving buyers and retailers up-to-date insight; 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 and uncertainties, which are set out on pages 64 to 69. 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.

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 64 to 69. 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: continued impact from the pandemic

Link to risks: COVID-19 and Economy, market and business environment.

The COVID-19 global pandemic and the impact to the UK economy have been considered. Government restrictions resulted in the temporary closure of retailer forecourts and impacted on consumer buying behaviour for large portions of FY21. Through the lockdown periods, the Group provided free advertising for retailers to support our customers and maintain live stock on site.

In this scenario we assume that after the lessening of lockdown restrictions in April 2021, another wave returns resulting in a further lockdown, closing retailer forecourts, that lasts for a five-month period from November 2021 to March 2022. 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 a recovery and the Group reverts to its normal charging model, however a negative long-term impact is expected 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 during the period of further lockdown.

Scenario 2: data breaches

Link to risks: COVID-19, IT systems and cyber security, and 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.

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 revenue 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 2022. Marketing costs were increased to model a potential need to increase traffic. Both scenarios 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, remain cash generative and meet the obligations of the debt facility.

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 2024.

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 71, was approved by the Board on 10 June 2021 and signed on its behalf by:

Nathan Coe
Chief Executive Officer
10 June 2021

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').

Key areas in this section

Board leadership and company purpose

Read more P78

Division of responsibilities

Read more P79

Composition, succession and evaluation

Read more P80

Audit, risk and internal control

Read more P83

Remuneration

Read more P83

57%
Board independence as at 31 March 2021 (excluding the Chairman)

50%
female representation on our Board as at 31 March 2021

Compliance with the Corporate Governance Code
The Company complied with all provisions set out in the Code for the period.

Impact of COVID-19
Board meetings were held virtually throughout the entire year. We continued to operate under our modified governance arrangements throughout the earlier months of the financial year, with weekly calls enabling the Board to react quickly to unfolding events. Later in the year we returned to a more normal way of operating, with the return of monthly meetings.

Board composition
The composition of the Board is kept under continual review to ensure that it has the skills, experience and balance, including gender and ethnic diversity, required.

The Board comprises four independent Non-Executive Directors, three Executive Directors and myself as Chairman. We continue to meet our goal of having a Board with equal numbers of men and women. However, we acknowledge that we do not currently have a Director of Colour on the Board, and we are taking steps to address this. We have decided to appoint an additional NED, partly to address the lack of ethnic diversity on the Board, but also to prepare for the succession cycle that will result in two of our Non-Executive Directors reaching the end of their nine-year terms in 2024. The recruitment process is currently underway, led by the Nomination Committee, and we will announce the appointment as soon as we are able to.

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

Board evaluation
Our Board evaluation was externally facilitated by Independent Audit Limited, who carried out our previous review in 2018. The review included observation of our virtual Board and Committee meetings, review of the papers, and completion of a detailed questionnaire by each Board member and other key stakeholders. The results were discussed with the Board and are summarised in more detail on page 83.

Corporate Responsibility Committee
During the year, we created a new Corporate Responsibility Committee, which is a Board Committee, to support our increasing focus on the environmental, social and governance aspects of our business. This new Committee is tasked with assisting the Board in fulfilling its oversight responsibilities in respect of corporate responsibility and sustainability for the Company and the Group. The Committee's report is on pages 90 to 93.

Annual General Meeting
Our Annual General Meeting ('AGM') will be held at 10:00am on Friday 17 September 2021 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. We currently intend to hold the AGM as a physical meeting as usual, however, we will be closely monitoring restrictions over public gatherings and will communicate any necessary changes. Myself and other Directors will join the meeting either in person or 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
10 June 2021

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 and capital 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 P84

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 P86

Corporate Responsibility Committee

Members
- Jeni Mundy (Chair)
- Nathan Coe
- Jill Easterbrook
- Catherine Faiers
- David Keens
- Sigga Sigurdardottir
- Jamie Warner
- Ed Williams

Role and Terms of Reference

Assists the Board in fulfilling its oversight responsibilities in respect of corporate responsibility and sustainability for the Company and the Group as a whole.

Read more P90

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 P94

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
- Baltic Classifieds Group plc

Committee memberships
- Nomination (Chair)
- Corporate Responsibility

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.

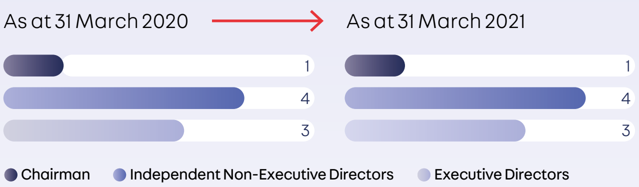
Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to a pure digital company. Prior to his appointment to the Board, Nathan was the joint Operations Director, sharing responsibility for the day-to-day operations of the business.

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).

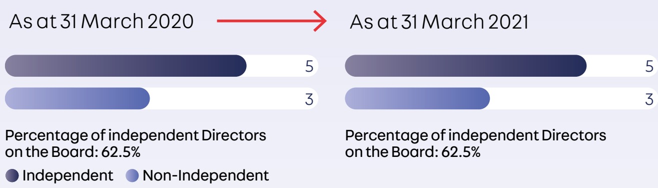
Appointed to PLC Board
April 2017
Independent on appointment?
N/A
External appointments
None
Committee memberships
- Corporate Responsibility
- Disclosure

Continued focus on balanced Board representation

Composition



Independence



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 to pre February 2015 refers to the Group's previous parent company, Auto Trader Holding Limited.

Catherine Faiers
Chief Operating Officer

Biography
Catherine joined Auto Trader in August 2017 and was appointed as Chief Operating Officer ('COO') 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, Corporate Development Director at Trainline and 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
- Corporate Responsibility

Jamie Warner
Chief Financial Officer

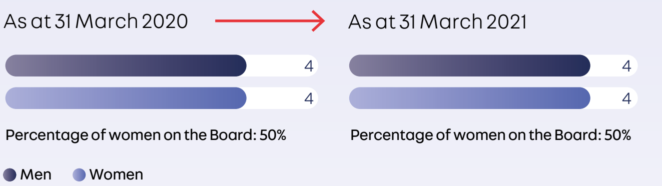
Biography
Jamie was appointed Chief Financial Officer ('CFO') in March 2020. Prior to this he was Auto Trader's CFO-Designate and Deputy CFO. During his time at Auto Trader, Jamie has worked in a variety of different roles across finance, covering commercial finance, financial reporting, pricing and 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.

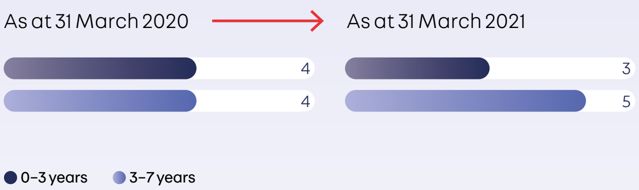
Jamie graduated from Bristol University with a BSc in Economics and Economic History and is a qualified Chartered Management Accountant.

Appointed to PLC Board
March 2020
Independent on appointment?
N/A
External appointments
None
Committee memberships
- Corporate Responsibility
- Disclosure

Gender diversity



Length of tenure[1]



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

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
- Moonpig Group plc

Committee memberships
- Audit (Chair)
- Corporate Responsibility
- 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 also a Non-Executive Director of Ashtead Group plc, the FTSE100 international equipment rental company, and a Non-Executive Director of UP Global Sourcing Holdings plc, a FTSE small cap consumer goods business.

Jill brings strong digital experience within retail environments to the Board. 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. She also spent time as a management consultant having started her career at Marks & Spencer.

Appointed to PLC Board
July 2015

Independent on appointment?
Yes

External appointments
- Ashtead Group plc
- UP Global Sourcing Holdings plc

Committee memberships
- Remuneration (Chair)
- Audit
- Corporate Responsibility
- 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
- Visa UK Ltd

Committee memberships
- Corporate Responsibility (Chair)
- Audit
- Nomination
- Remuneration

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 to pre February 2015 refers to the Group's previous parent company, Auto Trader Holding Limited.

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
- Frumtak Ventures

Committee memberships
- Audit
- Corporate Responsibility
- 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 71, 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.

All employees have worked remotely since the start of the COVID-19 pandemic in March 2020 (other than for those employees for whom remote working poses challenges, who have been permitted to work from the Group's COVID-19 secure offices). The Board has discussed on a regular basis the impact of remote working on the Group's culture, and in particular on our highly collaborative ways of working, and how this may be adapted in future as and when employees begin to return to the office.

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 Engagement Guild comprises members from across different parts of the business and canvasses 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 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, and so the Guild meets with the Chairman and all Non-Executive Directors (without Executive Directors or any members of senior management present). Despite the restrictions in place as a result of the COVID-19 pandemic, the Board recognised the importance of continuing to engage directly with the workforce, and so met with the Guild over videoconference four times during the year, covering topics such as the impact of COVID-19 on employees, the plans for eventual return to office working, remuneration (including gender and ethnicity pay gaps), and also received updates from the LGBT+, BAME and Women's network guilds. The Board also all took part in a "reverse mentoring" event with members of our BAME guild in January 2021.

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 (held virtually during 2020/21); regular sharing of information from the CEO via regular business updates, emails and videos; and informal open forums. During the COVID-19 pandemic, regular check-in surveys have been conducted, and the results shared with the Board and discussed with the Employee Engagement Guild.

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, taking place virtually during 2020/21, and covering UK and overseas shareholders.

There is also an ongoing programme of attendance at conferences, one-to-one and group meetings with institutional investors, fund managers and analysts. These meetings, which continued to be held on a virtual basis throughout the year, 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 2020 Annual General Meeting, all resolutions were passed with votes in support ranging from 96.08% to 99.99%. In light of the restrictions over public gatherings due to COVID-19, the meeting was held as a closed meeting, but shareholders were encouraged to submit questions in advance, and to cast their votes by proxy.

The 2021 AGM will take place at 10:00am on Friday 17 September 2021 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. We currently intend to hold the AGM as a physical meeting as usual, however, we will be closely monitoring restrictions over public gatherings and will communicate any necessary changes. Myself and the other Directors will join the meeting either in person or by telephone. We 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. Shareholders are 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 has 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 its 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 page 108, and they received no additional remuneration from the Company during the year. Therefore, at 31 March 2021 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 activities in 2021

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 on pages 20 and 21.

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 opposite sets out some of the Board's key activities during the year.

		Strategy	Operational
	Regular reports received		**Monthly operational report with key achievements and issues in the month, view of the industry, competitors and customers.**
2020	April		
	May		• **Focus area:** Guaranteed Part-Exchange and Finance/ Online transactions. • **Focus area:** New car opportunities.
	June	• Review and approval of the mid-term financial plan for viability scenarios. • Acquisition of AutoConvert.	
	July	• Purpose and strategy review. • Review of property strategy.	• **Deep dive:** Large customers and our approach.
	September	• Alternative business models discussion. • Strategy off-site focusing on digital retailing, including the impact on consumers, customers, employees and resources.	• **Focus area:** Stock and prominence.
	November		• **Review:** Update on Dealer Auction. • **Review:** Competitive landscape. • **Focus area:** Guaranteed Part-Exchange.
	December	• Property strategy.	• **Focus area:** Data strategy.
2021	February	• 2021 focus areas and operating plan. • Acquisitions retrospective review.	• **Review:** Audience and marketing activities. • **Focus area:** Launch of Retailer Stores.
	March		• **Focus area:** Digital Retailing.

	Financial	People and culture	Employee engagement	Shareholders and other stakeholders	Risk and governance
	Monthly financial report with results, KPIs, current forecast 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.**
	Each meeting also included an update on the impact of COVID-19 on the business, customers, consumers and employees.				
	• Update on year end position and debt refinancing. • Impact of COVID-19 on the financial results.	• Review FY21 modified Remuneration Policy for Executive Directors and senior management.	• **Board Engagement Guild:** Impact of COVID-19 on employees.	• ESG strategy and governance.	
	• Approval of COVID-19 customer discounts.	• Review results of shareholder consultation for FY21 modified Remuneration Policy for Executive Directors.			
	• Approval of Annual Report and Preliminary Results.	• Approval of 2017 PSP out-turn, and Single Incentive Plan vesting for senior management. • PSP and Single Incentive Plan targets and grants. • Decision to repay furlough.		• Decision in respect of the recommendation not to pay a final dividend. • Review of future dividend policy and capital structure.	• Review and approval of Group risk register. • Review and approval of viability statement.
			• **Board Engagement Guild:** LGBT+ and BAME.	• Review of feedback from analysts and investors from results roadshows.	• Update in respect of Competition Law. • **Audit Committee:** internal audit update.
	• Review of financial re-forecast and scenario plans.	• Future ways of working post-COVID-19. • Diversity and inclusion progress and actions. • Succession planning and Board diversity. • Initial review of Remuneration Policy.	• **Board Engagement Guild:** Women's network and return to the office.	• Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM'). • ESG strategy and governance including TCFD, climate change and GHG emissions.	• Review and approval of modern slavery statement. • Review of insurance programme. • Retrospective review of the handling of the COVID-19 crisis.
	• Approval of half-yearly report. • Approval of COVID-19 customer discounts.	• Further consideration of Remuneration Policy.		• Decision in respect of the recommendation not to pay an interim dividend.	• Review and approval of Group risk register. • Audit planning.
	• Pricing strategy for 2022.	• Further consideration of Remuneration Policy.		• Review of future dividend policy and capital structure.	• External legal and regulatory update. • Review of crisis management framework. • Business continuity planning.
	• Review of tax compliance.	• Finalise review of remuneration framework prior to shareholder consultation.			• **Internal audit update:** Cyber and third party management. • Review of internal and risk management framework and internal controls. • Review of external audit effectiveness.
		• Director and senior management salary and fee reviews. • Gender and ethnicity pay gap reporting.	• **Board Engagement Guild:** Employee check-in surveys; remuneration; and gender and ethnicity pay gap.	• ESG KPIs, strategy and governance.	• External Board evaluation feedback and action plan.

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, 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. Directors usually spend a day visiting customers; however, this was not possible in 2020/21, due to COVID-19 restrictions, and so instead there was a customer in attendance at one of the Board meetings.

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	Nomination Committee	Audit Committee	Corporate Responsibility Committee	Remuneration Committee
Number of scheduled meetings held	11	4	4	2	9
Director					
Ed Williams	11/11	4/4	N/A	2/2	N/A
Nathan Coe	11/11	N/A	N/A	2/2	N/A
Catherine Faiers	11/11	N/A	N/A	2/2	N/A
Jamie Warner	11/11	N/A	N/A	2/2	N/A
David Keens	11/11	4/4	4/4	2/2	9/9
Jill Easterbrook	11/11	4/4	4/4	2/2	9/9
Jeni Mundy	11/11	4/4	4/4	2/2	9/9
Sigga Sigurdardottir	11/11	4/4	4/4	2/2	8/9[1]

1. Sigga Sigurdardottir was unable to attend one meeting due to other commitments; but had an opportunity to feed comments in to the Remuneration Committee Chair prior to the meeting.

