AUTO TRADER GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2021

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces full year results for the year ended 31 March 2021

Strategic overview

- We have made good progress in developing important aspects of our online car buying journey, namely the launch of guaranteed part-exchange, the trial of vehicle reservations and the acquisition of a financing platform, AutoConvert. The shift online in automotive retailing has accelerated, and with these core components we are well placed to bring more of the buying process online for the benefit of both buyers and sellers.
- This online journey is being built on our marketplace, which has strengthened over the year. Car buyers are using Auto Trader at record levels and our current retailer forecourt numbers are significantly higher than they were 12 months ago, reinforcing our competitive position.
- During the year, we provided significant support to our retailer customers, acknowledging the challenge of selling cars in lockdown. This included free advertising in April 2020, May 2020, December 2020 and February 2021, and at a discounted rate in June 2020. As expected, this has impacted our financial results, however it has improved our standing with customers and the strength with which we have emerged from the most recent lockdown restrictions.
- On 1 April 2020, at a time of great uncertainty, we announced the placing of approximately 46m shares, raising net proceeds of £182.9m, which strengthened our balance sheet and liquidity position, whilst also helping us to accelerate our digital retailing proposition.
- We furloughed approximately 25% of our employees for almost seven weeks but reversed this as soon as we had confidence that we would return to profitability. We returned all funds received under the furlough scheme and have made all tax payments deferred at the end of the previous financial year.

Financial results

- Revenue down 29% to £262.8 million (2020: £368.9 million). Trade revenue down 31% to £225.2 million (2020: £324.3 million), as a result of the decision to provide free advertising to our retailer customers in April, May, December and February and at a discounted rate in June.
- Operating profit down 38% to £161.2 million (2020: £258.9 million) with Operating profit margin decreasing to 61% (2020: 70%). Costs reduced by 8% to £104.0 million (2020: £113.2 million).
- Profit before tax down 37% to £157.4 million (2020: £251.5 million).
- Basic EPS down 40% to 13.24p per share (2020: 22.19p).
- Cash generated from operations[1] down 42% to £152.9 million (2020: £265.5 million).
- Following the share placement and subsequent trading results we had a net cash position of £15.7 million at year end (March 2020: Net bank debt[2] of £275.4 million and leverage[3] of 1.0x).
- The Board has decided to reinstate its capital allocation policy and proposes a final dividend of 5.0 pence per share (2020: no final dividend declared), which is also the total dividend for the full year (2020: 2.4 pence per share). Our capital policy remains broadly unchanged: to continue to invest in the business enabling it to grow while paying around one third of net income to shareholders in the form of dividends. We aim to return the remaining surplus cash to shareholders through share buy backs, which will recommence shortly.

Operational results

- Cross platform visits[4,5] up 15% to 58.3 million per month on average (2020: 50.8 million).
- Cross platform minutes[4,5] up 14% to 561.1 million per month on average (2020: 492.5 million). Our share of cross platform minutes[4,6] remains over 75% (2020: over 75%), 7x larger than our nearest competitor.
- The average number of retailer forecourts[4] in the period was broadly flat at 13,336 (2020: 13,345).
- Average Revenue Per Retailer[4] (ARPR) per month was down £625 to £1,324 (2020: £1,949). Discounts offered relating to COVID-19 had a negative impact of £712 on ARPR in the period, implying an underlying increase of £87 per month.
- Average physical car stock[4,7] on site up 1% to 485,000 cars (2020: 478,000), of which new cars contributed 47,000 (2020: 31,000).
- Average number of employees and contractors (FTEs)[4] increased to 909 (2020: 853) mostly due to the acquisition of KeeResources (October 2019) and AutoConvert (July 2020).

