

Driving trust and transparency



Auto Trader Group plc is a 100% digital business having successfully completed the transition from a print title in 2013. Auto Trader sits at the heart of the UK's vehicle buying and selling processes and operates the UK's largest digital automotive marketplace.

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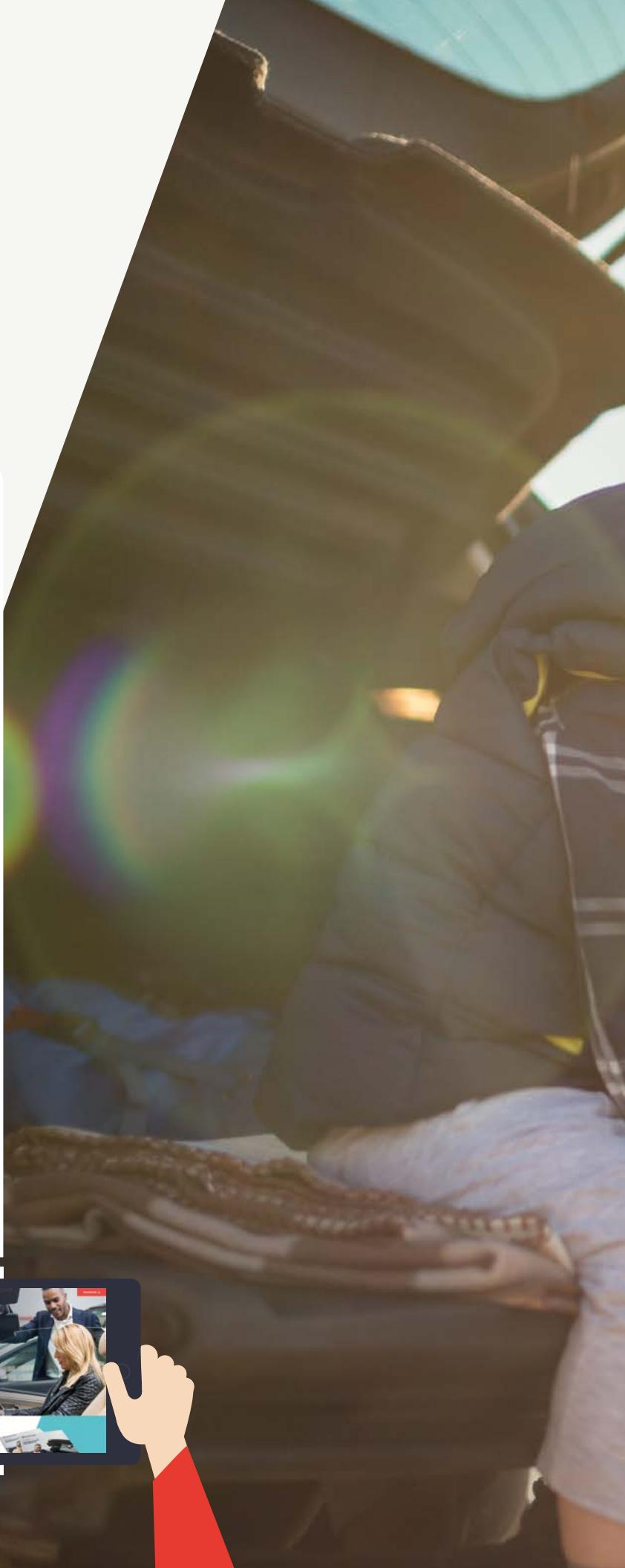
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A photograph showing a man and a woman from behind, looking into the open door of a car. The man is wearing a plaid shirt and the woman has blonde hair tied back. They appear to be examining the interior of the vehicle.

There's nothing more important than trust and transparency in today's automotive marketplace. A transparent market makes car buying fair, inherently generating trust and building better relationships.

Auto Trader creates this trust and transparency throughout the market, allowing car buyers and sellers to focus on the things that really matter.

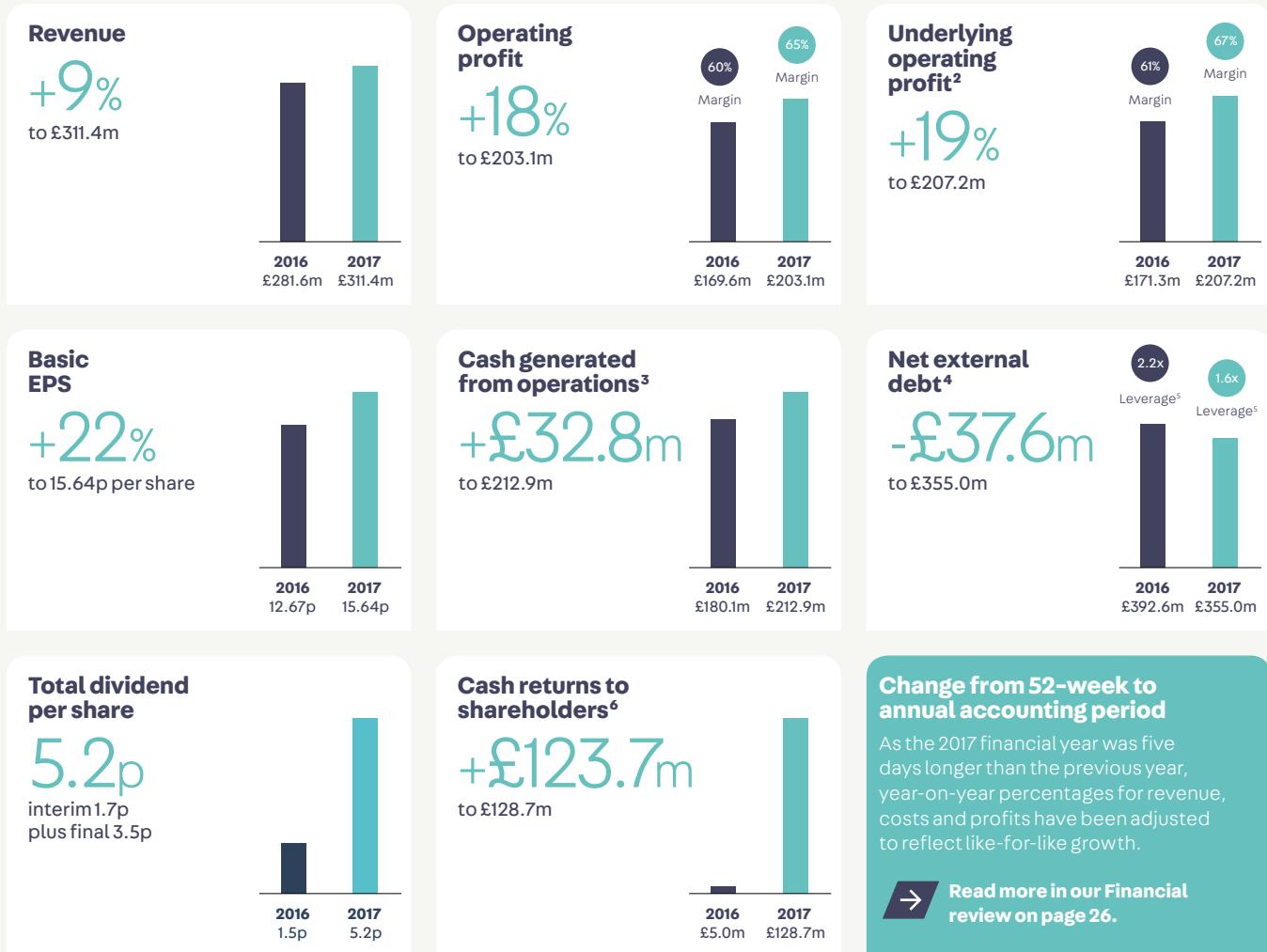
We are doing this by combining technology, data and 40 years of automotive industry experience to provide a great digital experience for car buyers and a range of value-adding data and advertising services to car retailers and manufacturers.

Read more about our strategy and operating priorities on page 13.

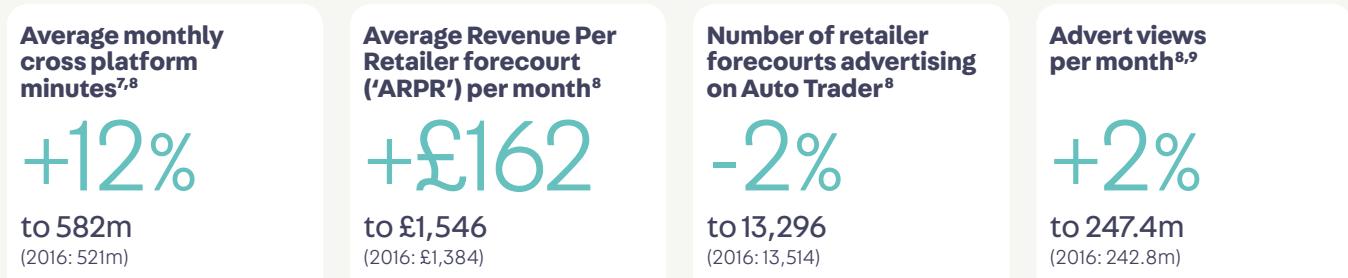


We have achieved another strong year of growth across all three of our revenue streams. Our audience has grown – with increases in cross platform visits, minutes spent on our marketplace and full page advert views – and we have delivered on our capital return policy.

Financial highlights



Operational highlights



¹ '2017' references the 369 day period ended 31 March 2017 and the comparative '2016' references the 52 week period ended 27 March 2016 unless otherwise stated.

² Operating profit before share-based payments and associated national insurance ('NI') and exceptional items.

³ Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.

⁴ Net external debt is gross external indebtedness, less cash and cash equivalents.

⁵ Leverage is Net external debt as a multiple of Adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI and exceptional items).

⁶ Cash returns to shareholders comprise dividends paid and the cost of share buybacks (excluding transaction costs).

⁷ Cross platform minutes measured by comScore.

⁸ Average number during the year.

⁹ Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.



Our business model

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Chief Executive Officer's statement

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Financial review

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Our revenue streams

Trade

Revenue from retailers and home traders advertising their vehicles and utilising Auto Trader's products.

Revenue performance

+9%
to £262.1 million
(2016: £236.4 million)

Percentage of revenue



Consumer services

Revenue from private sellers who can place an advert on the marketplace for a fee and from our partners who provide services to consumers.

Revenue performance

+4%
to £31.8 million
(2016: £30.3 million)

Percentage of revenue



Display advertising

Revenue from manufacturers and their advertising agencies who advertise their brand or services on the marketplace.

Revenue performance

+16%
to £17.5m
(2016: £14.9m)

Percentage of revenue



The automotive market today

The UK automotive marketplace continues to grow. Used car volumes are benefitting from previous new car growth, which is expected to decline modestly from the record highs reached in 2017.

2.7m

new cars registered in the 12 months to March 2017¹

2.6%

increase in new car registrations in the 12 months to March 2017¹

8.2m

used cars sold in the 12 months to March 2017¹

11%

growth in finance agreements for used cars in the 12 months to March 2017²

UK automotive market and macroeconomic conditions

New and used car sales volumes

The number of vehicles in the UK continues to grow, fuelled by increases in both new car registrations and the average scrappage age. The number of new cars registered in the 12 months to March 2017 increased for a fifth consecutive year to 2.7 million units (growth of 2.6%) according to the Society of Motor Manufacturers and Traders ('SMMT'). Sales to fleet customers were particularly strong, up 6.3% year-on-year, whilst the number of new cars registered to retail individuals was broadly flat after four consecutive years of growth, despite the dip in consumer confidence following the Brexit result.

2017 started strongly with a record rise in new car registrations in the first quarter. This was in part due to a very strong March as consumers looked to buy ahead of an increase in vehicle excise duty effective 1 April 2017.

Low rate finance and new car desirability are key drivers to the growth the market is experiencing at this time. The continuation

of attractive finance propositions has underpinned levels of new and used car transactions. 86% of private new car sales were purchased using dealership finance, and the total value of finance agreements for used cars grew 11% in the 12 months to March 2017². High levels of finance uptake have contributed to a reduction in the average length of car ownership to 3.2 years from 3.6 years since 2011, as new cars are introduced into the used car market at the end of finance agreements.

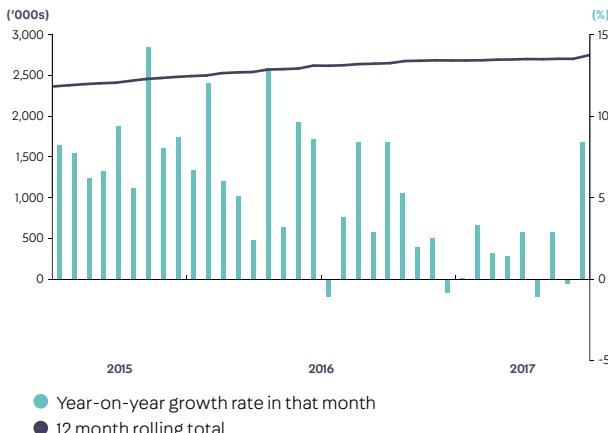
Despite the exceptionally high performing first quarter of the year, and the continuation of low interest rates, the industry expects that new car transactions will begin to plateau or decline in 2017, and new car registrations were down by 0.6% year-on-year for the five months to May 2017. We expect the strong new car market performance in recent years will continue to have a positive impact on used car transactions, building on the 8.2 million used cars sold in the 12 months to March 2017, which increased by 4.9% over the same period last year.

UK economy and EU Referendum considerations

Since Britain voted to leave the European Union, consumer spending and service sector growth have remained steady, helping the UK economy to grow by 0.7% in Q3 and Q4 of 2016. GDP grew by 2.0% in 2016 and similar levels are predicted for 2017. However, inflation has climbed steadily in the past two years, reaching 2.7% in April 2017 and estimated to rise further with the fall in the pound raising the prices of imported goods and raw materials. Interest rates remain low, with the Bank of England cutting its base rate from 0.5% to 0.25%; this continued low level of interest rates has provided consumers with attractive car finance deals and supported the strong new car market.

Whilst we have seen fairly limited impact to date from the result of the European Referendum, the UK's decision to leave the EU does continue to cloud future growth expectations as it is not clear whether Britain will follow a hard or soft Brexit strategy. Turn to page 33 for more details about the impact of the EU Referendum on Auto Trader.

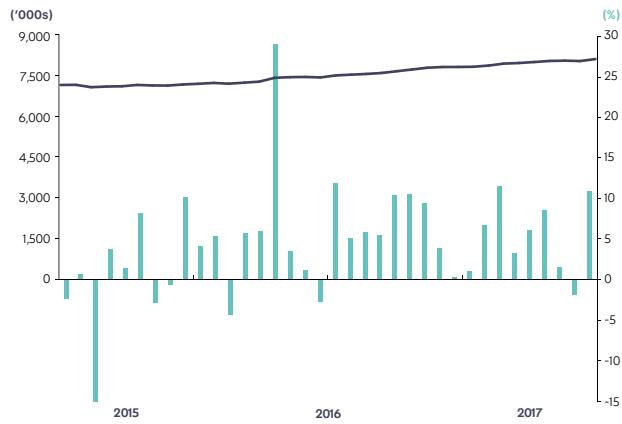
Number of new car registrations



1 SMMT trends data, March 2017 and May 2017.

2 Fleet and Leasing Association ('FLA') data for 12 months to March 2017.

Number of used car transactions



The role of digital platforms in the car buying journey

The importance of trust in today's marketplace

Consumers now approach car buying in the same way as most other purchases. This means a growing dependence on online tools and services that offer more transparency in the retail process. Transparency creates trust which is important because it drives consumer confidence and influences buying decisions.

In the car buying journey, transparency on price alleviates the need to 'haggle', as car buyers are well informed on whether the advertised price is fair and reflects the market. This is instilled further by our price 'indicators' which inform car buyers as to how the advertised price compares to the market price.

Dealer reviews

Reviews by other car buyers also play an increasingly influential role, influencing over one third of car purchase decisions³. Similar to other retail sectors, reviews left by other consumers offer buyers more transparency over the whole process.

Transparent valuations

In addition to clear and transparent information on price, car buyers also demand transparency on other aspects of the buying and selling process. Car buyers may want to know the value of their car if considering its sale, either through part-exchange or a private transaction. Having clear information on the likely financial returns for different selling methods gives sellers more options and also makes processes easier and helps to make decisions quicker.

We anticipate that the growing reliance on online tools by car buyers will increase engagement with Auto Trader's consumer products and its marketplace in general. Auto Trader's valuations tool is used 422,000 times by consumers each month and our Part-Exchange Guide is used 117,000 times per month.

Financing a car

With 86% of new cars bought on finance in the 12 months to March 2017², buyers also want to know what the deposit and monthly payment is likely to be. 55% of recent car buyers said they worked out their monthly budget when researching their next car⁴.

The introduction of our dealer finance tool on our full page adverts has increased engagement with car buyers on the marketplace. With over half of car buyers thinking of the monthly payment during the research process⁴, this product has the ability to extend the car buying journey beyond research to a transactional phase.

New cars

28% of buyers are open to purchasing a new car⁵, highlighting how undecided buyers are on their next purchase. The growth of 'nearly new' or younger used cars also offers more choice, blurring the lines between new and used and leaving car buyers more open to influence. As a result, car buyers rely more heavily on online tools to help them make a purchase decision.

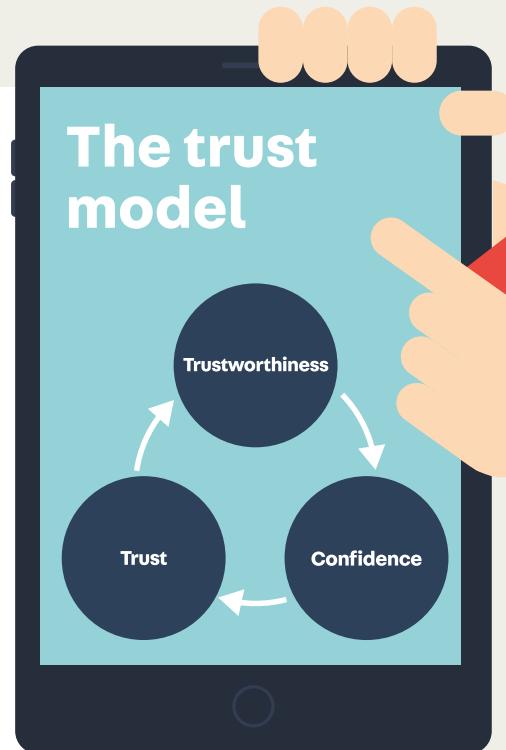
The launch of our new car 'virtual stock' enables consumers to see new car options alongside used cars and therefore offer more choice to car buyers.

We anticipate that the continued development of this product will help position Auto Trader as a new and used car destination, increasing engagement with our existing users and also attracting new audiences who may have not considered Auto Trader as a new car marketplace.

³ Auto Trader Research conducted for Auto Trader's Click Awards May 2016 by Acacia Avenue.

⁴ Auto Trader Market Report, March 2017.

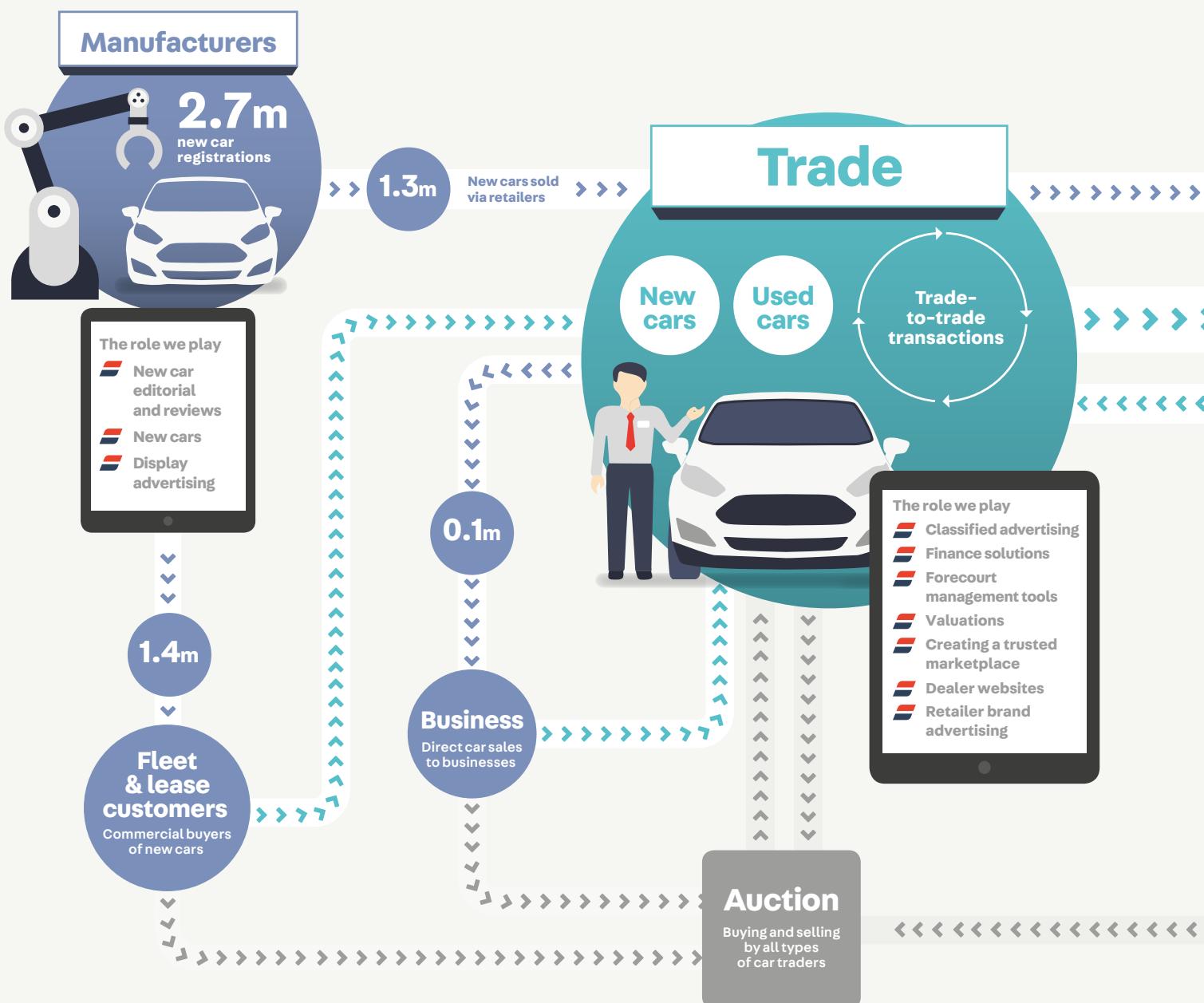
⁵ Auto Trader Market Tracking Study 2017.



Driving efficiencies in today's complex market

The automotive market, with nearly 11 million car transactions each year, is complex and often inefficient. We believe that by improving transparency, we can help remove some of the friction that's currently felt in the car buying process, which will lead to people changing their cars more often – a win for consumers, retailers and the industry as a whole.

Through the evolution of our digital platforms and our innovative data products we continue to make the car buying process easier for **Consumers, Trade and Manufacturers**.