During 2020/21, there were two additional scheduled Board meetings, in order for the Board to consider key financial decisions in respect of the impact of COVID-19. Furthermore, in addition to the scheduled Board meetings detailed above, regular weekly Board calls and ad hoc calls took place throughout the year relating to COVID-19.

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.

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 pages 80 and 81.

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.

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; and to ensure that there are formal and orderly succession plans in place. The work of the Committee is described on pages 84 and 85.

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 74 to 77.

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 previous Annual Reports, 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.

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.

Board evaluation and effectiveness

The Board engaged Independent Audit Limited to facilitate an external evaluation of the Board, Committees and individual Directors during the year. This included review of Board and Committee papers, observation of Board and Committee meetings and completion of a questionnaire by each of the Board Directors and members of senior management. The draft findings were discussed with the Chairman and then presented to the Board in March 2021.

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.

AREAS OF STRENGTH	AREAS FOR IMPROVEMENT
The Board is good at overseeing how far the culture is in line with its expectations, and the positive impact of the Employee Engagement Guild was noted.	There were certain areas identified where the focus of agenda and discussions could be increased, including ESG, talent development, oversight of the regulated business and cyber risks. These will be built into future agenda planning.
The Board has successfully set out clear strategic goals, and does a good job at balancing its focus on the short- versus the long-term strategy. The Board is good at monitoring performance against strategy and assessing Auto Trader's underlying financial health.	Whilst the Operational Leadership Team do regularly attend Board and Committee meetings, participation could further improve by bringing the right managers into the room so that the Board hears directly from those responsible. Attendance will be widened in future meetings.
The Board navigated the COVID-19 pandemic well, meeting frequently and flexibly to react to events, with the risk management and oversight of risk working well.	Whilst in general, the Board has adapted to virtual meetings well, these could be improved further. Post-pandemic, the Board will adopt a hybrid approach to make the best use of technology, maintain flexibility and optimise in-person time.
The Board has a non-traditional, informal approach to Board meetings and a high level of trust, transparency and open debate.	The structure of Board discussions could be improved, by ensuring that the papers set out upfront the main areas that management would like the Board to consider, by upfront gathering of questions from the Board, and by reviewing the balance of time between presentations and debate.

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 audit. The work of the Committee is described on pages 86 to 89.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2021 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 86 to 89 for details of the review process.

See pages 70 and 71 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 64 to 69.

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 2021 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 94 to 113.

Reviewing the Board's size and composition, and ensuring effective succession planning for the business

We have a continual formal succession planning process to ensure orderly succession for the Board and senior management.

4
meetings were held during the year

100%
meeting attendance by all Committee members

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 2021

- Review and updating of formal succession plans for the Chairman, Non-Executive Directors, Executive Directors and senior management.
- Decided to start the recruitment process to appoint an additional independent Non-Executive Director.
- Held an externally facilitated Board evaluation and reviewed the results.

Focus areas for 2022

- Appointment of an additional Non-Executive Director.
- Following up on the Board evaluation recommendations.
- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.

Member	Meetings attended/ total meetings held	Percentage of meetings attended
Ed Williams (Chair)	4/4	100%
David Keens	4/4	100%
Jill Easterbrook	4/4	100%
Jeni Mundy	4/4	100%
Sigga Sigurdardottir	4/4	100%

Board of Directors P74

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

Dear shareholders,

I am pleased to present the Report of the Nomination Committee for 2021.

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.

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.

During the year, the Committee has updated and developed the formal succession plans for the Board, including the Chairman, Non-Executive Directors, Executive Directors and senior management. In reviewing our succession plans for Non-Executive Directors, the Committee has looked ahead to 2024 which is nine years after our IPO and will therefore represent a time of inevitable change. The Committee plans to enlarge the Board and stagger new appointments over the coming years in order to maintain the independence of our Non-Executive Directors, to achieve a more staggered renewal cycle in future and to provide opportunities to increase diversity on the Board.

Appointment of Non-Executive Director
The Committee keeps under continual review the size and composition of the Board including its gender and ethnic diversity, and the skills, knowledge and experience required of the Board in the context of the Group's strategy. Taking into consideration the need to enlarge the Board as part of an orderly succession plan for the current Non-Executive Directors, and the need to improve the ethnic diversity of the Board, the Committee has identified a need to appoint an additional independent Non-Executive Director during 2021, and has commenced a search, which is being led by the Committee. A comprehensive candidate search brief has been agreed, including the industry skills, knowledge and experience required, and taking into consideration the benefits of diversity on the Board, and an external executive recruitment consultant, Ivy Street, has been engaged (with whom the Group has no other relationship).

The shortlisted candidates will meet with members of the Board, which will include an assessment of candidates in the context of the expected values and behaviours of Board members. At the date of this report, this process is underway, and the Committee hopes to be able to recommend its preferred candidate to the Board shortly.

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.

At the end of our financial year, 50% of the Board Directors were women, in excess of the target set by the Hampton-Alexander Review. At a leadership level, 40% of the Operational Leadership Team ('OLT') and 34% of the OLT's direct reports were women, a combined total of 35%, which means that we were close to meeting the Hampton-Alexander Review recommendations in its final year. We acknowledge that we do not currently have a Director of Colour on the Board, and therefore we do not currently meet the recommendations of the Parker Review. We are taking steps to address this as described above.

We are committed to improving diversity at all levels of the business. However, we recognise that there is more work to be done, and that women and employees from a BAME background continue to be underrepresented in senior management positions and throughout the organisation, and to this end we have now set a three-year PSP target to improve the gender and ethnic diversity of our leadership and the organisation as a whole, as described more fully in the remuneration report on page 107.

Board evaluation
During the year, there was an externally facilitated Board evaluation. The review and recommendations are described in detail on page 83 of the corporate governance statement.

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. Since the last report, David Keens, Jill Easterbrook and I have all entered into our third three-year term, following confirmation by the Committee and Board that they 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 2021 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
10 June 2021

Monitoring the integrity of financial reporting, related internal controls and the effectiveness of the internal and external audit

"We reviewed the content of the Annual Report, including the impact of COVID-19 on the recognition of revenue; recoverability of receivables; impairment of assets; and the assumptions and scenarios in the viability statement.

4
meetings were held during the year

100%
meeting attendance by all Committee members

David Keens
Chair of the Audit Committee

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

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 Chairman, CEO, COO, CFO, internal auditors and external auditors by invitation.

Activities in 2021

- Assess the Group's going concern and viability statements, including the impact of COVID-19.
- Review the impact of COVID-19 on the financial statements, including revenue recognition, recoverability of receivables and impairment of assets.
- Discuss key areas of financial judgement, including the acquisition of AutoConvert.
- Change of external audit partner and evaluation of the effectiveness and independence of audit.
- Review the effectiveness of internal audit, internal controls and risk management.

Planning for 2022

- Agree with KPMG any changes for their 2022 audit.

How we manage risk P62

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

Dear shareholders,

This is my seventh report to shareholders since the IPO of Auto Trader in 2015. 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 and duties of the Committee, which include 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 LLP, and internal auditors regularly attend Audit Committee meetings. Our Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other members of management attend by invitation.

The Committee has reviewed the content of the Annual Report, including the impact of the Group's response to COVID-19 on the recognition of revenue; recoverability of receivables; impairment of assets; and the assumptions and scenarios in the viability statement. The Annual Report explains our strategy, financial performance and position in a way which we believe is fair, balanced and understandable.

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 118 and indeed the Auto Trader Group plc financial statements in general.

At the 2020 AGM, shareholders approved the re-appointment of KPMG as our external auditors. During the year, there was a change of audit partner, who I made enquiries of and met with prior to the transition. 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 2021 AGM.

David Keens
Chair of the Audit Committee
10 June 2021

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 considered management reports and the basis of judgements made. The Committee reviewed external audit reports on the 2021 half-year statement and 2021 Annual Report.

Description of significant area	Audit Committee action
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 2024. 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 64 to 69. 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, including the impact of COVID-19. 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.
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 page 25.This resulted in reduced revenue during the year and increased uncertainty over the recoverability of receivables. The Committee was satisfied with the explanations provided and conclusions reached in relation to revenue recognition.
Acquisition accounting Management's assessment of the allocation and valuation of goodwill and intangible assets as part of the acquisition of Blue Owl Network Limited ('AutoConvert').	AutoConvert is a small business relative to the Group. 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.
Investment value in joint venture The Group has a joint venture with Cox Automotive UK, Dealer Auction. Management's assessment of the recoverability of the investment value, given the infancy of the investment and the impact of COVID-19, is based on future cash flow forecasts.	The Committee reviewed the assumptions made by management, particularly in relation to cash flow forecasts to support the carrying value, and was satisfied that these were appropriately accounted for given the infancy of Dealer Auction and the potential for further impact of COVID-19.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2021 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 a draft of the Annual Report and the opportunity to comment where further clarity or information should be added. The final draft was then recommended for approval by the Board. When forming its opinion, the Committee had regard to discussions held with management and reports received from internal and external auditors.

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 2021 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 pack also includes KPIs and these are reviewed by the OLT and the Board. Results are compared against the Plan or re-forecast and narrative provided by management to explain significant variances.
Budgeting and re-forecasting	An annual Plan is produced and monthly results are reported against this. 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. 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. Given the ongoing uncertainty as a result of the COVID-19 pandemic, the annual Plan was replaced by a re-forecast which was updated as conditions changed. This included scenario analysis for various potential outcomes.
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 2021 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 risk management.
- Cyber risk framework.
- Payroll.

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

The Committee oversees the relationship with the external auditor, KPMG, and reviews their findings in respect of audit and review work. The Committee received and discussed KPMG's review of the half-year report to 30 September 2020 and their audit of the financial statements for the year to 31 March 2021. 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 to be addressed. There were none.

During the year, there was a change in external audit partner. The Audit Committee Chair, together with the CFO, met with the prospective incoming partner and carried out reasonable enquiries prior to the changeover.

One of the Committee's roles is to evaluate the effectiveness of audit services provided and 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. The review concluded that the external auditor remained effective and independent.

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 more than one firm, 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 and will be assessed in line with 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 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 £37,370 for audit-related assurance services directly relating to the audit.

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

A competitive tender was carried out in 2016 and KPMG LLP were first appointed as statutory auditors for the year to March 2017. We have therefore complied with the requirement that the external audit contract is tendered within the 10 years prescribed by 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
10 June 2021

Providing oversight, scrutiny and challenge on matters relating to our sustainability strategy

"We are pleased to have established our Corporate Responsibility Committee to ensure the Board maintains focus on corporate responsibility and sustainability matters, especially those that support our strategy.

2
meetings were held during the year

100%
meeting attendance by all Committee members

Jeni Mundy
Chair of the Corporate Responsibility Committee

Overview

- All the current Board members have been appointed as members of the Committee.
- Other relevant individuals are invited to attend the meetings when appropriate.
- The Assistant Company Secretary acts as secretary to the Committee.
- At least two meetings held per year.

Our progress In 2021

- Formation of the Committee in October 2020.
- Provided guidance on cultural KPIs that will be used to assess how we are progressing against our make a difference priorities.
- Signed up to the Science Based Targets initiative ('SBTi').
- Signed up to the UN's 'Climate Neutral Now' Pledge.

Focus areas for 2022

- Review of scenario analysis and risks and opportunities identified.
- Continuing to work towards establishing Science Based Targets with the business to be approved by the SBTi.
- Review our approach to the UN Sustainable Development Goals ('SDGs') and identify where we can make a meaningful contribution to advancing.
- Continue to develop meaningful disclosures in all material areas of ESG reporting in line with the TCFD and SASB frameworks.

Member	Meetings attended/ total meetings held	Percentage of meetings attended
Jeni Mundy (Chair)	2/2	100%
Nathan Coe	2/2	100%
Jill Easterbrook	2/2	100%
Catherine Faiers	2/2	100%
David Keens	2/2	100%
Sigga Sigurdardottir	2/2	100%
Jamie Warner	2/2	100%
Ed Williams	2/2	100%

Make a difference P46

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

Dear shareholders,

I am pleased to present our first Report for our newly formed Corporate Responsibility Committee for the year ended 31 March 2021.

We recognise that our activities – and the way we carry them out – have impacts that reach beyond our financial performance. There is increasing evidence that sustainable business drives profit and long-term value. With this in mind, this year we established our Corporate Responsibility Committee. The Committee forms an important part of the Board's governance structure. It plays a crucial role in overseeing the progress towards fulfilling the goals of our make a difference strategy, which encompass our environmental, social and governance ('ESG') responsibilities.

Role of the Committee

It is the role of the Corporate Responsibility Committee to develop and implement a centralised framework for how corporate responsibility is governed across the Group. The Committee shall assist the Board in fulfilling its oversight responsibilities in respect of corporate responsibility and sustainability for the Company and the Group as a whole.

Our existing guilds and networks will remain empowered to drive change and have an impact within the organisation. The Committee's role is to lend support, to monitor progress and provide guidance on our priority areas, ensuring that our targets are ambitious, realistic, and in the long-term interests of the Group, our stakeholders and the environment.

How the Committee operates

The Committee is composed of the Chairman, four independent Non-Executive Directors and three Executive Directors. Whilst make a difference related topics are covered in all Committees, this is a formal Committee of the Board with the overarching goal of monitoring our corporate responsibility and sustainability targets.

The Committee meets at least twice a year, and on an ad hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Committee extends invitations to relevant attendees.

Our progress in 2021

The Committee has met twice since its formation in October 2020 and we will continue with this rhythm into the next financial year. The focus of the meetings has been to establish the Committee's purpose and understand the ESG landscape in relation to Auto Trader, including the current scores by the various ESG ratings agencies. Whilst we have made good progress, we are still early on in our ESG corporate reporting journey and there is more that we can do to evidence how ESG is embedded into our strategy; how we assess and manage risks and opportunities; and what metrics and targets we are using. We aim to report comprehensively and transparently about ESG topics and we are developing our disclosures in line with both the Sustainability Accounting Standards Board ('SASB') standards and Task Force on Climate-related Financial Disclosures ('TCFD') recommendations to provide our investors and other stakeholders with information about our approach.

The Committee has reviewed the Group's make a difference strategic priorities (which encompass ESG) for the coming year and support the focus on improving diversity and inclusion within the organisation (especially in leadership roles) and the drive to make a difference to the environment both within and outside our organisation. Six cultural KPIs have been identified that we currently consider to be the most relevant in assessing how we are progressing against our make a difference priorities. These cover diversity and inclusion, employee engagement and also our carbon emissions. The Committee will monitor these KPIs on a regular basis to ensure we are making meaningful progress and that the KPIs remain relevant.