Introducing our Cultural KPIs

We have formed a new Board committee with oversight of Auto Trader's corporate responsibility, to support our increasing focus on the environmental, social and governance aspects of our business. This includes monitoring a new set of cultural KPIs, which sit alongside our existing financial and operational measures, demonstrating their importance to us and our people:

- 93% of employees are proud to work at Auto Trader[8] (2020: 89%), due to both the support we've provided, and as a result of having maintained clear and open communication with our people throughout the last 12 months.
- We believe diverse teams and an inclusive culture is critical to attracting, identifying and maximising the potential of our people and therefore our business. We are seeking to make progress across all of these areas in the years ahead and have linked them to remuneration targets:
  - Board: The percentage of the board who identify as women is 50% (March 2020: 50%). We do not currently have a board member from an ethnic minority, but have an active search underway and are committed to meeting the Parker Review recommendation.
  - Leadership: The percentage of leaders[9] who identify as women is 34% (March 2020: 32%), and those who are BAME[10] is 6% (March 2020: 4%).
  - Organisation: The percentage of employees who identify as women is 39%[11] (March 2020: 39%), and those who are BAME[10,11] is 11% (March 2020: 10%).
- We have signed up to the 1.5C Science Based Targets initiative and we will be developing a carbon reduction plan to set out our move towards a net zero carbon position. The total amount of CO_2 emissions reduced in the year by 34% to 6,673 tonnes of carbon dioxide equivalent[12], although this has been heavily impacted by low levels of business travel and home working due to COVID-19.

Nathan Coe, Chief Executive Officer of Auto Trader Group plc, said:

"We decided early on to proactively support our people, car buyers and our customers, many of whom run small family-owned businesses. These actions have positioned us for a strong start to this next financial year.

"There has been a dramatic shift towards buying online which means we now have more buyers than ever turning to Auto Trader to help with their next car purchase, making us even more relevant to retailers and manufacturers. This positions us ideally to enable the buying and selling of cars online, which will materially improve the car buying experience and the business of our customers.

"I want to thank everyone who has trusted and relied on us, particularly my Auto Trader colleagues who have shown unwavering commitment under the toughest of circumstances. Together our collective efforts have built the strongest of foundations to support the industry in transitioning to true multi-channel retailing underpinned by technology"

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 & 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.

Analyst presentation

A presentation for analysts will be held via audio webcast and conference call at 9.30am, Thursday 10 June 2021. Details below.

Audio webcast: https://edge.media-server.com/mmc/p/yzx2umhy

Conference call details:

Location	Purpose	Phone Type	Number
United Kingdom, London	Participant	Local	+44 (0) 2071 928338
United Kingdom	Participant	Tollfree / Freephone	08002796619
United States, New York	Participant	Local	16467413167
United States	Participant	Tollfree / Freephone	18778709135

Passcode: 8480289

Please note: Questions will only be taken from the conference call. Participants on the conference call who also plan on following the slides via the webcast should switch the webcast to *Phone mode* using the cogwheel icon located on the bottom right corner of the webcast screen to ensure the slides are synced to the phone audio rather than the webcast audio.

If you have any trouble registering or accessing either the conference call or webcast, please contact Powerscourt on the details below.

For media enquiries

Please contact the team at Powerscourt on +44 (0)20 7250 1446 or email autotrader@powerscourt-group.com

About Auto Trader

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 and 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 diverse culture. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 100 Index.

For more information, please visit http://about-us.autotrader.co.uk

Cautionary statement

This announcement of annual results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Auto Trader Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result you are cautioned not to place reliance on such forward looking statements, which are not guarantees of future performance. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

Summary financial performance

	Units	2021	2020	Change
Income statement				
Trade	£m	225.2	324.3	(31%)
Consumer services	£m	26.6	28.3	(6%)
Manufacturer & Agency	£m	11.0	16.3	(33%)
Revenue	£m	262.8	368.9	(29%)
Operating profit	£m	161.2	258.9	(38%)
Operating profit margin	%	61%	70%	(9% pts)
Profit before tax	£m	157.4	251.5	(37%)
Basic earnings per share	Pence	13.24	22.19	(40%)
Dividend per share	Pence	5.0	2.4	108%

Cash flow				
Cash generated from operations[1]	£m	152.9	265.5	(42%)
Net bank debt/(cash)[2]	£m	(15.7)	275.4	
Leverage[3] at March	Times	0.0x	1.0x	