Consumers

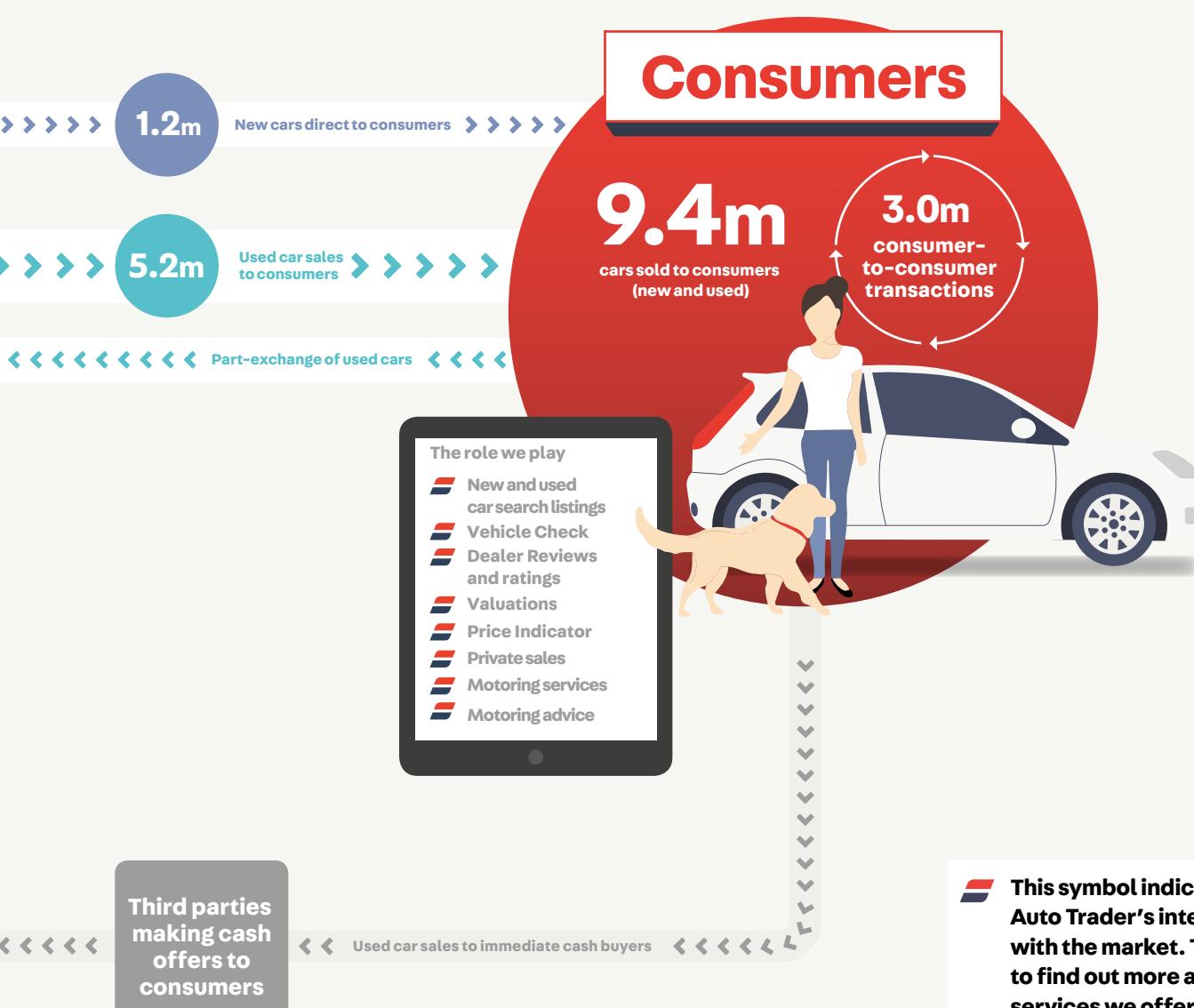
Owners of the 34 million cars in the UK involved in the purchase and sale of both new and used cars through the ecosystem.

Trade

Retailers involved in the sale of new and used cars to consumers. They are also typically involved in part-exchanging cars as well as sourcing and disposing of them, usually at auction.

Manufacturers

New cars are delivered into the market from manufacturers into fleet and lease (direct to businesses) and sold to consumers via a franchise network.



Third parties
making cash
offers to
consumers

How we make the market simpler and more efficient

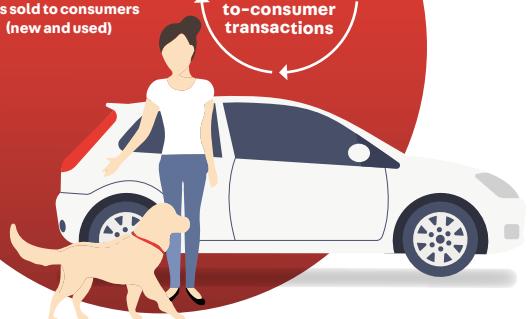
Consumers

9.4m

cars sold to consumers
(new and used)

3.0m

consumer-to-consumer
transactions



Consumers buy from trade retailers or buy and sell to each other using an automotive platform such as Auto Trader, or through other means.

"Reviews are very helpful, very insightful; something I always look at to get a good understanding of what I'm buying. I know how important online reputation is and how much it lends towards the credibility of a business."

Car buyer January 2017

Trade

New cars

Used cars

5.2m

used car sales
to consumers

Trade-to-trade
transactions



Trade retailers buy new cars directly from manufacturers, and used cars from auction houses, other retailers or directly from the consumer.

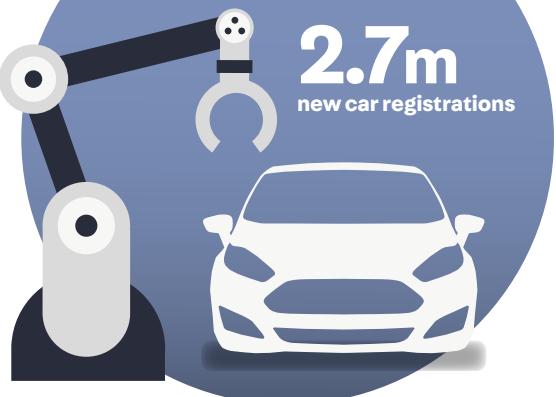
"Part-Exchange Guide allows customers to get a valuation from an independent, trusted source, prior to contacting us. It manages the customer's expectations and puts us and the customer on the same page."

Shelbourne Motors October 2016

Manufacturers

2.7m

new car registrations



New cars are delivered into the market into fleet and lease (direct to businesses) and sold to consumers via a franchise.

"The content partnership with Auto Trader provided a trusted and credible platform on which to highlight all the ways in which the Tipo gives you more for less on any car journey."

Fiat Brand Communications Manager
January 2017



The role we play

New and used car search listings

Consumers can search from around 450,000 used cars and 6,000 new cars on the marketplace each month, using a standard make/model search or via discovery search if they aren't sure of the exact vehicle they want.

Vehicle Check

A free standard five point vehicle check so consumers can quickly assess the provenance of a vehicle.

Dealer Reviews and ratings

Over 5,000 retailers feature in over 325,000 reviews, helping consumers make an informed and trusted decision about who they want to buy from.

Valuations

We provide free vehicle valuations offering both a private sale price as well as a part-exchange price.

Price Indicator

Powered by our valuations, these good, great or low price indicators give consumers full price transparency so they can understand the price they are paying compared to the market value.

Private sales

Consumers can list their vehicles for sale directly to other consumers.

Motoring services

We offer consumers a variety of services to help them make an informed decision about the car they are looking to buy, these include: vehicle check, finance, and insurance.

Motoring advice

We feature over 48,000 expert and owner reviews, as well as regularly updated editorial and advice articles to help both confident and unconfident car buyers in their car buying journey.

The role we play

Classified advertising

Our core classified platform reaches the UK's largest automotive audience. Our product packages enable retailers to compete effectively on the marketplace. Our 'starter' retailer package now includes products such as 100 images, Live Chat, Dealer Reviews, and the Part-Exchange Guide. We offer progressively higher levels giving retailers the opportunity to pay for greater prominence and stand out in a search.

Finance solutions

After gaining FCA authorisation, we can now enable retailers to display their own finance calculator as standard on their full page adverts on Auto Trader.

Forecourt management tools

Powered by both our own and third-party data, we offer data intelligence solutions (i-Control and Retail Check) enabling retailers to buy the right stock, at the right price.

Valuations

An improvement in the underlying data that powers our valuations has allowed us to launch spec-adjusted valuations which power price indicators consumers see on the marketplace. Our valuations also power our part-exchange tool.

Creating a trusted marketplace

We invest in technology and a team that is focused on creating a safe and

secure marketplace. We remove misleading adverts and also operate two-factor verification on our platforms to protect our customers.

Dealer websites

We provide mobile-optimised websites for our retailers which feature many of our core tools, i.e. Part-Exchange Guide, finance calculator and Dealer Reviews.

Retailer brand advertising

We offer retailers a range of display advertising packages so they can promote their business as well as individual vehicles.

The role we play

New car editorial and reviews

Make/model pages for all new cars improve the buying journey, and the extra content enhances Auto Trader's position in the new car market.

New cars

We extended our discovery search to include over 6,000 brand new car make/model variants. These new cars are unregistered and do not physically exist, and are called 'virtual stock'. The change was designed to allow manufacturers to advertise their stock in front of buyers earlier in the car buying journey.

Display advertising

Our platforms enable manufacturers to promote their brands to the largest and most engaged automotive classified audience.

Leveraging the scale of our network to generate value

Inputs

Auto Trader is the UK's largest digital automotive marketplace. Our trusted brand has been built over the last 40 years through advancements in our technology and products, coupled with a highly skilled digital workforce.

Our people

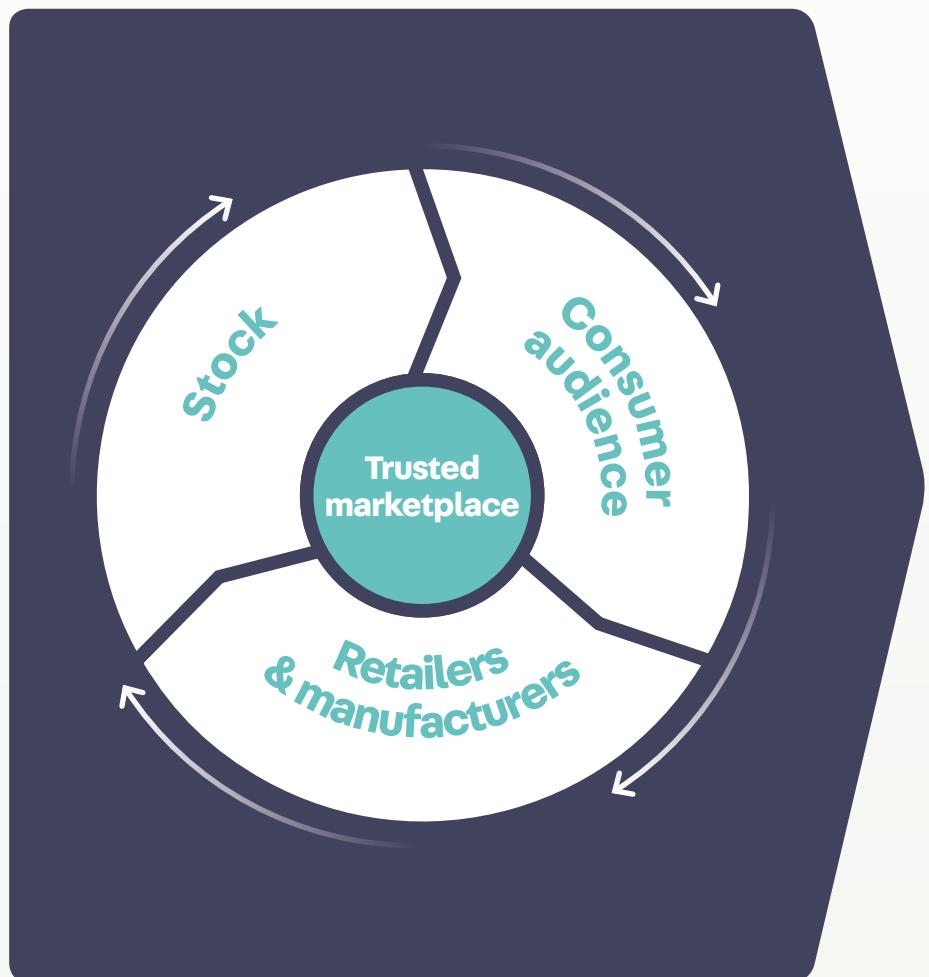
Technology

Data

Brand strength

What we do

We have built a network of highly engaged consumers searching around 450,000 used cars and 6,000 new car make/model variants from a diverse retailer base. This is the network effect model – a self-perpetuating cycle with each element further fuelling the next.





Our strategy

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Delivering on our priorities

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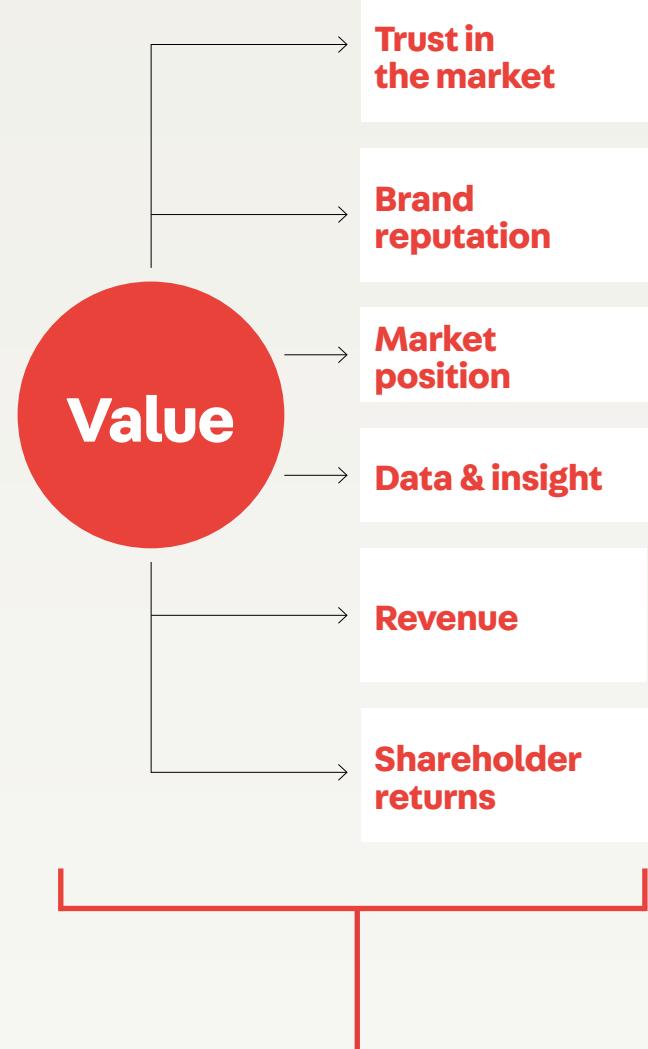
What this means

We are the most effective platform for consumers, retailers and manufacturers.

This results in more users, greater spend and even more data which ultimately generates incremental value.

Outputs

As a result, we continue to improve our market position and generate greater shareholder value.



Trust and transparency are key purchase drivers in today's consumer buying journey



We have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers and manufacturers alike."

Trevor Mather
Chief Executive Officer

Auto Trader has built on the momentum generated in its first year as a listed company to deliver a good financial and operational performance. We have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers and manufacturers alike. This in turn continues to increase the value we deliver, making the car buying journey a simpler, more enjoyable and trusted process.

Summary of operating performance

We have continued to deliver increased value for our retailer customers. Our audience has grown, with increases in cross platform visits, minutes spent on our marketplace and full page advert views, consolidating the position we hold of having the largest and most engaged audience, as consumers increasingly interact with content such as retailer reviews, vehicle videos and new car editorial.

The bigger audience was accompanied by greater levels of stock. Although the number of retailer forecourts was slightly down, this was predominantly in smaller and non-car related market segments. The reinforcing nature of our network effect, when coupled with our pricing initiative for the year, saw us grow Average Revenue Per Retailer ('ARPR') by £162 to £1,546 (2016: £1,384).

As a result, we have continued to grow revenue across all of our revenue streams (Trade, Consumer services and Display advertising), with growth of 9%¹ in total. This growth, combined with further cost reductions as we continue to focus on operating a simpler, leaner and more data-oriented business, resulted in an increase in Underlying operating profit of 19% to £207.2m. Operating profit was up 18% to £203.1m, representing another good year for the business.

¹ As the 2017 financial year was five days longer than the previous year, year-on-year percentages for revenue, costs and profits have been adjusted to reflect like-for-like growth. Read more in our Financial review on page 26.



Our business model

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Our strategy

We remain focused on delivering our strategy to be the UK and Ireland's leading digital automotive marketplace and help improve the processes of buying and selling vehicles for consumers, retailers and manufacturers alike. Our priorities are regularly reviewed, and in 2017 we focused on six operating priorities which we felt would help us to achieve our strategic goals, and I am particularly proud of the progress the Group has made against these priorities.

See page 16 to learn more about how we are delivering on our priorities.



To be the UK and Ireland's leading digital automotive marketplace

We will simplify our business and integrate our assets

We will continuously improve and be brilliant at everything that is at our core

We will build a digital culture that is values-driven, customer focused and data-oriented

Operating priorities

1

Increase consumer audience, advert views and use of our valuation tools

The network effect model calls for the largest and most engaged audience in order to drive the most advert views and ultimately sales of retailers' stock. Offering useful services that help consumers to buy and sell easily, like the valuation tool, is essential to keep our marketplace relevant.

2

Promote trust and fairness in the marketplace

A trusted, fair and effective marketplace is core to the value we deliver to consumers, retailers and manufacturers, who expect us as operator and custodian of the marketplace to ensure all participants benefit.

3

Grow ARPR in a balanced, sustainable way by creating value for our customers

ARPR is our primary driver of revenue growth so the more balanced we can be (across price rises, stock listing growth, product upsell and cross-sell), the more sustainable our revenue will be in the long term.

4

Extend the penetration of products outside of our core classified proposition

Leveraging our core business to meet the wider needs of retailers, helping them to remove inefficiencies and become more profitable, whilst providing Auto Trader with a material source of future revenue growth and a closer relationship with its customers.

5

Enhance our relevance and value to manufacturers

One third of new car buyers state that Auto Trader would be one of their first destinations when looking to buy a brand new car² therefore there is a huge opportunity to promote the relevance and value of our marketplace with manufacturers and new car buyers alike.

6

Operate a simpler, leaner and more data-oriented business

Making our processes and procedures more intuitive and streamlined whilst harnessing the data from our marketplace will benefit both our customers and employees. Creating a high-performing, continuously developing business will unlock opportunities and provide a truly digital experience for all.

² Auto Trader Brand Tracking research (January – February 2017), conducted by Acacia Avenue, March 2017.

Progress made against our operating priorities

1 Increase consumer audience, advert views and use of our valuations tools

During the year, our audience has continued to grow: cross platform visits³ have increased to 55.4 million per month (2016: 47.9 million); minutes spent on our marketplace³ have grown by 12% to a total of 582 million minutes on average per month (2016: 521 million), and full page advert views increased to 247.4 million per month (2016: 242.8 million per month).

We continue to embed our valuations with the trade and consumers alike, with a focus on becoming the benchmark for the industry, and have delivered record numbers of valuations this year. The number of valuations conducted by consumers rose by 25% to a total of 17.1 million (2016: 13.7 million), being particularly buoyed by the introduction of our Part-Exchange Guide product.

2 Promote trust and fairness in the marketplace

Over the past 40 years, Auto Trader has become synonymous with buying and selling cars. This heritage has allowed us to build a trusted position which we have leveraged to become an advocate of transparency, delivering free consumer valuations, Part-Exchange Guide, Vehicle Checks, Dealer Reviews, and most recently, Price Indicator, which benefits the users of our entire marketplace.

3 Grow ARPR in a balanced, sustainable way by creating value for our customers

Through delivering increased value to our customers, we were able to successfully execute our annual pricing event in the first quarter of the financial year. The added value of more consumers and more engagement has been complemented by an increase in physical stock on site, with the average number of cars growing to c.450,000 (2016: c.437,000) underpinned by good used car transaction numbers in the year. We have seen marginally lower forecourts in the year, down 2% to 13,296 (2016: 13,514), with fewer non-car and small independent forecourts, offset partly by growth in franchise forecourts. Together with the gains made on our product lever both within and outside of our core classified packages, this enabled us to grow ARPR by £162 to £1,546.



4 Extend the penetration of products outside of our core classified proposition

We have improved the number of managing forecourts to c.2,500 (2016: c.1,900) and moved more customers up the selling package staircase. However, as expected, retailing solutions revenue declined as a result of discontinued revenue from pay-per-click ('PPC') and search engine optimisation ('SEO') products, as well as the re-platforming of our buying portal and website templates.

5 Enhance our relevance and value to manufacturers

We have continued to grow our relevance to manufacturers, reflected in higher Display advertising revenue in the year, with growth of 16% (2016: 23%) in spite of uncertainty in the lead up to the EU Referendum. We continue to believe there is a significant opportunity in display as we foresee further shift by manufacturers from traditional marketing channels to digital channels, in line with the trends seen in other retail sectors. Our priority is to become known to consumers, manufacturers and agencies as a destination for new cars, and we have taken a significant step towards this in 2017 with the addition of over 6,000 brand new cars to our marketplace, which we call 'virtual stock'.

6 Operate a simpler, leaner and more data-oriented business

Over the year, we have operated in a lean and agile way and seen continued benefits from the consolidation into two offices. Despite continued investment in new products, developers and front-line sales people, we expect to maintain our current headcount, and become increasingly more data-oriented, reaching ever higher levels of performance.

Driving a more transparent and trusted marketplace

Consumers spend around 11 hours⁴ researching their next car online, visiting on average 2.2 dealerships⁵ before they make their purchase. They buy cars now as they do any other consumer goods, demanding transparency, ease and trust in the seller. If sellers, in our case automotive retailers, don't offer a transparent, easy and trustworthy experience, a consumer may go elsewhere.

With this in mind, and to encourage retailers to operate in a more transparent and trusted manner, we took the decision to restructure our packages so that they now include products that will allow them to compete more effectively on the marketplace. Our new 'starter' package includes products such as: Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat - all tools that we see as a basic requirement for a retailer to compete effectively in today's digital marketplace. We have five levels in total, which progressively increase up to 'Advanced' and 'Premium', giving retailers the opportunity to pay more for greater prominence and stand out when consumers search for cars on a desktop. Greater prominence and appearing higher in the search results increases a retailer's ability to sell a car, faster, therefore increasing profit.

Creating price transparency

Our most recent launch, Price Indicator, directly addresses how retailers can provide a greater level of transparency in their pricing to consumers, as it labels their stock with a 'good price', 'great price' or 'priced low' indicator. These indicators are powered by our valuations algorithm which has been developed to incorporate features such as live market movements, specifications and optional extras. The market is constantly changing - there are over 12,000 price changes every day on Auto Trader and nearly 20,000 cars are added or removed - so rather than prescribe a definitive price position, we advise retailers to price to the market so they are more likely to see an indicator on their advert.

³ Monthly visits and monthly minutes as measured by comScore.

⁴ Auto Trader Car Buyer Report, conducted by GfK, May 2016.

⁵ Auto Trader Market Tracking Study 2017.



