Independent auditors' report to the members of Auto Trader Group plc

Report on the Group financial statements

Our opinion

In our opinion, Auto Trader Group plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 27 March 2016 and of its profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

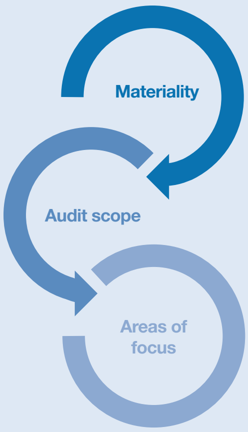
- the consolidated balance sheet as at 27 March 2016;
- the consolidated income statement for the period then ended;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

Our audit approach

Overview



- Overall group materiality: £7,756,000 which represents 5% of profit before tax.

- We conducted audit work over Auto Trader Group plc (the parent company), Auto Trader Limited (the Group's UK trading company) and Auto Trader Holding Limited (the Group's financing company) which together accounted for over 98% and 95% of Group revenue and profit before tax respectively.

- Accounting for share-based payment arrangements; and
- Continued implementation of new customer billing system (Singleview) and its impact on revenue recognition.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent auditors' report to the members of Auto Trader Group plc continued

Area of focus	How our audit addressed the area of focus
Accounting for share-based payment arrangements Refer to page 55 of the Report of the Audit Committee, page 92 of the Statement of Accounting Policies and note 27 of the Consolidated Financial Statements. In the year the Group has implemented four share-based payment schemes for certain members of management and employees, which are accounted for under IFRS 2 'Share-based payment' ("IFRS 2"). A share-based payment charge of £2.5m (including associated national insurance costs) has been recognised within the consolidated income statement in the year. Determining the fair value of awards made under share-based payment arrangements is complex and requires the Directors to apply significant judgement as the assumptions used are inherently subjective. The key assumptions applied in determining the fair value of awards made in the year include the risk free rate, the volatility rate, the expected lapse rate for potential leavers and the expected achievement of financial performance measures associated with awards made. The Group engaged independent specialists to calculate the fair value of awards made using the Black-Scholes and Monte Carlo option pricing models. We focused our work on the key assumptions adopted by management and the appropriateness of the valuation methodologies applied.	We read the scheme rules for each of the four schemes implemented in the year to understand the terms and conditions attached to them, as well as confirming the number of share options granted and the date of grant, which were all consistent with the Directors' calculations and disclosures. We compared the risk free rate and volatility assumptions to externally derived data, as well as our own independently formed assessments in relation to these key inputs in order to assess whether the assumptions used were reasonable. All assumptions applied were in line with our independently formed assessments and within an acceptable range. We compared the expected lapse rate for employees leaving the business to historical trends within the business and consider the assumptions applied to be reasonable. We assessed the Directors' assessment of the likelihood of financial performance measures being achieved by comparing the assumptions to the Group's future trading and cash flow forecasts covering the relevant period, ensuring these were consistent with the forecasts used by the Directors in assessing going concern and in preparing the viability statement. No inconsistencies between the forecasts used were identified and the assumptions adopted were appropriate. We assessed the appropriateness of the option pricing models used to determine the fair values by the Group's independent specialists. The Black-Scholes model was applied for schemes, or elements of schemes, which had only non-market performance conditions and the Monte Carlo model was used where market based performance conditions were in place. The use of these pricing models was consistent with our expectations given the performance conditions attached to the share awards and accepted market practices. We considered the appropriateness of the presentation of the share-based payment charge as a non-underlying expense. We determined that this presentation was appropriate because the Group plans to make awards each year between now and 2018, and the income statement expense will only reflect a steady state once three years of awards have been made. Accordingly, we believe adjusting for the share-based payment charge in the income statement will provide greater comparability of performance to the user of the financial statements.
Continued implementation of new customer billing system (Singleview) and its impact on revenue recognition The Group began the implementation of a new billing system, Singleview, in 2013, and this has continued to be rolled out throughout the 2016 financial year, with the majority of the Group's largest customers being migrated to Singleview in the 2016 financial year. The implementation and roll out of Singleview gives rise to a heightened risk over the recording of revenue. The risk was identified in respect of three areas, as follows: • The risk that data is not accurately migrated between the legacy system and Singleview resulting in incorrect customer billing information; • The risk that access to Singleview is not appropriately controlled and managed such that changes to billing data could be made inaccurately or in error; and • The risk that billing data held within Singleview does not interface completely and accurately with the Group's other financial reporting systems. All of these areas of risk could result in misstatements in the recording of revenues.	We performed testing over IT general controls in place over Singleview and the Group's other key financial reporting systems which focused on controls covering system changes, systems operations and user access and user rights. Testing over the controls in operations did not identify any significant control deficiencies. While we did identify some minor control deficiencies, these did not significantly impact our audit plan. We obtained an understanding of the processes in place and performed testing over the controls in operation over the migration of data to Singleview. The controls tested included reconciliations performed by management of data and billing information between Singleview and the legacy billing system and reviews performed by management of exception reports from Singleview designed to identify errors in billing data arising from data transfer. From our work performed no issues were identified. We performed testing over system interfaces between the Singleview system and the Group's other financial reporting system. This included reviews of exception reports designed to identify errors in the automatic transfer of billing data between the systems and performed detailed testing over the reconciliations of revenue between the Singleview system and the Group's financial reporting systems, with no exceptions being identified. We performed testing over a sample of revenue transactions back to customer contracts and rate cards which verified the accuracy of billing data contained within Singleview. We found that, following the implementation of Singleview, the accuracy of revenue recorded was supported by the evidence obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises the following entities:

- Auto Trader Limited and Webzone Limited being the Group's trading entities which are based in the UK and the Republic of Ireland respectively;
- Auto Trader Group plc, the parent company of the Group;
- Three active holding companies, one based in the UK (Auto Trader Holding Limited) and two based in the Republic of Ireland; and
- 24 UK based dormant holding companies which are in the process of being liquidated.

The Group audit team in the UK performed an audit of the complete financial information of Auto Trader limited, Auto Trader Group plc and Auto Trader Holding Limited, which we regarded as financially significant components of the Group. These components accounted for over 98% and 95% of the Group's revenue and profit before tax for the period.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£7,756,000
How we determined it	5% of profit before tax.
Rationale for benchmark applied	Profit from continuing operations before tax is the key measure used both by the Board and externally by shareholders in evaluating the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £388,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 35, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on pages 55 to 56, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 55 and 56, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Independent auditors' report to the members of Auto Trader Group plc continued

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 33 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 35 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on pages 77 and 78, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Auto Trader Group plc for the 52 week period ended 27 March 2016 and on the information in the Directors' remuneration report that is described as having been audited.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

9 June 2016

Consolidated income statement

For the year ended 27 March 2016

Continuing operations	Note	2016 £m	2015 £m
Revenue	3	**281.6**	255.9
Administrative expenses	4	**(112.0)**	(122.8)
Operating profit before share-based payments and associated NI, management incentive plans and exceptional items		**171.3**	144.1
Share-based payments and associated NI	3, 27	**(2.5)**	(3.7)
Management incentive plans	3	**–**	(1.9)
Exceptional items	3, 4	**0.8**	(5.4)
Operating profit	4	**169.6**	133.1
Finance income	8	**–**	0.1
Finance costs	8	**(14.6)**	(122.3)
Profit before taxation		**155.0**	10.9
Taxation	9	**(28.3)**	(2.4)
Profit for the year from continuing operations attributable to equity holders of the parent		**126.7**	8.5
Discontinued operations			
Profit for the year from discontinued operations attributable to equity holders of the parent	7	**–**	1.9
Profit for the year attributable to equity holders of the parent		**126.7**	10.4
Basic earnings per share	10		
From continuing operations (pence per share)		**12.67**	0.85
From discontinued operations (pence per share)		**–**	0.19
From profit for the year (pence per share)		**12.67**	1.04
Diluted earnings per share	10		
From continuing operations (pence per share)		**12.65**	0.85
From discontinued operations (pence per share)		**–**	0.19
From profit for the year (pence per share)		**12.65**	1.04

Consolidated statement of comprehensive income

For the year ended 27 March 2016

	2016 £m	2015 £m
Profit for the year	**126.7**	10.4
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
IFRS 2 – share-based payments credit	**–**	0.5
	–	0.5
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges, net of tax	**–**	0.5
Currency translation differences	**0.5**	(0.7)
	0.5	(0.2)
Other comprehensive income for the year, net of tax	**0.5**	0.3
Total comprehensive income for the year attributable to equity holders of the parent	**127.2**	10.7

Consolidated balance sheet

At 27 March 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	11	**323.4**	330.0
Property, plant and equipment	12	**7.4**	8.5
Deferred taxation assets	21	**4.3**	4.6
		335.1	343.1
Current assets			
Trade and other receivables	15	**51.7**	49.0
Cash and cash equivalents	17	**10.4**	22.1
		62.1	71.1
Assets of disposal group classified as held for sale	16	**0.3**	0.3
		62.4	71.4
Total assets		**397.5**	414.5
Equity and liabilities			
Equity attributable to equity holders of the parent			
Ordinary shares	23	**10.0**	1,500.0
Share premium account		**–**	144.4
Retained earnings		**970.9**	(789.1)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
ESOT reserve	24	**(1.5)**	–
Other reserves		**29.9**	29.4
Total equity		**(51.5)**	(176.1)
Liabilities			
Non-current liabilities			
Borrowings	19	**395.6**	540.7
Deferred taxation liabilities	21	**0.3**	0.6
Retirement benefit obligations	22	**–**	–
Provisions for other liabilities and charges	20	**1.1**	2.3
		397.0	543.6
Current liabilities			
Trade and other payables	18	**36.6**	40.4
Current income tax liabilities		**14.9**	2.7
Provisions for other liabilities and charges	20	**0.5**	3.9
		52.0	47.0
Total liabilities		**449.0**	590.6
Total equity and liabilities		**397.5**	414.5

The financial statements from pages 84 to 123 were approved by the Board of Directors and authorised for issue.