Although ESG issues have always been a priority to us, the COVID-19 pandemic has highlighted the importance of our resilience and the role that ESG matters play in our strategic priorities. Therefore, to help define the most important ESG issues for Auto Trader, this year the business started work on a materiality analysis to understand the issues that matter most to our internal and external stakeholders; to capture our impact in a non-financial manner; and to inform our strategic thinking by helping us to prioritise matters on which to focus. Although this work is still ongoing the results so far have helped shape the Group's make a difference strategy for the coming year and the Committee is satisfied that the business is focusing on the right material issues.

We feel it is important to assess the progress we are making with our commitments and goals, so we have introduced a set of cultural KPIs to sit alongside our existing financial and operational KPIs. This year we also signed up to the UN's 'Climate Neutral Now' Pledge and the Science Based Targets initiative, committing to set ambitious emission reduction targets, so we can play our part in making a critical contribution to limiting the worst impacts of climate change.

Committee aims for 2022

Over the next year the Committee will continue to oversee and monitor the business's commitments in relation to ESG and make a difference as these evolve. As the business continues to explore and understand its material sustainability issues through materiality analysis and scenario analysis, the Committee will seek to ensure that the business is responding to the risks and opportunities identified as well as reporting comprehensively under the relevant frameworks.

The business will formulate its roadmap to achieving net carbon zero in the coming year and also seek to understand how Auto Trader aligns to the UN Sustainable Development Goals ('UNSDGs'). The Committee looks forward to seeing progress in these areas and working with the business to set ambitious targets.

I will be available at the AGM to answer any questions on the work of the Committee.

Jeni Mundy
Chair of the Corporate Responsibility Committee
10 June 2021

TCFD alignment at a glance

TCFD

The Group Risk Register incorporates risks relating to the impact of climate change on our business, and this is now disclosed as a principal risk. The disclosure below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations.

	Group progress
Governance Disclose the organisation's governance around climate-related risks and opportunities.	• Corporate Responsibility Committee established which plays a crucial role in overseeing the progress towards fulfilling the goals of our make a difference strategy. The Committee is responsible for reviewing progress against our ESG targets. • Members of the OLT are responsible for overseeing delivery of our environmental commitments, covering the impact of climate change on the Group's operations as well as our strategy to influence our customers, consumers and the industry. • A working group has been established focused on helping consumers make more environmentally friendly choices and identifying risks and opportunities in respect of climate change. • Sustainability network comprised of passionate employees with a goal of making life at Auto Trader more sustainable through increasing employee awareness and driving impactful changes towards our journey to becoming carbon neutral and net zero. • Our performance is assessed externally by ESG rating agencies and we annually complete the CDP climate change questionnaire.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	• The global threat of climate change and the Paris Agreement are forcing action and car buyers want to make the shift to AFVs. Public policy is pushing de-carbonisation, e.g., Road to Zero. In response, we have strengthened our climate strategy to focus on four pillars: our operations, our customers, our consumers and our industry.
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	• We have a well-established risk management framework that separates responsibilities into three lines of defence – our OLT, oversight functions and committees and independent assurance. • Group Risk Register now includes risk of climate change as a risk to the Group. • A working group has been established focused on helping consumers make more environmentally friendly choices and identifying risks and opportunities in respect of climate change.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	• To help us accurately assess and develop strategies to reach carbon net zero, we have broadened the reporting of our GHG emissions to include a full inventory of Scope 3. We will use the outcome of this work to inform our goal to set a net zero target with clear interim targets to measure our progress. • Committed to the Science Based Targets initiative committing to set ambitious emission reduction targets. We aim to submit our targets to the SBTi within the two-year time frame set out by the SBTi. • We have signed up to the UN's "Climate Neutral Now" Pledge. This provides us with a framework to measure, reduce and offset our GHG emissions and to report annually on our progress.

SASB Disclosure Topics & Accounting Metrics

We have set out below our progress against the Internet & Media Services SASB standards – we have reported progress against 8 of the 15 relevant standards. We acknowledge that we have not fully disclosed against all metrics. We will undertake work in FY22 and plan to report additional progress and metrics in our next Annual Report.

Topic	Accounting Metric	Group progress
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed. (2) Percentage grid electricity. (3) Percentage renewable.	Scope 1, 2, & 3 GHG emissions disclosed. See page 54 for further information.
	Discussion of the integration of environmental considerations into strategic planning for data centre needs.	This year, we made a 50% reduction in our primary physical data centre space. See page 56 for further information.
Data Privacy, Advertising Standards & Freedom of Expression	Description of policies and practices relating to behavioural advertising and user privacy.	See pages 59 and 60 for further information on our data privacy policy.
Data Security & Privacy	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards.	See pages 59 and 60 for further information on our approach to Data Security & Privacy. We are currently in the process of adopting the National Institute of Standards and Technology ('NIST') cybersecurity framework to manage and reduce cybersecurity risks.
Employee Recruitment, Inclusion & Performance	Percentage of employees that are foreign nationals.	The Group has a total of 54 foreign nationals, representing 5.7% of the total employees as at 31 March 2021.
	Employee engagement as a percentage.	See page 52 for further information.
	Percentage of gender and racial/ethnic group representation for: (1) Management. (2) Technical staff. (3) All other employees.	See page 49 for further information.
Intellectual Property Protection & Competitive Behaviour	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations.	No monetary losses as a result of legal proceedings.

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.

9
meetings were held during the year

97%
average attendance by Committee members

Jill Easterbrook
Chair of the Remuneration Committee

Member	Meetings attended/ total meetings eligible to attend	Percentage of meetings attended
Jill Easterbrook (Chair)	9/9	100%
David Keens	9/9	100%
Jeni Mundy	9/9	100%
Sigga Sigurdardottir	8/9[1]	89%

1. Sigga Sigurdardottir was unable to attend one meeting due to other commitments; but had an opportunity to feed comments in to the Chair prior to the meeting.

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**

Key performance indicators P32

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.

Our progress in 2021

- Reviewed our approach to remuneration to ensure it remains aligned with our strategy and the creation of sustainable long-term value and that it is appropriate in the context of evolving shareholder guidance and corporate governance. An updated Directors' Remuneration Policy will be put to a binding shareholder vote at the 2021 AGM.
- Consulted with shareholders on the proposed minor changes to the Remuneration Policy, most notably the introduction of ESG metrics in our PSP.
- From 1 April 2020 to 1 July 2020, the Chairman and SID voluntarily waived their Board fees, and the remainder of the Board waived 50% of their salaries or Board fees. Salaries/fees returned to normal levels from 1 July 2020 following a return to charging customers and the unfurloughing of all employees.
- For FY21, in response to the impact of COVID-19 on the business, no annual bonus was operated, but a larger grant was made under the PSP which will vest based on TSR performance over three years. In FY22, we will return to the normal annual bonus and PSP structure.
- Assessed the achievement of targets for the 2018 PSP awards.
- Set appropriate targets for the FY22 annual bonus and the PSP awards to be granted in 2021.

Focus areas for 2022

- Develop the carbon footprint target to be used in the 2022 PSP award, which will follow on from our detailed plan to move towards a net zero carbon footprint position that is currently in development.
- Assess the achievement of targets for the FY22 bonus and 2019 PSP awards.
- Continue to monitor our remuneration arrangements in the context of our approach to the wider workforce, executive pay environment, governance developments and market practice.

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 2021.

Performance and reward in 2021

Salary reductions

As announced on 1 April 2020, the Chairman and SID voluntarily waived their Board fees, and the remainder of the Board waived 50% of their salaries or Board fees during the first quarter of FY21. With a return to higher levels of revenue and profit and the unfurloughing of all employees, salaries and fees were returned to normal levels from 1 July 2020.

Annual bonus

As announced in last year's Directors' remuneration report, we operated a modified approach to remuneration in FY21 in response to the uncertainty caused by the COVID-19 outbreak to focus on long-term recovery and alignment with shareholders rather than short to medium-term performance. For FY21, no annual bonus was operated. This means that executives will not receive any bonus payment for the two years as they voluntarily waived their bonus for FY20. For FY22, the Board intends to resume the annual bonus plan. Further details are provided on page 106.

Performance Share Plan ('PSP')

PSP awards granted in 2018 will vest in August 2021 based on performance over the three years to 31 March 2021. The award was based 75% on Operating profit growth and 25% on total Group revenue growth. Due to the impact of COVID-19 on Operating profit and revenue performance during the year, the stretching targets set have not been met. This award will therefore lapse.

The Committee carefully considered this outcome and, notwithstanding the exceptional performance from management over the year managing the business through the pandemic, determined that the lapsing of the award was appropriate given the lower levels of financial performance during the year and therefore that it was not necessary to exercise discretion to adjust payouts.

Remuneration review

During the year, the Committee undertook a thorough review of our remuneration framework in the context of the ongoing uncertainty in the marketplace and our evolving business strategy. After careful consideration, the Committee is not proposing to make any changes to the structure and quantum of executive pay as we believe that the existing framework (comprising an annual bonus and PSP) continues to be a simple, clear approach which incentivises participants to drive performance and rewards the delivery of long-term sustainable success for our shareholders.

In line with the normal three-year renewal cycle, our updated Directors' Remuneration Policy will be put to a shareholder vote at the 2021 AGM.

As part of the review, the Committee took the opportunity to review the performance measures for our annual bonus and PSP awards. As a result of this review, the Committee has decided to evolve our metrics to be more closely aligned with our strategy going forward and the interests of our shareholders and broader stakeholders as detailed below.

Introduction of ESG metrics in the PSP

The Committee is proposing to introduce ESG-related metrics into the PSP. Although we considered including ESG in the annual bonus, we ultimately feel that as our ESG strategy is long term in nature, the PSP is the most appropriate place given it spans a multi-year performance period. This gives us a better opportunity to make demonstrable and meaningful progress towards these objectives.

COVID-19 pandemic

The COVID-19 pandemic has posed significant unforeseen challenges for all businesses, including our own and those of our retailer customers. However, the Board acted swiftly at the height of the pandemic and took a number of steps to strengthen the balance sheet and protect its employees, customers and long-term priorities during this time of uncertainty.

- Advertising was free of charge in April, May, December and February, and at a discount in June. Payment terms were also deferred in order to provide our customers with certainty over their cash flows.
- We carried out a non-pre-emptive capital raise of £183m net of fees, representing approximately 5% of the Company's issued share capital.
- We furloughed a number of employees in April and May but topped up the majority to full salary. We returned the furlough monies in full later in the year and we did not furlough any employees in the second or third lockdowns.
- We reduced discretionary spending, but returned to more normal levels later in the year.

As recognised elsewhere in this report, the performance of our management team has been exceptional during this period. However, the support we provided to our retailer customers has inevitably had a significant impact on our financial results, with revenues declining by 29% and Operating profit by 38%.

The year has started well, with consumer demand for cars, audience metrics and retailer numbers all remaining strong, and as described elsewhere in this report, we have declared a final dividend, payable in September 2021.

75% of the PSP will continue to be based on Operating profit and over the course of the next two years, ESG metrics will be phased in for the remaining 25%. We are currently developing our ESG strategy and it is intended that the focus for the performance measures in the PSP will be on two core areas: i) the diversity of our workforce from 2021 and ii) reducing our carbon footprint from 2022. More information on our make a difference (ESG) strategy can be found on page 46.

The FY22 PSP award will be based on the following measures:

- 75% linked to Operating profit growth.
- 12.5% linked to Revenue growth.
- 12.5% linked to progress made in respect of Diversity.

For a number of years, the Board and the business have been focused on building a diverse and inclusive culture at Auto Trader, one that reflects the composition of the communities we serve and offers all our employees the opportunity to realise their full potential. We have put in place a number of initiatives over the past few years to address our diversity and inclusivity ambitions, and we are proud of what we have achieved to date. We now want to accelerate our progress in building a culture where inclusivity can thrive, thereby making Auto Trader a better business in the long-run. We strongly believe that increasing the diversity of our workforce is the right thing to do and will enable us to attract and retain high calibre talent, underpin employee engagement and therefore business performance, and improve Group decision-making, all of which will drive the execution of our strategy and generate shareholder value.

The Board and management believe so strongly in this that management want to take personal risk in including stretching targets related to our progress in the PSP. Through embedding diversity in our PSP, we hope to send an important message to employees and other stakeholders about the priorities of the business.

The FY22 PSP award will be assessed by the Committee in the round in relation to the progress made against the following basket of Diversity measures considering 'how' performance has been achieved as well as 'what' performance has been achieved.

- The proportion of women employees in the Group.
- The proportion of leadership who are women.
- The proportion of BAME employees in the Group.
- The proportion of leadership who are BAME.

The PSP targets are disclosed in full on page 107. We have applied the same principles as we use in setting our financial targets to setting our ESG targets. Our Diversity targets have been set taking into account our internal ambitions as well as historical performance and wider sector trends. The Committee considers that the targets set are stretching and for all measures represent a meaningful improvement on our current position while allowing for critical appraisal at the end of the performance cycle. The Committee will determine the payout in relation to the Diversity measures in the round taking into account the progress made against the key objectives outlined above in the round, taking into account 'how' the progress was achieved as well as 'what' progress is achieved.

During the course of the next 12 months we will be developing a carbon reduction plan to set out our move towards a net zero carbon emissions position. Once this is complete, and to further emphasise the importance of ESG to our business, it is intended that for PSP awards granted in FY23 a carbon reduction measure will be included in place of the Revenue measure. Auto Trader, like many other companies, is on a journey in respect of its ESG strategy and therefore the Committee fully recognises that we may need to evolve and iterate our approach to setting PSP performance targets over the next few years as we learn and develop. In line with best practice and shareholder expectations the Committee has discretion to adjust the vesting outcome. The Committee recognises that we may need to adjust the vesting outcomes in relation to ESG measures as part of our learning journey to ensure that payout on these elements is appropriate.

Strategic metrics in the annual bonus

The pandemic has accelerated the drive to consumers doing more online. We have even stronger conviction that our strategy of bringing more of the car buying journey online is the right one. This strategy has seen the launch of a number of new ventures offering an entirely or predominantly online car buying experience.

In order to align with this strategic area of focus, the Committee has decided that 25% of the annual bonus will be determined based on measures relating to the take up of our digital retailing products by retailers. This will be measured by the number of instances paid for by retailers, related to supporting consumers in finding finance for their next car, getting a guaranteed trade in for their existing car as well as further offerings under development. The remaining 75% of the bonus will still be based on Operating profit. Performance against these key objectives and the resulting bonus payout will be disclosed in next year's Directors' remuneration report to the extent that they are no longer considered commercially sensitive.

Additional elements to the Policy

The Committee has made a number of governance updates over the last couple of years in line with the UK Corporate Governance Code and guidance from investors. These changes have been formalised in the new Policy as summarised below:

- Introduction of a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Any Executive Director who leaves 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 guideline applied to Trevor Mather, our former CEO, on his departure.
- Discretion for the Committee 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.
- Malus and clawback provisions have been expanded to reflect evolving best practice.