Our business model

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Key performance indicators

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Promoting finance solutions for our retailers

Since gaining FCA authorisation, which enables us to show the monthly borrowing cost of a specific vehicle based on a retailer's preferred lender, over 1,300 retailers are benefitting from our finance product, initially on a free of charge basis. Finance is a key revenue stream for our customers, with over 86% of new cars sold on finance and growth of 11% in the total value of finance agreements for used cars in the year⁶, so this is a valuable proposition for retailers. It is also an added benefit for consumers as they will be able to work out how to finance a specific car with the vehicle retailer rather than seeking finance elsewhere.

Stocking and pricing to the market

In addition to driving trust and transparency in the marketplace, we advocate the power of using data to stock and price vehicles correctly. At year end, approximately 2,500 retailer forecourts (2016: c.1,900), listing 34% of trade stock, were using our data intelligence Managing products, i-Control or Retail Check. These products allow retailers to utilise data that is relevant to them to help them buy the most desirable stock, at the right price, so they can optimise stock turn and therefore profit - helping them do business more efficiently.

Generating value for manufacturers

When looking to buy a new car, Auto Trader is spontaneously front of mind for almost a quarter of consumers. Coupled with an increase of over 6,000 brand new 'virtual stock' cars onto our marketplace, this has increased sales leads and amplified the value we now offer to manufacturers and their networks. We have also continued to build key relationships with manufacturers and their media agencies and we are working with them to leverage our data and insight to target buyers at the right time in their car buying journey.

Acquisition of Motor Trade Delivery

In April 2017, we acquired Motor Trade Delivery Limited ('MTD'), an online real-time marketplace for the trade delivery of vehicles across the UK, and welcomed its nine employees to the Group. This acquisition is an extension of our overall strategy of using digital technology to improve efficiencies for our retailer customers.

Culture and people

As part of the Group's digital culture, incorporating an agile and lean working ethos, we have continued to find ways of operating more efficiently whilst ensuring that teams are truly data-oriented. We therefore took the decision to assign every team their own dedicated data analyst, embedding data practices fully across the organisation.

The Group's most valuable resource is our employees, and the success of the Group is to their credit. And it's having a truly diverse employee base that allows for a more rounded, creative and innovative organisation. We respect and appreciate diversity and have made a conscious effort to educate and challenge attitudes. Every one of our employees has participated in a one-day workshop focusing on creating common understanding of the concepts as well as exploring their unconscious biases. We have created networks for women, those with families as well as common interest groups, to ensure employees feel supported by a network of like-minded individuals. It is our ambition to become one of the most diverse and inclusive employers in the UK.

Outlook for 2018

After a number of years of near uninterrupted growth, the industry expects new car registrations to plateau or decline in calendar 2017, but anticipates greater used car transaction volumes as past observations suggest that the recent strong growth in new car sales will continue to stimulate demand for used cars.

Retailer forecourt numbers are set to be flat to marginally down, with overall stock levels expected to continue to grow. ARPR improvement is expected to return to 2016 growth levels at or above £130 per month, with the majority of growth from the product lever. This reflects the recent bundling of products into our new selling package levels as well as upselling of the new Advanced and Premium levels. MTD will be reported as a component of Trade revenue, but outside of Retailer revenue, and therefore will not impact ARPR.

Consumer services revenue momentum is expected to remain at low single digit, whilst Display advertising growth (to be renamed Manufacturer & Agency) is expected to slow slightly from recent levels but remain double digit.

Costs, taking into account MTD and share-based payments, are expected to increase at the rate of mid single digit with headcount remaining flat and salary inflation set to rise in an increasingly competitive market. Spend on marketing as a percentage of revenue is expected to remain broadly constant, with slightly higher overheads being offset by further, albeit smaller, savings in depreciation and amortisation.

Operating profit will replace Underlying operating profit as our key performance measure from financial year 2018, with operating margins set to rise further.

The Board is confident of delivering its growth expectations in the coming year, despite wider economic uncertainty fuelled by the result of last year's EU Referendum. We believe our strong market position, and continued ability to add value to consumers, retailers and manufacturers will position us well to deliver growth.

Trevor Mather

Chief Executive Officer

8 June 2017

⁶ The Finance & Leasing Association data for the 12 months to March 2017.

Consistently delivering on our priorities

A clear focus on our six operating priorities allows us to monitor our strategic progress and deliver results, consolidating our position at the forefront of the UK automotive marketplace.

1

Increase consumer audience, advert views and use of our valuations tools

We continue to operate the UK's largest digital automotive marketplace with an average of 582 million cross platform minutes and 55 million cross platform visits per month, viewing an average of 247 million full page advert views per month and conducting over 17 million valuations as consumers seek to understand the private sale or part-exchange value for their cars.

Progress during the last year:

582m

cross platform minutes each month.

2%

increase in advert views year-on-year.

17m

consumer valuations conducted on site over the year.

Video car adverts

New ways to view stock

Video adverts help reassure car buyers that they are buying a vehicle from a reputable and trusted retailer. It's another vital way retailers can deliver transparency with car buyers that builds trust.

Industry challenge

76%

of car buyers claim that transparent pricing of cars is the most important thing to them¹.



¹ Auto Trader
September 2016 Market Report.



2

Promote trust and fairness in the marketplace

As an industry that has a low perception of trust with consumers, it's essential that the industry works together to drive greater levels of transparency and therefore trust. If growth of transparency is adopted industry-wide, it will remove some of the friction that's currently felt in the car buying process and lead to people changing their cars more often.

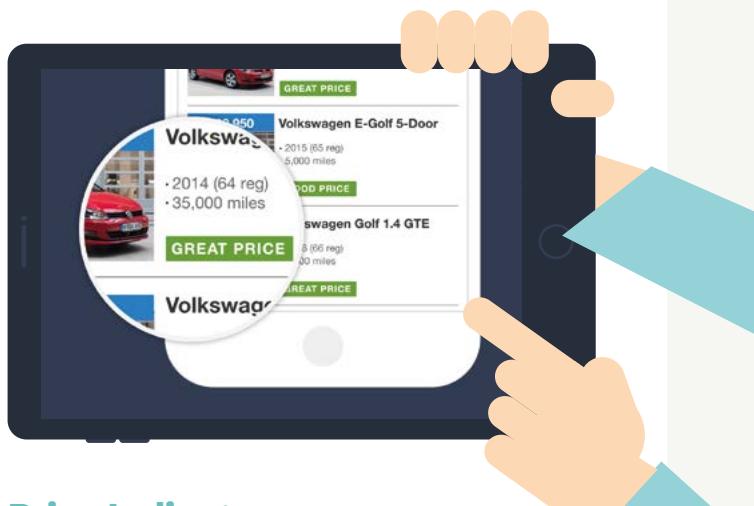
Progress during the last year:

Forced removal of misleading adverts that deliberately misinform consumers.

We implemented an extra layer of security with two-factor verification on our dealer portal accounts.

We launched Dealer Reviews for our retailer customers, as well as forming partnerships with major review platform providers, to enable them to show a level of trust to car buyers.

We continued to harmonise retailer pricing structures and created new packages for financial year 2018. The new packages, including the 'starter' package, provide retailers with products that allow them to convey trust and transparency with consumers, i.e. 100 Images, Dealer Reviews, Live Chat, and Part-Exchange Guide.



Price Indicator

Creating price transparency

Powered by our valuations algorithm, we launched 'good', 'great' and 'low' price indicators onto the marketplace so consumers get transparency in the pricing of cars.

3

Grow ARPR in a balanced, sustainable way by creating value for our customers

We continually innovate to develop new and enhance existing products and services for consumers, retailers and manufacturers to ensure we are always delivering value. We've made significant strides in improving our valuations data, which has allowed us to provide adjusted valuations based on spec, something that the rest of the industry has struggled to achieve. We have also enhanced our Dealer Portal with new functionality that allows group reporting, enabling self-serve of a dealer group's performance dashboard, and a new look stock management dashboard, so retailers can assess levels of response and adjust their advertising and pricing accordingly.

Progress during the last year:

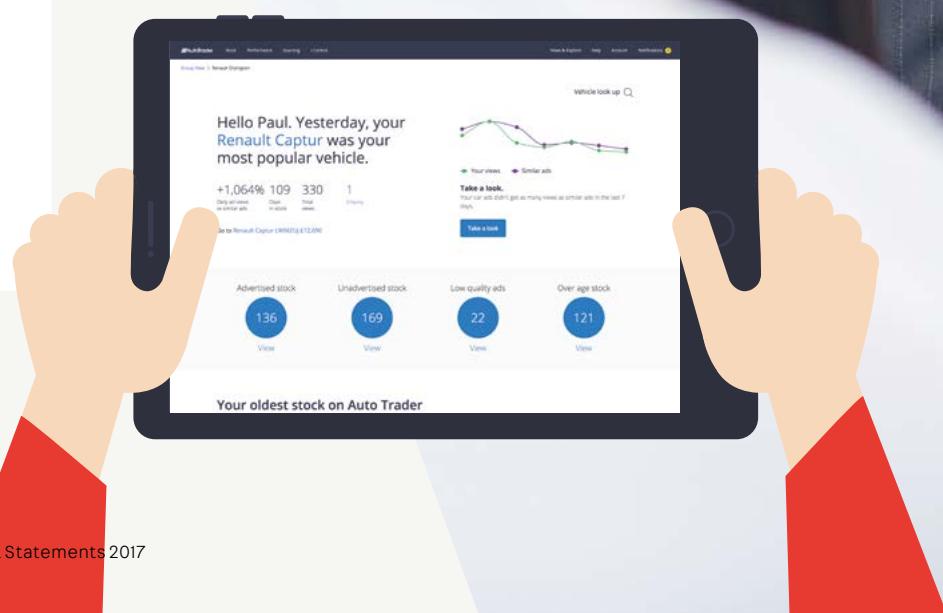
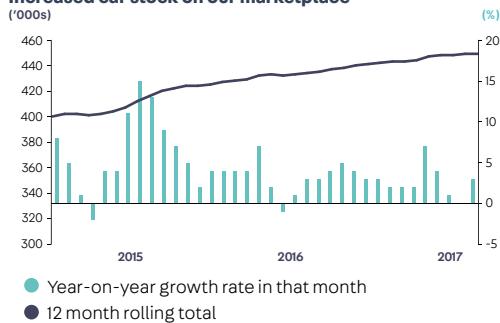
Physical car stock on site has increased year-on-year by 3%.

Portal is now utilised by around 87% of our retailer customers.

We've increased prices to reflect the value we deliver to our customers, adding more products as standard into our packages.

We migrated all of our customers onto a new monthly billing system, Singleview, helping us to improve our customer service as well as our effectiveness to cross sell products.

Increased car stock on our marketplace





i-Control

We have continued to develop the functionality of our data intelligence solutions, i-Control and Retail Check. Users of these tools will now exclusively be able to see adjusted guide price valuations based on adding spec.

4

Extend the penetration of products outside of our core classified proposition

We have removed sales commissions from our sales and service teams and implemented a new 'challenger' sales approach. This ensures our teams are equipped to provide strategic business consultancy and are therefore more able to articulate value in products that sit outside of our core classified offering. We have also continued to develop products outside of our core, for example products that allow retailers to manage and market their businesses more effectively.

Progress during the last year:

We have increased penetration of products outside of our core selling proposition, growing usage of our Managing products, i-Control and Retail Check.

We gained FCA authorisation allowing us to show a retailer's own finance deals on their adverts on Auto Trader.

Launched new website templates in order for us to compete more effectively.

Launched a new retailer brand advertising proposition.

2,500

retailer forecourts using our data-driven Managing products, i-Control or Retail Check

5

Enhance our relevance and value to manufacturers

Auto Trader is spontaneously top of mind for almost a quarter of consumers when looking to buy a new car². Coupled with an increase of over 6,000 brand new make/model variants onto our marketplace, this has increased the sales leads and amplified the value we now offer to manufacturers and their networks. We have also continued to build key relationships with manufacturers and their media agencies and are working with them to leverage our data and insight to target buyers at the right time in their car buying journey.

Progress during the last year:

Updated over 300 new car make/model pages, enabling consumers to make an enquiry with a local retailer.

Developed our cross platform audience targeting, beginning to embed our data management platform, helping us to target audiences more effectively.

Continued to develop new advertising and creative formats so manufacturers and their retailer networks can reach new car buyers at the right time, on the right channel with the right message.

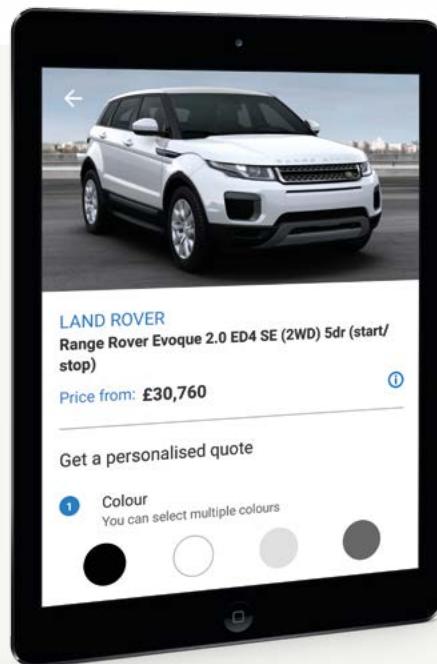
Increased Display advertising revenue from manufacturers and their media agencies by 16%.

Virtual stock

This year we extended our discovery search with the addition of over 6,000 brand new, make/model variants to our marketplace, what we have called 'virtual stock'.

1/3

of new car buyers state that Auto Trader would be one of their first destinations when looking to buy a brand new car².



² Auto Trader Brand Tracking Data from Acacia Avenue (January - February 2017).



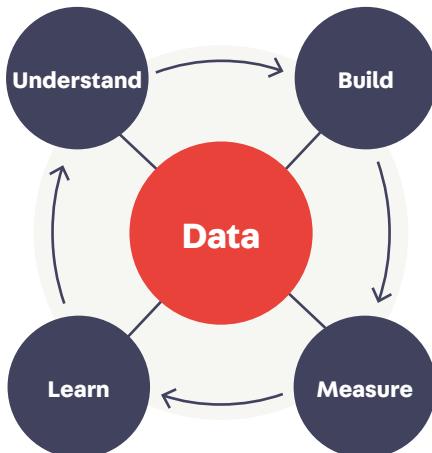
6

Operate a simpler, leaner and more data-oriented business

As part of the Group's digital culture, incorporating an agile and lean working ethos, we have continued to find ways of operating more efficiently whilst ensuring that teams are truly data-driven, resulting in every team being assigned their own dedicated data analyst.

In a bid to operate a simpler and more efficient business, we have migrated all our 13,000 retailer forecourts onto a new billing system enabling our sales teams to manage and monitor product penetration as well as customer value.

Data-driven product development



Progress during the last year:

100%

migration of retailer forecourts onto new billing system, Singleview

Developed the "Auto Trader Way" methodology to standardise the approach to product development, placing data at the heart of everything we do.

Financial performance KPIs

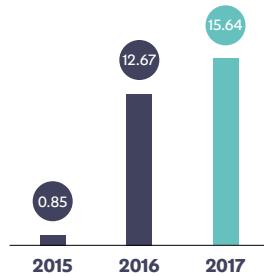
We use the metrics below to track our financial performance.

Revenue £m	Underlying operating profit £m	Underlying operating profit margin %																		
+9%	+19%	+6% pts																		
<table> <tr> <td>2015</td><td>255.9</td></tr> <tr> <td>2016</td><td>281.6</td></tr> <tr> <td>2017</td><td>311.4</td></tr> </table>	2015	255.9	2016	281.6	2017	311.4	<table> <tr> <td>2015</td><td>144.1</td></tr> <tr> <td>2016</td><td>171.3</td></tr> <tr> <td>2017</td><td>207.2</td></tr> </table>	2015	144.1	2016	171.3	2017	207.2	<table> <tr> <td>2015</td><td>56</td></tr> <tr> <td>2016</td><td>61</td></tr> <tr> <td>2017</td><td>67</td></tr> </table>	2015	56	2016	61	2017	67
2015	255.9																			
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2017	67																			
Operating priorities 1 2 3 4 5 6	Operating priorities 1 2 3 4 5 6	Operating priorities 1 2 3 4 5 6																		
Definition <p>The Group generates revenue from three different streams: Trade, Consumer services and Display advertising. Trade is further analysed into three classes: Retailer, Home Trader And Other.</p> <p>Progress Revenue increased by 9%, coming from a 9% increase in Trade revenue, as well as growth of 4% in Consumer services and 16% in Display advertising revenue. Refer to the Financial review for further detail on each revenue stream.</p>	Definition <p>Underlying operating profit is Operating profit before management incentive plans, share-based payments and associated NI, exceptional items and impairments.</p> <p>Progress Underlying operating profit increased by 19%, reflecting the Group's revenue growth and well managed costs.</p>	Definition <p>Underlying operating profit margin is Underlying operating profit as a percentage of revenue.</p> <p>Progress The Group's focus on operating efficiency and cost control resulted in a 6 percentage point increase in Underlying operating profit margin to 67%.</p>																		
Risks 1 2 3 4 5 6	Risks 1 2 3 4 5 6	Risks 1 2 3 4 5 6																		

As the 2017 financial year was five days longer than the previous year, year-on-year percentages for revenue, costs and profits have been adjusted to reflect like-for-like growth. Read more in our Financial review on page 26.

Basic EPS

pence per share

+22%**Operating priorities**

- 1**
- 2**
- 3**
- 4**
- 5**
- 6**

Definition

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

Progress

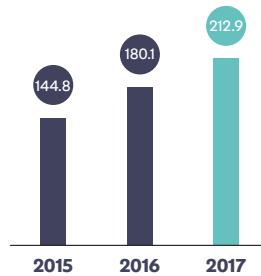
Basic EPS growth is a reflection of the Group's strong operational leverage aided by a small tailwind from the share buy-back programme implemented in this financial year.

Risks

- 1**
- 2**
- 3**
- 4**
- 5**
- 6**

Cash generated from operations

£m

+£32.8m**Operating priorities**

- 1**
- 2**
- 3**
- 4**
- 5**
- 6**

Definition

Cash generated from operations as reported in the consolidated statement of cash flows on page 83. This is defined as cash generated from operating activities, before corporation tax paid. This is considered to be a more meaningful measure of performance than the statutory measure of cash generated from operating activities which can be distorted by changes in funding structure and the time lag that applies to the payment of corporation tax.

Progress

Cash generated from operations increased to £212.9m in the year, giving growth of £32.8m. This demonstrated a high level of profit being converted into cash, which was largely returned to shareholders.

Risks

- 1**
- 2**
- 3**
- 4**
- 5**
- 6**

Operating priorities relevant to our KPIs

- 1** Increase consumer audience, advert views and use of our valuation tools
- 2** Promote trust and fairness in the marketplace
- 3** Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4** Extend the penetration of products outside of our core classified proposition
- 5** Enhance our relevance and value to manufacturers
- 6** Operate a simpler, leaner and more data-oriented business

→ **Read more on page 13.**

Risks relevant to our KPIs

- 1** Economy, market and business environment
- 2** Increased competition
- 3** Brand
- 4** New or disruptive technologies and changing consumer behaviours
- 5** IT systems
- 6** Employee retention

→ **Read more on pages 33 to 35.**

Operating KPIs

We use the metrics below to track our operational performance.

Advert views

Average number per month (millions)

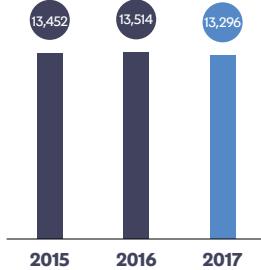
+2%



Number of retailer forecourts

Average number per month

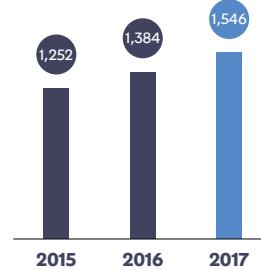
-2%



Average Revenue Per Retailer ('ARPR')

£ per month

+£162



Operating priorities

1 2 3 4 5 6

Definition

Advert views are click-throughs from initial search result pages to see the more detailed specification of the vehicle. Research has shown that a higher level of advert views correlates with a higher number of retailer sales.

Progress

2% growth in advert views was steady as our market leading position was consolidated. A proportion of advert view growth was cannibalised by growth in valuations, as consumers no longer need to go through a search to get an indicative value for their vehicle. In the year we delivered 3.0 billion of these virtual inspections, which means there was an average of 94 vehicles per second being viewed through an advert view.

Operating priorities

1 2 3 4 5 6

Definition

The average number of retailer forecourts per month that are advertising vehicles on the Auto Trader marketplace over the financial year.

Progress

The marginal decline in forecourts was the result of losses in non-car channels and a slight decline in small independent customers, marginally offset by growth in franchise forecourts. The independent decline appears to be attributable to continued consolidation in the total number of UK forecourts and the challenges faced by the fast moving nature of digital's role in the car buying process. Decline in the first half impacted run rate into the second half of the year.

Operating priorities

1 2 3 4 5 6

Definition

Average Revenue Per Retailer ('ARPR') is the average monthly revenue generated from retailer forecourts divided by the average monthly number of retailer forecourts.

Progress

In the year we continued to deliver greater levels of value to our customers, with increased levels of audience and higher levels of engagement per visit. This value underpinned the three levers of ARPR, price, stock and product (where we consolidated upsell and cross-sell). Our annual pricing event saw greater levels of product uptake and higher numbers of listings, aided by a good market tailwind.

Risks

1 2 3 4 5 6

Risks

1 2 3 4 5 6

Risks

1 2 3 4 5 6

Cross platform minutes

Monthly average minutes spent across all our platforms (millions)

+12%

**Operating priorities**

- ① ② ③ ④ ⑤ ⑥

Definition

Monthly average minutes spent across all our platforms, as defined by comScore.

In the previous year, we reported our share of cross platform minutes against a defined competitor set. However, due to changes in comScore's methodology, and inconsistencies between the way that competitor websites are configured, this measure is no longer considered to be reliable and so has been replaced with a measure of our own total cross platform minutes.

Progress

Cross platform minutes growth, as measured by comScore, was reflective of an increasingly engaged audience. Engagement was seen not just in our core classified listings but also with our valuation products and Dealer Reviews, both key components of our drive for greater levels of trust and transparency in the marketplace.

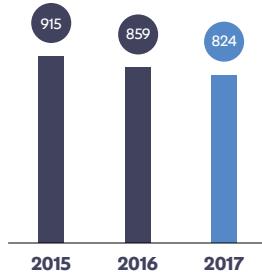
Risks

- ① ② ③ ④ ⑤ ⑥

Number of full-time equivalent employees ('FTEs')

Average number (including contractors)

-4%

**Operating priorities**

- ① ② ③ ④ ⑤ ⑥

Definition

Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis.

Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Progress

People are an essential asset and attracting, retaining and developing that talent is at the core of our operational thinking. There is also an internal commitment to operate in a lean and agile environment which has driven efficiencies over the last year, resulting in a 4% reduction in FTEs.

Risks

- ① ② ③ ④ ⑤ ⑥

Operating priorities relevant to our KPIs

- ① Increase consumer audience, advert views and use of our valuation tools
- ② Promote trust and fairness in the marketplace
- ③ Grow ARPR in a balanced, sustainable way by creating value for our customers
- ④ Extend the penetration of products outside of our core classified proposition
- ⑤ Enhance our relevance and value to manufacturers
- ⑥ Operate a simpler, leaner and more data-oriented business

→ [Read more on page 13.](#)

Risks relevant to our KPIs

- ① Economy, market and business environment
- ② Increased competition
- ③ Brand
- ④ New or disruptive technologies and changing consumer behaviours
- ⑤ IT systems
- ⑥ Employee retention

→ [Read more on pages 33 to 35.](#)

We have delivered on our guidance to reduce leverage, grow dividends and return excess cash to shareholders



In 2017, we returned £128.7m in cash to shareholders, as well as reducing gross debt by £40m."