Sean Glithero
Finance Director
9 June 2016

Auto Trader Group plc　　Registered number 09439967

Consolidated statement of changes in equity

For the year ended 27 March 2016

	Note	Share capital £m	Share premium account £m	Retained earnings £m	ESOT reserve £m	Capital reorganisation reserve £m	Other reserves £m	Total equity £m
Balance at March 2014		**175.8**	**1.5**	**(1,023.2)**	**–**	**–**	**95.3**	**(750.6)**
Profit for the year		–	–	10.4	–	–	–	10.4
Other comprehensive income:								
Cash flow hedges, net of tax		–	–	0.5	–	–	–	0.5
IFRS 2 – share-based payments credit		–	–	0.5	–	–	–	0.5
Currency translation differences		–	–	–	–	–	(0.7)	(0.7)
Total comprehensive income/(loss), net of tax		–	–	11.4	–	–	(0.7)	10.7
Transactions with owners:								
IFRS 2 – share-based payments credit		–	–	3.7	–	–	–	3.7
Roll-up of preference share dividend prior to Group restructure		0.2	–	(0.2)	–	–	–	–
Repurchase and cancellation of ordinary share capital		(0.1)	–	(20.9)	–	–	0.1	(20.9)
Premium on ordinary share capital issued prior to Group restructure		–	1.1	–	–	–	–	1.1
Preference share capital issued prior to Group restructure		1.8	–	–	–	–	0.7	2.5
Dividends paid prior to Group restructure		–	–	(3.6)	–	–	–	(3.6)
Capital transaction – Group restructure, share-for-share exchange and issue of Auto Trader Group plc shares		1,322.3	141.8	243.7	–	(1,060.8)	(66.0)	581.0
Total transactions with owners, recognised directly in equity		1,324.2	142.9	222.7	–	(1,060.8)	(65.2)	563.8
Balance at March 2015		**1,500.0**	**144.4**	**(789.1)**	–	**(1,060.8)**	**29.4**	**(176.1)**
Profit for the year		–	–	126.7	–	–	–	126.7
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	126.7	–	–	0.5	127.2
Transactions with owners								
IFRS 2 – share-based payments	27	–	–	2.3	–	–	–	2.3
Deferred tax on share-based payments	21	–	–	0.1	–	–	–	0.1
Issue of share capital	23	1.6	–	(1.6)	–	–	–	–
Capital reduction	23	(1,491.6)	(144.4)	1,636.0	–	–	–	–
Interim dividend	25	–	–	(5.0)	–	–	–	(5.0)
Acquisition of shares by ESOT	24	–	–	1.6	(1.6)	–	–	–
Transfer of shares from ESOT		–	–	(0.1)	0.1	–	–	–
Total transactions with owners, recognised directly in equity		(1,490.0)	(144.4)	1,633.3	(1.5)	–	–	(2.6)
Balance at March 2016		**10.0**	**–**	**970.9**	**(1.5)**	**(1,060.8)**	**29.9**	**(51.5)**

Consolidated statement of cash flows

For the year ended 27 March 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations before exceptional operating items		**184.4**	154.8
Cash flows from exceptional operating items (excluding IPO fees) – continuing		**(4.3)**	(9.8)
Cash flows from exceptional operating items – discontinued		**–**	(0.2)
Cash generated from operations	26	**180.1**	144.8
Tax paid		**(16.0)**	(4.7)
Net cash generated from operating activities		**164.1**	140.1
Cash flows from investing activities			
Purchases of intangible assets – financial systems		**(0.5)**	(1.9)
Purchases of intangible assets – other		**(0.3)**	(0.4)
Purchases of property, plant and equipment – continuing		**(2.3)**	(6.8)
Proceeds from sale of property, plant and equipment		**0.1**	–
Proceeds from sale of assets held for sale – discontinued		**–**	3.5
Bank deposit and other interest received		**0.1**	0.1
Net cash used in investing activities		**(2.9)**	(5.5)
Cash flows from financing activities			
Proceeds from issue of ordinary shares following the Group restructure		**–**	460.3
Proceeds from issue of ordinary shares prior to the Group restructure		**–**	3.7
Dividends paid to Company's shareholders	25	**(5.0)**	–
Loan to Company's shareholders prior to the Group restructure		**–**	(19.3)
Repayment of former Senior and Junior Debt	19	**–**	(990.4)
Drawdown of Syndicated Term Loan	19	**–**	550.0
Repayment of Syndicated Term Loan	19	**(147.0)**	–
Payment of IPO costs		**(8.3)**	(15.3)
Payment of Syndicated Term Loan arrangement fees	19	**–**	(9.4)
Early repayment fees		**–**	(29.4)
Payment of former Senior and Junior Debt refinancing fees		**–**	(2.1)
Payment of interest on borrowings and hedging instruments		**(12.6)**	(73.2)
Net cash used in financing activities		**(172.9)**	(125.1)
Net (decrease)/increase in cash and cash equivalents		**(11.7)**	9.5
Cash and cash equivalents at beginning of year	17	**22.1**	12.6
Cash and cash equivalents at end of year	17	**10.4**	22.1

Notes to the consolidated financial statements

General information

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the inside back cover.

1. Accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the 52-week financial years ended 29 March 2015 and 27 March 2016. Financial year ends have been referred to as 31 March throughout the consolidated financial statements as per the Company's accounting reference date. Financial years are referred to as 2016 and 2015 in these consolidated financial statements.

On 24 March 2015, the Company obtained control of the entire share capital of Auto Trader Holding Limited via a share-for-share exchange. There were no changes in rights or proportion of control exercised as a result of this transaction. Although the share-for-share exchange resulted in a change of legal ownership, this was a common control transaction and therefore outside the scope of IFRS 3. The comparative year disclosed in these consolidated financial statements reflects the continuation of the pre-existing Group, headed by Auto Trader Holding Limited, and have been prepared applying the principles of predecessor accounting ownership.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretation Committee ('IFRS IC'), certain interpretations as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Going concern

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.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical 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.

The accounting estimates believed to require the most difficult, subjective or complex judgements and which are the most critical to the reporting of results of operations and financial positions are as follows:

- carrying values of goodwill;
- share-based payments; and
- capitalised development spend.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates, see note 11.

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 regards to the inputs to that model and the period over which the share award is expected to vest (note 27).

Costs incurred in developing new products are capitalised in accordance with the Group's accounting policy for software and website development costs (note 11). Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash generation of the software products or websites and the expected period of benefits to be received.

Notes to the consolidated financial statements continued

1. Accounting policies continued

New accounting standards and IFRS IC interpretations

The Group has adopted the following new and amended IFRSs in 2016 in the consolidated financial statements. There has not been a material impact to the Group when adopting these new and amended IFRSs:

- Annual improvements 2010-2012 (effective 1 July 2014) (endorsed for 1 February 2015)
- Amendment to IAS 19, 'Employee benefits', on defined benefit plans (effective 1 July 2014) (endorsed for 1 February 2015)
- Annual improvements 2011-2013 (effective 1 July 2014) (endorsed for 1 January 2015)
- IFRIC 21, 'Levies' (effective 1 January 2014) (endorsed 17 June 2014)

The following standards and interpretations were issued by the IASB and IFRS IC, but have not been adopted either because they were not endorsed by the EU at 31 March 2016 or they are not yet mandatory and the Group has not chosen to early-adopt them. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not expect any of these changes to have a material impact on the results or the net assets of the Group:

- Annual improvements 2012-2014 (effective 1 January 2016)
- Amendment to IFRS 11, 'Joint arrangements on acquisition of an interest in a joint operation', (effective 1 January 2016) (subject to EU endorsement)
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption (effective 1 January 2016) subject to EU endorsement
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective 1 January 2016) (subject to EU endorsement)
- IFRS 9, 'Financial Instruments' (effective 1 January 2018)
- IFRS 15, 'Revenue from Contracts with customers' (effective 1 January 2018)
- IFRS 16, 'Leases' (effective 1 January 2019)

Basis of consolidation

The Group's consolidated financial statements consolidate the financial statements of Auto Trader Group plc and all of its subsidiary undertakings.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where significant influence is not demonstrated but the shareholding is between 20% and 50% the Group would account for its interest as an investment. All investments are initially recognised at cost and the carrying value is reviewed for impairment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Leadership Team that makes strategic decisions (note 3).

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of discounts, rebates, returns and value-added tax.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

Revenue comprises:

- fees for advertising on the Group's website and web-related activities, which are recognised on a straight-line basis as the service is provided; and
- retailer website build and hosting subscription fees, maintenance contracts and other subscription fees, which where invoiced in advance are deferred and recognised on a straight-line basis over the period to which they relate.

Discontinued operations

The closure of the magazines division in the UK and Ireland at the end of June 2013 has been presented as a discontinued operation (note 7).

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Employee benefits

The Group operates several pension schemes and all except one are defined contribution schemes. Within the UK all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

a) Defined contribution scheme

The assets of the defined contribution scheme are held separately from those of the Group in independently administered funds. The costs in respect of this scheme are charged to the income statement as incurred.

b) Defined benefit scheme

The Group operates one defined benefit pension scheme that is closed to new members. The asset or liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating those of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in 'other comprehensive income' in the period in which they arise. Any scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet.

c) Share-based payments

Equity-settled awards are valued at grant date, and the difference between the grant date fair value and the consideration paid by the employee is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity. Cash-settled awards are revalued at each reporting date with the fair value of the award charged to the profit and loss account over the vesting period and the credit side of the entry recognised as a liability. Movements in provisions for bad leavers are taken through reserves.

Non-underlying items

Significant items of income and expense that do not relate to the trading of the Group are disclosed as 'non-underlying'. Examples of such items are exceptional items, share-based payments and associated NI, management incentive plans (relating to the change of ownership structure) and impairment charges.

Exceptional items

Significant non-recurring items of income and expense are disclosed as 'exceptional items'. Examples of items that may give rise to disclosure as exceptional items include costs of major restructuring and reorganisation of the business, corporate refinancing and restructuring costs, gains on the early extinguishment of borrowings or impairments of intangible assets, property, plant and equipment, as well as the reversal of such writedowns or impairments, material disposals of property, plant and equipment and litigation settlements. A full analysis of exceptional items is provided in note 4 and note 8.

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

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

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

Intangible assets

a) Goodwill

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement and are not reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks, trade names, technology and customer relationships

Separately acquired trademarks, trade names, technology and customer relationships are recognised at historical cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of between one and 15 years. Trademarks, trade names, technology and customer relationships acquired in a business combination are recognised at fair value at the acquisition date and subsequently amortised.

c) Software

Acquired computer software is capitalised at cost, including any costs to bring it into use, and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

d) Software and website development costs and financial systems

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

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

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs.

Other development expenditures that do not meet these criteria as well as ongoing maintenance and costs associated with routine upgrades and enhancements are recognised as an expense as incurred.

Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding five years) at the point in which they come into use.