2022 salary review

Salary increases of 2% are proposed for the Executive Directors. This is in line with the general increase received for other senior employees across the Group and lower than the average Company-wide pay increase of c.5%. In FY22, salary increases will become effective from 1 July, rather than 1 April as in previous years, to align with the approach for the wider workforce.

Pension

During the year we have undertaken a review of our pension provision throughout the organisation to ensure that it continues to provide the right level of benefits to enable our employees to save for their retirement. We have increased the maximum pension opportunity for the wider workforce from 5% of salary to 7% of salary. To maintain alignment with the wider workforce the pension allowance provided to Executive Directors will also be increased to 7% of salary.

Engagement with shareholders

We contacted our top 20 shareholders as well as the major proxy bodies to explain our proposed approach for the renewal of our Policy. We were pleased with the level of support for the proposals put forward. The Committee is grateful to shareholders for the time they have given to the consultation process and the feedback provided, all of which have helped facilitate a more robust decision-making process.

I hope that you will support our 2021 Remuneration Policy and 2021 Directors' remuneration report at the AGM in September. I will be available at the AGM to answer any questions. In the meantime, I welcome any feedback that you may have, which can be submitted to **ir@autotrader.co.uk**.

Jill Easterbrook
Chair of the Remuneration Committee
10 June 2021

Remuneration at a glance: How executives will be paid in future years

We are seeking shareholder approval for a revised Policy at the 2021 AGM. The key elements of the Policy will remain unchanged. An overview of our Policy and how it is proposed to apply in 2021/22 is set out below.

Fixed pay: to recruit and reward executives of high calibre

Remuneration for the year ending 31 March 2022

Salary	CEO: £579,360 COO: £321,300 CFO: £336,600	A 2% increase in line with the general increase received by senior employees and below the average Company-wide increase of c.5%. From 2021, the salary review date has been moved to 1 July (from 1 April) to align with the approach for the wider workforce. Note that the COO's salary has been pro-rated to reflect that she works 4.5 days per week. Her full-time equivalent salary is £357,000.
Pension	7% of salary	Following a review, we have increased the maximum pension opportunity for the wider workforce from 5% of salary to 7% of salary. To maintain alignment with the wider workforce, the pension allowance provided to Executive Directors will also be increased to 7% of salary.
Benefits	Includes private medical cover, life assurance and income protection insurance.	

Annual bonus

To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.

Cash element

50% of bonus deferred into shares for two years

Maximum opportunity
CEO: 150% of salary
COO and CFO: 130% of salary

Malus and clawback provisions apply.

FY22 bonus metrics

- **75%** Operating profit
- **25%** Strategic: milestones linked to our digital car buying strategy

Performance share plan

To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.

3-year performance period

2-year holding period

Maximum opportunity
CEO: 200% of salary
COO and CFO: 150% of salary

Malus and clawback provisions apply.

FY22 PSP metrics

Refreshed to align with our evolving strategy.

- **75%** Operating profit growth
- **12.5%** Revenue growth
- **12.5%** Diversity progress, assessed in the round and including the following basket of measures:
  - Proportion of women employees in the Group being 40%
  - Proportion of leadership who are women being 38%
  - Proportion of BAME employees in the Group being 14%
  - Proportion of leadership who are BAME being 10%

Shareholding guidelines

Guidelines apply in-post, and extend beyond tenure

In-post guidelines:
200% of salary

Post-employment guidelines:
100% of in-post shareholding guideline (or actual shareholding if lower) for a period of two years following departure

Updates to the Policy

The new Policy formalises a number of good governance features in line with evolving best practice.

- Introduction of a post-employment shareholding requirement in line with best practice
- Discretion for the Committee to adjust formulaic outcomes where it is deemed appropriate
- Expansion of the malus and clawback provisions

Directors' Remuneration Policy

This Remuneration Policy will be put to shareholders for approval in a binding vote at the AGM on 17 September 2021 and will be effective from this date.

Policy overview

As outlined in the Remuneration Committee Chair's statement, in light of the requirement to seek shareholder approval for a new Remuneration Policy, the Committee undertook a thorough review of the current remuneration arrangements for Executive Directors, considering a range of potential approaches. The Committee concluded that the current framework remains appropriate and therefore the Policy will be re-submitted to shareholders largely unchanged from the version approved by shareholders at the 2018 AGM. Minor changes have been made to the Policy to reflect changes made over the last few years to reflect the 2018 UK Corporate Governance Code, to reflect prevailing market practice and to clarify the Policy's practical operation.

The Policy is structured so as to ensure that the main elements of remuneration are linked to Company strategy, in line with best practice and aligned with shareholders' interests. The Policy is designed to reward Executive Directors by offering competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability. In promoting these objectives, the Policy aims to be simple in design, transparent and structured so as to adhere to the principles of good corporate governance and appropriate risk management.

A further aim of the Remuneration Policy is to encourage a culture of share ownership by colleagues throughout the Company, and in support of this we have both a SIP and a SAYE scheme. Around 60% of our employees participate in a share scheme and benefit from share price increases alongside shareholders.

Summary of decision-making process

As described in the Chair's statement, the Committee engaged with its major shareholders as part of its review of the executive Remuneration Policy. We wrote to 20 of our largest shareholders and the major shareholder representative bodies in March 2021 to consult on our proposed approach to executive pay going forward.

Shareholders were offered the opportunity to discuss the proposals with the Committee Chair and the Group Company Secretary and overall we were encouraged by the number of shareholders who took the time to engage with us and are satisfied that, having taken into account both supporting views and key concerns, we have developed an appropriate way forward.

In addition to the specific feedback received from our consultation with major shareholders, we also considered input from the management team and our independent advisors, as well as latest market practice and corporate governance developments. To manage any potential conflicts of interest arising, the Committee ensured that no individual was involved in discussions on their own remuneration arrangements and all changes proposed aligned to the business's core strategy and values.

In reaching its decisions, the Committee also considered the following principles as recommended in the revised 2018 UK Corporate Governance Code.

Clarity: The Policy is designed to allow our remuneration arrangements to be structured such that they clearly support, in a sustainable way, the financial and strategic objectives of the Company. The Committee remains committed to reporting on its remuneration practices in a transparent, balanced and understandable way.

Simplicity: The Policy consists of three main elements: fixed pay (salary, benefits and pension), an annual bonus and a long-term incentive award. The metrics used in our incentive plans directly link back to our key strategic ambitions and values and provide a clear link to the shareholder experience. The Committee may change measures for future years to ensure they continue to be aligned with our strategy.

Risk: The Policy is in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce pay outcomes where these are not considered to represent overall Company performance or the shareholder experience. Furthermore, our bonus deferral, post-cessation shareholding requirement, and PSP holding period ensure that Executive Directors are motivated to deliver sustainable performance.

Predictability: The Committee considers the impact of various performance outcomes on incentive levels when determining quantum. These can be seen in the scenario charts on page 103.

Proportionality: A substantial portion of the package comprises performance-based reward, which is linked to our strategic priorities and underpinned by a robust target-setting process. We are mindful of the alignment with our workforce, the shareholder experience and our values and culture when considering the right and proportional approach to pay.

Alignment to culture: When developing the Policy, the Committee reviewed our approach to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of the wider workforce. The themes considered include workforce demographics, engagement levels and diversity to ensure that executive remuneration is appropriate from a cultural perspective. This year, we have introduced a basket of Diversity targets into our PSP and intend to further incorporate Carbon reduction objectives in next year's PSP award.

How the views of shareholders and employees are taken into account

The Committee engages with the wider workforce through an Employee Engagement Guild, which all Non-Executive Directors attend. During the year, this included remuneration topics and also gender and ethnicity pay gaps. The Committee also receives regular updates regarding remuneration arrangements across the Group. These updates and the feedback received at the Employee Engagement Guild are taken into consideration when determining the Remuneration Policy for the Executive Directors and in particular when considering any changes to policy and increases in the level of fixed remuneration. The Company also regularly undertakes an employee engagement survey which includes questions to understand employees' views on their own remuneration and benefits, which the Committee also reviews.

As demonstrated in the decision-making process behind our Policy review this year, the Committee is committed to a constructive dialogue with our shareholders in order to ensure that our Remuneration Policy is aligned with their views. The Committee consulted with shareholders in advance of submitting our revised Policy to the shareholder vote and carefully considered the feedback received. In conjunction with any additional feedback received from time to time, this will be considered as part of the Committee's annual review of how we intend to implement our Remuneration Policy.

If any significant changes to our Remuneration Policy which require shareholder approval are proposed, the Committee will seek to engage with major shareholders to explain our proposals and obtain feedback.

Remuneration Policy for Executive Directors

Our Policy is designed to offer competitive, but not excessive, remuneration structured so that there is a significant weighting towards performance-based elements. A significant proportion of our variable pay is delivered in shares with deferral and holding periods being mandatory, and with appropriate recovery and withholding provisions in place to safeguard against overpayments in the event of certain negative events occurring. The table below provides a full summary of the Policy elements for Executive Directors.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Salary				
Change from previous policy: Normal salary effective date updated to align with wider workforce approach.	To recruit and reward executives of high calibre. Recognises individual's experience, responsibility and performance.	Salaries are normally reviewed annually with changes effective from 1 July but may be reviewed at other times if considered appropriate. Salary reviews will consider: • personal performance; • Group performance; • the nature and scope of the role; • the individual's experience; and • increases elsewhere in the Company. Periodic reviews of market practice (for example, in comparable companies in terms of size and complexity) will also be undertaken. The Committee considers the impact of any salary increase on the total remuneration package.	There is no prescribed 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. However, increases may be made outside of this policy in appropriate circumstances, such as: • Where a Director is appointed on a salary that is at the lower end of the market practice range, larger increases may be awarded as the executive gains experience to move the salary closer to a more typical market level. • Where there has been a change in the nature and scope of the role. • Where there has been a significant and sustained change in the size and complexity of the business. • Where there has been a significant change in market practice.	The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.
Benefits				
Change from previous policy: None.	To provide competitive benefits to ensure the wellbeing of employees.	Executive Directors are entitled to the following benefits: • life assurance; • income protection insurance; and • private medical insurance. The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, taking into account typical market practice and practice throughout the Group. Executive Directors may be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these. Where an Executive Director is required to relocate to perform their role, they may be provided with reasonable benefits as determined by the Committee in connection with this relocation (on either a one-off or ongoing basis), including any benefits such as housing, travel or education allowances.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Pension				
Change from previous policy: Following a review we have increased the maximum pension opportunity for the wider workforce from 5% of salary to 7% of salary. To maintain alignment with the wider workforce the pension allowance provided to Executive Directors will also be increased to 7% of salary.	To provide retirement benefits for employees.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan), a salary supplement in lieu of pension benefits (or combination of the above) or similar arrangement.	Maximum contribution in line with the contribution of other employees in the Group, currently 7% of salary.	N/A
Annual bonus				
Change from previous policy: Updated discretions.	To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.	The annual bonus is based predominantly on stretching financial and operational objectives set at the beginning of the year and assessed by the Committee following the year end. Half of any bonus earned is normally subject to deferral into shares under the Deferred Annual Bonus Plan ('DABP'), typically for a period of two years from the date of award. The deferred shares will vest subject to continued employment, but there are no further performance targets. A dividend equivalent provision applies, as described below. Recovery and withholding provisions apply, as described below. Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.	Maximum of 150% of salary as determined by the Committee.	Financial measures will normally represent the majority of bonus, with strategic or operational non-financial targets representing the balance (if any). Not more than 20% of each part of the bonus will be payable for achieving the relevant threshold hurdle. Measures and weightings may change each year to reflect any year-on-year changes to business priorities. The Committee has the discretion to adjust targets for any exceptional events (including acquisitions or disposals) that may occur during the year. The Committee also has the discretion to adjust the bonus 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.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Performance Share Plan ('PSP')				
Change from previous policy: Updated discretions.	To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.	Awards will normally be made annually under the PSP, and will take the form of nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy. Awards normally vest after three years subject to the extent to which the performance conditions specified for the awards are satisfied, and continued service. Recovery and withholding provisions apply, as described below. Executive Directors are required to retain vested shares delivered under the PSP for at least two years from the point of vesting, subject to the terms of the holding period described below. A dividend equivalent provision applies, as described below.	Normal circumstances: maximum of 200% of salary as determined by the Committee. Exceptional circumstances: maximum of 300% of salary as determined by the Committee.	The vesting of awards will be subject to the achievement of performance metrics which may be financial, share price or strategic in nature. The metrics and weightings for each award will be set out in the Annual Report on Remuneration. Any strategic measure(s) will account for no more than 25% of the award. No more than 25% of the award vests for achieving threshold performance. The Committee has the discretion to adjust targets for any exceptional events (including acquisitions and disposals) that occur during the performance period. The Committee retains the 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.
All-employee share plans – SIP & SAYE				
Change from previous policy: None.	To encourage Group-wide equity ownership across all employees, and create a culture of ownership.	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. The operation of these plans will be at the discretion of the Committee, and Executive Directors will be eligible to participate on the same basis as other employees.	Maximum permitted based on HMRC limits from time to time.	N/A
Share ownership guidelines				
Change from previous policy: Introduction of post-employment shareholding guidelines.	To increase alignment between executives and shareholders.	**In-post:** 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. **Post-cessation:** Following stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.	Not applicable.	N/A

Notes to the Policy table

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 or restatement to the audited financial statements or other data;
- an error in calculation leading to over-payment of bonus;
- individual gross misconduct;
- serious reputational damage;
- corporate failure; or
- any other circumstance which the Committee considers is similar in nature or effect.

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.

Dividend equivalents

Under the DABP and the PSP, the Committee may also pay the value of dividends, at the Committee's discretion, on vested shares (in cash or shares) which may assume the reinvestment of dividends on a cumulative basis.

Discretion available under the Policy

In order to ensure that the Remuneration Policy is capable of achieving its intended aims, the Committee retains certain discretions over the operation of the variable pay policy. These include the ability to vary the operation of the plans in certain circumstances (such as a change of control, rights issue, corporate restructuring event, special dividend or acquisition or disposal) including the timing and determination of payouts/vesting; and making appropriate adjustments to performance measures or targets as necessary to ensure that performance conditions remain appropriate. However, it should be noted that in the event that the measures or targets are varied for outstanding awards in the light of a corporate event, the revised targets may not be materially less difficult to satisfy.

New to this Policy and in line with best practice and shareholder expectations, the Committee retains the 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.

Should these discretions be used, they would be explained in the Annual Report on Remuneration and may be subject to consultation with shareholders as appropriate.

Operation of the PSP holding period

Executive Directors are required to retain vested shares delivered under the PSP (on a net of tax basis, where applicable) for at least two years from the point of vesting. In exceptional circumstances, the Committee may at its discretion allow participants to sell, transfer, assign or dispose of some or all of the PSP shares before the end of the holding period.