Selected key performance indicators				
Average Revenue Per Retailer forecourt[4]	£ per month	1,324	1,949	(32%)
Physical car stock on site[4,8]	Number	485,000	478,000	1%
Number of retailer forecourts[4]	Number	13,336	13,345	(0%)
Cross platform visits[4,5]	million per month	58.3	50.8	15%
Cross platform minutes[4,5]	million per month	561.1	492.5	14%
Full-time equivalent employees and contractors[4] (FTEs)	Number	909	853	7%

1. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
2. Net bank debt is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements.
3. Leverage is Net bank debt as a multiple of EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, exceptional items which includes profit on disposal of subsidiaries and the share of profit from joint ventures).
4. Average during the year.
5. Measured by Google analytics.
6. Share of minutes is a custom metric based on Comscore minutes and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. The custom-defined list includes: Auto Trader, Gumtree motors, Pistonheads, Motors.co.uk & CarGurus.
7. Physical car stock advertised on autotrader.co.uk.
8. Based on a survey to all Auto Trader employees in January 2021 asking our people to rate the statement "I am proud to work for Auto Trader?". Answers are given on a five-point scale from strongly disagree to strongly agree.
9. We define leaders as those who are on our Operational Leadership Team ('OLT') and those direct reports of the OLT.
10. Throughout 2021 we have asked our employees to voluntarily disclose their ethnicity, at year end we had 201 employees (21%) who had not yet disclosed.
11. We calculate all our diversity percentages using total group headcount (March 2021: 953, March 2020: 904) as at 31st March.
12. The total amount of CO_2 emissions includes Scope 1, 2 and 3. Prior year figures have been restated to include emissions from additional relevant Scope 3 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 (EEIO) database methodology was used to calculate the GHG footprint across total spend for the financial year); Capital goods; Fuel and energy related activities (not included in Scope 1 and Scope 2); Waste generated in operations; Business travel; Employee commuting and Investments.

Summary of FY21 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 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). 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%).

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).

Executing on our strategy

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.

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.

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.

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.

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 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.

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).

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.

The UK car market

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.

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).

People and culture

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. 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.

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. 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.

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%).

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.

Much of this work is supported and informed by our many employee networks and guilds representing: women, BAME, LGBT+, disability & neurodiversity and age.

The Board

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 Financial Review

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).

	2021 £m	2020 £m	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%)**

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-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).

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

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.

Operating profit

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

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.

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 believe 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

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.

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.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £m	2020 £m
Revenue	3	**262.8**	368.9
Administrative expenses		**(104.0)**	(113.2)
Share of profit from joint ventures	11	**2.4**	3.2
Operating profit	4	**161.2**	258.9
Net finance costs	5	**(3.8)**	(7.4)
Profit before taxation		**157.4**	251.5
Taxation	6	**(29.6)**	(46.4)
Profit for the year attributable to equity holders of the parent		**127.8**	205.1
Basic earnings per share (pence)	7	**13.24**	22.19
Diluted earnings per share (pence)	7	**13.21**	22.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	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	**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	8	**358.2**	341.9
Property, plant and equipment	9	**11.2**	13.1
Deferred taxation assets		**1.7**	6.8
Retirement benefit surplus		**3.2**	0.9
Net investments in joint ventures	11	**54.6**	52.2
		428.9	414.9
Current assets			
Trade and other receivables		**59.6**	56.0
Current income tax assets		**0.3**	0.4
Cash and cash equivalents		**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	13	**9.7**	9.2
Share premium	13	**182.4**	–
Retained earnings		**1,307.3**	1,180.1
Own shares held	14	**(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	12	**27.6**	310.5
Deferred taxation liabilities		**–**	2.9
Provisions for other liabilities and charges		**1.1**	1.1
Lease liabilities		**5.0**	7.0
Deferred income		**9.4**	10.0
Deferred consideration		**7.9**	–
		51.0	331.5
Current liabilities			
Trade and other payables		**21.8**	33.3
Provisions for other liabilities and charges		**0.5**	0.4
Lease liabilities		**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		–	–	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		–	–	3.4	–	–	–	–	3.4
Exercise of employee share schemes		–	–	(2.7)	2.8	–	–	–	0.1
Transfer of shares from ESOT		–	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	–	0.4	–	–	–	–	0.4
Cancellation of shares		(0.1)	–	(57.7)	–	–	0.1	–	(57.7)
Acquisition of treasury shares		–	–	–	(4.3)	–	–	–	(4.3)
Dividends paid		–	–	(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		-	–	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		–	–	3.3	–	–	–	–	3.3
Exercise of employee share schemes		–	–	(6.0)	7.0	–	–	–	1.0
Transfer of shares from ESOT		–	–	(0.2)	0.2	–	–	–	–
Tax impact of employee share schemes		–	–	0.7	–	–	–	–	0.7
Issue of ordinary shares	13	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	16	**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	17	**(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		**–**	(64.7)
Drawdown of Syndicated revolving credit facility		**64.5**	324.5
Repayment of Syndicated revolving credit facility		**(347.5)**	(324.5)
Repayment of other borrowings		**–**	(0.7)
Payment of refinancing fees		**(0.5)**	(0.5)
Payment of interest on borrowings		**(3.0)**	(6.4)
Payment of lease liabilities		**(2.5)**	(2.9)
Purchase of own shares for cancellation	13	**–**	(57.4)
Purchase of own shares for treasury	14	**–**	(4.3)
Payment of fees on repurchase of own shares		**–**	(0.3)
Proceeds from the issue of shares net of bookrunner fees	13	**183.2**	–
Payment of fees on issue of own shares	13	**(0.3)**	–
Contributions to defined benefit pension scheme		**(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		**37.6**	5.9
Cash and cash equivalents at end of year		**45.7**	37.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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 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.