Property, plant and equipment

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

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

Land, buildings and leasehold improvements:

• Freehold buildings	50 years
• Leasehold land and buildings	life of lease
• Leasehold improvements	life of lease
• Plant and equipment	3–10 years

1. Accounting policies continued

Assets in the course of construction are recorded separately within property, plant and equipment and are transferred to the appropriate classification when complete and depreciated from the date they are brought into use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of assets is reviewed for impairment if events or changes in circumstances suggest that the carrying value may not be recoverable. Assets will be written down to their recoverable amount if lower than the carrying value, and any impairment is charged to the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within 'administrative expenses'.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro-rata basis.

Assets and liabilities (or disposal groups) held for sale

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. On classification as held for sale, they are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses are included in the income statement, as are any gains and losses on subsequent re-measurement.

Financial assets

The Group classifies its financial assets in the categories of loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial assets measured at fair value are those held for trading or designated at fair value through profit or loss. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Financial assets carried at fair value through the profit or loss account are initially recognised at fair value, and transaction costs are expensed in the income statement. They are subsequently re-measured to fair value and gains or losses arising from changes in the fair value are recognised in the income statement in the period in which they arise.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that this event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is credited to the income statement.

Derivative financial instruments and hedging

The Group used derivative financial instruments in the year ended 31 March 2015 to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not use derivative financial instruments for speculative purposes.

Derivatives were initially recognised at fair value on the contract date and were subsequently re-measured at their fair value. Changes in the fair value of instruments that do not qualify for hedge accounting were recognised in the income statement as they arose.

The Group documented at the inception of the transaction the relationship between the hedging instrument and the hedged item. The Group also documented its assessment, both at hedge inception and on an ongoing basis, of whether the derivative used in the hedging transactions was highly effective in offsetting changes in the cash flows of the hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in 'other comprehensive income'. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance costs'. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects the profit or loss.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

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

Trade payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

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

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

The buyback of bank borrowings represents the discharge of the obligation to repay the debt. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised as an exceptional gain in the income statement, as it is a significant non-recurring item.

Preference shares are treated as borrowings where in substance they have the features of debt instruments; otherwise they are classified as equity. The related dividends are recognised as an interest expense for debt instruments and as dividends for equity instruments.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Provisions

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

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Taxation

The tax expense for the period comprises current and deferred taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in 'other comprehensive income' or directly in equity, respectively. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current taxation is provided at amounts expected to be paid (or recovered) calculated using the rates of tax and laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities where in substance they have features of debt instruments, otherwise they are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity attributable to the equity holders of the parent company until the shares are cancelled or reissued.

Share premium and other reserves

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in 'share premium'. The amount subscribed for the preference shares in excess of the nominal value of these new preference shares is recorded in 'other reserves'.

Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

The capital reorganisation reserve arises on consolidation as a result of the share-for-share exchange on 24 March 2015. It represents the difference between the nominal value of shares issued by Auto Trader Group plc in this transaction and the share capital and reserves of Auto Trader Holding Limited.

Earnings per share

The Group presents basic and diluted earnings per share ('EPS') for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

As explained in the basis of preparation accounting policy, the Group's financial statements reflect the continuation of the pre-existing Group headed by Auto Trader Holding Limited. The 2015 weighted average number of shares has been stated as the weighted average number of shares in the period from the date of the Group capital reorganisation to the balance sheet date.

A reconciliation of the adjusted and alternative measure to the statutory measure required by IFRS is given in note 10.

Shares held by the Employee Share Option Trust

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

2. Financial risk management

a) Financial risk factors

In the course of its business the Group is exposed to market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and technology risk. The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

Market risk

i. Foreign exchange risk

The Group has no significant foreign exchange risk as 98% of the Group's revenue and 97% of costs are sterling-denominated.

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

ii. Interest rate risk

The Group's interest rate risk arises from long-term borrowings under the new Syndicated Term Loan subject to floating rates of interest linked to LIBOR. Prior to the Group restructure in March 2015 the Group also had interest rate risk from borrowings under the former Syndicated Bank Loan ('former Senior Debt'), the Goldman Sachs Mezzanine Partners ('GSMP') Junior Debt ('former Junior Debt') and Shareholder Loan Notes subject to floating rates of interest linked to LIBOR.

Prior to the Group restructure interest rate risk on the bank borrowings was managed by using interest rate swaps to convert £335.0m of the debt from floating to fixed rates. Under the interest rate swaps the Group agreed with the other party to exchange on a monthly basis the difference between the fixed contract rate and the floating rate interest amounts calculated by reference to the agreed notional amounts.

The interest rate swaps held by the Group were settled as part of the Group restructure and were not replaced by any similar arrangements. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk.

2. Financial risk management continued

iii. Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. The Group does not believe it is exposed to any material concentrations of credit risk. As an example, the Group's borrowings are arranged with a syndicate of major banks and are committed until 2020.

Credit risk relating to trade receivables is managed centrally and the credit risk for new customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that existing customers have an appropriate credit history and a significant number of balances are prepaid or collected via direct debit. Sales to private customers are primarily settled using major debit or credit cards which reduces the risk in this area. Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the diversified and fragmented nature of the customer base.

The cost of bad debts for the year ended 31 March 2016 was 0.8% of revenue (for the year ended 31 March 2015: 0.8%).

iv. Liquidity risk

Cash flow forecasting is performed centrally by the Group treasury manager. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans.

Surplus cash held by operating entities over and above the balance required for working capital management is invested centrally in interest-bearing current accounts and money market deposits with appropriate maturities or sufficient liquidity as required by the above-mentioned forecasts. At the balance sheet date the Group held money market deposits of £Nil (2015: £Nil) that are expected to generate cash inflows for managing liquidity risk.

The tables below analyses the Group's financial liabilities and undrawn commitments into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. Derivative financial instruments are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, except for derivative financial instruments cash flows.

At 31 March 2016	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Borrowings	–	–	403.0	–
Trade and other payables	8.5	–	–	–
Undrawn revolving credit and other facilities	–	–	30.0	–
Total	**8.5**	**–**	**433.0**	**–**

At 31 March 2015	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	–	–	550.0	–
Trade and other payables	6.4	–	–	–
Undrawn revolving credit and other facilities	–	–	30.0	–
Total	6.4	–	580.0	–

b) Capital risk management

The Group considers capital to be net debt plus adjusted total equity. Net debt is defined as borrowings excluding debt issue costs less cash and short-term deposits. Adjusted total equity is defined as total equity excluding the capital reorganisation reserve, as shown in the consolidated balance sheet.

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

	2016 £m	2015 £m
Loans due within one year	–	–
Loans and overdrafts greater than one year	403.0	550.0
Less: Cash and cash equivalents	(10.4)	(22.1)
Total net debt	392.6	527.9
Total equity	(51.5)	(176.1)
Less: Capital reorganisation reserve	1,060.8	1,060.8
Adjusted total equity	1,009.3	884.7
Total capital	1,401.9	1,412.6

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

The margin payable on the new Syndicated Term Loan interest is dependent on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries and this is calculated and reviewed on a semi-annual basis. Repayments can be made without penalty under the new Syndicated Term Loan Agreement and there is no requirement to settle all or part of the new Syndicated Term Loan earlier than its termination date of 2020.

c) Fair value estimation

As at 31 March 2016 the Group had no financial instruments held at fair value through profit and loss.

3. Segmental information

IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there 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 reporting segment, which is the Group, the results of which are shown in the consolidated income statement.

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 two Executive Directors and key management and is responsible for the strategic decision-making of the Group.

To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue from three customer types as detailed below:

- **Trade:** revenue from retailer customers and revenue from other products and services provided to retailers and home traders to support their online activities;
- **Consumer services:** revenue from individuals for vehicle advertisements on the Group's websites. This category also includes revenue derived from third-party services directed at consumers relating to their motoring needs, such as insurance and loan finance; and
- **Display advertising:** revenue from customers and advertising agencies for placing display advertising on the Group's websites.

The reporting information provided to the OLT, which presents revenue by customer type, has been voluntarily disclosed below:

Revenue	2016 £m	2015 £m
Trade	236.4	214.8
Consumer services	30.3	29.0
Display advertising	14.9	12.1
Total revenue from continuing operations	**281.6**	255.9

The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

Underlying operating profit

Operating costs, comprising administrative expenses, are managed on a Group basis. The OLT measures the overall performance of the Group by reference to the following non-GAAP measure:

- Underlying operating profit which is operating profit before share-based payments and associated NI, management incentive plans and exceptional items.

This adjusted profit measure is applied by the OLT to understand the earnings trend of the Group and is considered the most meaningful measure by which to assess the true operating performance of the Group.

Adjusted underlying EBITDA was previously used to reflect the underlying performance of the business as it reflected both the impact of non-underlying items and the change in approach to technology development that was implemented in September 2013 and which resulted in less of the Group's expenditure on internal development salaries meeting the requirements for capitalisation. As this approach to technology development has been consistent in both the current and prior periods, there is no requirement to make such an adjustment.

In addition, in order to provide comparability of results from period to period and with listed peer companies the Directors now consider Underlying operating profit to be a more appropriate indicator of the underlying performance of the business during the period.

	2016 £m	2015 £m
Operating profit	**169.6**	133.1
– Share-based payments	**2.5**	3.7
– Management incentive plans	**–**	1.9
– Exceptional items	**(0.8)**	5.4
Underlying operating profit	**171.3**	144.1
– Depreciation	**2.8**	2.5
– Amortisation	**7.8**	10.0
Adjusted underlying EBITDA	**181.9**	156.6

A reconciliation of the total segment operating profit to the profit before tax and discontinued operations is provided as follows:

	2016 £m	2015 £m
Total segment operating profit	**169.6**	133.1
Finance costs – net	**(14.6)**	(122.2)
Profit before tax and discontinued operations	**155.0**	10.9

The OLT reviews the balance sheet information for the one operating segment. The segment's assets and liabilities are presented in a manner consistent with that of these financial statements.

The Group is domiciled in the UK and the following table details external sales by location of customers and non-current assets (excluding deferred tax) by geographic area:

	2016 £m	2015 £m
Revenue:		
UK	**277.0**	251.3
Ireland	**4.6**	4.6
Total continuing operations	**281.6**	255.9
Discontinued operations – UK	**–**	–
Discontinued operations – Rest of world	**–**	–
Total continuing and discontinued operations	**281.6**	255.9
Non-current assets:		
UK	**326.5**	333.2
Ireland	**4.3**	5.3
Total non-current assets	**330.8**	338.5

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.