Sean Glithero
Chief Financial Officer

Revenue

In 2017, we saw another year of strong revenue growth at 9%, reaching £311.4m (2016: £281.6m). Growth was achieved in all three revenue streams and in total at a rate similar to that attained in 2016.

Trade revenue was the largest contributor, with revenue rising by 9% to £262.1m (2016: £236.4m). Within Trade, Retailer revenue grew 10% to £250.1m (2016: £224.5m). Home Trader saw growth of 3% to £12.0m (2016: £11.5m), with a lower growth rate largely being attributable to limited pricing initiatives in the year. Other revenue fell

→ Change from 52-week to annual accounting period

Due to the publishing heritage of the business, results have historically been reported on a 52 week (i.e. 364 days) basis with the accounting period ending on the closest Sunday to 31 March.

The Board made the decision to change the period end date to be 31 March every year, starting in financial year 2017, to better align with our customers' needs, and to the products and services we offer.

As a consequence of this change, the 2017 financial year was five days longer than the previous year and whilst there was no impact on the first half results, the second half of the year was longer and hence revenues, costs and earnings were greater due to the extra trading days.

Year-on-year percentages for revenues, costs and profits have been adjusted to reflect like-for-like growth. No other percentages have been adjusted.

For example: Operating profit (£203.1m x 364/369 divided by £169.6m - 1) x 100 = 18%.



Our business model

page 10

Key performance indicators

page 22

Revenue	2017 £m	2016 £m	Days-adjusted change
Retailer	250.1	224.5	10%
Home Trader	12.0	11.5	3%
Other	-	0.4	n/m
Total	262.1	236.4	9%
Consumer services	31.8	30.3	4%
Display advertising	17.5	14.9	16%
Total	311.4	281.6	9%

£0.4m versus 2016 due to the closure of our manufacturer websites business, 2nd Byte, in June 2015.

We delivered increased Retailer revenue as a result of growth in Average Revenue Per Retailer ('ARPR'), where there was improvement of £162 to £1,546 per month (2016: £1,384). Average retailer forecourts were down 2% to 13,296 (2016: 13,514) with losses in non-car, Republic of Ireland and smaller independent retailers partially offset by growth in franchise forecourts. This change in retailer mix led to an overall ARPR increase from the loss of smaller lower yielding retailers. With much of the decrease occurring in the first half of the year and therefore impacting the second half run rate, forecourts were largely in line with expectations for the remainder of the year. Low-level market consolidation continues to be apparent amongst smaller customers, although the drop in the total number of forecourts remains at the rate seen over the last three to four years.

ARPR growth of £162 per month was generated through three levers: stock, price, and product, where we have consolidated upsell and cross-sell.

Our marketplace saw an average number of car listings of c.450,000 in the year, which was 3% higher than last year (2016: c.437,000). The growth in stock comes through continued internal initiatives to help retailers understand the value of advertising all of their stock on the marketplace and focusing on the ever-increasing role of digital in the car buying journey. We also saw a good underlying used car market, benefitting from the recent growth in new car transactions. With top-level growth in the number of listings and the benefit from unwinding the last remaining historic stock discounts, the stock lever contributed £48 (2016: £58) and 30% (2016: 44%) of total ARPR growth.

With a greater number of listings, a larger audience and higher levels of engagement, we implemented a price change in the first quarter of financial year 2017. For some customers, this was in addition to a pricing initiative in the second half of the previous year. The timing benefit, where the two events compound up in the price lever, is not expected to reoccur going forward as we shift to an annual price review in April of each year, starting in financial year 2018. Of total ARPR growth, price contributed £86 (2016: £41) and 53% (2016: 31%).

Our product lever, which had previously been split between additional products taken, either within or outside of our core classified selling package (upsell & cross-sell), contributed £28 (2016: £33) and 17% (2016: 25%) of total ARPR growth. We continued to see high adoption of Level 3 of our package staircase, which includes priority listings on mobile. This acted as a catalyst for the introduction of our new prominence products in the 2018 financial year, which give customers the opportunity to achieve more advert views by upgrading to higher levels in the package staircase.

Also included in the product lever is the change in Retailing solutions revenue, which saw a year-on-year decline of 4% to £23.9m (2016: £24.5m), with the main driver being the discontinuation of low margin pay-per-click ('PPC') and search engine optimisation ('SEO') products which were wound down in their entirety during the first half of the year. Retailer display revenue also saw a small year-on-year decline as customers chose higher return-on-investment listings and data products rather than to promote their brand through display advertising. Our website templates and B2B classified portal products saw a number of technical changes in the year, which limited growth opportunities. Penetration of forecourts



Trade revenue

£262.1m

(2016: £236.4 million)



Underlying operating profit

£207.2m

(2016: £171.3 million)



Cash generated from operations

£212.9m

(2016: 180.1m)



Cash returned to shareholders

£128.7m

(2016: £5.0m)

using our Managing products grew well in the second half of the year and we closed the year with c.2,500 forecourts (2016: c.1,900), representing a 19% penetration of total forecourts (2016: 14%).

Consumer services revenue increased 4% in the year to £31.8m (2016: £30.3m). Private revenue, within Consumer services, grew 3% to £24.4m (2016: £23.3m), although the second half was broadly flat, as we saw increased competition and the effect of the growing impact of our own Part-Exchange Guide product. Motoring services saw a slightly better growth rate, increasing 4% to £7.4m (2016: £7.0m), with much of the growth coming through delivering greater response to our third-party partners for insurance, finance and vehicle checks.

Display advertising revenue grew 16% to £17.5m (2016: £14.9m) from a higher number of homepage takeovers and increased levels of inSearch advertising, tempered by lower growth in programmatic display revenue following the introduction of a new adserver in November, which took time to embed. We continue to deepen relationships with manufacturers and their media agencies, which will allow us to develop and monetise our virtual stock proposition.

Costs

Underlying administrative expenses continued to be well managed, seeing a 7% reduction year-on-year to £104.2m (2016: £110.3m). Total administrative expenses saw a reduction of 5%.

People costs comprise staff costs (excluding share-based payments) of £49.1m (2016: £51.1m) and third-party contractor costs of £0.4m (2016: £0.4m). Overall, people costs declined in the year by 5% to £49.5m (2016: £51.5m), due to lower full-time equivalent employees ('FTEs') (including contractors), down 35 year-on-year to an average of 824 (2016: 859) as well as a fall in redundancy and restructuring costs. The headcount reduction came as we continued to improve our way of working in a lean and agile way, although some of the saving was offset through higher salaries as we look to attract the best digital talent, particularly in technical and customer facing roles.

Costs	2017 £m	2016 £m	Days-adjusted change
People costs	49.5	51.5	(5%)
Marketing	16.0	15.7	1%
Overheads	30.7	32.5	(7%)
Depreciation & amortisation	8.0	10.6	(26%)
Underlying administrative expenses	104.2	110.3	(7%)
Share-based payments	4.5	2.5	78%
Exceptional items	(0.4)	(0.8)	(51%)
Total administrative expenses	108.3	112.0	(5%)

Underlying operating profit	2017 £m	2016 £m	Days-adjusted change
Underlying operating profit	207.2	171.3	19%
Share-based payments	(4.5)	(2.5)	78%
Exceptional items	0.4	0.8	(51%)
Operating profit	203.1	169.6	18%

Marketing spend increased slightly in the year to £16.0m (2016: £15.7m), although as a percentage of revenue it fell to 5.1% (2016: 5.6%). Much of the focus this year has been on product specific campaigns where we have promoted private advertising, Part-Exchange Guide and valuations. We increased PPC spend as we saw higher levels of competitor activity in this area.

Reductions were made in overheads of 7% to £30.7m (2016: £32.5m), in part through adhering to lean operating principles and a number of one-off savings including a rates rebate, and a year-on-year cost saving of c.£1.0m due to the discontinuation of the low-margin Retailing solutions products. Lower FTEs, in particular, had a benefit on employee related expenses.

Depreciation and amortisation decreased by 26% to £8.0m (2016: £10.6m) as past development costs became fully amortised in the year.

A share-based payments charge of £4.5m (2016: £2.5m) was recognised during the year, including national insurance costs ('NI') on potential employee gains where applicable. The year-on-year increase in the charge was primarily due to further awards made in June 2016 under the Performance Share Plan and the Deferred Annual Bonus Plan as well as the full-year impact of the Sharesave scheme launched in September 2015. Refer to note 26 of the consolidated financial statements for further details.

Following the completion of the office centralisation programme in 2014, the Group ran an initiative to exit a number of properties early and to secure cash discounts where possible. During the period, the Group completed this initiative and disposed of the last remaining property. As a result, an exceptional credit of £0.4m has been recognised in the income statement in respect of the profit on disposal and the release of vacant property provisions no longer required.

Underlying operating profit

Underlying operating profit increased by 19% to £207.2m (2016: £171.3m) with Underlying operating profit margin improving by 6 percentage points to 67% (2016: 61%).

The Group has previously reported non-underlying items in the income statement to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. These include exceptional items, share-based payment charges (and associated NI) and costs related to management incentive schemes linked to the previous private ownership of the Group. From next year, i.e. for 2018 and beyond, the Group will no longer report Underlying operating profit and will instead focus on the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

In the year, Operating profit grew 18% to £203.1m (2016: £169.6m), with Operating profit margin increasing 5 percentage points to 65% (2016: 60%).

Profit before tax

Profit before tax increased to £193.4m (2016: £155.0m), which followed the Operating profit performance and a reduction in net finance costs to £9.7m (2016: £14.6m). Net finance costs fell through a combination of paying the lowest level of margin on the debt facility from June 2016 onwards, and from lower gross debt, which was reduced in the year.

Taxation

The Group tax charge of £38.7m represents an effective tax rate of 20% (2016: 18%) which is in line with the average standard UK rate and a reflection of our taxation policy to act in a responsible and transparent manner in all tax matters.

The 2016 rate was lower than the standard rate due to a one-off release of a tax provision.

Earnings per share

Basic earnings per share rose by 22% to 15.64 pence (2016: 12.67 pence) and was based on a weighted average number of ordinary shares in issue of 989,278,991 (2016: 1,000,002,803). Diluted earnings per share of 15.60 pence (2016: 12.65 pence) also increased by 22%, based on 991,812,212 shares (2016: 1,001,394,111) which takes into account the dilutive impact of outstanding share awards.

Cash flow and net external debt

Cash generated from operations increased to £212.9m (2016: £180.1m) and was achieved as a result of strong Operating profit combined with low working capital and capital expenditure requirements. This enabled us to deliver on our guidance to reduce leverage, grow dividends and return excess cash to shareholders.

Corporation tax payments totalled £34.8m (2016: £16.0m), as tax paid in 2016 benefitted from the previous year's lower earnings; the result of higher interest and exceptional costs. Cash generated from operating activities was £178.1m (2016: £164.1m).

Capital expenditure increased in the year to £3.7m (2016: £3.1m) as we made further investments in our working environment as well as residual spend on the new billing system, Singleview.

Interest paid on financing arrangements fell to £7.6m (2016: £12.6m) through the combination of a lower margin payable and lower gross debt, as £40.0m (2016: £147.0m) was repaid in the year taking gross debt to £363.0m (2016: £403.0m). Net external debt reduced to £355.0m (2016: £392.6m), as lower levels of cash were held at the 2017 year end compared to the previous year. Leverage, defined as the ratio of net external debt to Adjusted underlying EBITDA, decreased to 1.6x (2016: 2.2x).

During 2017, we commenced a share buyback scheme which saw £102.1m invested in the repurchase of 26.3 million shares, incurring fees of £0.5m. A further £26.6m was paid in dividends, giving a total of £128.7m (2016: £5.0m) in cash returned to shareholders.

Dividends and returns to shareholders

The Directors are recommending a final dividend for the year of 3.5 pence per share, which together with the interim dividend makes a total dividend of 5.2 pence per share, amounting to £50.8m, in line with our policy of distributing approximately one third of net income. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 21 September 2017, the final dividend will be paid on 29 September 2017 to shareholders on the register of members at the close of business on 1 September 2017.

The policy of distributing approximately one third of net income remains unchanged. The capital allocation policy that sees the majority of surplus cash, after dividends, used to buy back shares remains unchanged and gross indebtedness is expected to fall steadily through debt repayments.

At the 2016 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2017 AGM and the Directors intend to seek a similar general authority from shareholders at the 2017 AGM. The programme will be ongoing and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

Post balance sheet event

Since the year end, the Group has acquired Motor Trader Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year were less than 1% of the revenue and profits of the Group. As at the date of this report, we have not yet concluded the accounting for this acquisition.

Appointment of auditors

At the 2016 AGM shareholders approved the appointment of KPMG LLP as the Group's new external auditors.

Sean Glithero

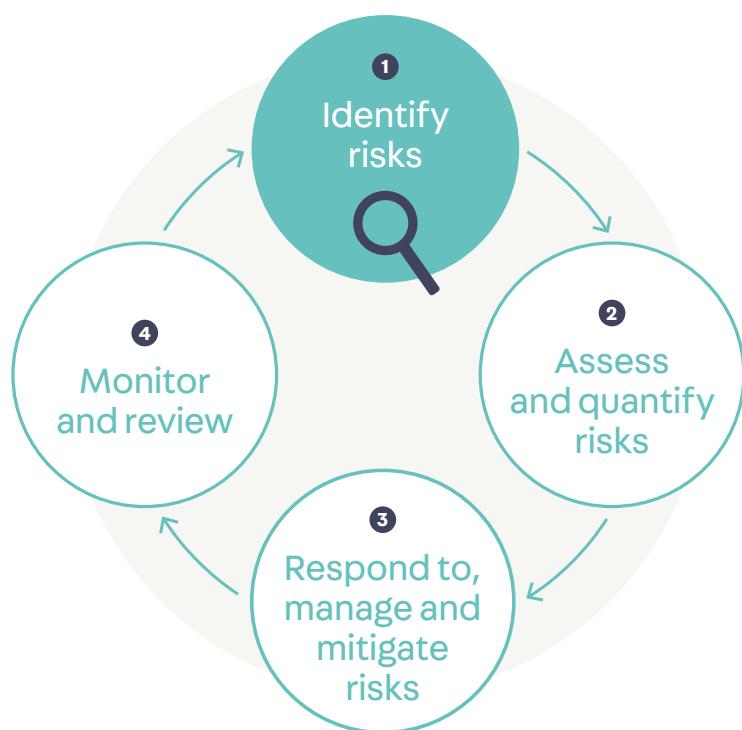
Chief Financial Officer
8 June 2017



Understanding and managing our principal risks and uncertainties

Risk management process

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



1 Identify risks

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

2 Assess and quantify risks

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

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

3 Respond to, manage and mitigate risks

The effectiveness and adequacy of controls in place are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

4 Monitor and review

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

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



Our framework

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

The roles and responsibilities of each level of this framework are as follows:



Risk governance and responsibilities

The Board's responsibilities

- Overall responsibility for risk management.

The Audit Committee's responsibilities

- Assess the scope and effectiveness of risk management processes and internal control systems.

Operational Leadership Team responsibilities

- identify, assess, monitor, manage and mitigate risks and exploit opportunities;
- ensure appropriate internal controls are in place;
- ensure the risk register is properly maintained; and
- embed risk management as business as usual.

Operational management and internal controls

- Embed and manage internal controls and risk management day to day as part of business as usual.

Oversight functions and internal audit

- Aid in setting appropriate policies, provide guidance, advice and direction on implementation of those policies and monitor the first line of defence.

Additional line of defence

- External auditor.

Viability statement

In accordance with Provision C.2.2 of the 2014 UK Corporate Governance Code, the Board has assessed the prospects and viability of the Group.

Assessment of prospects

Auto Trader is the UK's leading digital automotive marketplace and it is the Group's clear focus to maintain this position by relentlessly focusing on improving the process of buying and selling vehicles. During the year ended 31 March 2017 the Group generated a profit before tax of £193.4m and was highly cash generative with cash generated from operations of £212.9m. Taking into account the Group's current position and its principal risks and uncertainties as described on pages 33 to 35, the Directors have assessed the Group's prospects and viability.

The business model and strategy as set out on pages 10 and 13 are a core part of understanding its prospects. These factors provide a framework for the rolling three-year plan which is developed as part of the annual budget process and reviewed by the Board to assess the Group's prospects.

The Directors have adopted a three-year timeframe for assessing both prospects and viability, which is considered to be appropriate due to the following:

- it is consistent with the Group's rolling three-year strategic planning process;
- the Group operates within a digital online marketplace where the market can be fast moving, so looking out beyond this timeframe yields little benefit;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models; and
- it incorporates the period in which we expect to refinance our existing term loan and therefore includes an assessment on our ability to refinance.

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

The output of the annual review process is a set of operational priorities, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget.

Detailed financial forecasts that consider customer numbers, ARPR growth, revenue, profit, cash flow, funding arrangements and key financial ratios have been prepared for the three-year period to March 2020. The first year of the financial forecasts forms the basis for the Group's 2018 budget and is subject to a re-forecast process at the half-year. The second and third years are prepared in detail, and are flexed based on the actual results in year one.

Assessment of viability

The Board's assessment of the Group's prospects, as described above, has been made with reference to current market conditions and known risk factors. The principal risks and uncertainties facing the Group are outlined on pages 33 to 35.

Given the Group's financial performance in 2017 and over recent years, the Board continues to believe that the key factor which would prejudice the delivery of the Group's financial objectives is a severe weakening of Auto Trader's marketplace proposition and its leading market position. This could be caused by a loss of audience which results in a reduction in retailers and the level of stock listed on the marketplace or by a reduction in the number of retailers and stock which could then result in a loss of audience.

Using the current strategic plan as a base case, alternative forecasts have been produced to model the effect on the Group's liquidity and solvency of very severe combinations of the principal risks and uncertainties affecting the business.

The viability model assumed a rapid deterioration in stock and audience over a short period of time. The number of customer retailer forecourts and the ARPR generated were significantly degraded in the model, but expenditure in the areas of marketing, payroll and technology were held steady. Revenue and profitability are clearly affected in this scenario, but the business remains cash generative.

Given the Group's significant free cash flow, and the Board's ability to adjust the discretionary share buyback programme, there is long-term comfort around viability in the face of adverse economic or competitive conditions.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2020.

Going concern

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

Identify, evaluate and manage the Group's risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

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

Operating priorities relevant to our risks

- 1 Increase consumer audience, advert views and use of our valuation tools
- 2 Promote trust and fairness in the marketplace
- 3 Grow ARPR in a balanced, sustainable way by creating value for our customers
- 4 Extend the penetration of products outside of our core classified proposition
- 5 Enhance our relevance and value to manufacturers
- 6 Operate a simpler, leaner and more data-oriented business

 [Read more on page 13.](#)

Principal risk	Description	Key mitigations	Operating priorities	Change
Macroeconomic risks				
1. Economy, market and business environment	<p>If the UK car market contracts this could result in a reduction in new and used car transactions which could result in a reduction in the number of retailers or reduce retailers' desire to advertise their vehicles on the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising.</p> <p>The result of the EU Referendum has increased the level of uncertainty around customer and consumer spending power.</p> <p>Although there are no short-term indicators of a downturn, in the longer term the industry now expects new car registrations to plateau or decline from recent record highs, and so this risk level has been slightly increased.</p> <p>In considering the potential implications of the Referendum result on the business the Directors considered the time lag between the registration of new cars and the entry of cars into the used car marketplace; the resilience of our business model; the strength of our value proposition; and the Group's ability to reduce costs.</p>	<ul style="list-style-type: none"> - Regular review of market conditions. - Resilient business model. - Ability to reduce costs. - Diversification into other advertiser needs. 	1 2 3 4 5 6	

Principal risk	Description	Key mitigations	Operating priorities	Change
Competitive risks				
2. Increased competition	Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.	<ul style="list-style-type: none"> - Demonstration of value to customers. - Regular review of audience data. - Maintenance of investment in products and in marketing campaigns. - Resilient business model. 	1 2 3 4 5 6	—
3. Brand	Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.	<ul style="list-style-type: none"> - Maintenance of investment in marketing campaigns. - Clear and open culture with focus on trust and transparency. 	1 2 3 4 5 6	—
4. New or disruptive technologies and changing consumer behaviours	Failure to innovate and develop new technologies or products, to execute product launches and improvements or to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.	<ul style="list-style-type: none"> - Monitoring of emerging trends in automotive and other verticals worldwide. - Monitoring of audience figures and consumer functionality relative to competitors. - Continuous investment in technology. 	1 2 3 4 5 6	—

Principal risk	Description	Key mitigations	Operating priorities	Change
Operational risks				
5. IT systems	Failure in one system as a result of malicious attack, our own failures or those of third-party suppliers, could disrupt others and could impact the availability or performance of Group platforms and could cause reputational damage with consumers and/or customers.	<ul style="list-style-type: none"> - Adherence to strict industry standards. - Internal team focused on mitigating security threat. - Maintenance of a business continuity plan. 	1 2 3 4 5 6	—
6. Employee retention	Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.	<ul style="list-style-type: none"> - Long-term incentive plans for key senior staff. - Active succession planning and career development plans to retain and develop the next level of executives. - Strong value-led culture embedded throughout recruitment, induction and training. - Employee engagement surveys and other activities. 	1 2 3 4 5 6	—



Make a difference

Our strategy is to lead the future of the digital automotive marketplace in the UK. We do this by building a digital culture that is values-driven, customer-focused, data-oriented and focused on making the processes of both buying and selling new and used vehicles easier.

Overview

Our operating priorities support this strategy and are reviewed annually. People are the Group's most valuable resource and the success of the Group is to the credit of all its employees. Last year we were focused on creating a simpler, leaner, and more data-oriented organisation. In order for us to truly become more data-oriented, we restructured our data and insight tribe (what we call our functions) so data specialists are now aligned to all areas of the business providing more specific data to each squad (our term for teams). To continue embedding this, next year's operating priority will be to create and maintain consistently high-performing, data-oriented squads across the whole Auto Trader business.