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.

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

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 31 March 2021 or 31 March 2020 but is derived from the 2021 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2021 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

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.

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.

Carrying values of goodwill
The Group tests annually whether goodwill has suffered any impairment. 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.

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.

Acquisition accounting
The Group acquired Blue Owl Network Limited (comprising ownership of ‘AutoConvert’) in the year. Assumptions are required to separately identify and estimate the valuation of acquired intangible assets.

2. 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 3. 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.

3. 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

4. Operating profit

Operating profit is after charging the following:

	Note	2021 £m	2020 £m
Staff costs		**(59.9)**	(55.3)
Contractor costs		**(0.1)**	(0.5)
Depreciation of property, plant and equipment	9	**(3.7)**	(3.9)
Amortisation of intangible assets	8	**(2.6)**	(2.6)
(Loss) / Profit on sale of property, plant and equipment		**(0.2)**	0.3

5. 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

6. 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	**0.0**	(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.

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.

7. 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.

8. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Database £m	Other £m	Total £m
Cost						
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.

9. 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. 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.

10. 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

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

11. 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**

	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.

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.

12. 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

13. 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 14.

14. 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**

15. 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.

16. 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

17. 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 £1.7 million.

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

	Fair value £m
Goodwill on acquisition	13.9
Total assets acquired	26.8
Cash consideration	26.8

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.
In addition to the goodwill recognised, the customer relationships, brand, software, and database obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The database asset represents highly granular and accurate vehicle data set which KeeResources maintains and sells to customers; the database was valued based on subscription revenue that customers pay to access the data. The software asset is the Fleetware software which is used by leasing companies and contract hire providers to manage every aspect of fleet operations; the software was valued based on the subscription revenue that customers pay to Kee to use the software.

On acquisition the net assets of KeeResources Limited included borrowings of £0.7m relating to a mortgage held over land and buildings. On 2 October 2019 the Group repaid the outstanding amount of £0.7m, together with accrued interest under the terms of the mortgage agreement.

18. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	POTENTIAL IMPACT	CHANGES IN THE YEAR
1. COVID-19	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.	• **Economy:** 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. 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. • **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. 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.
2. Economy, market and business environment	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.	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.
3. Brand and reputation	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.
4. Increased competition	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.
5. Failure to innovate: disruptive technologies and changing consumer behaviours	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.
6. **IT systems and cyber security**	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. 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.
7. **Employees**	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.
8. **Reliance on third parties**	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.

9. Response to climate change	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.
10. Regulatory and compliance	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.