Previously agreed payment

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before 17 September 2015 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Selection of performance measures

Annual bonus performance measures are selected annually to reflect the Group's key strategic initiatives for the year and include both financial and strategic or operational non-financial objectives. A majority weighting will be placed on financial performance, ensuring that payouts are closely linked to the Group's performance and the execution of strategy.

PSP awards to be granted in 2021/22 will be subject to the achievement of Operating profit growth, Total Group revenue growth and a basket of Diversity targets. The Committee believes this combination of measures ensures that rewards are linked to long-term shareholder value creation and the culture and values of the business. The performance metrics used and their weighting may differ for awards to ensure they continue to support the Company's long-term growth strategy.

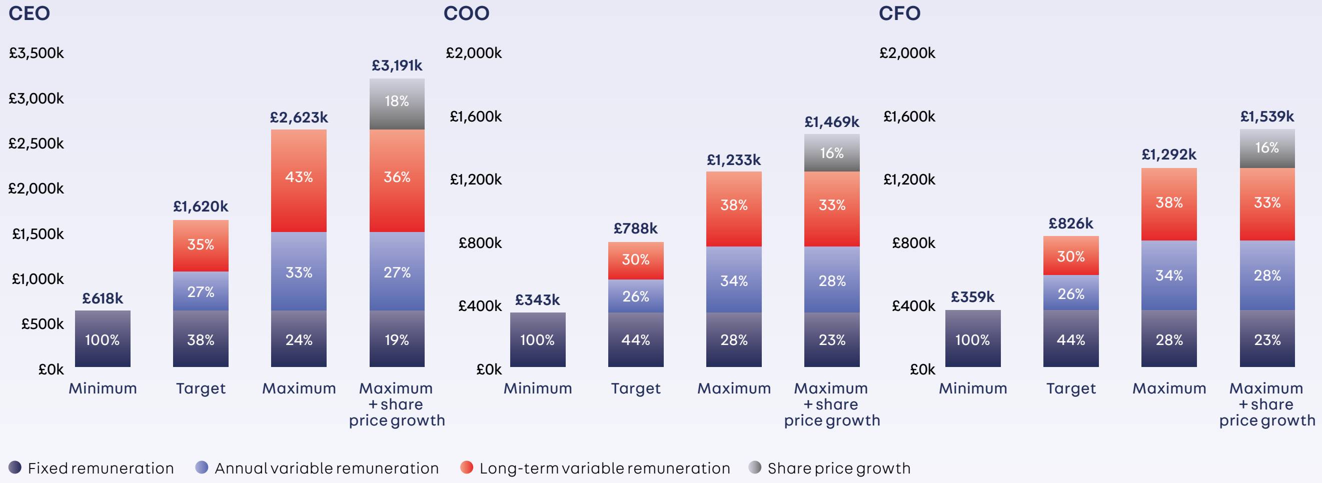
Differences in Remuneration Policy between Executive Directors and other employees

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.

'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.

Illustration of application of Remuneration Policy
The charts below illustrate how the composition of the Executive Directors' remuneration packages varies under three different performance scenarios: threshold, on-target and maximum, both as a percentage of total remuneration opportunity and as a total value. It should be noted that these scenarios are for illustrative purposes only and have been determined using the approach specified in the regulations. They should not be construed as profit forecasts or a prediction of share price movements.



Assumptions

- Minimum = fixed pay (base salary, benefits and pension).
- Target = fixed pay plus 50% of maximum bonus payout and 50% vesting under the PSP.
- Maximum = fixed pay plus 100% of bonus payout and 100% PSP vesting.
- Maximum + share price growth = fixed pay plus 100% of bonus payout and 100% PSP vesting with a 50% increase in share price applied to the PSP award.

Salary levels have been pro-rated to reflect the pay increase applying on 1 July 2021. Annual variable remuneration is based on the salary applying from 1 July 2021. Long-term variable remuneration is based on the salary at expected date of grant. The value of taxable benefits is as disclosed in the single figure for the year ending 31 March 2021.

Aside from the maximum + share price growth scenario, no share price increase is assumed and any dividend equivalents payable are not included.

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 Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment. SAYE options will become exercisable on cessation of employment to the extent permitted in accordance with the rules of the SAYE scheme, which does not provide for the exercise of discretion by the Committee. On cessation, a payment may be made in respect of accrued but untaken holiday.

Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

In summary, the contractual provisions on termination where the Company elects to make a payment in lieu of notice are as follows:

Performance measures	Detailed terms
Notice period	12 months by either party.
Termination payments over the notice period	100% of salary and pension contribution for the relevant period. 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.
Change of control	No enhanced provisions on a change of control.

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office.

Annual bonus on termination

There is no automatic or contractual right to bonus payment. At the discretion of the Committee, for certain leavers, a bonus may become payable at the normal payment date based on performance. Such bonus would normally be pro-rated for time in employment unless the Committee determines otherwise. At its discretion the Committee may also pay such bonus at the time of cessation of employment based on performance to that date. Any bonus paid may be paid 100% in cash for the year of departure or preceding financial year if the bonus for that year has not yet been awarded. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

DABP awards on termination

Any existing awards under the DABP will lapse on termination unless the termination is due to death, the sale of the employing company from the business or otherwise at the discretion of the Committee. Where an award does not lapse it will vest on cessation (or on such later date as the Committee determines), to the extent determined by the Committee.

PSP on termination

Share-based awards are outside of service contracts provisions. Normally, PSP awards will lapse upon a participant ceasing to hold employment. However, under the rules of the PSP, in certain prescribed circumstances (namely death, sale of employing company from the business or otherwise at the discretion of the Committee), 'good leaver' status can be applied. In exercising its discretion as to whether an Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the reasons for their departure and, in the event of this determination being made, will set out its rationale in the following Annual Report on Remuneration. Awards will typically vest on the originally anticipated date, although the Committee has discretion to vest awards sooner (and to assess performance conditions accordingly if vesting occurs before the end of the performance period).

The extent to which PSP awards will vest in good leaver circumstances will depend on:

(i) the extent to which the performance conditions have been satisfied at the end of the performance period (or such other relevant time as the Committee determines); and
(ii) unless the Committee determines otherwise, the pro-rating of the award determined by the period of time served in employment during the vesting period.

Change of control

In the event of a change of control of the Company or other relevant event, awards under the PSP, DABP and SIP and options under the SAYE scheme will vest early. Vesting of awards under the PSP will be determined by applying any relevant performance condition and, unless the Committee determines otherwise, pro-rating the award by reference to the period of time from grant to vest as a proportion of a period of three years. The DABP award shall vest in full, and the extent to which a SAYE option can be exercised will be determined by the Committee in accordance with the rules of the SAYE scheme on the same basis as for other employees.

Approach to recruitment and promotions

The recruitment package for a new Executive Director would normally be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would include an annual bonus opportunity of up to 150% of salary and policy PSP award of up to 200% of salary (other than in exceptional circumstances where up to 300% of salary may be made). The Committee, however, retains discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration of 350% of salary (450% of salary in exceptional circumstances) which is in line with current Policy limits. This limit does not include any payment(s) or award(s) made to 'buy-out' remuneration forfeited on leaving a previous employer. The key terms and rationale for any such component would be disclosed as appropriate in that year's Annual Report on Remuneration.

On recruitment, salary will be set so as to reflect the individual's experience and skills. It may be set at a level below the normal market rate, with phased increases greater than those received by others as the Executive Director gains experience.

Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors which may include the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such 'buyout', the principle would be that awards would be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.

Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

In the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on one non-executive position with another company and to retain their fees in respect of such position. Additional appointments may be undertaken in exceptional circumstances.

Remuneration Policy for the Chairman and Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	Fees are reviewed periodically and approved by the Board, with Non-Executive Directors abstaining from any discussion in relation to their 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, Remuneration and Corporate Responsibility Committees and for performing the Senior Independent Director role. Additional fees may be paid to reflect additional Board or Committee responsibilities or an increased time commitment as appropriate. The Chairman and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties. The Company may meet any tax liabilities that may arise on such expenses. The Board may introduce benefits for the Chairman or Non-Executive Directors if it is considered appropriate to do so.	There is no prescribed maximum annual increase or fee level. The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels (for example in companies of comparable size and complexity).

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-election 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.

Letters of appointment are available for inspection at the Company's registered office.

Approach to recruitment

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

Annual Report on Remuneration

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 17 September 2021.

Implementation of the Remuneration Policy for the year ending 31 March 2022

The following sets out a summary of how our Remuneration Policy will be implemented for the year ended 31 March 2022.

Base salary

The Executive Directors' salaries were reviewed in early 2021 with the changes becoming effective from 1 July 2021 in line with the wider workforce. The following table sets out the new salaries effective 1 July 2021 compared to those which applied in financial year 2021.

	2022	2021	Percentage change
Nathan Coe	**£579,360**	£568,000	+2%
Catherine Faiers[1]	**£321,300**	£315,000	+2%
Jamie Warner	**£336,600**	£330,000	+2%

1. Note that Catherine Faiers has reduced to 4.5 days per week from September 2020, and her salary has been pro-rated accordingly. Her full-time equivalent salary is £357,000.

The increase for the Executive Directors is in line with the general increase received for other senior employees across the Group, and lower than the average Company-wide pay increase of c.5%.

In previous years salary increases have been effective from 1 April each year, however, from 2021 the salary review date has been moved to 1 July to align with the approach for the wider workforce.

Pension and benefits

Following a review we have increased the maximum pension opportunity for the wider workforce from 5% of salary to 7% of salary. To maintain alignment with the wider workforce the pension allowance provided to Executive Directors will also be increased to 7% of salary. Pension allowance is payable into the Company pension scheme or as a cash alternative. Ancillary benefits are provided in the form of private medical cover, life assurance and income protection insurance.

Annual bonus

The maximum annual bonus opportunity for the CEO will be 150% of salary and the maximum annual bonus opportunity for the COO and CFO will be 130% of base salary. The annual bonus will operate as normal in FY22, after the suspension of the plan in FY21 following the COVID-19 outbreak. Half of any bonus earned will be payable in shares, deferred for two years under the DABP. The metrics and their weightings for the year ending 31 March 2022 are:

Metric	Percentage of total bonus
Operating profit	**75%**
Strategic: milestones linked to our digital car buying strategy	**25%**

Operating profit

Operating profit is a key performance indicator of the business and the Board believes continuing to deliver Operating profit performance will generate long-term value for shareholders.

Strategic: digital car buying

In order to align with this strategic area of focus, the Committee has decided that 25% of the annual bonus will be determined based on measures relating to the take up of our digital retailing products by retailers. This will be measured by the number of instances paid for by retailers, related to supporting consumers in finding finance for their next car, getting a guaranteed trade in for their existing car as well as further offerings under development. Performance against these key objectives and the resulting bonus payout will be disclosed in next year's Directors' remuneration report to the extent that they are no longer considered commercially sensitive.

PSP

PSP awards for the CEO will be made at the level of 200% of base salary and PSP awards for the COO and CFO will be made at the level of 150% of base salary. Awards will be subject to the following performance measures and targets:

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 2024.[1]	5.5%	11%
Revenue growth	12.5%	Revenue compound annual growth rate for the three years ended 31 March 2024.[1]	5%	9%
Diversity	12.5%	Progress made in respect of a basket of Diversity objectives by March 2024, including: • The proportion of women employees in the Group being 40%. • The proportion of leadership[2] who are women being 38%. • The proportion of BAME employees in the Group being 14%. • The proportion of leadership[2] who are BAME being 10%. The Committee will determine the payout in relation to the Diversity measures in the round taking into account the progress made against the key objectives as set out above, considering 'how' performance has been achieved as well as 'what' performance has been achieved.		

1. Compound annual growth rate targets have been set as three-year growth targets with reference to performance for 31 March 2020 as the base year, due to the figures in FY21 being heavily impacted by the pandemic. The Operating profit performance targets therefore equate to £304.0m for threshold vesting and £354.1m for maximum vesting and the Revenue growth performance targets equate to £427.0m for threshold vesting and £477.7m for maximum vesting.
2. Leadership is defined as OLT and OLT-1.

Each element will be assessed independently of the other at the end of the performance period. The Committee will then consider the wider context as discussed further below.

Following a review of the Policy and our approach to remuneration, the Committee has decided to incorporate ESG metrics into the PSP going forward.

The ESG metrics selected are aligned with our developing ESG strategy. From 2021, we will focus on the diversity of our workforce by basing a portion of the PSP on a basket of Diversity metrics. The Board strongly believes that increasing the diversity of our workforce will increase access to external and internal talent, underpin employee engagement, and therefore performance, and improve Group decision-making which we believe will drive execution and therefore shareholder value.

During the course of the next 12 months we will be developing a carbon reduction plan to set out our move towards a net zero carbon emissions position. To further emphasise the importance of ESG to our business, it is intended that for PSP awards in FY23 a carbon reduction measure will be included in place of the Revenue measure.

We have applied the same principles as we use in setting our financial targets to setting our ESG targets. Our diversity targets have been set taking into account our internal ambitions as well as historical performance and wider sector trends. The Committee considers that the targets set are stretching and for all measures represent a meaningful improvement on our current position while allowing for critical appraisal at the end of the performance cycle.

Auto Trader, like many other companies, is on a journey in respect of its ESG strategy and therefore the Committee fully recognises that we may need to evolve and iterate our approach to setting PSP performance targets over the next few years as we learn and develop. In line with best practice and shareholder expectations the Committee has discretion to adjust the vesting outcome. The Committee recognises that we may need to adjust the vesting outcomes in relation to ESG measures as part of our learning journey to ensure that payout on these elements is appropriate.

In terms of the financial metrics, continuing to drive Operating profit is a key strategic objective of the business. Though EPS is widely used by other companies, we believe that the method by which the Company returns cash to shareholders should not affect executive compensation and therefore for Auto Trader the Committee believes that Operating profit is a more appropriate performance measure. Over the last three years, Operating profit has worked well for us and incentivised the right behaviours from our leadership team to grow the business and deliver value to shareholders.

Revenue growth is a key performance indicator of the business. To ensure revenue performance is aligned with long-term value creation the vesting for the Revenue portion of the award will be subject to an 'underpin' whereby the Operating profit measure must be at least at threshold levels of performance for any portion of the total Group revenue element to pay out.

The Committee set these targets taking into account internal and external expectations of performance and organic growth of the business. The Committee believes that these targets are appropriately stretching. For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting for performance below the threshold target.

In line with the Policy, Executive Directors will be required to hold any vested shares for a further period of two years under the terms of the PSP holding period.

Traditionally, our approach to the granting of PSP awards has been based on the closing share price on the day before grant. We have reviewed our approach to the share price used for determining the number of shares awarded under the PSP and are proposing to move to a longer share price averaging period of three months.

The main reason for this is to smooth out share price volatility and ensure that the number of shares awarded is not overly impacted by short-term changes in the share price. The Committee will keep this approach under review to ensure that there are no unintended consequences.