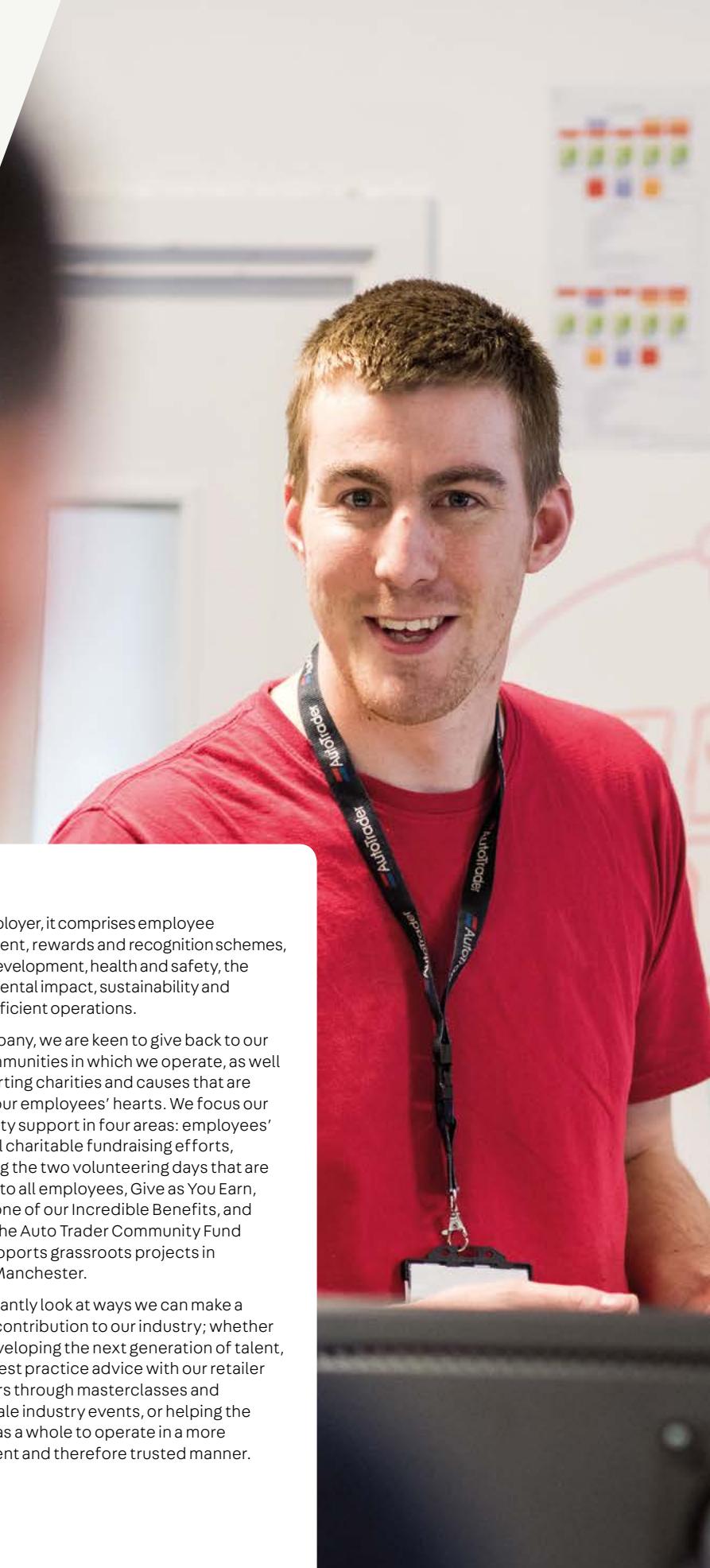
Our culture is shaped by our values of determination, reliability, curiosity, inspiration and humility; these values often manifest themselves in our fast-paced and highly customer-oriented approach in our commitment to being an exciting, innovative and digital-led company.

Corporate social responsibility at Auto Trader is driven by our values and culture and is focused on making a difference to our employees, our community and our industry. This, along with our diversity and inclusion strategy, is embedded into how we operate on a daily basis.

As an employer, it comprises employee engagement, rewards and recognitions schemes, people development, health and safety, the environmental impact, sustainability and energy efficient operations.

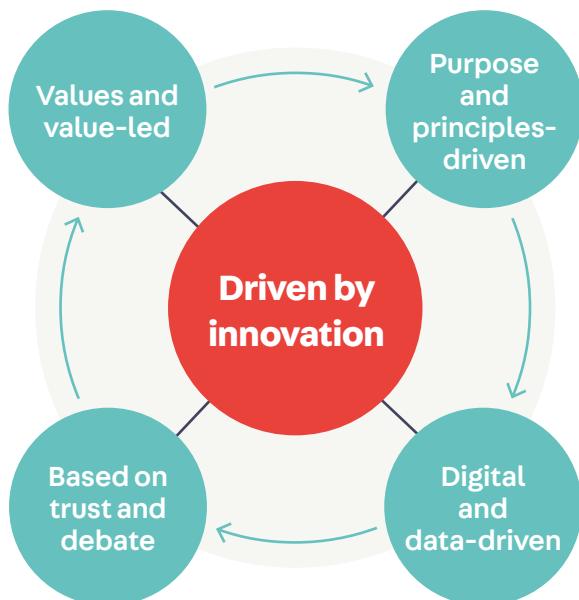
As a company, we are keen to give back to our local communities in which we operate, as well as supporting charities and causes that are close to our employees' hearts. We focus our community support in four areas: employees' individual charitable fundraising efforts, promoting the two volunteering days that are available to all employees, Give as You Earn, which is one of our Incredible Benefits, and through the Auto Trader Community Fund which supports grassroots projects in Greater Manchester.

We constantly look at ways we can make a positive contribution to our industry; whether that's developing the next generation of talent, sharing best practice advice with our retailer customers through masterclasses and larger-scale industry events, or helping the industry as a whole to operate in a more transparent and therefore trusted manner.



Our culture

We have fostered a fast-paced culture that has innovation at its heart, driven by a committed leadership team that combines digital experience with a long average tenure at the Group.



Our values

By adhering to the Group's core values, we believe we are making a positive impact not only on our consumer audience and customers, but also on our employees and the communities in which they work and live.

Be determined

We got where we are today by being determined. And that's how we'll continue to succeed.

Be reliable

Our customers depend on us, so we must always be there with useful services that work effortlessly.

Be curious

Asking questions and trying things out is the best way to stay ahead of changes in the digital world.

Be humble

We need our customers more than they need us. Everything we do, we should do to help them.

Be inspirational

With nearly 40 years of experience, Auto Trader is a trusted industry voice. We use that voice wisely.



Making a difference to diversity and inclusion

Ensuring Auto Trader is a diverse and inclusive company is extremely important to us. We created a dedicated working group who are tasked with implementing a strategy to ensure diversity and inclusion becomes part of our Company's DNA. We are also committed to ensuring everyone has equal opportunities to achieve their full potential as well as equal pay regardless of gender. Diversity for everyone at Auto Trader means respect for and appreciation of differences in: gender, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We believe that inclusion is a state of being valued, respected and supported for who you are.

"Diversity is the mix. Inclusion is getting the mix to work well together."

As a result, all of our employees have participated in a one-day workshop focusing on creating common understanding of the concepts as well as exploring their unconscious biases and how they can impact their own behaviour and relationships with other people inside and outside of work. Our approach is to educate and change attitudes; we have introduced a series of masterclasses including Mental Health Awareness sessions and participated in various local events like the Manchester Pride Festival, where we received the 'Lord Mayor's Special Award' for our enthusiastic showcase of support to the LGBT+ community.

We have created various employee groups (photography, book, board game, running and movie clubs) that aim to bring people together in line with our philosophy that inclusion will be achieved by respecting each other's differences but concentrating on finding common ground. A women's network was launched aiming to make a difference in the lives of women in our business, the community and related industries of technology and automotive. We also started a family network to give colleagues with families with young children or carer responsibilities a way to support each other.



Gender diversity

As at 31 March 2017	Male	Female	Total
Board	4	2	6
Senior managers ¹	11	4	15
Company ²	515	305	820

We continue our participation to promote Science, Technology, Engineering and Maths ('STEM') careers by supporting two schools near our Manchester office by running 'Code Clubs' to teach young children how to code. Following the success of last year, we are expanding our participation in the 'Change 100' programme, organised by Leonard Cheshire Disability, offering three talented students a summer internship in either our Manchester or London office.

Our ambition to become one of the most diverse and inclusive employers is supported by our Company policies and practices. During our annual engagement survey, we monitor progress related to our employee make up in line with the Equality Act 2010 protected characteristics. We also collect feedback around our colleagues' attitudes and overall experience to ensure everyone can feel they can be their authentic self at work.

¹ Senior managers are defined as members of the Operational Leadership Team ('OLT').

² Company numbers include Board and OLT members.



Making a difference to our employees



This year we participated in the 'Sunday Times Top 100 Best Companies to Work For' and we achieved a two-star 'outstanding' rating and joined the list at number 69.



To help us achieve our mission of leading the future of the digital automotive workplace, we have built a relatively flat structured, fast-paced, digital organisation. Our success at Auto Trader is down to the innovative, talented and committed people who contribute to the business. We put the customer at the heart of everything we do, constantly developing our site to ensure consumers get a great user experience as well as developing products that will add value to our retailers.

We value our people and their opinions. Therefore we organise an annual employee conference and hold regular business and financial updates throughout the year to keep employees informed on the Group's performance and operating priorities as well as give them the opportunity to ask questions. By promoting collaboration and transparency we encourage our people to contribute to our business and share their thoughts, concerns and ideas by attending Directors' breakfast sessions and company showcases.

Employee engagement and recognition

Following the employee experience survey last year, we set up working groups to: help improve communication across the business; launch a recognition scheme based on our values; look at what makes our people successful; and create and deliver a diversity and inclusion strategy across the whole of the business. We also hold regular 'health checks' that allow squads to sit down together in an open and secure environment to discuss how they feel in the workplace.

Our 'Incredible Benefits' platform allows our employees to access all the benefits offered at Auto Trader in one place, enabling them to tailor their benefits package to meet their own specific needs. As well as our company funded benefits, we offer a wide range of voluntary benefits including childcare vouchers, critical illness and dental insurance. In next year's annual enrolment Auto Trader extended to all employees the option to cover the premium cost of either Private Medical Insurance (employee level) or Health Cash Plan (up to family level). The Company will also be offering a second Sharesave scheme for the benefit of Group employees which not only recognises and rewards employees but also promotes a culture of shared ownership.

Training and development

Auto Trader continues to invest in all of its employees by offering blended learning opportunities that are aligned to its collaborative and inclusive culture. All new joiners to the business are given the best possible start to their Auto Trader careers with our three-day induction programme that allows them to understand the core values of our business and help achieve a one-team culture.

Every individual is responsible for their own development and has quarterly development conversations and personal development plans ('PDP') with their people leader. We appreciate that everyone has unique needs and likes to learn in different ways. PDPs covering both professional and personal development are built with a mix of on-the-job learning, opportunities to attend conferences, the support of mentors, e-learning and professional qualifications. The business utilises internal experts to deliver workshops and bitesize sessions focused around our Success Framework and specialist subjects which enable both individuals and teams to succeed and grow, thus fostering an engaged workforce.

Company-wide learning initiatives including diversity and inclusion ensure we deliver on what is important today and that we succeed in the future. We deliver core life-cycle programmes for apprentices and graduates, and we develop our future senior leaders with our Leadership Development Programme, both of which mean we have a robust succession plan in place to cultivate talent as well as empower individuals to reach their full potential. All our managers take part in the Practical People Leadership Programme to develop their skills in recruitment, performance management and development of their people.

Making a difference to our communities

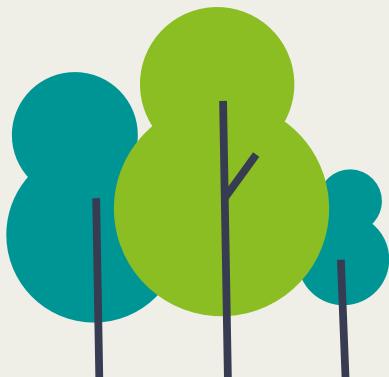
We have a dedicated team of individuals from across our business who are responsible for driving our Make a Difference strategy, which aims to maximise the support and impact we provide to the communities in which we operate.

The Auto Trader Community Fund powered by the Forever Manchester charity considers applications and awards up to £1,000 to community groups and grassroots projects across Greater Manchester. This year, the fund has donated over £60,000 to various causes that bring people together and empower them to create sustainable changes in their lives.

Donations from Auto Trader directly to other charities totalled an additional £55,000 through 'Employee Match Funding' for charities and causes that are close to their hearts. Our Give as You Earn scheme participation has doubled, with almost 100 of our colleagues donating to charities directly via our payroll monthly.

But making a difference is not limited to donating monetary funds. Our colleagues have utilised one of our Incredible Benefits, two optional volunteering days, to support worthy causes across the UK. Employees offered their time and expert skills to the following: St Pancras Community Centre for young children and the elderly; Survivors Manchester for male survivors of sexual abuse; Coffee for Craig helping the homeless; and Working Change assisting women in prison to gain valuable job seeking and interview skills. We have recently partnered with Benefacto to help employees at our London office to engage in established volunteering opportunities in their local communities.

To support the arts in Manchester we continue our successful corporate partnership with HOME Arts Centre and the Manchester International Festival; both building on the rich cultural heritage of the city by introducing new artists and various art forms throughout the year.



Making a difference to our industry



Our Make a Difference strategy extends to ensuring we support the wider technology community as well as help to shape the future of the automotive industry.

To encourage the next generation of technology talent, we took part in the Manchester Digital Apprenticeship Scheme and welcomed five Software Developer apprentices. We also partnered with the University of Manchester to offer the opportunity for two students to work with us on data science projects over the summer, as well as offering a PhD scholarship to one of their students.

We continue our participation to promote STEM subjects and careers by supporting two local schools and clubs in the Manchester area. We run 'Code Clubs' to teach young children how to code and this year we hosted Manchester Girl Geeks BarCamp conference which supports the talent and development of females in STEM careers.

The technology industry, as well as the automotive sector, has a significant challenge with diversity and Auto Trader is pleased to support and actively create initiatives that will attract women and minorities to enter the industries, as diversity is a key part of business success. Alison Ross, our Customer Experience and Operations Director, was named Woman of the Year at the Women in IT Awards this year, recognising her contribution to these goals.

As a customer focused business we are committed to looking at ways to improve the process of buying and selling vehicles for consumers and retailers alike. We have changed our sales approach, removing commissions, and our packages; both of which enable us to promote best practice and equip our sales teams to create strong business partnerships with our customers, helping add value to their businesses.

This year over 4,000 of our retailer customers attended a masterclass, webinar or conference designed to share best practice advice, helping them to succeed in today's changing digital automotive marketplace. These sessions allow us to demonstrate the importance of using data and insight to drive traffic to their digital forecourts. We also run separate discovery days with our customers, designed to gain their feedback on the value they derive from Auto Trader as well as the products and services we offer.

Last year marked the ninth annual Auto Trader Click Awards, established to recognise digital excellence and reward the most progressive and innovative retailers in the industry. Nearly 100 customers from franchise groups, independents and supermarkets attend this prestige event to celebrate success and to hear the latest insight from the Auto Trader team.

click awards 17

"4,000 of our retailer customers attended a masterclass, helping them to succeed in today's changing digital automotive marketplace"

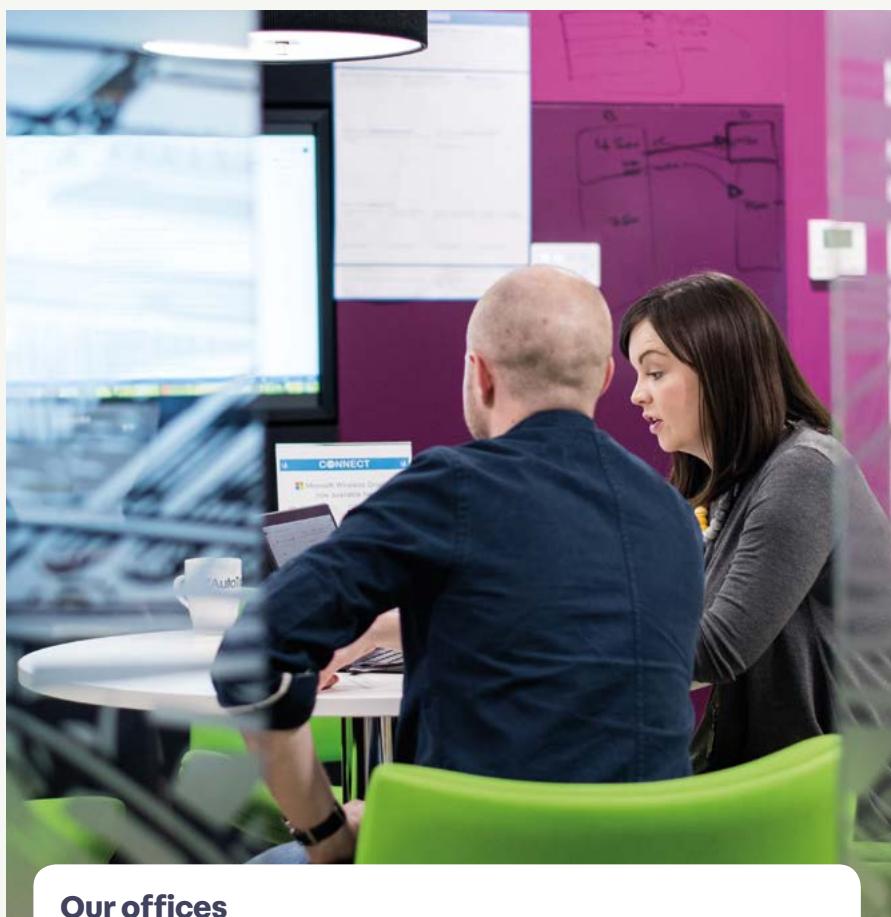


Making a difference to our environment

Health and safety

We are committed to maintaining a safe workforce for our employees, customers and visitors and anyone affected by our business's activities. It is therefore our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality.

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



Our offices

As a digital business, based between our offices in Manchester, London and Dublin, we believe our environmental footprint is small. We actively encourage our employees to consider our environmental impact. We operate recycling systems in the offices, established with local authorities and recycling schemes, and we have no waste bins by desks which encourages the amount of recycling we do.

Our UK offices are both graded highly by the BREEAM standard; Kings Cross

in London achieved an 'Outstanding' rating and our Manchester office an 'Excellent' one.

We continue to use Fruitful Office to deliver fruit to our offices each week. Fruitful Office plants one tree in Malawi for every basket of fruit we receive. Last year, 1,742 trees were planted on behalf of Auto Trader, helping the organisation to mitigate the effects of global warming, deforestation and providing an income to local communities.

Greenhouse gas emissions statement

Auto Trader is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The greenhouse gas reporting period is aligned to the financial reporting year. The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK government ('BEIS') conversion factor guidance current for the year reported.

The report includes the 'Scope 1' (combustion of fuel) in relation to company cars and 'Scope 2' (purchased electricity and gas) emissions associated with our offices. Although our company cars are leased under operating leases, we have chosen to include the related emissions in Scope 1, as we are responsible for these emissions. 2016 figures have been restated to include the emissions from company cars.

We have chosen to present a revenue intensity ratio as this is a relevant indicator of our growth and is aligned with our business strategy.

	2017	2016
Scope 1: Fuel for company cars (tCO ₂ e) ¹	491	565
Scope 2: Electricity and gas for our offices (tCO ₂ e) ¹	437	445
Total carbon emissions (tCO ₂ e) ¹	928	1,010
Revenue (£m)	311.4	281.6
Carbon intensity ²	3.0	3.6
Year-on-year change	(17%)	

¹ Tonnes of carbon dioxide equivalent.

² Absolute carbon emissions divided by revenue in millions.

Doing the right thing

Auto Trader believes in promoting trust and fairness in the marketplace and this has become part of the way we work across the organisation. We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees and customers smart, safe and secure. Each year, our employees complete compliance training that covers fraud, bribery and anti-money laundering. We also provide guidance and support if employees need to report anything untoward or experience any serious malpractice or wrongdoing in our business.

Consumers trust Auto Trader to show genuine, accurate adverts when they search for vehicles, however occasionally sellers include a misleading price or inaccurate mileage in their advert. We strive to improve the quality of our adverts by allowing consumers and retailers alike to report a misleading advert whilst they are searching, which we then investigate and if necessary remove from the site.

Helping our retailer customers protect their data and business online is also an important focus for us. Last year we added an additional security login to our retailer portal, two-factor verification, which enhances security and reduces the risk of hackers accessing our customers' information.

Everyone at Auto Trader owns and is responsible for their own relationships, whether that's with colleagues, friends, customers or suppliers. When working with external companies we promote the fact that it is important to reflect the Auto Trader values, ensuring any companies we work with enjoy a trusted relationship with us.

We also ensure employees understand and employ good practice when sharing information or data, and they do so in a controlled or protected manner, or operating fairly under the legal guidance.



Human rights

Equal opportunity

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

Modern Slavery Policy

We have a zero-tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. We are committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains. We expect the same high standards from all our contractors, suppliers and other business partners.

Employees with disabilities

We welcome all applications for employment made by individuals with disabilities. Our dedicated Auto Trader Resourcing team will make reasonable adjustments in the recruitment process according to the needs of each individual to ensure that they can perform their best during the assessment stage.

We are dedicated to supporting employees that become disabled during their employment with us. We recognise that each individual is unique and we provide support and make reasonable adjustments to ensure they continue realising their full potential at work.

We continue to offer training, career development and promotion opportunities by taking appropriate action related to the needs of the individuals to allow them to continue to have a fulfilling career with us.

The Company's Strategic report is set out on pages 2 to 43. Approved by the Board on 8 June 2017 and signed on its behalf by:

Sean Glithero
Chief Financial Officer
8 June 2017

Committed to high standards of corporate governance



The Board takes overall responsibility for the Group's governance framework, its culture and its values."

Ed Williams
Chairman

I am pleased to introduce our corporate governance statement which incorporates reports from the Chairmen of each of our Board Committees. These reports explain our governance policies and procedures in detail and describe how we have applied the principles of corporate governance contained in the UK Corporate Governance Code 2014 (the 'Code').

Compliance with the Corporate Governance Code

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

Directors

We continually review the composition of the Board to ensure that it has the skills, experience and balance required for the proper stewardship of the business. With effect from 1 April 2017, we were pleased to appoint Nathan Coe as an Executive Director, in the role of Chief Operating Officer. Nathan has been central in shaping Auto Trader into one of the UK's leading digital businesses, and the creation of the Board-level role of Chief Operating Officer reflects our confidence in his abilities and strong leadership qualities.

We have three independent Non-Executive Directors, who bring with them significant commercial and financial expertise and are well placed to support the Executive Team in implementing our strategy. With Nathan's appointment, we now have three Executive Directors and therefore we continue to comply with the relevant provision of the Code for at least half of the Board to be independent, excluding myself.

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



Report of the Nomination Committee	page 54
Report of the Audit Committee	page 56
Directors' remuneration report	page 60

Committees of the Board

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

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

Board			
Nomination Committee	Audit Committee	Remuneration Committee	Disclosure Committee
Members <ul style="list-style-type: none"> - Ed Williams (Chairman) - David Keens - Jill Easterbrook - Jeni Mundy 	Members <ul style="list-style-type: none"> - David Keens (Chairman) - Jill Easterbrook - Jeni Mundy 	Members <ul style="list-style-type: none"> - Jill Easterbrook (Chairman) - David Keens - Jeni Mundy 	Members <ul style="list-style-type: none"> - Trevor Mather - Sean Glithero - Nathan Coe - Claire Baty
Role and Terms of Reference Reviews the structure, size and composition of the Board and its Committees, and makes appropriate recommendations to the Board.	Role and Terms of Reference Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditors.	Role and Terms of Reference Responsible for all elements of the remuneration of the Executive Directors and the Chairman, and senior employees.	Role and Terms of Reference Assists the Board in discharging its responsibilities relating to monitoring the existence of Inside Information and its disclosure to the market.

→ [Read more on page 54.](#)

→ [Read more on page 56.](#)

→ [Read more on page 60.](#)

→ about-us.autotrader.co.uk/investors

Board effectiveness

Our annual Board, Committee and Director evaluation was carried out internally this year and confirmed to us that the Board and Committees are operating smoothly and that each Director continues to be effective. Further details can be found on page 52. Next year, as recommended by the Code, we intend our Board evaluation to be externally facilitated.