Notes to the consolidated financial statements continued

4. Operating profit

Expenses by nature including exceptional items:

	Note	2016 £m	2015 £m
Staff costs	5	**53.6**	58.4
Contractor costs		**0.4**	1.4
Depreciation of property, plant and equipment	12	**2.8**	2.5
Amortisation of intangibles	11	**7.8**	10.0
Operating lease payments		**2.8**	3.3
Net foreign exchange losses		**–**	0.1
Marketing costs		**15.7**	15.4
IT and communication costs		**7.9**	7.8
Other expenses		**21.0**	23.9
Total administrative expenses		**112.0**	122.8
Share-based payments and associated NI, management incentive plans and exceptional items		**(1.7)**	(11.0)
Total administrative expenses before share-based payments and associated NI, management incentive plans and exceptional items		**110.3**	111.8

Exceptional items:

	2016 £m	2015 £m
Restructuring of Group operations	**(0.8)**	3.9
IPO costs	**–**	1.5
Total exceptional items	**(0.8)**	5.4

Restructuring of Group operations relates to redundancy, property and other costs for the relocation of offices in the UK and other reorganisation costs. Exceptional income for the year ended 31 March 2016 relates to the reversal of provisions previously made for such restructuring costs that are no longer required.

Exceptional IPO costs relate to costs associated with the Initial Public Offering ('IPO') of Auto Trader Group plc shares on the London Stock Exchange on 24 March 2015.

Services provided by the Company's auditors

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

	2016 £m	2015 £m
Fees payable for the audit of the Company and consolidated financial statements	**0.1**	0.1
Fees payable for other services:		
– the audit of the subsidiary undertakings pursuant to legislation	**0.2**	0.2
– tax advisory services	**0.1**	–
– other assurance services	**–**	1.8
– other non-audit services	**–**	0.8
Total	**0.4**	2.9

5. Employees and Directors

	2016 £m	2015 £m
Wages and salaries	44.4	43.3
Social security costs	4.8	5.0
Other pension costs (note 22)	1.9	2.0
	51.1	50.3
Share-based payments and associated NI (note 27)	2.5	3.7
Management incentive plans	–	1.9
Restructuring costs	–	2.5
Total	**53.6**	58.4

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

	2016 Number	2015 Number
Customer operations	395	403
Product and technology	295	326
Display	41	36
Corporate	123	133
Total	**854**	898

6. Directors' and key management remuneration

The remuneration of Directors was as follows:

	2016 £m	2015 £m
Aggregate Directors' emoluments	1.7	1.8
Share-based payments charge	0.8	2.2
Pension contributions	–	0.1
Total	**2.5**	4.1

During the year ended 31 March 2016 two Directors (2015: two Directors) were members of the Group's defined pension contribution scheme.

The remuneration of the highest paid Director was as follows:

	2016 £m	2015 £m
Aggregate emoluments	0.9	0.4
Share-based payments charge	0.5	1.9
Pension contributions	–	0.1
Total	**1.4**	2.4

During the year to 31 March 2016, Trevor Mather and Sean Glithero (2015: Trevor Mather and Sean Glithero) received remuneration in respect of their services as Directors of the Company and subsidiary undertakings. Ed Williams received remuneration in respect of his services as a Director of the Company and, to 8 January 2016, Auto Trader Holding Limited, a subsidiary undertaking. Chip Perry received remuneration in respect of his services as a Director of the Company, up to 7 March 2016 and, to 8 January 2016, Auto Trader Holding Limited, a subsidiary undertaking.

During the year to 31 March 2016, Tom Hall and Nick Hartman (2015: Tom Hall and Nick Hartman) received no remuneration in respect of their services as Directors of the Company and Auto Trader Holding Limited a subsidiary undertaking.

Notes to the consolidated financial statements continued

6. Directors' and key management remuneration continued

Key management compensation

During the year to 31 March 2016, key management comprised the members of the OLT (2015: OLT). The remuneration of all key management (including Directors) was as follows:

	2016 £m	2015 £m
Short-term employee benefits	**5.7**	6.5
Share-based payments	**1.4**	3.7
Management incentive plans	**–**	0.3
Compensation for loss of office	**0.2**	–
Pension contributions	**0.2**	0.3
Total	**7.5**	10.8

7. Discontinued operations

The magazines division in the UK/Ireland was closed at the end of June 2013. For the purposes of the financial statements, the magazines division has been presented as a discontinued operation in 2015 and 2016.

The analysis of the results of discontinued operations is as follows:

	2016 £m	2015 £m
Revenue	**–**	–
Expenses	**–**	0.1
Exceptional items: restructuring credit	**–**	0.5
Exceptional items: profit on disposal of held-for-sale asset	**–**	1.3
Result/profit before tax of discontinued operations	**–**	1.9
Taxation charge	**–**	–
Result/profit for the year from discontinued operations	**–**	1.9

Cash generated from discontinued operations is shown in note 26 of these financial statements.

8. Finance income and finance costs

	2016 £m	2015 £m
Finance income		
On bank balances	**–**	0.1
Total	**–**	0.1
Finance costs		
On bank loans and overdrafts	**12.7**	65.3
On shareholders' loans	**–**	12.9
Net losses on derivative financial instruments	**–**	2.7
Amortised debt issue costs	**1.9**	12.0
Exceptional: early repayment premium (note 19)	**–**	26.2
Exceptional: settlement of derivatives	**–**	3.2
Total	**14.6**	122.3

The exceptional early repayment premium incurred in 2015 related to the settlement of the former Goldman Sachs Mezzanine Partners ('GSMP') Junior Debt. The former GSMP Junior Debt was settled in full as part of the Group restructure on 24 March 2015 (note 19).

The Group opted to settle its interest rate swap agreements as part of the Group restructure. The Group incurred a charge as a result of the transaction which was expensed in full in the year ended 31 March 2015 and classified as an exceptional item.

9. Taxation

	2016 £m	2015 £m
Current taxation		
UK corporation taxation	**28.6**	2.2
Foreign taxation	**0.3**	0.1
Adjustments in respect of prior years	**(0.7)**	0.1
Total current taxation	**28.2**	2.4
Deferred taxation		
Origination and reversal of temporary differences	**(0.3)**	–
Effect of rate changes on deferred taxation	**0.4**	–
Total deferred taxation	**0.1**	–
Total taxation charge	**28.3**	2.4

The differences between the total taxation shown above and the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operations are set out below. The Group earns its profits primarily in the UK, therefore the rate used for taxation is the standard rate for UK corporation tax.

	2016 £m	2015 £m
Profit before taxation	**155.0**	10.9
Tax on profit on ordinary activities at the standard UK corporation tax rate of 20% (2015: 21%)	**31.0**	2.3
Non-taxable income	**–**	(0.5)
Expenses not deductible for taxation purposes	**0.3**	0.6
Adjustments in respect of foreign tax rates	**(0.1)**	(0.1)
Other permanent differences	**(2.6)**	–
Effect of rate changes on deferred taxation	**0.4**	–
Adjustments in respect of prior years	**(0.7)**	0.1
Total taxation charge	**28.3**	2.4

Taxation on items taken directly to equity was a credit of £0.1m relating to deferred tax on share-based payments. Taxation on items taken directly to equity in 2015 was a credit of £0.4m relating to financial derivatives and IPO costs recognised in share premium.

The tax charge for the year is based on the effective rate of UK corporation tax for the period of 20% (2015: 21%). Changes to the UK corporation tax rates were announced on 8 July 2015. These changes were substantively enacted as part of the Finance Bill 2015 on 26 October 2015 and include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. On 16 March 2016 further changes to the UK corporation tax rate were announced including a further reduction in the UK corporation tax rate to 17% from 2020, which supersedes the change enacted on 26 October 2015. However, this further change was not substantively enacted as at 31 March 2016 and has not therefore been reflected in these financial statements.

Notes to the consolidated financial statements continued

10. Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of shares in issue.

Continuing operations	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2016			
Basic EPS	1,000,002,803	126.7	12.67
Diluted EPS	1,001,394,111	126.7	12.65
Adjusted basic EPS	1,000,002,803	128.6	12.86
Adjusted diluted EPS	1,001,394,111	128.6	12.84
Year ended 31 March 2015			
Basic and diluted EPS	1,000,000,000	8.5	0.85
Adjusted basic and diluted EPS	1,000,000,000	41.2	4.12

Basic and diluted earnings per share for the year ended March 2015 are the same as there was no difference between the basic and the diluted number of shares. The weighted average number of shares for the year to March 2015 has been stated as if the Group reorganisation completed on 24 March 2015 had occurred at the beginning of the 2015 financial year. The weighted average number of shares in issue in the period from 24 March 2015 to the year end was 1,000 million.

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Share Incentive Plan, Performance Share Plan and the Sharesave scheme. Shares issued to satisfy the Share Incentive Plan were subsequently purchased by the Employee Share Option Trust ('ESOT') and are entitled to dividends under the scheme rules. 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 2016	Weighted average number of shares
Issued ordinary shares at 30 March 2015	1,000,000,000
Weighted effect of issued ordinary shares	991,024
Less weighted effect of shares held by the ESOT	(988,221)
Weighted average number of shares for basic EPS	1,000,002,803
Dilutive impact of share options outstanding	1,391,308
Weighted average number of shares for diluted EPS	1,001,394,111

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.

b) Adjusted earnings per share

Adjusted EPS is calculated before the charge for share-based payments and associated NI, management incentive plans and exceptional items and net of the tax effect in respect of these items. A reconciliation of the basic earnings for the period to the underlying earnings is presented below:

Continuing operations	2016 £m	2015 £m
Earnings for the period	126.7	8.5
Share-based payments	2.5	3.7
Management incentive plans	–	1.9
Exceptional items	(0.8)	5.4
Exceptional finance cost	–	29.4
Tax effect	0.2	(7.7)
Adjusted earnings for the period	128.6	41.2

11. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Customer relationships £m	Technology £m	Trade names and trademarks £m	Total £m
At 31 March 2014	**433.8**	**54.1**	**9.2**	**5.8**	**5.6**	**1.9**	**510.4**
Additions	–	0.4	1.9	–	–	–	2.3
Disposals	–	(0.7)	–	–	–	–	(0.7)
Exchange differences	(0.6)	(0.1)	–	–	–	–	(0.7)
At 31 March 2015	**433.2**	**53.7**	**11.1**	**5.8**	**5.6**	**1.9**	**511.3**
Additions	–	0.3	0.5	–	–	–	0.8
Exchange differences	0.4	–	–	–	–	–	0.4
At 31 March 2016	**433.6**	**54.0**	**11.6**	**5.8**	**5.6**	**1.9**	**512.5**
Accumulated amortisation and impairments							
At 31 March 2014	**120.8**	**42.1**	**–**	**4.9**	**3.2**	**1.0**	**172.0**
Amortisation charge	–	6.9	1.7	0.4	0.8	0.2	10.0
Disposals	–	(0.7)	–	–	–	–	(0.7)
At 31 March 2015	**120.8**	**48.3**	**1.7**	**5.3**	**4.0**	**1.2**	**181.3**
Amortisation charge	–	4.0	2.5	0.4	0.7	0.2	7.8
At 31 March 2016	**120.8**	**52.3**	**4.2**	**5.7**	**4.7**	**1.4**	**189.1**
Net book value at 31 March 2016	**312.8**	**1.7**	**7.4**	**0.1**	**0.9**	**0.5**	**323.4**
Net book value at 31 March 2015	312.4	5.4	9.4	0.5	1.6	0.7	330.0
Net book value at 31 March 2014	313.0	12.0	9.2	0.9	2.4	0.9	338.4

At 31 March 2016, £0.1m of software and website development costs (31 March 2015: £0.1m) represented assets under construction. Amortisation of these assets will commence when they are brought into use.