In line with best practice and shareholder expectations the Committee retains the discretion to adjust the payout from the annual bonus and PSP 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.

Single figure of remuneration for the year ended 31 March 2021 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2021.

£'000	Salary and fees[1]	Benefits	Other	Long-term incentives[3]	Pension	Total fixed remuneration	Total variable remuneration	Total
Executive								
Nathan Coe	497	1	–	–	25	523	–	**523**
Catherine Faiers	286	1	–	–	14	301	–	**301**
Jamie Warner[4]	289	1	1	–	14	305	–	**305**
Non-Executive								
Ed Williams	138	–	–	–	–	138	–	**138**
David Keens	57	–	–	–	–	57	–	**57**
Jill Easterbrook	58	–	–	–	–	58	–	**58**
Jeni Mundy	52	–	–	–	–	52	–	**52**
Sigga Sigurdardottir	50	–	–	–	–	50	–	**50**

1. Base salary and fees were reduced for a portion of the year due to the impact of COVID-19 as described below. Furthermore, Catherine Faiers has reduced to a 4.5 day working week from 1 September 2020 and her salary has been pro-rated accordingly.
2. In response to the COVID-19 outbreak, no annual bonus plan operated for FY21.
3. PSP awards granted in 2018 for performance over the three-year period to 31 March 2021 will not vest, as the threshold performance has not been met.
4. Jamie Warner was granted 1,345 shares under the Company's save-as-you-earn scheme, at a discount of 20% to the market price. The total value of the discount was £1,485 and has been included in the "Other" column above.

The following table shows the aggregate emoluments earned in the year ended 31 March 2020.

£'000	Salary and fees	Benefits	Annual bonus[1]	Long-term incentives[2]	Pension	Total fixed remuneration	Total variable remuneration	Total
Executive								
Nathan Coe[3]	393	1	–	554	20	414	554	**968**
Catherine Faiers[4]	321	1	–	56	16	338	56	**394**
Jamie Warner[5]	28	–	–	7	1	29	7	**36**
Non-Executive								
Ed Williams	184	–	–	–	–	184	–	**184**
David Keens	76	–	–	–	–	76	–	**76**
Jill Easterbrook	67	–	–	–	–	67	–	**67**
Jeni Mundy	57	–	–	–	–	57	–	**57**
Sigga Sigurdardottir[6]	24	–	–	–	–	24	–	**24**

1. The outcome for the annual bonus for FY20 was c.26% of maximum; however, in response to the COVID-19 outbreak, the Executive Directors requested that their bonus for FY20 be waived.
2. 73.6% of PSP awards granted in 2017 vested in June 2020 for performance over the three-year period to 31 March 2020. 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 2020 of 529.38p, giving a value of £533k for Nathan Coe, £54k for Catherine Faiers and £7k for Jamie Warner including dividend equivalents. Jamie Warner's amount also included a pro-rated amount for the Single Incentive Plan. The amounts in the table above have been revalued based on the share price on the date of vesting of 549.8p. c27% of the vested value is due to share price growth of 38% since the date of award. No discretion was exercised in relation to share price appreciation.
3. 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.
4. 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.
5. 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.
6. Sigga Sigurdardottir was appointed to the Board on 1 November 2019. The amounts disclosed reflect fees from this date.

Additional information to support the single figure

Base salary

In light of the impact of COVID-19 on the business and the wider workforce, our Executive Directors forewent 50% of their salary from 1 April 2020 to 1 July 2020. The Chairman and Senior Independent Director (David Keens) waived their fees entirely during that period, and the remainder of the Board waived its fees by 50% during the same period. With a return to higher levels of revenue and profit, salaries and fees were returned to normal levels in July 2020. The figures shown in the Single Total Figure of Remuneration table above reflect these changes.

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 2021
The COVID-19 outbreak resulted in significant disruption in the UK automotive market, with dealerships closed for an extended period. In light of this no annual bonus plan was operated in FY21 with the Executive Directors receiving an enhanced award under the Performance Share Plan only. Further details are provided below.

Performance Share Plan vesting for year ended 31 March 2021
The PSP award granted in 2018 and was based on performance to 31 March 2021. The performance conditions this award was based on, and the targets and performance delivered are set out in the table below. Due to the impact of COVID-19 on Operating profit and revenue performance during the year the stretching targets set have not been met. This award will therefore lapse.

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance	Payout (as a % of maximum)
Operating profit Compound annual growth rate for the three years ended 31 March 2021	75%	6% p.a.	Equal to or above 10% p.a.	Below threshold	0%
Total Group revenue Compound annual growth rate for the three years ended 31 March 2021	25%	5% p.a.	Equal to or above 8% p.a.	Below threshold	0%
Total vesting					**0%**

The Committee acknowledges the extraordinary effort of management during this challenging time. However, in light of the impact of COVID-19 on the financial performance of the Group, the Committee considers the pay outcomes for the year to be appropriate and so the Committee did not exercise any discretion in relation to LTIP outcomes for Executive Directors. In line with the Policy, the Committee has the ability to exercise malus and clawback with regards to incentive awards in certain circumstances as outlined in the Policy.

Overall, the Committee considers that the Remuneration Policy has operated as it was intended during 2020/21. The performance-driven focus of our total remuneration directly supports the sustainable long-term success of the business.

Scheme interests awarded during the year (Audited)
We approached remuneration differently in FY21 due to the impact of the COVID-19 pandemic on our business to focus on long-term recovery rather than short to medium-term performance. No annual bonus plan operated for FY21 and the Executive Directors were made an award under the PSP of 250% of salary. The award represented 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) for the CEO, and 280% of salary (150% PSP and 130% annual bonus) for the CFO and COO. Vesting of the PSP award is to be based on the Company's TSR performance relative to the FTSE350 index as detailed below.

Awards granted in the year under the PSP are shown below.

Executive Director	Number of shares awarded	Multiple of salary	Face/maximum value of awards at grant date[2]	% award vesting at threshold (% maximum)	Performance period
PSP awards[1]					
Nathan Coe	269,245	250%	£1,420,000	25%	1 April 2020 to 31 March 2023
Catherine Faiers	165,908	250%	£875,000	25%	1 April 2020 to 31 March 2023
Jamie Warner	156,427	250%	£825,000	25%	1 April 2020 to 31 March 2023

1. PSP awards will normally be eligible to vest three years from grant (8 July 2023) based on performance over the three years to 31 March 2023 and continued employment.
2. Face/maximum value was calculated based on the closing share price on the day before grant date (8 July 2020) of 527.4p.

Awards are granted as nil-cost options.

The performance conditions applying to the 2020 PSP awards shown in the table above are set out below.

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
TSR performance	100%	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	Equal to Index TSR	Equal to Index TSR plus 25% or above

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.

Due to the uncertainty in FY21, it was considered impossible to set robust and fair financial targets for the PSP, and furthermore we believed that the success or otherwise of the Company's response to COVID-19 was 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 and hence the award is based entirely on TSR performance.

Directors' shareholding and share interests (Audited)

Executive Directors are required to maintain a 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 2021, 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 2021[3]
Executive Directors							
Nathan Coe	2,924,366	403,552	384,471	37,937	–	200%	3,057%
Catherine Faiers	16,792	259,424	49,251	15,668	–	200%	76%
Jamie Warner	3,478	188,489	28,472	18,743	5,316	200%	31%
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. 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 2021 of 555p. Includes net (after tax) of options vested but not exercised.

Payments to former Directors (Audited)

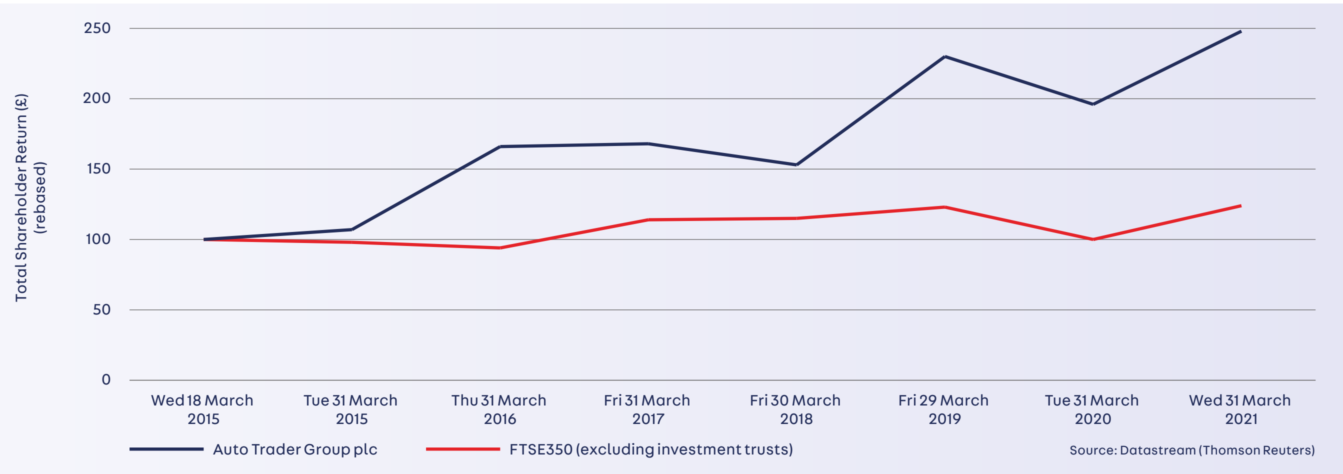
There were no payments made to former Directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

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.



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.

	2021	2020[1,2]	2019	2018	2017	2016	2015[3]
CEO total remuneration (£'000)	**523**	1,659	2,052	2,929	980	1,339	20
Annual bonus (% of maximum)	**N/A[4]**	N/A[5]	76.75%	50.3%	51.8%	100%	N/A[6]
PSP vesting (% of maximum)	**N/A[7]**	73.6%	51.2%	100%	N/A[8]	N/A[8]	N/A[8]

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 2020 CEO total remuneration has been updated to reflect the value of the PSP based on the share price on the date of vesting of 541.00p rather than the three-month average share price to 31 March 2020 of 529.38p.
3. From the date of Admission in March 2015.
4. No bonus plan operated in 2020/21.
5. The CEO elected to waive his bonus in respect of 2019/20.
6. Private company when bonus plan implemented in 2015.
7. PSP awards lapsed in 2020/21 as performance conditions were not met.
8. No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

CEO pay ratio

The table below shows the ratio between the CEO's total single figure calculated as set out above and the median, lower and upper quartile total remuneration for our UK based workforce. Our median all-employee to CEO pay ratio is 10.9:1.

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. It should be noted that the CEO's single figure of remuneration in 2020 includes PSP awards, which are affected by changes in the Company's share price and achievement of targets over a three-year performance period. The Committee believes that the median pay ratio is lower than it would be in a normal year. This is due to the fact that the annual bonus did not operate for the year, the PSP awards did not vest in the year, and the CEO waived 50% of his base salary for the first three months of the year. The Committee would expect that in future years, the ratio will return to levels consistent with that in 2020, which the Committee considers is within a reasonable range taking into account the structure and nature of our business.

It is likely that any year-on-year change in the pay ratio will be driven by our CEO's variable pay, and not by changes to pay and benefits structures for UK employees. Pay rates for all employees are set by reference to a range of factors, such as market practice, experience and performance in role.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	**A**	**15.9:1**	**10.9:1**	**7.8:1**
2020	A	50.4:1	34.2:1	24.8:1

- 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 £28,750 and total remuneration was £32,855. The salary for the P50 employee was £44,250 and total remuneration was £48,025. The salary for the P75 employee was £63,500 and total remuneration was £67,213.
- The P25, P50 and P75 employees were determined as at 31 March 2021 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 (2020) 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 2021 of 577.58p.
- For 2020, the CEO single figure reflects amounts to Trevor Mather (stepped down 29 February 2020) and Nathan Coe (appointed CEO 1 March 2020) for their respective time in service.

Due to the impact of COVID-19 on the Group's trading in the UK, a number of our UK colleagues were furloughed utilising the Coronavirus Job Retention Scheme. We topped up salaries for the large majority of those who were impacted. We repaid all furlough monies later in the year and did not furlough any employees during the second and third lockdowns.

Year-on-year change in pay for Directors compared to the average employee

In accordance with the new requirement under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the increase in each Directors' pay (salary, benefits and bonus) between 2020 and 2021 compared to the average increase for the employees of the Group.

	Base salary/fees	Benefits	Annual bonus
Executive Directors			
Nathan Coe[1,2]	26%	31%	(100%)
Catherine Faiers[1,3]	(11%)	43%	(100%)
Jamie Warner[1,4]	932%	1,477%	(100%)
Non-Executive Directors			
Ed Williams[1]	(25%)	–	–
David Keens[1]	(25%)	–	–
Jill Easterbrook[1]	(13%)	–	–
Jeni Mundy[1,5]	(9%)	–	–
Sigga Sigurdardottir[1,6]	108%	–	–
Average employee	0%	27%	–

1. Ed Williams and David Keens voluntarily waived their entire fees from 1 April 2020 to 30 June 2020. The remaining Board members voluntarily waived 50% of their salaries and fees from 1 April 2020 to 30 June 2020.
2. Nathan Coe was appointed as CEO on 1 March 2020 and his base salary increased on that date from £377,000 to £568,000.
3. Catherine Faiers was appointed to the Board on 1 May 2020 and therefore her reported salary for FY20 represents only 11 months. Further, Catherine became part-time from 1 September 2020 and therefore her salary was pro-rated from that date to reflect her 4.5 day working week.
4. Jamie Warner was appointed to the Board on 1 March 2020 and therefore his reported salary for FY20 represents only one month.
5. Jeni Mundy was appointed Chair of the Corporate Responsibility Committee from 1 January 2021 and received an additional fee of £9,742 per annum from that date.
6. Sigga Sigurdardottir was appointed to the Board on 1 November 2019 and therefore her reported fee for FY20 represents only five months.

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.

	2021 £m	2020 £m	% change
Employee costs (see note 7 to the consolidated financial statements)	**59.9**	55.3	8%
Average number of employees (see note 7 to the consolidated financial statements)	**908**	849	7%
Revenue (see Consolidated income statement)	**262.8**	368.9	(28%)
Operating profit	**161.2**	258.9	(38%)
Dividends paid and proposed and share buybacks (see notes 24 and 26 to the consolidated financial statements)	**48.3**	84.1	(43%)

Fees for the Chairman and Non-Executive Directors:

Fees for the Chairman and Non-Executive Directors were reviewed in early 2021 and were increased by 2% with effect from 1 July 2021. The following table sets out the new fees in financial year 2022 compared to those which applied in financial year 2021.