Diversity and inclusion

We are committed to achieving a diverse Board and workforce, and believe in the benefits that diversity of gender, ethnicity, background and experience bring. We have this year established a Diversity & Inclusion working group and have added to our Nomination Committee Terms of Reference the responsibility to oversee the progress in this important area. With two of our Directors being female, we also continue to achieve our internal target of at least 25% female Board representation.

Culture

Governance is not just about processes and structure. A culture of transparency and openness is an essential part of a robust governance framework, and underpins everything that we do as a Board, as individual Directors, and in how our business operates. More details on Auto Trader's values and culture, and how these are embedded in the wider organisation, are included in the CSR section on page 37.

Annual General Meeting

Our Annual General Meeting will be held at 10.00am on 21 September 2017 at Tony Wilson Place, Fourth Floor, Manchester, M15 4FN. We expect that all Directors will be in attendance.

Ed Williams

Chairman
8 June 2017



Board of Directors



Biography and experience

Ed Williams

Chairman

Ed has been a Non-Executive Director of Auto Trader since November 2010 and Chairman since March 2014. He was the founding Chief Executive of Rightmove plc, serving in that capacity from November 2000 until his retirement from the business in April 2013. Rightmove plc was floated on the London Stock Exchange in February 2006. Prior to Rightmove, Ed spent the majority of his career as a management consultant with Accenture and McKinsey & Co. Ed holds an MA in Philosophy, Politics and Economics from St Anne's College, Oxford.

Jeni Mundy

Independent
Non-Executive Director

Jeni was appointed as a Non-Executive Director on 1 March 2016. Jeni is the Enterprise Product Director for Vodafone Group and is responsible for the strategy, delivery and lifecycle management of the business product portfolio worldwide. Jeni started her career as a Radio Engineer with BellSouth in New Zealand and has been with Vodafone since 1998. Her roles have included five years as Chief Technology Officer ('CTO') in New Zealand managing IT and the mobile network, five years as the Vodafone UK CTO and a year leading the Northern Europe Sales team for multinational customers. Jeni holds an MSc in Electronic Engineering from the University of Wales.

Nathan Coe

Chief Operating Officer

Nathan was appointed to the Board as Chief Operating Officer ('COO') in April 2017. Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to being a pure digital company. He was responsible for launching a number of new business areas, and led the Company's early entry and subsequent growth in mobile and online. For the past two years, Nathan has been the joint Operations Director, sharing responsibility for the day-to-day operations of the business. Prior to joining Auto Trader, Nathan was at Telstra, Australia's leading telecommunications company, where he led Mergers and Acquisitions and Corporate Development for its media and internet businesses. He was previously a consultant at PwC, having graduated from the University of Sydney with a B.Com. (Hons).

Appointed to Board

November 2010.

Independent on appointment

Yes.

External appointments

Idealista S.A.

Committee memberships

Nomination (Chairman).

March 2016.

Yes.

None.

Remuneration, Nomination, Audit.

April 2017.

N/A.

None.

Disclosure Committee.

**David Keens**

Senior Independent
Non-Executive Director

David was appointed as a Non-Executive Director on 1 May 2015. David was previously Group Finance Director of NEXT plc (1991 to 2015) and its Group Treasurer (1986 to 1991). Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco (1977 to 1986) and prior to that seven years in the accountancy profession. David is a member of the Association of Chartered Certified Accountants and of the Association of Corporate Treasurers.

May 2015.

Yes.

J Sainsbury plc.

Audit (Chairman),
Nomination, Remuneration.

Sean Glithero

Chief Financial Officer

After qualifying as a chartered accountant with Ernst & Young, working within both the audit and corporate finance departments, Sean worked in the telecoms industry and for the FTSE 100 company BPB plc, before joining Auto Trader as Group Financial Controller in 2006. He has since held various group and divisional roles in the business, helping the business reshape through acquisitions and disposals as well as aiding the transition online through restructuring and realignment programmes. Sean was appointed Chief Financial Officer in September 2012 and has led two major re-financings and also has responsibility for customer security, legal services and procurement. Sean holds a BA (Hons) in Accountancy from Exeter University.

September 2012.

N/A.

None.

Disclosure Committee.

Jill Easterbrook

Independent
Non-Executive Director

Jill was appointed as a Non-Executive Director to the Board on 1 July 2015. Jill is currently the CEO of Boden, following her appointment in February 2017. Jill was previously a member of the executive committee at Tesco PLC where she was most recently the Group Business Transformation Director. She joined Tesco in 2001 and held a variety of strategic and operational leadership roles. She has run a number of multichannel businesses within Tesco including UK and ROI Clothing and the Developing Businesses division. Jill started her career at Marks & Spencer in buying and merchandising and also spent time as a management consultant with Cap Gemini Ernst & Young.

July 2015.

Yes.

Boden Limited.

Remuneration (Chairman),
Nomination, Audit.

Trevor Mather

Chief Executive Officer

Trevor joined Auto Trader as Chief Executive Officer in June 2013. Previously, Trevor was President and CEO of ThoughtWorks, a global IT and software consulting company. Trevor joined ThoughtWorks in 2001, to kick-start the UK branch of the company and then took responsibility for all international operations before becoming CEO in 2007. He helped oversee the business grow from a 300 person North American company to a 2,200 person global business with operations in 29 cities around the world with a particular personal focus on helping businesses become truly digital. Before his time at ThoughtWorks, Trevor spent almost 10 years at Andersen Consulting (now Accenture) focusing on e-business solutions. Trevor holds an MEng in Aeronautics and Astronautics from Southampton University.

June 2013.

N/A.

None.

Disclosure Committee.

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

Corporate governance statement

This corporate governance statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2014 by the Financial Reporting Council.

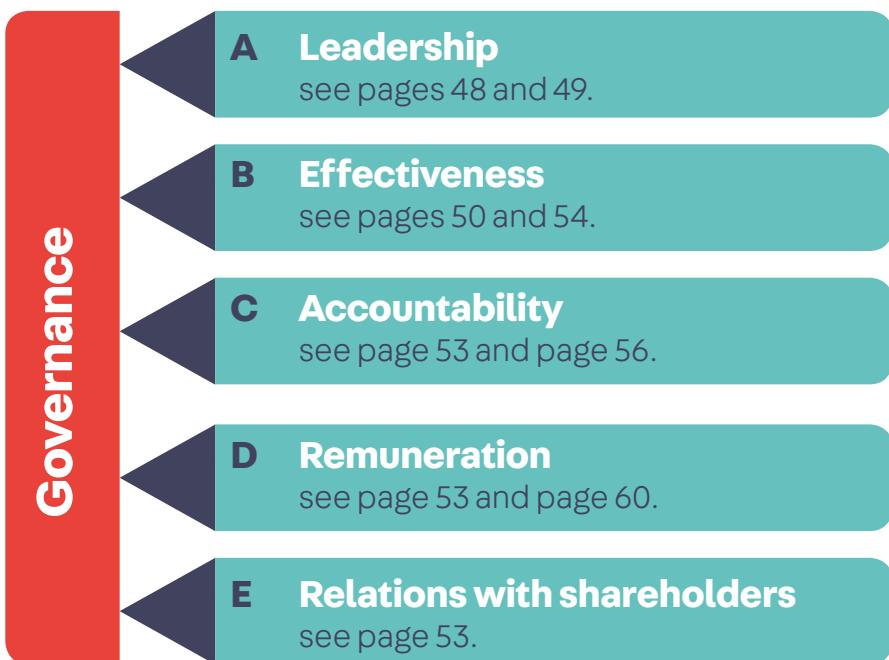
Introduction

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

Compliance with the 2014 Code

The Company has complied in full with all provisions of the 2014 Corporate Governance Code during the year.

This report is structured to follow each of the sections of the Code:



A Leadership

Board and Committee meetings and attendance

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

In months where there is no Board meeting, a financial update call is held at which the Board discusses results with operational management. There is also an annual day of "dual calling" where Directors accompany the sales force on their site visits to customers.

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

Board responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate. It is reviewed at least annually, and is published on our website at about-us.autotrader.co.uk/investors

Refer to page 49 for a summary of these matters.

Insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2017.

	Board	Audit	Remuneration	Nomination
Number of scheduled meetings held	8	3	4	1
Director				
Ed Williams	8	n/a	n/a	1
Trevor Mather	8	n/a	n/a	n/a
Sean Glithero	8	n/a	n/a	n/a
David Keens	8	3	4	1
Jill Easterbrook	8	3	4	1
Jeni Mundy	8	3	4	1

Board roles

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

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

David Keens is the Senior Independent Director.

Chairman

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

Chief Executive Officer

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

Non-Executive Directors

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

Senior Independent Director

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

Company Secretary

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

Board responsibilities

Providing leadership for the long-term success of the Group

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

B Effectiveness

Board composition, balance and independence

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

All of the Non-Executive Directors (David Keens, Jill Easterbrook and Jeni Mundy) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. Ed Williams was considered to be independent on appointment. The Chairman's fees and the Non-Executive Directors' fees are disclosed on pages 62 and 67, and they received no additional remuneration from the Company during the year.

Therefore, at 31 March 2017 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors.

The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle B.1 of the Code. Biographies of all members of the Board appear on pages 46 and 47.

Appointments to the Board

The Board has established a Nomination Committee, chaired by Ed Williams with all other members comprising Independent Non-Executive Directors, and one of the main responsibilities of this Committee is to identify and nominate candidates for appointment as Directors to the Board. The work of the Committee is described on pages 54 and 55.

Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Letters of appointment

The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting. These letters set out the expected time commitment from each Director.

External directorships

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

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

Induction and development

All newly appointed Directors receive an induction briefing on their duties and responsibilities as Directors of a publicly quoted company. There is a formal induction programme to ensure that newly appointed Directors familiarise themselves with the Group and its activities, either through reading, meetings with the relevant member of senior management or through sessions in the Board meetings.

Each Board meeting contains a presentation from senior management on one of the operating priorities for the year. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate – refer to the table of activities on page 51.

All Directors are offered the opportunity to meet with customers and take part in sales calls to understand the business from a customer's perspective. There is a formal day of "dual calling" where Board members accompany the sales force on their visits to customers. All Directors now receive a weekly newsletter from our sales and service team to ensure they are kept informed of the latest customer dialogue and sentiment.

The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur, and there is an annual Legal and Regulatory Update provided as part of the Board meeting. All Directors are required to complete our annual compliance training modules covering anti-bribery, anti-money laundering, data protection and information security.

As part of the Board evaluation, the Chairman meets with each Director to discuss any individual training and development needs.

Information and support available to Directors

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

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

All Directors have access to the advice and services of the Company Secretary, Claire Baty.

Election of Directors

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

Board and Committee activities in 2017

Strategy	Operational	Financial	People	Shareholders	Risk and governance
Regular reports received					
	Monthly operational report with key achievements and issues in the month, view of the industry, competitors and customers.	Monthly financial report with results, KPIs, outturn and external view. Quarterly share buyback programme.	Monthly report of people changes, recruitment, resourcing needs and employee engagement.	Regular feedback from investor meetings. Quarterly shareholder analysis.	Approval of material contracts. Governance and regulatory updates.
April	2017 operating priority: Increase consumer audience, advert views and use of our valuations tools.				Annual review of governance framework. Business continuity planning and disaster recovery.
June	2017 operating priority: Extend the penetration of products outside of our core classified proposition.	Approval of Annual Report and Preliminary Results Announcement.	Approval targets for female representation on Board. Bonus approval for 2016 PSP targets and grants.	Approval of Group's capital structure and the dividend policy. Approval of final dividend.	Review and approval of Group risk register. Review and approval of viability statement.
July	2017 operating priority: Promote trust and fairness in the marketplace.	Review of our selling pillar products and upcoming changes.		Reviewed feedback from analysts and investors from results roadshow.	Market Abuse Regulation and implementation.
2016 September	2017 operating priority: Enhance our relevance and value to manufacturers. IT strategy, systems and cyber risks.	Singleview sales system project.		Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting.	Review and approval of Modern Slavery Statement.
October	Strategy off-site including customer visits. Pricing and product strategy for 2018. 2017 operating priority: Operate a simpler, leaner and more data-oriented business.		Diversity and inclusion. Succession planning.		Appointment of Company Secretary.
November		Review of new car opportunities.	Approval of half-yearly report. Approval of interim dividend.		Review and approval of Group risk register.
February	2018 Operating plan.		Review of tax compliance.		Legal and regulatory update. Review of internal control framework.
2017 March	2018 operating priority: Grow ARPR in a balanced, sustainable way by creating value for our customers. Acquisition of Motor Trade Delivery Limited	2018 Financial plan.	Salary reviews and bonus targets for 2018. Launch of SAYE plan for 2018. Appointment of Nathan Coe as Director.		

Corporate governance statement continued

Board evaluation and effectiveness

A formal internal evaluation of the Board, Committees and individual Directors has taken place during the year.

This included the completion of a detailed questionnaire by each of the Board Directors, covering the Board's role, knowledge and skills, Board meetings and information flows, Board composition, succession planning, risk management, relations with shareholders and each of the Board Committees.

The results were reviewed by the Chairman and the principal findings were fed back to the Board in March 2017. The review also covered the progress made on the points raised in the previous year's evaluation.

Actions arising from the 2016 review	
Reviewing the level of information presented in Board papers.	The format of the monthly operational and financial Board report has been changed to make it clearer and more concise. Board papers are reviewed to ensure that they are free from jargon and focus on the key issues.
Increasing exposure between Board members and operational management outside Board meetings.	Pre-meetings are arranged before Board meetings for the Non-Executive Directors to meet with members of senior management, either as part of ongoing induction and education, or to focus on a particular project or product launch.
Formalising the induction process and setting in place formal Board training and development plans.	A formal induction programme has been designed, comprising reading of materials and meetings with various Key Management. Where areas are not already covered as part of the Board meetings, separate sessions are arranged. Regular updates have been provided to the Board where relevant (e.g. Market Abuse Directive, Modern Slavery Act, Gender Pay Gap) and there is annual face-to-face training with our corporate lawyers. All Directors are required to complete our annual compliance training programme. In addition, a wealth of information is made available on the Board Portal and through our online Learning and Knowledge Hubs.
Continuing to increase the Board's understanding of the views of major shareholders.	Updates are provided to the Board after each key investor event including conferences and the investor roadshows at half-year and year end. The Chairman has attended meetings with investors and at Group conferences.
Actions arising from the 2017 review	
Reviewing the format of Board papers and meetings to ensure the right balance between presentation and discussion.	A standard format has been agreed for presentations from senior management so that the sessions can focus more on discussion and debate.
Increasing informal contact between Board members outside of Board meetings.	More opportunities for informal contact have been arranged between Board members, and also the Non-Executive Directors continue to meet regularly with members of senior management.
Deepening the Board's understanding of the views and perspective of our customers.	The Board already takes part in an annual day of dual calling, visiting some of our customers with a member of the sales team. This year, the Board will also be offered the opportunity to take part in call listening, and now receive a weekly roundup of customer views and issues from our sales and service team.
Continuing to enhance the Board's understanding of the views of major shareholders.	Updates will continue to be provided to the Board after each key investor event. All Directors will be invited to the analyst presentations and group sales meetings.

In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually.

Overall, the results showed that the Board and its Committees continue to operate well, and that each individual Director continues to make an effective contribution.

In the next financial year, we intend our Board evaluation to be externally facilitated.

C Accountability

The Board has established an Audit Committee, chaired by David Keens and comprised entirely of Independent Non-Executive Directors. The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management and internal control. The work of the Committee is described on pages 56 to 59.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2017 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Refer to the Audit Committee Report on page 58 for details of the review process.

See pages 10 to 13 in the Strategic report for a description of our business model, strategy and operating priorities.

See page 32 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in a separate section on pages 30 to 31.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee reviews the system of internal controls through reports received from management, along with others from internal and external auditors. Management continues to focus on how internal controls and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 31 March 2017 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board considered the weaknesses identified and reviewed the developing actions, plans and programmes that it considered necessary. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

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

D Remuneration

The Board has established a Remuneration Committee, chaired by Jill Easterbrook and comprised entirely of Independent Non-Executive Directors. The work of the Committee is described on pages 60 to 68.

E Relations with shareholders

200+

meetings or calls with investors and analysts during the year.

The Board has a comprehensive investor relations programme to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts on the half-year and full-year results in November and June respectively. These updates are posted on the Group's website and are available to all shareholders. In response to feedback from analysts and investors, the half-year results in November 2016 were audiocast and the full-year results in June 2017 were webcast for the first time.

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

All announcements, investor presentations and the Annual Report are on the Company's website about-us.autotrader.co.uk/investors

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

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

Annual General Meeting

The AGM of the Company will take place at 10.00 am on Thursday 21 September 2017 at the Company's registered office at Tony Wilson Place, Fourth Floor, Manchester, M15 4FN. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM.

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. The Chairman, the Chair of each of the Committees and the Executive Directors are present at the AGM and available to answer shareholders' questions.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Results of resolutions proposed at the AGM will be published on the Company's website about-us.autotrader.co.uk/investors following the AGM.

Report of the Nomination Committee

Ed Williams

Chairman of the
Nomination Committee



- Composed of the Chairman and three Independent Non-Executive Directors.
- At least one meeting held per year.
- Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation.
- For more information on the Committee's Terms of Reference visit about-us.autotrader.co.uk/investors

One meeting was held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Ed Williams (Chairman)	1/1	100%
David Keens	1/1	100%
Jill Easterbrook	1/1	100%
Jeni Mundy	1/1	100%

Our progress in 2017

- Succession planning review.
 - Focus on diversity and inclusion.
 - Appointment of Nathan Coe as Chief Operating Officer.
- In 2018 we will**
- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.
 - Support management and the Board in promoting diversity in senior management and across the workforce.

Dear shareholders,

I am pleased to present the Report of the Nomination Committee for 2017, which has been a year of consolidation following the appointment of three new Independent Non-Executive Directors in the previous year.

Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes appropriate recommendations to the Board for appointments to the Board.

How the Committee operates

All members of the Committee are independent Non-Executive Directors. The Chairman of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor; for these meetings, the Senior Independent Director ('SID') is invited to take the Chair unless the SID is in contention for the role.

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

Succession planning

Effective succession planning is critical to the long-term success of the Company. The continual review of succession plans continued in the year to ensure that arrangements are in place for orderly succession in the context of the Group's strategy for the Board and senior management.

The Board recognises the importance of developing our employees in relation to succession planning for senior positions. The succession planning review included a review of the development plans for the senior management team in order to recognise and grow our internal talent.

Appointment of Executive Director

During the year, the Committee recommended the appointment of Nathan Coe as an Executive Director. All members of the Board met with Nathan and were pleased to welcome him to the Board with effect from 1 April 2017.

Policy on appointments to the Board

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

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

In 2016, we adopted a target of female representation on our Board of 25%, and we continue to meet this target, as two of our seven Board members are female.

Diversity and inclusion

The Committee has always had a responsibility to take account of diversity when considering the size, structure and composition of the Board and the senior management team. However, recognising the importance of this issue, the Committee's Terms of Reference now include the responsibility to oversee diversity and inclusion across the whole Group.

We acknowledge the recommendations of the Hampton-Alexander Review. The Board is committed to strengthening female representation at senior management level but formal targets have not been set – instead, through our Diversity & Inclusion Working Group, we have sought to take positive steps to address the underlying challenges facing all under-represented groups within our workforce and senior management teams, including differences of gender, race, ethnic origin, age, disability and sexual orientation. We are proud of the progress made during the year by our Diversity & Inclusion Working Group, which is covered in more detail on page 38.

Independence and re-election to the Board

In accordance with the UK Corporate Governance Code, all Directors will retire and offer themselves for election or re-election to the Board.

The Directors who have been in post throughout the year have been subject to a formal evaluation process, and both the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2017 AGM relating to the election and re-election of the Directors.

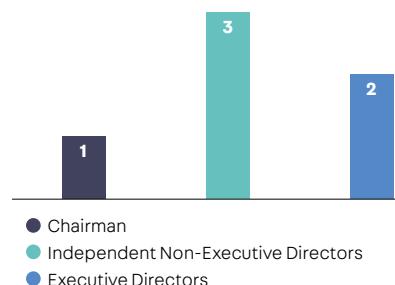
I will be available at the AGM to answer any questions on the work of the Committee.

Ed Williams

Chairman of the Nomination Committee
8 June 2017

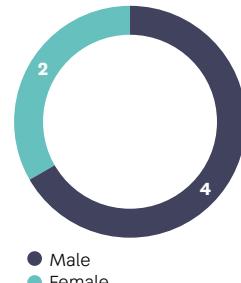
Board composition¹

As at 31 March 2017



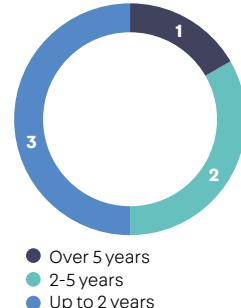
Board diversity¹

As at 31 March 2017



Board tenure¹

As at 31 March 2017



¹ Nathan Coe was appointed, as an Executive Director, with effect from 1 April 2017.

David Keens

Chairman of the
Audit Committee



- Composed of three Independent Non-Executive Directors.
- David Keens is considered by the Board to have recent and relevant experience. Other members have a wide range of business experience.
- At least three meetings held per year.
- Meetings are attended by the Chief Financial Officer, Chief Executive Officer, internal auditors and external auditors by invitation.
- For more information on the Committee's Terms of Reference visit about-us.autotrader.co.uk/investors

Three meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
David Keens (Chairman)	3/3	100%
Jill Easterbrook	3/3	100%
Jeni Mundy	3/3	100%

Our progress in 2017

- Transition from PwC to KPMG as new external auditor.
- Review of change from 52 week to annual accounting, and the prospective change from Underlying operating profit to Operating profit measure.
- Continued focus on key areas of judgement, risk and controls.
- Review of effectiveness of internal audit function.

In 2018 we will

- Agree with KPMG any changes for their 2018 audit.
- Review the integration and performance of Motor Trade Delivery, acquired in April 2017.
- Consider the impact on the Company of political and regulatory changes.

Dear shareholders,

I am pleased to introduce the Audit Committee Report for 2017.

The Committee operates under defined Terms of Reference and assists the Board in discharging many of its responsibilities over monitoring the integrity of the Group's financial reporting; the effectiveness of the internal control and risk management framework; the internal audit function; and the independence and effectiveness of the external auditors. The Committee is comprised entirely of Independent Non-Executive Directors, all of whom have significant commercial and operating experience in consumer and digital businesses; and I fulfil the requirement for a Committee member to have recent and relevant financial experience.

The Committee met three times during the year, arranged around our external reporting and audit cycle, and with attendance by the CFO and other members of management and with representation from KPMG and Deloitte. The Committee reviewed significant accounting matters with an appropriate level of challenge and debate. We believe that the information in this Annual Report clearly explains progress against our strategic and operating objectives and is fair, balanced and understandable.

The Committee plays a key role in ensuring that we continue to have a robust internal control and risk management process. Our internal audit function is outsourced to Deloitte LLP, who continue to provide us with specialist expertise in delivering a risk-based rolling review programme.

During the year, the Audit Quality Review team of the Financial Reporting Council ('FRC') reviewed PwC's (our outgoing auditors) audit of the Group's March 2016 financial statements. The FRC have given us a copy of their report, which has been reviewed by the Committee and discussed with PwC. The report does not give the Committee any concerns over the quality, objectivity or independence of the audit.

At the 2016 AGM, shareholders approved the Board's recommendation to appoint KPMG LLP as our new external auditors. The transition has gone smoothly and we have already developed an effective working relationship with the KPMG team, which we look forward to continuing in future years.