For the year to 31 March 2016, the amortisation charge of £7.8m (2015: £10.0m) has been charged to administrative expenses in the income statement and £Nil (2015: £Nil) has been charged to the results from the discontinued operations.

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment.

Goodwill is allocated to the appropriate cash-generating units ('CGUs') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill.

The recoverable amounts of the CGUs are determined from value-in-use calculations that use cash flow projections from the latest three-year plan approved by the Directors. Following the closure of the magazine business in 2013 all assets have been allocated to the Auto Trader Digital CGU.

Key assumptions in the budgets and plans include future revenue growth rates, associated future levels of marketing support and directly associated overheads. These assumptions are based on historical trends and future market expectations. Cash flows beyond the three-year period are extrapolated using the estimated long-term growth rate of 2.0% (2015: 2.0%). The pre-tax discount rate which has been applied in determining value in use for individual CGUs for potential impairments is 8.0% (2015: 8.0%).

Significant headroom exists in the CGUs that have not been fully impaired. There are no reasonable possible changes to the assumptions presented above that would result in any impairment recorded in each of the years presented in these financial statements.

Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (three to fifteen years). The longest estimated useful life remaining at 31 March 2016 is five years.

12. Property, plant and equipment

	Assets under construction £m	Land, buildings and leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 31 March 2014	1.0	2.3	15.5	18.8
Additions	6.1	–	1.0	7.1
Reclassification	(6.9)	3.3	3.6	–
Transfer to disposal group held for sale (note 16)	–	(0.8)	–	(0.8)
Disposals	–	(0.6)	(4.3)	(4.9)
At 31 March 2015	**0.2**	**4.2**	**15.8**	**20.2**
Additions	–	–	2.0	2.0
Reclassification	(0.2)	–	0.2	–
Transfer to disposal group held for sale (note 16)	–	(0.3)	–	(0.3)
Disposals	–	–	(0.1)	(0.1)
At 31 March 2016	**–**	**3.9**	**17.9**	**21.8**
Accumulated depreciation				
At 31 March 2014	–	1.6	12.9	14.5
Charge for the year	–	0.2	2.3	2.5
Transfer to disposal group held for sale (note 16)	–	(0.5)	–	(0.5)
Disposals	–	(0.5)	(4.3)	(4.8)
At 31 March 2015	**–**	**0.8**	**10.9**	**11.7**
Charge for the year	–	0.3	2.5	2.8
Disposals	–	–	(0.1)	(0.1)
At 31 March 2016	**–**	**1.1**	**13.3**	**14.4**
Net book value at 31 March 2016	**–**	**2.8**	**4.6**	**7.4**
Net book value at 31 March 2015	0.2	3.4	4.9	8.5
Net book value at 31 March 2014	1.0	0.7	2.6	4.3

The depreciation expense of £2.8m for the year to 31 March 2016 and the depreciation expense of £2.5m for the year ended 31 March 2015 have been recorded in administrative expenses.

13. Investments

Shares in other undertakings

	£m
Cost	
At 31 March 2016 and 31 March 2015	3.2
Provision for impairment	
At 31 March 2016 and 31 March 2015	3.2
Net book value at 31 March 2016	–
Net book value at 31 March 2015	–

At the balance sheet date the Group holds a 19.4% (2015: 19.4%) interest in the preferred share capital of IAUTOS Company Limited. IAUTOS Company Limited is an intermediate holding company through which are held trading companies incorporated in the People's Republic of China. It is not considered an associate as the Group does not have significant influence over this entity. This investment was fully impaired in the year to 31 March 2014 as the Chinese trading companies are loss-making with forecast future cash outflows.

Subsidiary undertakings

At 31 March 2016 the Group's related undertakings were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited	England and Wales	Classified listings	Ordinary	–	100%
Trader Licensing Limited	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Holdings Ireland Limited	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Ireland	Republic of Ireland	Holding company	Ordinary	–	100%
Webzone Limited	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Group Holdings Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Group (2003) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Finance (2009) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Corporation (2003) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Corporation Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Finance Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Ironglove Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Property Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media (Earls Court) Group Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media (Earls Court) Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Midland Auto Trader Limited*	England and Wales	Dormant company	Ordinary	–	100%
Auto Trader Holland Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trademail Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Autotrade-mail Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Systems Limited*	England and Wales	Dormant company	Ordinary	–	100%
2nd Byte Limited*	England and Wales	Dormant company	Ordinary	–	100%
Faxpress Limited*	England and Wales	Dormant company	Ordinary	–	100%
Deltapoint Limited*	England and Wales	Dormant company	Ordinary	–	100%
Tradr Media Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Publishing Limited*	England and Wales	Dormant company	Ordinary	–	100%
Hurst Italia Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Group Limited*	England and Wales	Dormant company	Ordinary	–	100%
Irish Auto Trader Limited*	Northern Ireland	Dormant company	Ordinary	–	100%

* As at 31 March 2016 the denoted companies were in the process of members' voluntary liquidation as part of a Group structuring project. As such they are not required to undertake a statutory audit or prepare individual company financial statements.

13. Investments continued

A guarantee exists in respect of the three wholly owned subsidiaries that are incorporated in the Republic of Ireland and consolidated within these financial statements. They have availed themselves of an exemption from filing their individual financial statements in accordance with Section 357 of the Companies (Amendment) Act, 2014, Ireland.

14. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 March 2016	**Loans and receivables £m**	**Non-financial assets £m**	**Total £m**
Financial assets as per balance sheet:			
Trade and other receivables	29.4	22.3	51.7
Cash and cash equivalents	10.4	–	10.4
Total	**39.8**	**22.3**	**62.1**

31 March 2016	**Financial liabilities measured at amortised cost £m**	**Non-financial liabilities £m**	**Total £m**
Financial liabilities as per balance sheet:			
Borrowings	(395.6)	–	(395.6)
Trade and other payables	(8.5)	(28.1)	(36.6)
Total	**(404.1)**	**(28.1)**	**(432.2)**

31 March 2015	Loans and receivables £m	Non-financial assets £m	Total £m
Financial assets as per balance sheet:			
Trade and other receivables	32.9	16.1	49.0
Cash and cash equivalents	22.1	–	22.1
Total	55.0	16.1	71.1

31 March 2015	Financial liabilities measured at amortised cost £m	Non-financial liabilities £m	Total £m
Financial liabilities as per balance sheet:			
Borrowings	(540.7)	–	(540.7)
Trade and other payables	(6.4)	(34.0)	(40.4)
Total	(547.1)	(34.0)	(581.1)

Non-financial assets include prepayments and accrued income. Non-financial liabilities include other taxes and social security and accruals and deferred income.

15. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**32.5**	35.7
Less: provision for impairment of trade receivables	**(3.2)**	(2.9)
Trade receivables – net	**29.3**	32.8
Other receivables	**0.1**	0.1
Prepayments and accrued income	**22.3**	16.1
Total	**51.7**	49.0

The ageing analysis of trade receivables is as follows:

	2016 £m	2015 £m
Fully performing	**21.3**	25.3
Past due but not impaired:		
Up to three months	**7.4**	6.9
Impaired	**3.8**	3.5
Total	**32.5**	35.7

It was assessed that a portion of the impaired receivables is expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

	2016 £m	2015 £m
At beginning of year	**2.9**	2.6
Provision for receivables impairment	**1.9**	2.0
Receivables written off during the year as uncollectible	**(1.6)**	(1.7)
Total	**3.2**	2.9

The creation and release of the provision for impaired trade receivables is included in administrative expenses in the income statement.

The other classes within ‘trade and other receivables’ do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable included within ‘trade and other receivables’. The Group does not hold any collateral as security. Due to the large number of customers the Group services, the credit quality of trade receivables is not deemed a significant risk.

The carrying amount of the Group’s trade receivables is denominated in the following currencies:

	2016 £m	2015 £m
Sterling	**31.6**	35.0
Euro	**0.9**	0.7
Total	**32.5**	35.7

At 31 March 2016 and 31 March 2015 all other financial receivables are primarily denominated in sterling.

Notes to the consolidated financial statements continued

16. Assets of disposal group classified as held for sale

Unoccupied properties no longer required by the Group have been placed for sale and are held at cost less accumulated depreciation and any impairment loss.

	2016 £m	2015 £m
Non-current assets held for sale:		
Property, plant and equipment	**0.3**	0.3

17. Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	**10.4**	22.1

The Group's credit risk on cash and cash equivalents is limited as the counterparties are well-established banks with high credit ratings. At 31 March 2016 and 31 March 2015, the cash and cash equivalents are primarily denominated in sterling.

18. Trade and other payables

	2016 £m	2015 £m
Trade payables	**7.8**	5.3
Other taxes and social security	**10.9**	10.1
Other payables	**0.2**	0.6
Accruals and deferred income	**17.2**	23.9
Accrued interest payable	**0.5**	0.5
Total	**36.6**	40.4

19. Borrowings

Non-current	2016 £m	2015 £m
Syndicated Term Loan gross of unamortised debt issue costs	**403.0**	550.0
Unamortised debt issue costs	**(7.4)**	(9.3)
Total	**395.6**	540.7

The Syndicated Term Loan is repayable as follows:

	2016 £m	2015 £m
Within two to five years	**403.0**	550.0
Total	**403.0**	550.0

The carrying amounts of borrowings approximate their fair values.