Base fees	FY22	FY21	Percentage change
Chairman	**£187,693**	£184,013	+2%
Non-Executive Director	**£57,963**	£56,827	+2%
Additional fees			
Senior Independent Director	**£9,936**	£9,742	+2%
Audit Committee Chair	**£9,936**	£9,742	+2%
Remuneration Committee Chair	**£9,936**	£9,742	+2%
Corporate Responsibility Chair	**£9,936**	£9,742	+2%

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. 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 2021	5 March 2024
David Keens	1 May 2021	30 April 2024
Jill Easterbrook	1 July 2021	30 June 2024
Jeni Mundy	1 March 2019	28 February 2022
Sigga Sigurdardottir	1 November 2019	31 October 2022

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. 0.85% 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 2021, the Trust held 399,731 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.

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 73 and 94 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 members of the Deloitte 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 £66,150 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
2020 AGM: Annual Report on Remuneration (advisory)	748,140,518	96.86%	24,225,112	3.14%	159,404

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
10 June 2021

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 2021.

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: Make a difference (page 48)
Employees with disabilities	Strategic report: Make a difference (page 51)
Financial instruments	Financial statements: Note 2 to the consolidated financial statements (page 133)
Future developments of the business	Strategic report: (pages 30 and 31)
Greenhouse gas emissions	Strategic report: Make a difference (page 54)
Non-financial reporting	Strategic report: Make a difference (page 47)

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	Financial statements: Note 24 to the consolidated financial statements (page 154)
Directors' interests	Governance: Directors' remuneration report (page 110)
Significant shareholders	Governance: Directors' report (page 116)
Going concern	Strategic report: Principal risks and uncertainties (pages 70 and 71)
Long-term incentive schemes	Governance: Directors' remuneration report (pages 106 to 113)
Powers for the Company to buy back its shares	Governance: Directors' report (page 115)
Significant contracts	Governance: Directors' report (page 116)
Significant related party agreements	Governance: Directors' report (page 116)
Statement of corporate governance	Governance: Corporate governance statement (pages 78 to 83)

Management report
This Directors' report, on pages 114 to 117, together with the Strategic report on pages 2 to 71, 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 71, 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, the Report of the Corporate Responsibility Committee and the Directors' remuneration report and policy report on pages 78 to 113; all of which form part of this Directors' report and are incorporated into it by reference.

2021 Annual General Meeting
The 2021 AGM will take place at 10:00am on Friday 17 September 2021 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. We currently intend to hold the AGM as a physical meeting as usual, however, we will be closely monitoring the restrictions over public gatherings and will communicate any necessary changes. 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 2021, and to the date of approving this report unless otherwise stated:

- Ed Williams.
- Nathan Coe.
- Catherine Faiers.
- Jamie Warner.
- David Keens.
- Jill Easterbrook.
- Jeni Mundy.
- Sigga Sigurdardottir.

All Directors will stand for election or re-election at the 2021 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 124 to 174.

No dividends were paid during the year.

The Directors recommend payment of a final dividend of 5.0 pence per share (2020: Nil) to be paid on 24 September 2021 to shareholders on the register of members at 27 August 2021, subject to approval at the 2021 AGM.

Amendment of the Articles

At the 2020 Annual General Meeting, the Company's Articles of Association were amended by a special resolution 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 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 were 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.

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. During the year, a further 15,412 additional shares were allotted for a consideration of £2.59 per share in relation to the exercise of share options under the Company's SAYE scheme.

The issued share capital of the Company as at 31 March 2021 comprised 969,024,186 shares of £0.01 each, and 2,422,659 shares were held in treasury. As at 10 June 2021, the issued share capital of the Company comprises 969,033,061 shares of £0.01 each, and 2,378,793 shares 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 24 to the Group's financial statements. All the information detailed in note 24 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 28 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. At the 2019 AGM, special resolution 14 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 of the 2021 AGM (the 'AGM Notice'), ordinary resolution 15 seeks a new authority to allow the Directors to allot ordinary shares representing approximately two thirds of the Company's existing share capital as at the date of the AGM Notice, of which approximately one third of the Company's issued ordinary share capital can only be allotted pursuant to a rights issue. Special resolutions 16 and 17 seek a new authority to allow the Directors to allot ordinary shares on a non-pre-emptive basis up to a maximum of approximately 5% of the Company's existing share capital and special resolutions 16 and 17 seek 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 of approximately 5% of the Company's existing share capital at the date of the AGM Notice.

Authority to purchase own shares

As described on page 45, the Company intends to re-commence its share buyback programme, under the authority passed at the 2020 AGM under which the Company is authorised to make market purchases of up to a maximum of 10% (96,560,474 shares) of its own ordinary shares (excluding shares held in treasury), subject to minimum and maximum price restrictions, either to be cancelled or retained as treasury shares. The Directors will seek to renew this authority at the forthcoming AGM.

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 the member, unless all amounts presently payable by the member 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
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 2021. 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 'Make a difference' section on page 54 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
Manchester office lease
On 14 April 2021, the Group entered into a new lease arrangement to rent an additional 16,000 square foot in our Manchester office to support the needs of our growing workforce. The lease will last for five years until April 2026 with total lease commitments over the five-year period of £1.9m.

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

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 30 to the consolidated financial statements.

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 2021		At 10 June 2021	
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.	99,077,935	10.25%	99,077,935	10.25%
Kayne Anderson Rudnick Investment Management LLC.	79,346,907	8.21%	79,346,907	8.21%
Baillie Gifford & Co.	47,482,549	5.01%	47,482,549	5.01%

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including 'FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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 10 June 2021.

Approved by the Board and signed on its behalf.

Claire Baty
Company Secretary
10 June 2021

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

1. Our opinion is unmodified

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

In our opinion:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 22 September 2016. The period of total uninterrupted engagement is for the five financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

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

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

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

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

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

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

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

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

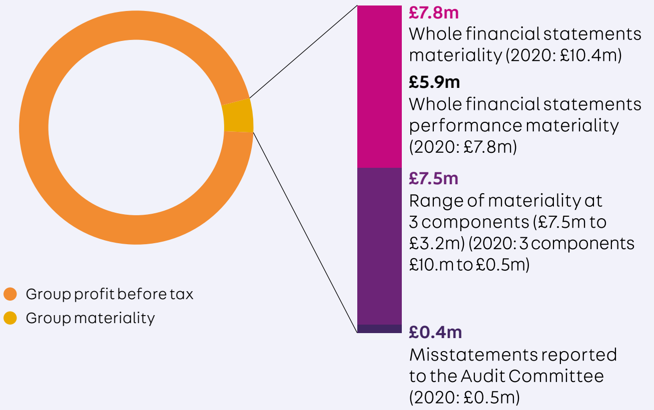
Of the Group's 6 (2020: 5) reporting components, we subjected 3 (2020: 3) to full scope audits for group purposes. The work on these components, including the audit of the parent company, was performed by the Group team.

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

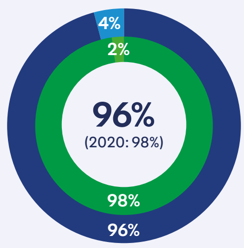
The remaining 4% (2020: 2%) of total group revenue, 1% (2020: 1%) of group profit before tax and 1% (2020: 1%) of total group assets is represented by 3 (2020: 2) reporting components, none of which individually represented more than 2% (2020: 2%) of any of total group revenue, group profit before tax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

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

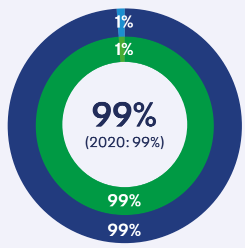
Group materiality
£7.8m (2020: £10.4m)



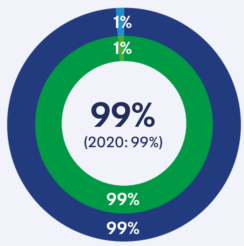
Group revenue



Group profit before tax



Group total assets



- Full scope for Group audit purposes 2021
- Residual components 2021
- Full scope for Group audit purposes 2020
- Residual components 2020

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources, and metrics relevant to debt covenants, over this period was in respect of the economic impact of COVID-19, with uncertainty remaining over the full range of possible effects on the Group's financial and operational performance, including from possible future lockdowns. We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

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

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period.
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.
- The related statement under the Listing Rules set out on page 114 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

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

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and the company secretary and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the outsourced internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and other Committee minutes.
- Considering remuneration incentive schemes and performance targets for management such as the Group's share based incentive schemes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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

We did not identify any additional fraud risks.

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

We performed procedures including:

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

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

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, distributable profits legislation, and pensions legislation in respect of defined benefit pension schemes and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the General Data Protection Regulation, competition law, employment law, fraud, anti-bribery and anti-corruption, money laundering legislation and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

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

Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the Directors' confirmation within the viability statement (page 70) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 70 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

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

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

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 117, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
10 June 2021

Consolidated income statement

For the year ended 31 March 2021

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

Consolidated statement of comprehensive income

For the year ended 31 March 2021

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

Consolidated balance sheet

At 31 March 2021

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

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

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

Consolidated statement of changes in equity
For the year ended 31 March 2021

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

Consolidated statement of cash flows

For the year ended 31 March 2021

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

Notes to the consolidated financial statements

1. General information

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Company as at and for the year ended 31 March 2021 comprise the Company and its interest in subsidiaries (together referred to as 'the Group').

The consolidated financial statements of the Group as at and for the year ended 31 March 2021 are available upon request to the Company Secretary from the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN or are available on the corporate website at **plc.autotrader.co.uk**.

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/202 as it applies in the European Union.

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

Basis of consolidation

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

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

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

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

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

Going concern

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

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

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

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

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

1. General information continued

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

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

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

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

Carrying values of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated within note 2. Judgement is required in the identification and allocation of goodwill to cash-generating units. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates (note 12).

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

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

2. Significant accounting policies

Changes in significant accounting policies
New and amended standards adopted by the Group
The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2020:
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business – Amendments to IFRS 3;
- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7.

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

Standards, amendments and interpretations to existing standards that are not yet effective
There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including: COVID-19 Related Rent Concessions – Amendment to IFRS 16 and Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies continued

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

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

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

b) Defined benefit scheme
The Group operates one defined benefit pension scheme that is closed to new members. The asset or liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating those of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Any scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet. Contributions paid to the scheme by the Group have been classified as financing activities in the Consolidated statement of cash flows as there are no remaining active members within the Scheme.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group presents right of use assets in property, plant and equipment and leased liabilities in lease liabilities in the balance sheet. The Group has applied the recognition exemption of low value leases. For these leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

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

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

2. Significant accounting policies continued

Intangible assets

a) Goodwill

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

b) Trademarks, trade names, technology, non-compete agreements, customer relationships, brands and databases

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

c) Software

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

d) Software and website development costs and financial systems

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

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

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

Property, plant and equipment

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

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

Land, buildings and leasehold improvements:

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Leadership Team that makes strategic decisions (note 4).

2. Significant accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Risk and capital management

Overview

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

The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

Market risk

i. Foreign exchange risk

The Group has no significant foreign exchange risk as 99% of the Group's revenue and 97% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

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

ii. Interest rate risk

The Group's interest rate risk arises from long-term borrowings under the Syndicated revolving credit facility with floating rates of interest linked to LIBOR. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk. The variation of 100 basis points in the interest rate of floating rate financial liabilities (with all other variables held constant) will increase or decrease post-tax profit for the year by £0.8m (2020: £2.3m).

Credit risk

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

i. Trade receivables

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

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

The Group establishes an expected credit loss that represents its estimate of losses in respect of trade and other receivables. Further details of these are given in note 30.

Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the fragmented nature of the customer base and the actions taken to support customers through the current economic uncertainty.

ii. Cash and cash equivalents

As at 31 March 2021, the Group held cash and cash equivalents of £45.7m (2020: £37.6m). The increase in cash held was in response to the COVID-19 crisis to secure liquidity for the Group at a time of significant uncertainty. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Group's treasury policy is to monitor cash, and when applicable deposit balances, on a daily basis and to manage counterparty risk and to ensure efficient management of the Group's Syndicated RCF.

Liquidity risk

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

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

The Group has access to a Syndicated RCF which has total commitments of £400.0m. Of the total commitment, £83.5m matures in June 2023 and £316.5m in June 2025. The facility allows the Group access to cash at one working day's notice. At 31 March 2021, £30.0m was drawn under the Syndicated RCF.

3. Risk and capital management continued

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

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

Capital management

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

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

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

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

As at 31 March 2021, the Group had borrowings of £30.0m (2020: £313.0m) through its Syndicated revolving credit facility. Interest is payable on this facility at a rate of LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries, which is calculated and reviewed on a biannual basis. The Group remains in compliance with its banking covenants.

4. Segmental information

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

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

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

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

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

Geographic information

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

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

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

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

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

5. Revenue

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

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

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

Contract balances

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

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

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

Deferred income relates to advanced consideration received for which revenue is recognised as or when services are provided. £3.3m (2020: £3.7m) of the deferred income balance is classified as a current liability within trade and other payables (note 19). Included within deferred income is £10.0m (2020: £10.6m) relating to consideration received from Auto Trader Autostock Limited (which forms part of the Group's joint venture Dealer Auction) for the provision of data services (note 15). Revenue relating to this service is recognised on a straight-line basis over a period of 20 years to 31 December 2038; given this time period the liability has been split between current and non-current liabilities. Revenue of £0.6m was recognised in the year (2020: £0.6m).

6. Operating profit

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

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

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

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

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

7. Employee numbers and costs

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

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

The aggregate payroll costs of these persons were as follows:

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

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

8. Directors and Key Management remuneration

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

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

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

9. Net finance costs

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

10. Taxation

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

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

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

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

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

10. Taxation continued

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2020: 19%). Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised.

Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 19% being used to measure all deferred tax balances as at 31 March 2021 (2020: 19%).

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

11. Earnings per share

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

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2021			
Basic EPS	**965,175,677**	**127.8**	**13.24**
Diluted EPS	**967,404,812**	**127.8**	**13.21**
Year ended 31 March 2020			
Basic EPS	924,499,320	205.1	22.19
Diluted EPS	929,247,835	205.1	22.08

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

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

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

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

12. Intangible assets

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

Other intangibles include customer relationships, technology, trade names, trademarks, non-compete agreements and brand assets. Intangible assets which have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (3 to 15 years). The longest estimated useful life remaining at 31 March 2021 is 14 years (31 March 2020: 15 years).

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

In accordance with International Financial Reporting Standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators of impairment. Goodwill is carried at cost less accumulated impairment losses.

12. Intangible assets continued

Impairment test for goodwill
Goodwill is allocated to the appropriate cash-generating unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill. Management has reviewed the Group's CGUs for the 2021 impairment assessment and determined that only one CGU exists, being the Digital CGU, as all cash inflows are underpinned by the core operating asset of the Auto Trader platform.

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

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

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

Income and costs within the budget are derived on a detailed 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed. Income and cost growth forecasts are risk adjusted to reflect specific risks facing the CGU and take into account the market in which it operates.