David Keens

Chairman of the Audit Committee
8 June 2017

Financial reporting

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

The Committee assessed the quality and appropriateness of the accounting principles and policies adopted, and whether management had made appropriate underlying estimates and judgements. In doing so, the Committee reviewed management reports in respect of the main financial reporting issues and judgements made, together with reports prepared by the external auditor on the 2017 half-year statement and 2017 Annual Report.

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

Description of focus area	Audit Committee action
Revenue recognition	
Revenue recognition for the Group's revenue streams is not complex. However, this was an area of focus for KPMG due to the large volume of transactions and as revenue is the most material figure in the financial statements.	KPMG carried out a review of our revenue recognition policies; performed detailed analytical procedures; tested completeness and existence of revenue by matching sales information from sales systems to the financial systems and to cash receipts; reviewed customer contracts; tested revenue cut-off and assessment of deferred and accrued revenue; and carried out other computer assisted audit techniques.
Adjusted profit measure	
The Group uses an Adjusted Profit Measure, Underlying operating profit, to allow better interpretation of the underlying performance of the business. Underlying operating profit is defined as Operating profit before exceptional items and share-based payments (including national insurance). Also, due to the additional five days of trading in the current year (arising from the change from 52-week to annual accounting) the Group has published adjusted growth figures in order to present a like-for-like measure, for the reasons noted in the Financial review, on page 26.	The Committee considered the appropriateness of including alternative profit and growth measures in the light of the ESMA guidelines, and was satisfied that the items were appropriately adjusted for; that the non-GAAP measures were not given undue prominence; and the disclosures, reconciliations and definitions provided were presented in a clear manner. The Committee also reviewed and concurred with the proposal to move to an unadjusted Operating profit measure commencing in 2018.
Share-based payments	
The Company has a number of share-based payment arrangements, accounted for under IFRS 2, which requires the use of valuation models and certain assumptions in determining their fair value at grant and in the recognition of charges and as such is an area of judgement for management.	The Committee reviewed the assumptions made by management, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP and DABP. The Committee reviewed the comments within KPMG's report into the adequacy of the charge and satisfied itself that the share-based payment accounting is appropriate and in accordance with accounting standards.
Going concern and viability statement	
The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities as they fall due. The period over which the Directors have determined is appropriate to assess the prospects of the Group has been defined as three years. In addition, the Directors must consider if the going concern assumption is appropriate.	The Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group medium-term plan and cash flow forecasts for the period to March 2020. The Committee discussed with management the appropriateness of the three-year period, and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 33 to 35. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required was discussed. The Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions.

Report of the Audit Committee continued

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2017 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with an early draft of the Annual Report, and provided feedback on areas where further clarity or information was required in order to provide a complete picture of the Group's performance. The final draft was then presented to the Audit Committee for review before being recommended for approval by the Board. When forming its opinion, the Committee reflected on the discussion held during the year and reports received from the external auditor and considered the following main areas:

Is the report fair?	<ul style="list-style-type: none"> - Is a complete picture presented and has any sensitive material been omitted that should have been included? - Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? - Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	<ul style="list-style-type: none"> - Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? - Do you get the same messages when reading the front end and the back end independently? - Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence? - Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? - How do these compare with the risks that KPMG are planning to include in their report?
Is the report understandable?	<ul style="list-style-type: none"> - Is there a clear and cohesive framework for the Annual Report? - Are the important messages highlighted and appropriately themed throughout the document? - Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2017 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

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

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

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

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

Internal audit

Deloitte has been appointed as the Group's outsourced internal audit function. They are accountable to the Audit Committee and use a risk-based approach to provide independent assurance over the adequacy and effectiveness of the control environment. The internal audit work plan for 2017 was approved by the Audit Committee and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas, including:

- Business rules and leakage.
- IT resilience, disaster recovery and scalability.
- New business and churn.
- System provisioning.
- Data protection and leakage review.
- Internal fraud risk.

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

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

Whistleblowing

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

External auditors

One of the Committee's roles is to oversee the relationship with the external auditor, KPMG, and to evaluate the effectiveness of the service provided. KPMG was appointed as the Group's external auditor at the 2016 AGM, and this has been a year of transition. The Committee has concluded that the external auditor is effective, based on review and discussion of audit scope and plans, materiality assessments, review of auditor's reports and feedback from management on the effectiveness of the audit process.

During the year the Committee reviewed KPMG's findings of the external auditor in respect of their review of the half-yearly report for the six-month period ending 25 September 2016, and in respect of the audit of the financial statements for the year ended 31 March 2017. The Committee met with representatives from KPMG without management present and with management without representatives of KPMG present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The Committee has reviewed, and is satisfied with, the independence of KPMG as the external auditor.

Non-audit services provided by the external auditors

The external auditors are primarily engaged to carry out statutory audit work. There may be other services where the external auditors are considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity. This policy has been reviewed effective 1 April 2017 and changes have been made in accordance with the EU Audit Reform.

Non-audit service	Policy
Audit-related services directly related to the audit For example, the review of interim financial statements, compliance certificates and reports to regulators.	Considered to be approved by the Committee up to a level of £100,000 for each individual engagement, and to a maximum aggregate in any financial year of the higher of £200,000 and 70% of the average audit fees paid to the audit firm in the last three consecutive years.
Acceptable non-audit services Including but not limited to: work related to mergers, acquisitions, disposals, joint ventures or circulars; benchmarking services; and corporate governance advice.	Any engagement of the external auditor to provide permitted services over these limits is subject to the specific approval in advance by the Audit Committee.
Prohibited services In line with the EU Audit Reform, services where the auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation – for example, tax services, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met, in accordance with the EU Audit Reform.

Refer to about-us.autotrader.co.uk/investors for full details of the policy. During the year, KPMG charged the Group £30,000 for audit-related assurance services.

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

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

David Keens

Chairman of the Audit Committee
8 June 2017

Annual statement by the Chairman of the Remuneration Committee

**Jill Easterbrook**Chairman of the
Remuneration
Committee

- Composed of three Independent Non-Executive Directors.
- At least two meetings held per year.
- Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation - no person is present during any discussion relating to their own remuneration.
- For more information on the Committee's Terms of Reference visit about-us.autotrader.co.uk/investors

Four meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Jill Easterbrook (Chairman)	4/4	100%
David Keens	4/4	100%
Jeni Mundy	4/4	100%

Our progress in 2017

- Confirming the performance targets to apply to the 2016 Performance Share Plan ('PSP') awards and granting the awards.
- Considering the executive pay environment and confirming the current remuneration policy remains appropriate for 2018.
- Reviewing the choice of performance metrics for 2018 variable pay schemes.
- Assessing the achievement of targets for the 2016 annual bonus, setting the targets for the 2017 annual bonus and reviewing progress against these targets.
- Consideration of the approach to equity participation across the workforce and approving the launch of a SAYE in 2018.
- Considering the impact of changes to pension tax rules.
- Approving the 2016 Directors' remuneration report and considering the approach to reporting on the current financial year.

In 2018 we will

- Review executive pay arrangements and, if changes are deemed necessary, consult with major shareholders on the remuneration policy.
- Confirm targets for and grant the 2017 PSP awards.
- Continue to monitor the executive pay environment, governance developments and market practice.

Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') in respect of the year ended 31 March 2017.

Our remuneration arrangements are governed by our remuneration policy. This policy received binding shareholder approval, for the first time, at the AGM on 17 September 2015 and came into effect on that date. The Committee remains satisfied that the policy continues to support the Company's strategy: to retain and motivate our management team, to drive strong returns for our shareholders and to promote the long-term success of the Company. Shareholders will not therefore be asked to approve any revisions to the policy at the 2017 AGM. However, it is the Committee's intention to undertake a thorough review of the policy during the course of 2018, including consultation with our major shareholders, ahead of seeking approval for policy renewal at the 2018 AGM.

Objectives of the remuneration policy and link to strategy

The policy approved by shareholders in September 2015 has the following aims:

- to attract, retain and motivate high calibre senior management, structured so as to focus on the delivery of the Company's strategic and business objectives in order to promote its long-term success;
- the targets for performance related pay to be closely linked to the Company's main strategic objectives;
- to be simple in design, transparent and understandable both to participants and shareholders;
- to achieve a degree of consistency in terms of approach across the senior management population to the extent appropriate;
- base pay to be set having had due regard to appropriate mid-market benchmarks with incentive pay structured so as to provide the opportunity to earn above mid-market benchmarks for the delivery of challenging performance targets; and
- to promote an ownership culture, via the encouragement of widespread equity ownership across the workforce.

The policy supports our strategy through using performance conditions for our variable pay schemes that target improvements in our key performance indicators and growth in shareholder value (i.e. Operating profit, audience growth, new product initiatives and total shareholder returns). Incentive pay is subject to withholding and recovery provisions, the annual bonus arrangements include an element of compulsory bonus deferral, and robust share ownership guidelines apply. The Committee considers that these features promote significant alignment with shareholders and provide an appropriate level of risk mitigation.

Performance and reward in 2017

As described in the Strategic report on pages 2 to 43, 2017 has been another strong year, with revenue growth of 9% and Underlying operating profit growth of 19%. Good progress has been made across all of the Group's operating priorities. The level of performance achieved resulted in a pay-out in respect of the financial element of the annual bonus of c.64% of the maximum, and an overall pay-out of 51.8% of the maximum. Further information on the actual targets set, and our performance against them is provided on pages 62 and 63.

As the first awards were granted under the Company's Performance Share Plan in June 2015, there were no outstanding awards eligible to vest in respect of long-term performance in the year under review.

Approach for 2018

The Committee will continue to operate within the remuneration policy approved by shareholders in September 2015. The key highlights of how we intend to apply this for 2018 are:

- with effect from 1 April 2017, the salaries of the Executive Directors were increased by 2% which is below the average increase across the wider workforce;
- the annual bonus plan will operate similarly to last year, with a maximum of 150% of salary for the Chief Executive Officer and 130% of salary for the Chief Financial Officer and the Chief Operating Officer. 75% of the maximum bonus opportunity will be based on a financial metric with the remaining 25% being based on two strategic metrics. As explained in the Financial review on page 28, from 2018 and beyond, the business will report against the statutory measure of Operating profit rather than the previous measure of Underlying operating profit, and so this will be adopted as the measure for the financial element of the bonus targets. Half of any bonus awarded will be deferred into shares for a period of two years;
- awards will be made in June 2017 under the PSP at 200% of salary for Trevor Mather and 150% for Sean Glithero and Nathan Coe. Awards will also be made to other senior colleagues at this time. The performance conditions applying to these awards will be based on the Company's Cumulative Operating profit (relevant to 75% of awards) and Total Shareholder Return ('TSR') (relevant to 25% of awards) measured over a period of three years. A two-year post-vesting holding period will also apply; and
- share ownership guidelines of 200% of salary for the CEO and 150% of salary for the CFO and the COO will continue to operate.

Changes to the Board

Nathan Coe was promoted to the Board as Chief Operating Officer on 1 April 2017. His salary on joining the Board was set at £350,000 and his remuneration arrangements are fully consistent with our remuneration policy. Details of his remuneration arrangements can be found on pages 65 and 66.

Feedback from shareholders

The Remuneration Committee is committed to ensuring that we are responsive to developments in best practice, and will proactively consider the implementation of our policy in the light of this. Should you have any feedback in this regard, I shall be available at the AGM to answer any specific questions that you may have.

I hope that you will be supportive of the AGM resolution to approve our Annual Report on Remuneration.

Jill Easterbrook

Chairman of the Remuneration Committee

8 June 2017

This report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid in the year ended 31 March 2017.

This remuneration report is in three parts. The Annual Statement by the Chairman of the Remuneration Committee sets out an overview of the year just ended. This is followed by the Annual Report on Remuneration (set out on pages 62 to 68), which provides greater detail on the amounts paid and the implementation of the policy in 2017 and also includes a high level summary of how the remuneration policy is intended to be implemented in the 2018 financial year. Finally, as an Appendix, a summary version of the remuneration policy, which was approved by shareholders at the AGM on 17 September 2015, is set out on pages 69 to 72. The full policy can be viewed on our website at about-us.autotrader.co.uk/investors

The Annual Statement by the Chairman, together with the Annual Report on Remuneration, will be subject to an advisory vote at the AGM on 21 September 2017.

Annual Report on Remuneration

Single figure of remuneration for the year ended 31 March 2017 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2017.

£'000	Salary and fees	Benefits ¹	Annual bonus	Long-term incentives ²	Pension ³	Total
Executive						
Trevor Mather	536	1	416	-	27	980
Sean Glithero	296	1	199	-	15	511
Non-Executive						
Ed Williams	173	-	-	-	-	173
David Keens ⁴	72	-	-	-	-	72
Jill Easterbrook ⁵	63	-	-	-	-	63
Jeni Mundy ⁶	54	-	-	-	-	54

The following table shows the aggregate emoluments earned in the year ended 27 March 2016.

£'000	Salary and fees	Benefits ¹	Annual bonus	Long-term incentives ²	Pension ³	Total
Executive						
Trevor Mather	525	1	787	-	26	1,339
Sean Glithero	290	1	377	-	14	682
Non-Executive						
Ed Williams	170	-	-	-	-	170
David Keens ⁴	65	-	-	-	-	65
Jill Easterbrook ⁵	46	-	-	-	-	46
Jeni Mundy ⁶	4	-	-	-	-	4
Victor A. Perry III ⁷	49	-	-	-	-	49
Tom Hall ^{7,8}	-	-	-	-	-	-
Nick Hartman ^{7,8}	-	-	-	-	-	-

1 Benefits include: private healthcare, life assurance and income protection insurance.

2 There were no long-term incentives eligible to vest in the year under review.

3 Employer's pension contributions of 5% of salary were paid in respect of Executive Directors. No Directors have a beneficial interest in a defined benefit scheme.

4 Appointed 1 May 2015.

5 Appointed 1 July 2015.

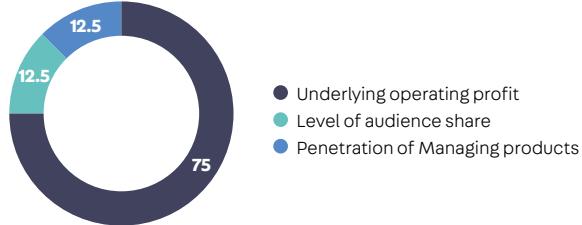
6 Appointed 1 March 2016.

7 Resigned 7 March 2016.

8 Waived entitlement to receive a fee.

Annual bonus for the year ended 31 March 2017

The targets applying to the annual bonus for the year ended 31 March 2017 were as follows:



The bonus targets for the financial year, as set by the Committee at the start of the year, together with performance against these, and resulting pay-outs are set out in detail opposite. The level of performance achieved resulted in an overall pay-out of 51.8% of the maximum, being £416,184 (77.7% out of a maximum 150%) for Trevor Mather and £199,240 (67.34% out of a maximum of 130%) for Sean Glithero.

Further information on the actual targets set, and our performance against them is provided opposite.

Underlying operating profit (75% of total bonus)

Level of achievement	Required/ actual result £m	Pay-out under that element %
Threshold requirement	195	20% (of the 75%)
Target requirement	205	50% (of the 75%)
Stretch requirement	213	100% (of the 75%)
Actual achieved	207.2	63.7% of the 75%

Level of audience share (12.5% of total bonus)

Audience share targets were based on the number of months in the year that the Company's audience share (based on the share of minutes compared to competitors' websites) was in excess of 78% (representing the Company's targeted level). Targets were set as follows, with a graduated scale operating between the threshold and stretch requirements:

Number of months where average audience share of minutes is more than 78% for that month	Pay-out of audience share element
Threshold requirement: Less than 6 months	0% (of the 12.5%)
Stretch requirement: 10 months or above	100% (of the 12.5%)
Actual achieved: Less than 6 out of 12 months more than 78%	0% of the 12.5%

The level of audience share was determined by reference to comScore MMX. Due to changes in the comScore methodology and updates to the configuration of competitors' websites, the threshold target was not achieved and no bonus will be paid to the Executive Directors in respect of this element of the bonus.

Penetration of Managing products (12.5% of total bonus)

This part of the bonus related to the number of retailer forecourts adopting Managing products.

Targets were set as follows, with a graduated scale operating between the threshold and stretch requirements:

Number of retailer forecourts introducing Managing Pillar	Pay-out of Managing element
Threshold requirement: Less than 2,400	0% (of the 12.5%)
Stretch requirement: 3,000 or more	100% (of the 12.5%)
Actual achieved – 2,490	32% of the 12.5%

In light of the Company's performance during the year under review, the Committee was comfortable with the overall level of annual bonus pay-out.

Half of the bonus earned will be payable in shares, deferred for two years under the Deferred Annual Bonus Plan ('DABP'). The deferred shares will vest subject to continued employment, but there are no further performance targets.

Deferred Annual Bonus Plan (Audited)

Awards under the DABP were granted as nil cost options on 17 June 2016 in respect of the annual bonus for the year to 27 March 2016. The awards will normally be eligible to vest two years from grant based on continuous employment. The awards were as follows:

Executive Director	Number of DABP shares awarded	Proportion of annual bonus	Face value of awards at grant date¹
Trevor Mather	101,221	50%	£393,750
Sean Glithero	48,457	50%	£188,500

¹ Face value calculated based on the closing mid-market price on the day before grant date.

Performance Share Plan (Audited)

Awards under the PSP were granted as nil cost options on 17 June 2016 and will normally be eligible to vest three years from grant based on performance over the three years to 31 March 2019 and continuous employment. The awards were as follows:

Executive Director	Number of DABP shares awarded	Multiple of salary	Face/maximum value of awards at grant date¹	% award vesting at threshold (% maximum)	Performance period²
Trevor Mather	275,321	200%	£1,071,000	25%	Concludes
Sean Glithero	114,061	150%	£443,700	25%	31 March 2019

¹ Face/maximum value was calculated based on the closing mid-market price on the day before grant date.

² The performance period for the Cumulative Underlying operating profit target and for the TSR target runs for three years from 1 April 2016.

Directors' remuneration report continued

The performance conditions applying to the 2016 PSP awards are set out below. Each element will be assessed independently of the other:

Metric	Percentage of total PSP awards
Cumulative Underlying operating profit	75%
Relative Total Shareholder Return	25%

Cumulative Underlying operating profit

Cumulative Underlying operating profit is defined as the sum of the Group's Underlying operating profit result over the three consecutive financial years ending on 31 March 2019. The actual range of Cumulative Underlying operating profit targets for the three years ended 31 March 2019 that are applicable to the awards are as follows:

Cumulative Underlying operating profit performance achieved	Proportion of awards subject to Cumulative Underlying operating profit that vest
Below £660m	0%
Equal to £660m (threshold target)	25%
Equal to or above £710m (stretch target)	100%
Pro-rata between the threshold and stretch performance targets	

Relative Total Shareholder Return

Performance is measured over the three financial years ending 31 March 2019. The TSR of the Company will be compared to that of the FTSE 250 Index (excluding Investment Trusts) over the performance period, and will vest according to the following schedule:

TSR performance relative to the FTSE 250 Index (excluding investment trusts)	Proportion of awards subject to TSR that vest
Below Index TSR	0%
Equal to Index TSR (threshold target)	25%
Equal to Index TSR plus 25% or above (stretch target)	100%
Pro-rata between the threshold and stretch performance targets	

Performance graph and CEO remuneration table

The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) of which the Company is a constituent, from the start of conditional share dealing on 18 March 2015. The graph shows performance of a hypothetical £100 invested and its performance over that period.

Total Shareholder Return



● Auto Trader Group plc ● FTSE 250 (excluding Investment Trusts)

Source: Datastream (Thomson Reuters).

CEO remuneration

The table below sets out the CEO's single figure of total remuneration together with the percentage of maximum annual bonus awarded over the same period.

	2017	2016	2015 ¹
CEO total remuneration (£'000)	980	1,339	20
Annual bonus (% of maximum)	51.8%	100%	n/a ²
Share award vesting (% of maximum)	n/a ³	n/a ³	n/a ³

1 From the date of Admission in March 2015.

2 Private Company when bonus plan implemented in 2015.

3 No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

Percentage increase in the remuneration of the CEO

The table below shows the average increase in each component between the CEO and the average employee in the Company from 2016 to 2017.

Component	Change in remuneration levels	
	CEO	Average employee
Salary	2%	3%
Benefits	0%	0%
Bonus	(47%)	(42%)

Relative importance of the spend on pay

The following table shows the Group's actual spend on pay for all employees compared to distributions to shareholders. The average number of employees has also been included for context. Revenue and Underlying operating profit have also been disclosed as these are two key measures of Group performance.

	2017 £m	2016 £m	% change
Employee costs (see note 5 to the consolidated financial statements)	53.6	53.6	(1)% ¹
Average number of employees (see note 5 to the consolidated financial statements)	820	854	(4)%
Revenue (see Consolidated income statement)	311.4	281.6	9% ¹
Underlying operating profit (see page 28 for definition and reconciliation)	207.2	171.3	19% ¹
Dividends paid and proposed (see note 24 to the consolidated financial statements)	50.8	15.0	239%

1 Adjusted for the impact of the additional days in 2017 – refer to the Financial review on page 26 for more detail.

Implementation of the remuneration policy for the year ending 31 March 2018

This section sets out how the Committee intends to implement the remuneration policy in the year ending 31 March 2018.

Base salary

The Executive Directors' salaries were reviewed in early 2017 with the changes becoming effective from 1 April 2017, and will next be reviewed in early 2018, with any changes becoming effective from 1 April 2018. The following table sets out the new salaries effective 1 April 2017 (financial year 2018) compared to those which applied in financial year 2017:

	2018	2017	Percentage change
Trevor Mather	£546,210	£535,500	+2%
Sean Glithero	£301,716	£295,800	+2%
Nathan Coe ²	£350,000	-	n/a

2 Appointed to the Board on 1 April 2017.

For context, the increase in the salary budget for 2018 for the overall employee group was set at 4% (inclusive of merit and promotional increases).

Pension and benefits

Executive Directors will continue to receive a pension contribution at the rate of 5% of base salary (in line with pensions offered to other employees), payable into the Company pension scheme or as a cash alternative. Ancillary benefits are provided in the form of private medical cover, life assurance and income protection insurance.

Directors' remuneration report continued

Annual bonus

As described in the Policy Report, Trevor Mather's maximum bonus opportunity is capped at 150% of base salary whilst Sean Glithero's and Nathan Coe's is capped at 130% of base salary. Half of any bonus earned will be payable in shares, deferred for two years under the DABP.

The metrics and their weightings for the year ending 31 March 2018 are:

Metric	Percentage of total bonus
Operating profit	75%
Strategic objectives	25%

As explained in the Financial review on page 28, from 2018 and beyond, the business will report against the statutory measure of Operating profit rather than the previous measure of Underlying operating profit. In relation to the financial target, a challenging graduated scale will operate set around the 2018 business plan. For achievement of the threshold target, 20% of this part of the bonus opportunity becomes payable with the maximum becoming payable for outperforming the 2018 business plan.

The strategic targets relate to two key performance objectives for 2018. These are growth in full page advert views during the year which will determine up to 12.5% of the total bonus opportunity, and new product initiatives (the adoption of Managing products) which will determine up to 12.5% of the total bonus opportunity. A financial underpin will apply to the strategic targets, such that no bonus will be payable if Operating profit does not exceed the £203.1m achieved in 2017.