Syndicated Term Loan (the debt under the terms of the new Senior Facilities Agreement)

On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement as part of the Group restructure. The associated debt transaction costs were £9.4m. The first utilisation was made on 24 March 2015 when £550.0m was drawn.

Interest on the Syndicated Term Loan is charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. There is no requirement to settle all or part of the debt earlier than the termination date in March 2020.

Under the Senior Facilities Agreement, the lenders also made available to the Company and Auto Trader Holding Limited a £30.0m revolving credit facility (the 'RCF'). Other than an ancillary facility of £0.6m, the RCF was undrawn at 31 March 2016 (2015: undrawn). Cash drawings under the RCF would incur interest at LIBOR, plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group (31 March 2015: 1.25% and 3.0%). A commitment fee of 35% of the margin applicable to the RCF from time to time is payable quarterly in arrears on the unutilised amounts of the RCF.

During the year to 31 March 2016 the Group repaid £147.0m of the Syndicated Term Loan (2015: £Nil).

Senior Bank Debt ('former Senior Debt') (the debt under the terms of the former Senior Facilities Agreement)

On 24 March 2015 the Group repaid the full £632.0m of the former Senior Debt (together with accrued interest, break costs and other costs payable under the terms of the former Senior Facilities Agreement) as part of the overall restructuring of the Group. Interest on the former Senior Debt was charged at LIBOR plus a margin of between 4.25% and 4.5% based on the consolidated leverage ratio of Trader Media Group Holdings Limited, a subsidiary company. This calculation encompasses the former GSMP Junior Debt of £358.4m described below.

GSMP Junior Debt ('former Junior Debt') (the debt under the terms of the former GSMP Junior Debt Agreement)

On 24 March 2015 the Group repaid the full £358.4m of the former Junior Debt (together with accrued interest, break costs and other costs payable under the terms of the GSMP Junior Debt Agreement) as part of the overall restructuring of the Group. A premium of £26.2m was recognised in finance costs in the year to 31 March 2015 (note 8). Interest on the former Junior Debt was charged at LIBOR with a floor of 1% plus a fixed margin of 8.75%.

Series A, B and C Shareholder Loan Notes

On 24 March 2015, as part of the overall Group restructure, the Group settled the full £128.8m of Shareholder Loan Notes in exchange for ordinary shares in Auto Trader Holding Limited. Interest was charged at LIBOR plus a margin of 9% on the Series A, B and C Shareholder Loan Notes. Interest was payable annually in arrears in June on the anniversary of the issue date, however the interest was rolled up into the principal every year since issue.

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:

	2016 £m	2015 £m
One month or less	**403.0**	550.0
Total	**403.0**	550.0

20. Provisions for other liabilities and charges

	Onerous lease and dilapidations provision £m	Restructuring provision £m	Management incentive plan provision £m	Holiday pay provision £m	Total £m
At 31 March 2014	6.2	4.6	2.8	0.3	13.9
Charged to the income statement	0.2	0.7	1.9	0.3	3.1
Credited to other comprehensive income	–	–	(0.5)	–	(0.5)
Utilised in the year	(2.4)	(2.8)	(3.8)	(0.3)	(9.3)
Released in the year	(0.1)	(0.9)	–	–	(1.0)
At 31 March 2015	3.9	1.6	0.4	0.3	6.2
Charged to the income statement	0.7	–	–	0.3	1.0
Utilised in the year	(3.0)	(1.1)	(0.4)	(0.3)	(4.8)
Released in the year	(0.5)	(0.3)	–	–	(0.8)
At 31 March 2016	**1.1**	**0.2**	**–**	**0.3**	**1.6**

	2016 £m	2015 £m
Current	**0.5**	3.9
Non-current	**1.1**	2.3
Total	**1.6**	6.2

The onerous lease provision has been provided for future payments under property leases in respect of unoccupied properties no longer suitable for the Group's use. Dilapidations have been provided for all UK and Ireland properties based on the estimate of costs upon exit of the leases, which expire between April 2016 and February 2029.

The restructuring provision relates to redundancy and other costs concerning key relocations and reorganisations in the UK and is expected to be fully utilised by March 2017.

At 31 March 2015 the management incentive plan provision comprised amounts that are payable to senior management under long-term management incentive plans.

The holiday pay provision relates to liabilities for holiday pay in relation to the UK and Ireland operations for leave days accrued and not yet taken at the end of the financial year.

21. Deferred taxation

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2014	–	4.4	0.4	4.8
Charged to the income statement	–	0.2	–	0.2
Charged directly to equity	–	–	(0.4)	(0.4)
At 31 March 2015	–	4.6	–	4.6
Credited/(charged) to the income statement	0.3	(0.2)	–	0.1
Credited directly to equity	0.1	–	–	0.1
Effect of rate changes on deferred taxation	–	(0.5)	–	(0.5)
At 31 March 2016	**0.4**	**3.9**	**–**	**4.3**
Deferred taxation liabilities				
At 31 March 2014	–	–	0.8	0.8
Credited to the income statement	–	–	(0.2)	(0.2)
At 31 March 2015	–	–	0.6	0.6
Credited to the income statement	–	–	(0.2)	(0.2)
Effect of rate changes on deferred taxation	–	–	(0.1)	(0.1)
At 31 March 2016	**–**	**–**	**0.3**	**0.3**

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

22. Retirement benefit obligations

Across the UK and Ireland the Group operates several pension schemes. All except one are defined contribution schemes. Within the UK, all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

In the year to 31 March 2016 the pension contributions to the Group defined contribution scheme amounted to £1.9m (2015: £2.0m) including the contributions related to the discontinued operations. At 31 March 2016, there are £0.3m (31 March 2015: £0.3m) of pension contributions outstanding relating to the Group's defined contribution scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 31 March 2016 by a qualified independent actuary.

The amounts recognised in the balance sheet are determined as follows:

	2016 £m	2015 £m
Present value of funded obligations	**17.5**	19.1
Fair value of plan assets	**(18.4)**	(19.6)
Effect of surplus cap	**0.9**	0.5
Net liability recognised in the balance sheet	**–**	–

The surpluses of £0.9m as at 31 March 2016 and £0.5m as at 31 March 2015 were not recognised as assets as they were not deemed to be recoverable by the Group.

22. Retirement benefit obligations continued

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2016 £m	2015 £m
Interest income on net defined benefit obligation	–	–
Administration expenses paid by the scheme	–	–
Net retirement benefit income before taxation	**–**	–

The amounts recognised in the statement of other comprehensive income are as follows:

	2016 £m	2015 £m
Remeasurement gains/(losses) recognised in the year (before tax)	**0.4**	(0.8)
Effect of surplus cap	**(0.4)**	0.8
Total	**–**	–

The movement in the defined benefit obligations over the year is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 31 March 2014	15.7	(15.7)	–
Interest expense/(income)	0.7	(0.7)	–
Remeasurements:			
Loss from changes in financial assumptions	3.1	–	3.1
Return on plan assets, excluding amounts included in interest income	–	(2.3)	(2.3)
Benefits paid	(0.4)	0.4	–
Effect of surplus cap	–	(0.8)	(0.8)
At 31 March 2015	19.1	(19.1)	–
Interest expense/(income)	0.6	(0.6)	–
Remeasurements:			
Gain from changes in financial assumptions	(1.6)	–	(1.6)
Return on plan assets, excluding amounts included in interest income	–	1.2	1.2
Benefits paid	(0.6)	0.6	–
Effect of surplus cap	–	0.4	0.4
At 31 March 2016	**17.5**	**(17.5)**	**–**

During the year to 31 March 2016, the Group did not contribute to the defined benefit scheme (2015: £Nil). No contributions to this scheme are expected in the next financial year and there are no minimum funding requirements. As at 31 March 2016, approximately 65% of the liabilities (2015: 70%) are attributable to former employees who have yet to reach retirement and 35% to current pensioners (2015: 30%).

The significant actuarial assumptions were as follows:

	2016	2015
Discount rate	**3.55%**	3.30%
Pension growth rate	**2.15%**	2.20%
Inflation rate ('RPI')	**3.25%**	3.30%

Sensitivity to key assumptions has not been disclosed as any reasonable possible changes would not result in a significant change to the amounts recorded in the financial statements.

The Group has assumed that mortality will be in line with nationally published mortality table S1NA related to members' years of birth with a long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2016		2015	
	Male Years	**Female Years**	Male Years	Female Years
Member aged 65 (current life expectancy)	**88**	**90**	88	90
Member aged 45 (life expectancy at age 65)	**90**	**92**	90	93

Plan assets are comprised as follows:

	2016		2015	
	£m	**%**	£m	%
Equities	**10.1**	**54.9**	10.8	55.1
Corporate bonds	**7.4**	**40.2**	7.9	40.3
Real estate	**0.9**	**4.9**	0.9	4.6
Total	**18.4**	**100.0**	19.6	100.0

This defined benefit pension scheme exposes the Group to a number of risks, the most significant of which are:

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while creating volatility and risk in the short term. The allocation to equities is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the scheme liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk

A proportion of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although in most cases caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The weighted average duration of the defined benefit obligation is 22 years.

Notes to the consolidated financial statements continued

23. Share capital

Share capital	2016 Number '000	2016 Amount £m	2015 Number '000	2015 Amount £m
Allotted, called-up and fully paid				
Ordinary shares of 1p each (2015: £1.50 eachl)	**1,001,052**	**10.0**	1,000,000	1,500.0
Total	**1,001,052**	**10.0**	1,000,000	1,500.0

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The total number of shares in issue at March 2016 was 1,001,051,699.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction has created a significant amount of distributable reserves for the Company.

24. Employee Share Option Trust

The ESOT purchases shares to fund the Share Incentive Plan. At 31 March 2016, the trust held 1,021,224 (2015: nil) ordinary shares with a book value of £1.5m (2015: £Nil). The market value of these shares as at 31 March 2015 was £4.0m (2015: £Nil). During the year the ESOT purchased 1,051,699 shares of the Company at a cost of £1.6m (2015: £nil) representing 0.1% of issued share capital. At 31 March 2016, 1,021,224 shares relating to the SIP remain in the ESOT with a historical cost of £1.5m.

25. Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Interim dividend for the year ended 31 March 2016 of 0.5p per ordinary share	**5.0**	–
Proposed final dividend for the year ended 31 March 2016 of 1.0p per ordinary share	**10.0**	–

The proposed final dividend for the year ended 31 March 2016 is subject to approval by shareholders at the Annual General Meeting and hence has not been included as liabilities in the financial statements at 31 March 2016.