Key assumptions include revenue growth rates, associated levels of marketing support and directly associated overheads. All assumptions are based on past performance and management's expectation of market development. Cash flows beyond the budgeted period of five years (2020: five years) are extrapolated using the estimated growth rate stated into perpetuity; a rate of 3.0% (2020: 3.0%) has been used. This is marginally higher than the rate of inflation in the UK, reflecting the relative growth potential of the industry compared to the economy as a whole and is consistent with the approach taken by other technology companies. Other than as included in the financial budgets, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the Digital recoverable amount calculations was 9.1% (2020: 9.4%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity.

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

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

Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. There are no changes to the key assumptions of growth rate or discount rate that are considered by the Directors to be reasonably possible, which give rise to an impairment of goodwill relating to the Digital CGU.

Having completed the 2021 impairment review, no impairment has been recognised in relation to the CGU (2020: no impairment).

13. Property, plant and equipment

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

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

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

14. Leases

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

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

Net book value of right of use assets	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Balance at 31 March 2019	11.5	0.1	0.3	11.9
Additions	–	–	0.1	0.1
Disposals	(1.4)	–	–	(1.4)
Modifications	(2.1)	–	–	(2.1)
Depreciation charge	(1.5)	–	(0.2)	(1.7)
Balance at 31 March 2020	6.5	0.1	0.2	6.8
Additions	–	–	0.7	0.7
Depreciation charge	(1.6)	–	(0.3)	(1.9)
At 31 March 2021	**4.9**	**0.1**	**0.6**	**5.6**

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

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 30. The term recognised for certain leases has assumed lease break options are exercised. Certain lease rentals are subject to periodic market rental reviews.

During the prior year the Group renegotiated the lease agreements for its London and Manchester offices. The accounting adjustments under IFRS 16 are set out below:

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

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

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

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

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

15. Net investments in joint ventures

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

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited).

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

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

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

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

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

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

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

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

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

16. Other investments

Shares in other undertakings

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

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

17. Trade and other receivables

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

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

Accrued income relates to the Group's rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to receivables when invoiced. Included within net accrued income is provision for the impairment of financial assets of £1.3m (2020: £1.0m).

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

18. Cash and cash equivalents

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

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

Cash balances with an original maturity of less than three months were held in current accounts during the year and attracted interest at a weighted average rate of 0.2% (2020: 0.2%).

19. Trade and other payables

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

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

20. Borrowings

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

The Syndicated RCF is repayable as follows:

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

The carrying amounts of borrowings approximate their fair values.

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

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

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:
- Net bank Debt to Consolidated EBITDA must not exceed 3.5:1.
- EBITDA to Net Interest Payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures, exceptional items and adjusting for the adoption of IFRS 16.

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

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

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

21. Provisions for other liabilities and charges

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

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

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

22. Deferred taxation

A net deferred tax asset of £1.7m has been recognised in the balance sheet at 31 March 2021. The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2019	2.2	3.7	0.3	**6.2**
Acquired through business combinations	–	–	0.1	**0.1**
Effect of rate changes on opening balance	0.5	0.2	0.1	**0.8**
Debited directly to equity	(0.3)	–	–	**(0.3)**
At 31 March 2020	2.4	3.9	0.5	**6.8**
Debited to the income statement	(0.2)	(0.9)	(0.2)	**(1.3)**
Credited directly to equity	0.5	–	–	**0.5**
At 31 March 2021	**2.7**	**3.0**	**0.3**	**6.0**

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

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

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

23. Retirement benefit obligations

(i) Defined contribution scheme

Across the UK and Ireland the Group operates a number of defined contribution schemes. In the year to 31 March 2021 the pension contributions to the Group's defined contribution schemes amounted to £2.3m (2020: £2.1m). At 31 March 2021, there were £0.4m (31 March 2020: £0.3m) of pension contributions outstanding relating to the Group's defined contribution schemes.

(ii) Defined benefit scheme

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

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

Profile of the Scheme

As at 31 March 2021, approximately 54% of the defined benefit obligation ('DBO') is attributable to former employees who have yet to reach retirement (2020: 55%) and 46% to current pensioners (2020: 45%). The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 21 years.

Risks associated with the Scheme

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

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Inflation risk	A proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Change in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Funding requirements

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

Assumptions used

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

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

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

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

23. Retirement benefit obligations continued

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

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

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

Post-employment benefit obligations disclosures

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

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

Past service cost

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

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

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

Settlement cost

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

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

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

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

Amounts recognised in the balance sheet are as follows:

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

The Trustees of the Scheme sought legal advice which concluded that the Group has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Group has concluded that IFRIC 14 does not apply, and therefore has recognised the accounting surplus of £3.2m (2020: £0.9m) and an associated deferred tax liability of £1.1m (2020: £0.3m) in the Consolidated balance sheet.

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

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

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

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

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

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

Plan assets are comprised as follows:

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

All plan assets have a quoted market price.

23. Retirement benefit obligation continued

Sensitivity to key assumptions

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

Following a 0.25% increase in the discount rate

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

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

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

Following a one-year increase in life expectancy

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

24. Share capital

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

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

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

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

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

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

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

25. Own shares held

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

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

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

26. Dividends

Dividends declared and paid by the Company were as follows:

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

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

The proposed final dividend for the year ended 31 March 2021 of 5.0p per share, totalling £48.3m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The Directors' policy with regard to future dividends is set out in the Financial review on page 45.

27. Cash generated from operations

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

28. Share-based payments

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

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

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

During the year, the Directors in office in total had gains of nil (2020: £0.8m) arising on the exercise of share-based incentive awards.

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015.

UK SIP

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

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

Irish SIP

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

No Irish SIP options were exercised in 2021; the weighted average market value per ordinary share for Irish SIP options exercised in 2020 was 548.9p. The SIP shares outstanding at 31 March 2021 have fully vested (2020: fully vested). Options exercised prior to the vesting date relate to those attributable to good leavers as defined by the scheme rules.

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 8 July 2020, the Group awarded 591,580 nil cost options under the PSP scheme. For the 2020 awards, the Group's performance is measured by reference to total shareholder return relative to the FTSE350 share index over the three-year period April 2020 – March 2023.

For other previous awards, the Group's performance had been measured by reference to growth in Operating profit and Revenue over a three-year period, the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE250 share index.

The PSP awards granted during the year have been valued using the Monte Carlo model. For previous awards, the TSR element has also been valued using the Monte Carlo model and the Black-Scholes model for the Operating profit and Underlying operating profit element. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

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

Grant date	Condition	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
19 June 2015	TSR dependent	3.06	Nil	30	3.0	0.9	0.0	0.0	2.08
19 June 2015	UOP dependent	3.06	Nil	N/A	3.0	0.9	0.0	0.0	3.06
17 June 2016	TSR dependent	3.89	Nil	29	3.0	0.4	0.4	0.0	2.16
17 June 2016	UOP dependent	3.89	Nil	N/A	3.0	0.4	0.4	0.0	3.89
16 June 2017	TSR dependent	4.00	Nil	31	3.0	0.2	0.0	0.0	2.17
16 June 2017	OP dependent	4.00	Nil	N/A	3.0	0.2	0.0	0.0	4.00
30 August 2017	TSR dependent	3.42	Nil	31	3.0	0.2	0.0	0.0	2.17
30 August 2017	OP dependent	3.42	Nil	N/A	3.0	0.2	0.0	0.0	3.42
17 August 2018	OP dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 August 2018	Revenue dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	OP dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
17 June 2019	Revenue dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	TSR dependent	5.27	Nil	32	3.0	(0.1)	0.0	0.0	2.83

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

28. Share-based payments continued

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

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

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

Deferred Annual Bonus and Single Incentive Plan

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

Deferred Annual Bonus

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors and certain key senior executives. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Black-Scholes method and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

No annual bonus plan is operating for FY21 and therefore no DABP options have been granted in the period. The assumptions used in the measurement of the fair value at grant date of the DABP awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 June 2016	3.89	Nil	2.0	0.4	0.4	0.0	3.89
16 June 2017	4.00	Nil	2.0	0.2	0.0	0.0	4.00
17 August 2018	4.48	Nil	2.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	2.0	0.6	1.3	0.0	5.65

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

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

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

Single Incentive Plan Award

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

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

The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the SIPA awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 August 2018	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	5.27	Nil	N/A	3.0	(0.1)	0.0	0.0	5.27
24 November 2020	5.52	Nil	N/A	3.0	(0.1)	0.0	0.0	5.52

Expected volatility is estimated by considering historic average share price volatility at the grant date.
The number of options outstanding and exercisable as at 31 March was as follows:

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

The weighted average market value per ordinary share for SIPA options exercised in 2021 was 558.0p (2020: 561.0p). The SIPA awards outstanding at 31 March 2021 have a weighted average remaining vesting period of 0.5 years (2020: 0.4 years) and a weighted average contractual life of 4.9 years (2020: 4.2 years). The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2019 targets.

Sharesave scheme

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

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
25 September 2015	3.28	2.64	30	3.0	1.0	0.0	33	0.96
13 December 2017	3.48	2.59	31	3.0	0.6	1.3	14	1.12
14 December 2018	4.48	3.49	29	3.0	0.7	1.7	16	1.29
13 December 2019	5.74	4.32	25	3.0	0.6	1.3	10	1.63
16 December 2020	5.75	4.41	32	3.0	0.0	0.5	10	1.86

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

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

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

29. Business combinations

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

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

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

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

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

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

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed resulting in a fair value adjustment to recognise intangible software assets acquired and related deferred tax. No other material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made is still open on this acquisition and the provisional goodwill calculation is summarised below:

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

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

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

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

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

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

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

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

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made has now closed on this acquisition and the final goodwill calculation is summarised below:

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

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

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

30. Financial instruments

Financial assets

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

Credit risk

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

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

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

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

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

Expected credit loss assessment

Expected credit losses are measured using a provisioning matrix based on actual credit loss experience over the past three years and adjusted, when required, to take into account current macro-economic factors. For certain customers the Group applies experienced credit judgement that is determined to be predictive of the risk of loss to assess the expected credit loss, taking into account external ratings, financial statements and other available information. The following table provides information about the exposure to credit risk and expected credit losses for trade receivables and accrued income from individual customers as at 31 March 2021.

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

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

Sensitivity analysis has been performed in assessing the expected credit loss rate. There are no changes to the rate that are considered by the Directors to be reasonably possible, which give rise to a material difference in the loss allowance.

Comparative information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at 31 March 2020 is set out below:

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

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

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

	2021			2020		
	As per balance sheet £m	Future interest cost £m	Total cash flows £m	As per balance sheet £m	Future interest cost £m	Total cash flows £m
Trade and other payables	**13.4**	**–**	**13.4**	13.0	–	13.0
Borrowings (gross of debt issue costs)	**30.0**	**–**	**30.0**	313.0	–	313.0
Deferred consideration	**7.9**	**0.2**	**8.1**	–	–	–
Leases	**7.5**	**0.4**	**7.9**	9.1	0.7	9.8
Total	**58.8**	**0.6**	**59.4**	335.1	0.7	335.8

Trade and other payables are as disclosed within note 19, excluding other taxation and social security liabilities and deferred income. IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 20 of these consolidated financial statements, all borrowings are currently drawn under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual future interest cost. Interest is payable on borrowings' drawn amounts at a rate of LIBOR prevailing at the time of drawdown plus the applicable margin, which ranges from 1.2% and 2.1%. Interest paid in the year in relation to borrowings amounted to £3.0m (2020: £6.4m).

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

30. Financial instruments continued

Liquidity risk

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

As at 31 March 2021	Trade and other payables £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	**13.4**	**–**	**–**	**2.7**	**16.1**
Due within one to two years	**–**	**–**	**8.1**	**2.6**	**10.7**
Due within two to five years	**–**	**30.0**	**–**	**2.4**	**32.4**
Due after more than five years	**–**	**–**	**–**	**0.2**	**0.2**
Total	**13.4**	**30.0**	**8.1**	**7.9**	**59.4**

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

Fair values

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

31. Net debt

Analysis of net debt

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

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

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

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

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

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

32. Related party transactions

Dealer Auction Limited

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

The Group provided data services to Dealer Auction under a licence agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.6m (2020: £0.6m) and has been recognised within revenue. At 31 March 2021, deferred income outstanding in relation to the licence agreement was £10.0m (2020: £10.6m).

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

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

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

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

Other related party transactions

Key Management personnel compensation has been disclosed in note 8.

The Group sponsors a funded defined benefit pension scheme. Details of transactions with the Wiltshire (Bristol) Limited Retirement Benefits Scheme are set out in note 23.

33. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2021 the Group's subsidiaries were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited [1]	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited [1]	England and Wales	Online marketplace	Ordinary	–	100%
Trader Licensing Limited [1]	England and Wales	Dormant company	Ordinary	–	100%
Webzone Limited [2]	Republic of Ireland	Online marketplace	Ordinary	–	100%
KeeResources Limited [1]	England and Wales	Data services	Ordinary	–	100%
Kwikcarcost Limited [1]	England and Wales	In liquidation	Ordinary	–	100%
Kwiksystems Limited [1]	England and Wales	In liquidation	Ordinary	–	100%
Blue Owl Network Limited [1]	England and Wales	Finance platform	Ordinary	–	100%

1. Registered office address is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.
2. Registered office address is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

All subsidiaries have a year end of 31 March.

Joint ventures

At 31 March 2021 the Group's interests in joint ventures were:

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

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

All joint ventures have a year end of 31 December which is consistent with the year end of the majority shareholder.

34. Post balance sheet events

Manchester office lease

On 14 April 2021, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The lease will last for five years until April 2026 with total lease commitments over the five-year period of £1.9m.

Dealer Auction dividend

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

Company balance sheet

At 31 March 2021

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

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

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

Company statement of changes in equity
For the year ended 31 March 2021

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

Notes to the Company financial statements

1. Accounting policies

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

Statement of compliance and basis of preparation
The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is at and for the year ended 31 March 2021. The comparative financial information presented is at and for the year ended 31 March 2020.

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

The Company financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company, and have been rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Auto Trader Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £1.1m (2020: loss of £0.2m).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Directors' emoluments

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

3. Investments in subsidiaries

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

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

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

4. Debtors

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

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

5. Cash and cash equivalents

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

6. Creditors: amounts falling due within one year

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

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

7. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2021 and the year ended 31 March 2020 may be analysed as follows:

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

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

Current assets and liabilities

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

8. Dividends

Dividends declared and paid by the Company were as follows:

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

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

The proposed final dividend for the year ended 31 March 2021 of 5.0p per share, totalling £48.3m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The Directors' policy with regard to future dividends is set out in the Financial review on page 45.

9. Called-up share capital

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

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

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

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

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

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

10. Own shares held

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

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

11. Related parties

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

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

Unaudited five-year record

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

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

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Financial calendar 2021–2022

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

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

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

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

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