Prior to the Group restructure on 24 March 2015, ordinary dividends of £3.6 million were paid in respect of the year ended March 2015 to the shareholders of Auto Trader Holding Limited. Dividends paid were declared on shares of the Group's previous parent, Auto Trader Holding Limited, and were settled via the waiver of amounts due from shareholders.

The Directors' policy with regards to future dividends is set out in the Strategic report on pages 2 to 43.

26. Cash generated from operations

	2016 £m	2015 £m
Profit before taxation including discontinued operations	**155.0**	12.8
Adjustments for:		
Depreciation	**2.8**	2.5
Amortisation	**7.8**	10.0
Profit on disposal of property, plant and equipment	**–**	(1.2)
Share-based payments charge (excluding associated NI)	**2.3**	3.7
Finance costs	**14.6**	122.3
Finance income	**–**	(0.1)
IPO costs	**–**	1.5
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):		
Trade and other receivables	**(2.6)**	(1.5)
Trade and other payables	**5.3**	2.3
Provisions	**(5.1)**	(7.5)
Cash generated from operations	**180.1**	144.8

The cash flows of discontinued operations are as follows:

	2016 £m	2015 £m
Cash generated from operations	**–**	(0.1)
Taxation	**–**	(0.1)
Operating cash flows	**–**	(0.2)
Investing cash flows	**–**	3.4
Total cash flows	**–**	3.2

Notes to the consolidated financial statements continued

27. Share-based payments

Share options are granted to senior executives and other individuals throughout the organisation. The Group currently operates four share schemes and these are the Performance Share Plan, Deferred Annual Bonus Plan, Share Incentive Plan and the Sharesave scheme. The total charge in the year relating to the four schemes including associated national insurance ('NI') charges was £2.5m.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme.

NI is being accrued, where applicable, at a rate of 13.8%, which management expects to be the prevailing rate when the awards are exercised, based on the share price at the reporting date. NI for the year ended 31 March 2016 relating to all awards was a charge of £0.2m. The Company NI charge for the year was £0.1m.

Share Incentive Plan

The Group operates a Share Incentive Plan ('SIP') scheme that was made available to all eligible employees following admission to the London Stock Exchange in March 2015. On 20 April 2015, all eligible employees were awarded free shares valued at £3,600 each based on the share price at the time of Admission. A total of 1,051,699 shares were awarded under the scheme, subject to a three-year service period ('Vesting Period').

The SIP awards have been valued using the Black-Scholes model and the resulting share-based payments charge spread evenly over the Vesting Period. The SIP shareholders are entitled to dividends over the Vesting Period. No performance criteria are applied to the vesting of S IP shares. Fair value at the grant date was measured to be £2.72.

	Number	Weighted average exercise price £
Outstanding at 1 April 2015	–	–
Awarded	1,051,699	–
Forfeited	(107,307)	–
Vested	(30,475)	–
Outstanding at 31 March 2016	**913,917**	–
Vested and Outstanding at 31 March 2016	**–**	–

Shares vested relate to those attributable to good leavers as defined by the scheme rules.

The total charge in the year, included in operating profit, in relation to these awards was £0.7m (2015: £Nil). The Company charge for the year was £Nil.

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors and certain key senior executives. On 19 June 2015, the Group awarded 1,641,267 nil cost options under the PSP scheme. The extent to which such awards vest will depend upon the Group's performance over a three-year period following the award date. The vesting in March 2018 ('Vesting Date') of 25% of the 2015 PSP award will be dependent on a relative TSR performance condition measured over the performance period and the vesting of the 75% of the 2015 PSP award will be dependent on the satisfaction of a cumulative Underlying operating profit ('UOP') target measured over the performance period.

The PSP awards have been valued using the Monte Carlo model for the TSR element and the Black-Scholes model for the Underlying operating profit element and the resulting share-based payments charge is being spread evenly over the period between the grant date and the Vesting Date.

	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
19 June 2015 (TSR dependent)	3.06	Nil	30.0	3.0	0.9	0.0	0.0	2.08
19 June 2015 (UOP dependent)	3.06	Nil	n/a	3.0	0.9	0.0	0.0	3.06

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

	2016 Number
Outstanding at 1 April 2015	–
Options granted in the year	**1,641,267**
Outstanding at 31 March 2016	**1,641,267**
Exercisable at 31 March 2016	**–**

Expected volatility is estimated by considering historic average share price volatility at the grant date. The share-based payments charge for the year ended 31 March 2016 is £1.2m (2015: £Nil). The Company charge for the year was £0.7m (2015: £Nil).

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. The assumptions used in the measurement of the fair value at grant date of the Sharesave Plan are as follows:

	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
23 September 2015	3.28	2.64	30.0	3.0	1.0	0.0	33.0	0.96

Expected volatility is estimated by considering historic average share price volatility at the grant date. The requirement that an employee has to save in order to purchase shares under the Sharesave Plan is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Black-Scholes pricing model.

	Number of share options	Weighted average exercise price £
Outstanding at 1 April 2015	–	–
Options granted in the year	1,096,112	2.64
Lapsed	(35,887)	2.64
Outstanding at 31 March 2016	**1,060,225**	**2.64**
Exercisable at 31 March 2016	**–**	**–**

Range of prices	Price per share	Weighted average exercise price £
31 March 2016	**2.64**	**2.64**

Weighted average contractual remaining life:	Number of share options	Weighted average contract term (years)
31 March 2016	**1,060,225**	**2.7**

The share-based payments charge for Sharesave options for the year ended 31 March 2016 is £0.1m (2015: £Nil). The Company charge for the year was £Nil (2015: £Nil).

Deferred Annual Bonus Plan ('DABP')

In June 2015 a DABP scheme was established which allows Executive Directors and other selected senior management the opportunity to earn a bonus determined as a percentage of base salary settled in nil cost deferred shares. The award of shares under the plan is contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. The right to the shares is deferred for two years from the date of the award (the 'Vesting Period') and potentially forfeitable during that period should the employee leave employment. The charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

As of 31 March 2016 no options had been awarded for the June 2015 scheme. The share-based payments charge for the year in respect of the Performance Period is £0.3m (2015: £Nil). The Company charge for the year was £0.2m (2015: £Nil).

28. Contingent liabilities and guarantees

A number of the Group's entities provide guarantees under the Group's Syndicated Term Loan agreement. The amount borrowed under this agreement at 31 March 2016 was £403.0m (2015: £550.0m).

29. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2016 £m	2015 £m	**2016 £m**	2015 £m
No later than one year	**1.1**	1.6	**0.5**	0.4
Later than one year and no later than five years	**8.9**	7.9	**1.0**	0.3
Later than five years	**14.8**	17.3	**–**	–
Total	**24.8**	26.8	**1.5**	0.7

At 31 March 2016, £14.8m (2015: £17.3m) of future lease payments payable after five years relate to the new Manchester and London properties. The lease terms on these properties are between 10 and 15 years and both lease agreements are renewable at the end of the lease period at market rate.

30. Related party transactions

Prior to 24 March 2015 a subsidiary company Auto Trader Holding Limited was jointly controlled by Crystal A Holdco S.à r.l. and Crystal B Holdco S.à r.l. The shareholder companies had made loans to and held preference shares in Auto Trader Holding Limited. Ed Williams and Chip Perry, Directors of Auto Trader Holding Limited, had also issued Shareholder Loan Notes to and held preference shares in Auto Trader Holding Limited.

On 24 March 2015, as part of the overall restructuring of the Group, the Shareholder Loan Notes and related accrued interest, preference shares, preference share premium and accrued dividends were converted into share capital of Auto Trader Holding Limited. On 24 March 2015 all shares in Auto Trader Holding Limited were exchanged for shares in Auto Trader Group plc via a share-for-share exchange.

The balances at the end of the period including accrued interest, dividends payable on these debt and equity instruments and the premium on the preference shares are disclosed below:

	2016 £m	2015 £m
Shareholder loans and accrued interest		
Crystal A Holdco S.à r.l.	**–**	–
Crystal B Holdco S.à r.l.	**–**	–
Ed Williams	**–**	–
Chip Perry	**–**	–
Preference shares, premium and accrued dividends		
Crystal A Holdco S.à r.l.	**–**	–
Crystal B Holdco S.à r.l.	**–**	–
Ed Williams	**–**	–
Chip Perry	**–**	–
Interest charged to the income statement		
Crystal A Holdco S.à r.l.	**–**	(4.9)
Crystal B Holdco S.à r.l.	**–**	(8.0)
Ed Williams	**–**	–
Chip Perry	**–**	–

The annual interest accrued on the Shareholder Loan Notes has been rolled into the principal each year since issue (note 19). Interest accrued on Shareholder Loan Notes was rolled up into the principal on 24 March 2015 prior to the Group restructure.

During the year ended 31 March 2015 additional loans of £15.7m were made to Crystal B Holdco S.à r.l. These loans were unsecured, non-interest bearing and repayable on demand. The total loan balance of £20.9 million was waived and released as payment for the repurchase of A ordinary shares during the year ended 31 March 2015.

During the year ended 31 March 2015 a subsidiary undertaking, Auto Trader Holding Limited, made loans of £1.4m and £2.2m to Crystal A Holdco S.à r.l. and Crystal B Holdco S.à r.l. respectively. These loans were unsecured, non-interest bearing and repayable on demand. On 6 March 2015 the loans were settled through the issue of a dividend in kind.

Apax Europe VIII GP Co. Limited, a fund advised by Apax Partners LLP, received £Nil for the provision of Directors' services to the Group during the year (31 March 2015: £0.1m). The balance outstanding at the end of the year was £Nil (31 March 2015: £Nil).

Prior to 24 March 2015 funds advised by Apax Partners LLP held £15.0m of the former Junior Debt. The fund received interest and was subject to the same terms of the GSMP Junior Debt Agreement as all other former syndicate members (note 19).

In the year ended 31 March 2015 certain Group companies traded with companies in which the funds advised by Apax Partners LLP have an interest. Trading was in the normal course of operations and on an arm's length basis. During the year to 31 March 2015 funds advised by Apax recharged £0.1m of costs to the Group. A balance of £Nil was outstanding at 31 March 2015.

Transactions with Directors and key management

Loans made on an arm's length basis in a previous year to certain members of key management were fully repaid in the year ended 31 March 2015.

On 4 July 2014 Auto Trader Holding Limited gifted 19,838 E Ordinary shares of £0.001 each to certain Directors and members of key management. The nominal value of these shares of £19.84 was fully paid up in cash by a third-party individual.

On the same day the following shares were issued to certain Directors and members of key management for aggregate cash consideration of:

	Number of shares	Aggregate cash consideration £
E ordinary shares of £0.001 each	11,073	465,665
A2 ordinary shares of £0.001 each	191	8,032
A2 Preferred ordinary shares of £0.001 each	15,891	668,282
F ordinary shares of £700 each	5	3,500

On 25 February 2015 Auto Trader Holding Limited gifted 196 E ordinary shares of £0.001 each to certain Directors and members of key management. The nominal value of these shares of £0.20 was fully paid up in cash.

On 25 February 2015 Auto Trader Holding Limited issued 398 E ordinary shares of £0.001 each to certain Directors and members of key management for cash consideration of £16,738. The nominal value of these shares of £0.40 was fully paid up in cash.

On 24 March 2015 all Directors and key management exchanged their shareholding in Auto Trader Holding Limited for shares in Auto Trader Group plc.

Independent auditors' report to the members of Auto Trader Group plc

Report on the Company financial statements

Our opinion

In our opinion, Auto Trader Group plc's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 27 March 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Company balance sheet as at 27 March 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Auto Trader Group plc for the 52 week period ended 27 March 2016.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

9 June 2016

Company balance sheet

At 27 March 2016

	Note	2016 £m	2015 £m
Fixed assets			
Investments in subsidiary undertakings	3	**1,207.8**	1,206.2
		1,207.8	1,206.2
Current assets			
Debtors	4	**440.3**	440.0
Cash at bank and in hand		**–**	9.5
		440.3	449.5
Creditors: amounts falling due within one year	5	**(8.8)**	(12.6)
Net current assets		**431.5**	436.9
Total assets less current liabilities and net assets		**1,639.3**	1,643.1
Capital and reserves			
Called-up share capital	8	**10.0**	1,500.0
Share premium account		**–**	144.4
Retained earnings/(deficit)		**1,629.3**	(1.3)
Total equity		**1,639.3**	1,643.1

The financial statements from pages 126 to 133 were approved by the Board of Directors and authorised for issue.

Sean Glithero
Finance Director
9 June 2016

Auto Trader Group plc Registered number 09439967

Company statement of changes in equity

For the year ended 27 March 2016

	Share capital £m	Share premium account £m	Retained earnings/(deficit) £m	Total equity £m
Balance at March 2014	**–**	**–**	**–**	**–**
Loss for the period	–	–	(1.3)	(1.3)
Total comprehensive expense, net of tax	–	–	(1.3)	(1.3)
Transactions with owners:				
Issue of share capital	1,500.0	144.4	–	1,644.4
Total transactions with owners, recognised directly in equity	1,500.0	144.4	–	1,644.4
Balance at March 2015	**1,500.0**	**144.4**	**(1.3)**	**1,643.1**
Loss for the year	–	–	(1.1)	(1.1)
Total comprehensive expense, net of tax	–	–	(1.1)	(1.1)
Transactions with owners:				
Issue of share capital	1.6	–	(1.6)	–
Reduction in share capital	(1,491.6)	(144.4)	1,636.0	–
Interim dividend	–	–	(5.0)	(5.0)
Share-based payments	–	–	2.3	2.3
Total transactions with owners recognised directly in equity	(1,490.0)	(144.4)	1,631.7	(2.7)
Balance at March 2016	**10.0**	**–**	**1,629.3**	**1,639.3**

Company statement of cash flows

For the year ended 27 March 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Loss for the year/period		**(1.1)**	(1.3)
Share-based payment charge (excluding associated NI)		**0.8**	–
IPO costs		**–**	1.3
Decrease in debtors		**0.1**	–
Increase in payables		**4.5**	–
Net cash generated from operating activities		**4.3**	–
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**–**	460.3
Loans to fellow Group undertakings		**–**	(439.9)
Dividends paid		**(5.0)**	–
Payment of IPO costs		**(8.8)**	(10.9)
Net cash used in financing activities		**(13.8)**	9.5
Net (decrease)/increase in cash and cash equivalents		**(9.5)**	9.5
Cash and cash equivalents at beginning of year/period		**9.5**	–
Cash and cash equivalents at end of year/period		**–**	9.5

Notes to the Company financial statements

1. Accounting policies

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

Statement of compliance and basis of preparation

The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is for the year ended 27 March 2016. The comparative financial information presented is at and for the 45-day period ended 29 March 2015. Financial period ends have been referred to as 31 March throughout the consolidated financial statements as per the Company's accounting reference date.

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report.

The Company financial statements have been prepared in sterling which is the functional and presentational currency of the Company and have been presented in round £m.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Auto Trader Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £1.1m (2015: loss of £1.3m).

Amounts paid to the Company's auditors in respect of the statutory audit were £50,000.

Estimation techniques

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

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

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 of the Group accounts. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regards to the inputs to that model and the period over which the share award is expected to vest (note 27 of the consolidated Group financial statements).

The Group considers annually whether the carrying value of investments has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of investments have been determined based on value-in-use calculations, which require the use of estimates.

Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

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

1. Accounting policies continued

Taxation and deferred taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Financial instruments

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

a) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

b) Financial liabilities

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

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

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

Dividend distribution

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

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 60 to 73.

3. Investments in subsidiaries

	2016 £m	2015 £m
At beginning of the period	**1,206.2**	–
Additions	**1.6**	1,206.2
At end of the period	**1,207.8**	1,206.2

The additions in the year relate to equity-settled share-based payments granted to the employees of subsidiary companies. The investment made in the prior year relates to the capital reorganisation of the Group on admission to the London Stock Exchange on 24 March 2015.

Subsidiary undertakings

At 31 March 2016 the Company's related undertakings were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited	England and Wales	Classified listings	Ordinary	–	100%
Trader Licensing Limited	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Holdings Ireland Limited	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Ireland	Republic of Ireland	Holding company	Ordinary	–	100%
Webzone Limited	Republic of Ireland	Holding company	Ordinary	–	100%
Trader Media Group Holdings Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Group (2003) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Finance (2009) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Corporation (2003) Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Corporation Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Finance Limited*	England and Wales	Holding company	Ordinary	–	100%
Trader Media Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Ironglove Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Property Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media (Earls Court) Group Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media (Earls Court) Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Midland Auto Trader Limited*	England and Wales	Dormant company	Ordinary	–	100%
Auto Trader Holland Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trademail Holdings Limited*	England and Wales	Dormant company	Ordinary	–	100%
Autotrade-mail Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Systems Limited*	England and Wales	Dormant company	Ordinary	–	100%
2nd Byte Limited*	England and Wales	Dormant company	Ordinary	–	100%
Faxpress Limited*	England and Wales	Dormant company	Ordinary	–	100%
Deltapoint Limited*	England and Wales	Dormant company	Ordinary	–	100%
Tradr Media Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Publishing Limited*	England and Wales	Dormant company	Ordinary	–	100%
Hurst Italia Limited*	England and Wales	Dormant company	Ordinary	–	100%
Trader Media Group Limited*	England and Wales	Dormant company	Ordinary	–	100%
Irish Auto Trader Limited*	Northern Ireland	Dormant company	Ordinary	–	100%

* As at 31 March 2016 the denoted companies were in the process of members' voluntary liquidation as part of a Group structuring project. As such they are not required to undertake a statutory audit or prepare individual company financial statements.

Notes to the Company financial statements continued

4. Debtors

	2016 £m	2015 £m
Amounts owed by Group undertakings	**440.0**	439.9
Deferred tax asset	**0.2**	–
Corporation tax receivable	**0.1**	0.1
	440.3	440.0

Amounts owed by Group undertakings are non-interest-bearing, unsecured and repayable on demand.

5. Creditors: amounts falling due within one year

	2016 £m	2015 £m
Amounts owed to Group undertakings	**8.3**	3.6
Accruals and deferred income	**0.5**	9.0
	8.8	12.6

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

6. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2016 and period ending 31 March 2015 may be analysed as follows:

Financial assets	2016 £m	2015 £m
Financial assets measured at amortised cost	**440.0**	439.9

Financial liabilities	2016 £m	2015 £m
Financial liabilities measured at amortised cost	**8.8**	12.6

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

7. Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Interim dividend for the year ended 31 March 2016 of 0.5p per ordinary share	**5.0**	–
Proposed final dividend for the year ended 31 March 2016 of 1.0p per ordinary share	**10.0**	–

The proposed final dividend for the year ended 31 March 2016 is subject to approval by shareholders at the Annual General Meeting and hence has not been included as liabilities in the financial statements at 31 March 2016.

8. Called-up share capital

Share capital	2016 Number '000	2016 Amount £m	2015 Number '000	2015 Amount £m
Allotted, called-up and fully paid				
Ordinary shares of 1p each (2015: £1.50 each)	**1,001,052**	**10.0**	1,000,000	1,500.0
Total	**1,001,052**	**10.0**	1,000,000	1,500.0

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The shares rank pari passu with the existing ordinary shares of the Company. The total number of shares in issue at March 2016 was 1,001,051,699.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction has created a significant amount of distributable reserves for the Company.

9. Employee Share Option Trust

The ESOT purchases shares to fund the Share Incentive Plan. At 31 March 2016, the trust held 1,021,224 (2015: nil) ordinary shares with a book value of £1.5m (2015: £Nil). The market value of these shares as at 31 March 2015 was £4.0m (2015: £Nil). During the year the ESOT purchased 1,051,699 shares of the Company at a cost of £1.6m (2015: nil) representing 0.1% of issued share capital. At 31 March 2016, 1,021,224 shares relating to the SIP remain in the ESOT with a historical cost of £1.5m.

10. Contingent liabilities and guarantees

The Company is a guarantor to a borrowing facility relating to a loan provided to a Group entity. The amount borrowed under this agreement at 31 March 2016 was £403.0m (2015: £550.0m).

11. Related parties

During the year, a management charge of £2.0m (2015: £nil) was received from Auto Trader Ltd. in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £440.0m and £8.3m respectively for debtors and creditors (2015: £439.9m and £3.6m) as set out in notes 4 and 5.

Shareholder information

Registered office and headquarters

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Company Secretary

Sean Glithero

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Independent auditors

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Registrar

Capita Asset Services
The Registry
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Tel UK: +44 (0) 871 664 0300
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Tel international: +44 (0) 371 664 0300
(charged at the appropriate international rate)

Web: capitaassetservices.com
Email: shareholder.enquiries@capita.co.uk

Financial calendar 2016–2017

Annual General Meeting	22 September 2016
Half-year results	10 November 2016
2017 Full-year results	June 2017

Shareholder enquiries

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

Investor relations website

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

Cautionary note regarding forward-looking statements

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