The specific targets themselves are commercially sensitive, but the Committee intends to disclose them in the next Annual Report on Remuneration provided they are no longer considered to be commercially sensitive at that time.

Performance Share Plan ('PSP')

The Committee's policy is to award Executive Directors annual PSP awards. The Committee intends to grant awards in the current financial year to Trevor Mather at a level of 200% of salary and to Sean Glithero and Nathan Coe at a level of 150% of salary. The performance metrics and their weightings for the award remain unchanged (save from the change of financial metric to Operating profit) and are set out below:

Metric	Percentage of total PSP awards
Cumulative Operating profit	75%
Relative Total Shareholder Return	25%

Each element will be assessed independently of the other as detailed below.

Cumulative operating profit

Cumulative operating profit will be defined as the sum of the Group's Operating profit result over the three consecutive financial years ending on 31 March 2020.

The Committee considered a number of factors when setting the range of targets including internal planning, market expectations for the future performance of the Company and market practice in terms of target setting across the constituents of the FTSE 250 Index. The actual range of targets is commercially sensitive, but the Committee intends to disclose them in the next Annual Report on Remuneration provided they are no longer considered to be commercially sensitive at that time. The awards will vest according to the following schedule:

Cumulative operating profit performance achieved	Proportion of awards subject to Cumulative operating profit that vest
Below threshold	0%
Equal to threshold	25%
Stretch or above	100%
Pro-rata between the threshold and stretch performance targets	

Relative TSR

The performance condition applying to one quarter of PSP awards will be based on TSR performance over the three financial years ending 31 March 2020.

The TSR of the Company will be compared to that of the FTSE 250 Index (excluding investment trusts) over the performance period, and will vest according to the following schedule:

TSR performance relative to the FTSE 250 Index (excluding investment trusts)	Proportion of awards subject to TSR that vest
Below Index TSR	0%
Equal to Index TSR (threshold target)	25%
Equal to Index TSR plus 25% or above (stretch target)	100%
Pro-rata between threshold and stretch performance targets	

Consistent with market practice, a three-month averaging period will normally apply for the purposes of calculating the start and end values for the purposes of measuring TSR.

Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting.

Fees for the Chairman and Non-Executive Directors

The fees were reviewed in early 2017 and were increased by 2% with effect from 1 April 2017. The Chairman and Non-Executive Directors' fees will next be reviewed in early 2018, with any increase becoming effective from 1 April 2018.

A summary of current fees is shown below:

	2018	2017	Percentage change
Base fees			
Chairman	£176,868	£173,400	+2%
Non-Executive Director	£54,621	£53,550	+2%
Additional fees			
Senior Independent Director	£9,364	£9,180	+2%
Audit Committee Chairman	£9,364	£9,180	+2%
Remuneration Committee Chairman	£9,364	£9,180	+2%

There is no additional fee payable to the Chairman of the Nomination Committee.

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment. Letters of appointment are available for inspection at the Company's registered office. Details of the appointment terms of the Non-Executive Directors are as follows:

	Start of current term	Expiry of current term
Ed Williams	6 March 2015	5 March 2018
David Keens	1 May 2015	30 April 2018
Jill Easterbrook	1 July 2015	30 June 2018
Jeni Mundy	1 March 2016	28 February 2019

Directors' shareholding and share interests (Audited)

The Group has adopted shareholding guidelines in order to encourage Executive Directors to maintain a shareholding in the Company equivalent in value to 200% of salary for Trevor Mather and 150% of salary for Sean Glithero and Nathan Coe. If an Executive does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company's discretionary share-based employee incentive schemes until the guideline is met. All Executive Directors currently hold well in excess of this limit.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31 March 2017.

Director	Beneficially owned shares ¹	Number of awards held under the PSP conditional on performance	Number of awards held under the DABP conditional on continued employment	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 31 March 2017 ²
Executive Directors					
Trevor Mather	12,000,000	722,129	101,221	200%	8,791%
Sean Glithero	2,997,581	299,167	48,457	150%	3,975%
Non-Executive Directors					
Ed Williams	6,875,444	-	-	N/A	N/A
Jill Easterbrook	-	-	-	N/A	N/A
David Keens	25,000	-	-	N/A	N/A
Jeni Mundy	-	-	-	N/A	N/A

¹ Includes shares owned by connected persons. Only beneficially owned shares count towards the shareholding guideline.

² Based on mid-market price at close of business on 31 March 2017.

Trevor Mather

Scheme	No. of shares/options at 28 March 2016	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/options at 31 March 2017	Date of grant	Date from which exercisable	Expiry date	Exercise price	Market price on exercise date
PSP	446,808	-	-	-	446,808	19/6/2015	19/6/2018	19/6/2025	Nil	n/a
PSP	-	275,321	-	-	275,321	17/6/2016	17/6/2019	17/6/2026	Nil	n/a
DABP	-	101,221	-	-	101,221	17/6/2016	17/6/2018	17/6/2026	Nil	n/a
Total	446,808	376,542	-	-	823,350					

Directors' remuneration report continued

Sean Glithero

Scheme	No. of shares/ options at 28 March 2016	Shares/ options granted in the year	Shares/ options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2017	Date of grant	Date from which exercisable	Expiry date	Exercise price	Market price on exercise date
PSP	185,106	-	-	-	185,106	19/6/2015	19/6/2018	19/6/2025	Nil	n/a
PSP	-	114,061	-	-	114,061	17/6/2016	17/6/2019	17/6/2026	Nil	n/a
DABP	-	48,457	-	-	48,457	17/6/2016	17/6/2018	17/6/2026	Nil	n/a
Total	185,106	162,518	-	-	347,624					

External directorships

None of the Executive Directors hold any external directorships.

Membership of the Committee

Jill Easterbrook is the Committee Chairman, and its other members are David Keens and Jeni Mundy. Refer to page 60 for further details of the membership of the Committee, the Terms of Reference, the meetings held and activities during the year.

External advisors

New Bridge Street ('NBS'), part of Aon plc, provides independent advice to, and was appointed by, the Committee. NBS was selected by the Committee due to its extensive experience of advising listed companies with respect to remuneration. The Committee seeks advice relating to the remuneration of Executive Directors, the wider senior management population and Non-Executive Directors' fees from NBS. NBS does not provide any other services to the Company. Aon currently provides actuarial, valuation and administration services in relation to the defined benefit pension scheme of the Company.

The Committee is satisfied that the advice received by NBS in relation to remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. NBS is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees payable to NBS for providing advice in relation to executive remuneration over the financial year under review were approximately £41,500, charged on a time-spent basis.

Statement of shareholder voting

At the AGM in 2015 we sought binding shareholder approval for the Remuneration Policy Report. At the AGM in September 2016, we sought advisory shareholder approval for the Annual Report on Remuneration.

The voting outcomes were as follows:

2015 AGM: Remuneration policy (binding)

	Number of votes cast	% of votes cast
Votes for	797,281,130	98.20
Votes against	14,637,737	1.80
Total votes cast (excluding abstentions)	811,918,867	
Abstentions	7,139,212	

2016 AGM: Annual Report on Remuneration (advisory)

	Number of votes cast	% of votes cast
Votes for	779,343,590	98.66
Votes against	10,617,266	1.34
Total votes cast (excluding abstentions)	789,960,856	
Abstentions	53,529	

Approval

This Directors' remuneration report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Easterbrook

Chairman of the Remuneration Committee

8 June 2017

Appendix: Summary remuneration policy

This part of the Directors' remuneration report sets out a summary of the full remuneration policy report that was approved by shareholders in September 2015.

For the full report, please refer to the 2015 Directors' remuneration report available on our website at about-us.autotrader.co.uk/investors

Policy overview

On Admission in March 2015, a new remuneration policy was adopted by the Committee. This policy is structured so as to ensure that the main elements of remuneration are linked to Company strategy, in line with best practice and aligned with shareholders' interests.

The policy is designed to reward Executive Directors by offering competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability. In promoting these objectives, the policy aims to be simple in design, transparent and structured so as to adhere to the principles of good corporate governance and appropriate risk management.

A further aim of the remuneration policy is to encourage a culture of share ownership by colleagues throughout the Company, and in support of this we have put in place both a SIP, under which an award of free shares to commemorate the Listing was granted, and an SAYE scheme.

The remuneration policy for Executive Directors

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

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Salary	To recruit and reward executives of high calibre. Recognises individual's experience, responsibility and performance.	Salaries are normally reviewed annually with changes effective from 1 April. Salary reviews will consider: - personal performance; - Company performance; - individual's experience; and - increases elsewhere in the Company. Periodic account of practice in comparable companies in terms of size and complexity will be taken (e.g. the constituents of the FTSE 250 Index). The Committee considers the impact of any salary increase on the total remuneration package.	There is no prescribed maximum. However, the Committee is guided by the average annual increase of the workforce. Higher increases (in percentage of salary terms) may be awarded at the discretion of the Committee, for example (but not limited to): in relation to the change in size, scale or scope of an individual's role, following the appointment of a new executive to bring that executive's package in line with market over a number of years.	The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.
Benefits	To provide competitive benefits to ensure the wellbeing of employees.	Executive Directors are entitled to the following benefits: - life assurance; - income protection insurance; and - private medical insurance. Executive Directors are also eligible to participate in all-employee share schemes on the same basis as other staff.	The value of benefits is not capped as it is determined by the insurance cost to the Company which may vary. However, the nature of the benefits is expected to remain unchanged.	N/A
Pension	To provide retirement benefits for employees.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a salary supplement in lieu of pension benefits.	5% of salary p.a.	N/A

Directors' remuneration report continued

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Annual bonus^{1,2,3}	To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.	<p>The annual bonus is based predominantly on stretching financial and operational objectives as set at the beginning of the year and assessed by the Committee following the year end.</p> <p>Half of any bonus earned is subject to deferral in shares under the Deferred Annual Bonus Plan ('DABP'), typically for a period of two years. The deferred shares will vest subject to continued employment, but there are no further performance targets.</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p> <p>Recovery and withholding provisions apply as described in footnote 1. These provisions apply in the event of material misstatement of results, an error in the calculation of bonus outcome or in instances of individual gross misconduct.</p> <p>Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.</p>	<p>The CEO's bonus is capped at 150% of salary and the CFO's is capped at 130% of salary annually.</p>	<p>Financial measures will normally represent the majority of bonus, with clearly defined non-financial targets representing the balance (if any).</p> <p>With regards to financial targets, not more than 20% of this part of the bonus will be payable for achieving the relevant threshold hurdle.</p> <p>Where non-financial targets operate, it may not always be practicable to set targets on a graduated scale, where these operate not more than 33% will be payable for achieving the threshold target.</p> <p>Measures and weightings may change each year to reflect any year-on-year changes to business priorities.</p>
Performance Share Plan ('PSP')^{1,2,4}	<p>To incentivise and recognise successful execution of the business strategy over the longer term.</p> <p>To align the long-term interests of Executives with those of shareholders.</p>	<p>Awards will normally be made annually under the PSP, and will take the form of nil-cost options or conditional share awards.</p> <p>Participation and individual award levels will be determined at the discretion of the Committee within the policy.</p> <p>Awards normally vest after three years subject to the extent to which the performance conditions specified for the awards are satisfied, and continued service.</p> <p>Recovery and withholding provisions apply as described in footnote 1. These provisions apply in the event of material misstatement of results, an error in the calculation of a vesting result or in instances of individual gross misconduct.</p> <p>As a minimum, Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting⁵.</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p>	<p>Normal maximum of 200% of salary.</p> <p>Exceptional circumstances maximum of 300% of salary.</p>	<p>A blend of performance metrics, including financial and total shareholder return, will be used. Financial metrics will comprise a majority of the awards.</p> <p>The metrics and weightings for each award will be set out in the Annual Report on Remuneration. The actual targets will be set out unless they are considered to be commercially sensitive.</p> <p>No more than 25% of the award vests for achieving threshold performance.</p> <p>100% of the award vests for achieving maximum performance.</p>
All-employee Share Plans: SIP & SAYE⁶	To encourage Group-wide equity ownership across all employees, and create a culture of ownership.	<p>The Company has adopted two all-employee tax advantaged plans, namely a savings related share option scheme ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees.</p> <p>The operation of these plans will be at the discretion of the Committee and Executive Directors will be eligible to participate on a consistent basis to other employees.</p>	<p>Maximum permitted savings based on HMRC limits from time to time.</p>	N/A

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are required to build and maintain a holding of shares in the Company. This is to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.	At least 200% of salary for the CEO and at least 150% of salary for the CFO, or such higher level as the Committee may determine from time to time.	N/A

- 1 Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment date: a material misstatement or restatement to the audited financial statements or other data; an error in the calculation leading to over-payment of bonus; or individual gross misconduct. Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the next bonus or PSP vesting and seeking a cash repayment.
- 2 In order to ensure that the remuneration policy is capable of achieving its intended aims, the Committee retains certain discretions over the operation of the variable pay policy. These include the ability to vary the operation of the plans in certain circumstances (such as a change of control, rights issue, corporate restructuring events or special dividend) including the timing and determination of pay-outs/vesting, and making appropriate adjustments to performance targets as necessary to ensure that performance conditions remain appropriate. However, it should be noted that in the event that the measures or targets are varied for outstanding awards in the light of a corporate event, the revised targets may not be materially less difficult to satisfy. Should these discretions be used, they would be explained in the Annual Report on Remuneration and may be subject to consultation with shareholders as appropriate.
- 3 Annual bonus performance measures are selected annually to reflect the Group's key strategic initiatives for the year and reflect both financial and non-financial objectives. A majority weighting is placed on financial performance, including a significant element being based on profit-based metrics, ensuring that pay-outs are closely linked to Company growth.
- 4 The use of a combination of internal financial performance and total shareholder return measures within the PSP is designed to ensure that rewards are linked to long-term shareholder value creation. The financial metrics chosen will be the measure or measures considered by the Committee at the time of each grant to be most likely to support the Company's long-term growth strategy. The use of TSR aligns with the Company's focus on shareholder value creation and rewards management for outperformance of sector peers.
- 5 In exceptional circumstances, the Committee may in its discretion allow participants to sell, transfer, assign or dispose of some or all of these shares before the end of the holding period.
- 6 Although eligible, the Executive Directors opted out of the offer of Free Shares made to all employees in April 2015.
- 7 A description of how the Company intends to implement the policy set out in this table for 2018 is set out in the Annual Report on Remuneration.

Service contracts and policy for payments on loss of office

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary, and pension.

Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period, with mitigation. The Committee will consider the particular circumstances of each leaver on an individual basis and retains flexibility as to at what point, and the extent to which, payments are reduced.

At the discretion of the Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy may also be made. A payment to the value of 12 months' contractual benefits may also be made. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment and may make a payment for any statutory entitlements or to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary.

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

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

Provision	Detailed terms
Notice period	12 months by either party.
Termination payments over the notice period	- 100% of salary. - 5% in respect of pension contributions.
Change of control	There are no enhanced provisions on a change of control.

The Executive Directors are subject to annual reappointment at the AGM.

Service contracts are available for inspection at the Company's registered office.

Annual bonus on termination

There is no automatic or contractual right to bonus payment. At the discretion of the Committee, for certain leavers, a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full-year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

PSP on termination

Share-based awards are outside of service contracts.

Normally, PSP awards will lapse upon a participant ceasing to hold employment. However, under the Rules of the PSP, in certain prescribed circumstances (namely, death, sale of employing company from the business or otherwise at the discretion of the Committee), 'good leaver' status can be applied. In exercising its discretion as to whether an Executive Director should be treated as a good leaver the Committee will take into account the performance of the individual and the reasons for their departure and, in the event of this determination being made, will set out its rationale in the following Annual Report on Remuneration.

The extent to which PSP awards will vest in good leaver circumstances will depend on:

- the extent to which the performance conditions have been satisfied at the relevant time; and
- the pro-rating of the award determined by the period of time served in employment during the vesting period.

In such circumstances, PSP awards will usually vest on the normal vesting date. The Committee retains the discretion to reduce or eliminate time pro-rating, if it regards it to be appropriate in particular circumstances. However, if the time pro-rating is varied from the default position under the PSP Rules, an explanation will be set out in the following Annual Report on Remuneration. For the avoidance of doubt, the application of the performance condition may not be waived, although the Committee may at its discretion alter the date to which performance is measured (e.g. to the date of cessation of employment as opposed to over the full performance period).

Approach to recruitment and promotions

The recruitment package for a new Director would be set in accordance with the terms of the Company's approved remuneration policy. Currently, this would include an annual bonus opportunity of up to 150% of salary and policy PSP award of up to 200% of salary (other than in exceptional circumstances where up to 300% of salary may be made).

On recruitment, salary may (but need not necessarily) be set at a level below the normal market rate, with phased increases greater than those received by others as the executive gains experience. The rate of salary should be set so as to reflect the individual's experience and skills.

The Committee recognises that it may be necessary in some circumstances to compensate for amounts foregone from a previous employer (using Listing Rule 9.4.2). Any such compensatory award would be limited to what is felt to be a fair estimate of the value of remuneration foregone taking into account the value of the award, the extent to which performance conditions apply, the form of award and the time left to vesting.

For an internal appointment, any variable pay element awarded in respect of their prior role would normally be allowed to pay out according to its outstanding terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that, if they are outside the approved policy, they are put to shareholders for approval at the earliest opportunity.

For all appointments, the Committee may agree that the Company will meet certain appropriate relocation costs.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on one non-executive position with another company and to retain their fees in respect of such position. Details of outside directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration.

The remuneration policy for the Chairman and Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	<p>Fees are reviewed periodically and approved by the Board (or, in the case of the Chairman, by the Remuneration Committee), with Non-Executive Directors abstaining from any discussion in relation to their fees. Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits.</p> <p>The Chairman receives a single fee covering all of his duties.</p> <p>The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit and Remuneration Committees and for performing the Senior Independent Director role.</p> <p>The Chairman and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties.</p>	<p>There is no prescribed maximum annual increase nor is there a cap on fees.</p> <p>The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.</p>

Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment.

Letters of appointment are available for inspection at the Company's registered office.

Approach to recruitment

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

The Directors have pleasure in submitting their Report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 31 March 2017.

Statutory information

Information required to be part of the Directors' report can be found elsewhere in this document, as indicated in the table below and is incorporated into this Report by reference:

Section of Annual Report	Page reference
Employee involvement	Strategic report; corporate social responsibility (page 39)
Employees with disabilities	Strategic report; corporate social responsibility (page 43)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 2 to 43)
Greenhouse gas emissions	Strategic report; corporate social responsibility (page 42)

Information required by LR 9.8

Information required to be included in the Annual Financial Report by LR 9.8 can be found in this document as indicated in the table below:

Section of Annual Report	Page reference
Allotment of shares during the year	Note 22 to the consolidated financial statements
Directors' interests	Remuneration report (page 67)
Significant shareholders	Directors' report (page 74)
Going concern	Risk management (page 32)
Long-term incentive schemes	Directors' remuneration report (pages 62 to 68)
Powers for the Company to buy back its shares	Directors' report (page 73)
Significant contracts	Directors' report (page 74)
Significant related party agreements	Directors' report (page 74)
Statement of corporate governance	Corporate governance statement (pages 44 to 72)

Management report

This Directors' report, on pages 73 to 75, together with the Strategic report on pages 2 to 43, form the Management Report for the purposes of DTR 4.1.5R.

The Strategic report

The Strategic report, which can be found on pages 2 to 43, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee and the Directors' remuneration report on pages 44 to 72, all of which form part of this Directors' report and are incorporated into it by reference.

2017 Annual General Meeting

The Annual General Meeting ('AGM') will be held at 10.00 am on 21 September 2017 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the whole of the financial year ending 31 March 2017, and to the date of approving this report unless otherwise stated:

- Ed Williams
- Trevor Mather
- Sean Glithero
- David Keens
- Jill Easterbrook
- Jeni Mundy

Nathan Coe was appointed as a Director on 1 April 2017. All Directors will stand for election or re-election at the 2017 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

At each Annual General Meeting each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an Annual General Meeting in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 79 to 122.

The Company declared an interim dividend on 10 November 2016 of 1.7 pence per share which was paid on 27 January 2017.

The Directors recommend payment of a final dividend of 3.5 pence per share (2016: 1.0 pence per share) to be paid on 29 September 2017 to shareholders on the register of members at 1 September 2017, subject to approval at the 2017 AGM.

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming AGM.

Authority to allot shares

Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. The authority conferred on the Directors at the 2016 AGM under section 551 of the 2006 Act expires on the date of the forthcoming AGM, and ordinary resolution 13 seeks a new authority to allow the Directors to allot ordinary shares up to a maximum nominal amount of £6,498,786 (649,878,622 shares, representing approximately two thirds of the Company's existing share capital at 8 June 2017), of which 324,890,572 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The Directors have no present intention of exercising this authority which will expire at the conclusion of the AGM in 2018 or 20 December 2018 if earlier.

Authority to purchase own shares

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM the Company was authorised to make market purchases of up to 99,905,974 of its

ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p with a total consideration paid (inclusive of all costs) of £102.6 million. 4,211,957 shares were purchased to be held in treasury with the remainder having been cancelled. The Directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares (excluding shares held in treasury) either to be cancelled or retained as treasury shares.

Share capital and control

The Company's issued share capital comprises ordinary shares of £0.01 each which are listed on the London Stock Exchange (LSE: AUTO.L). The ISIN of the shares is GB00BVYVFW23.

The issued share capital of the Company as at 31 March 2017 and 8 June 2017, comprises 978,971,146 of £0.01 each. 4,203,277 shares are held in treasury. Further information regarding the Company's issued share capital and details of the movements in issued share capital during the year are provided in note 22 to the Group's financial statements. All the information detailed in note 22 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 26 to the Group financial statements.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Auto Trader Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts

The only significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effect thereof, are the Term Loan and Revolving Credit Facility agreements, which contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Interests in voting rights

At the year end the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules, of the following significant interests in the issued ordinary share capital of the Company:

Shareholder	At 31 March 2017		At 8 June 2017	
	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each
Blackrock Inc.	107,192,743	10.99%	107,294,221	11.00%
CI Investments Inc.	39,159,255	4.02%	38,505,377	3.93%

Transactions with related parties

There were no related party transactions in the year, other than compensation paid to Directors and Key Management as disclosed in note 6 to the Group financial statements.

Research and development

Innovation, specifically in software, is a critical element of Auto Trader's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area. Since 30 September 2013, the Group has changed its approach to technology development such that the Group now develops its core infrastructure through small-scale, maintenance-like incremental improvements, and as a result the amount of capitalised development costs has decreased as less expenditure meets the requirements of IAS 38 Intangible assets.

Indemnities and insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2017. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on page 42 and forms part of this report by reference.

Political donations

There were no political donations made during the year or the previous year.

Post balance sheet events

On 25 April 2017, Auto Trader Limited, a subsidiary of the Group, acquired 100% of the share capital of Motor Trade Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year end were less than 1% of the revenue and profits of the Group. The acquisition accounting has not yet been concluded as of the date of this report.

External branches

The Group had no active registered external branches during the reporting period.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk, are given in note 2 to the consolidated financial statements.

Disclosure of information to auditors

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU'), and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

The Directors confirm, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approval of Annual Report

The Strategic report and the Corporate governance report were approved by the Board on 8 June 2017.

Approved by the Board and signed on its behalf.

Claire Baty

Company Secretary
8 June 2017

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Auto Trader Group plc for the year ended 31 March 2017 set out on pages 79 to 122.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS102 '*The Financial Reporting Standard applicable in the UK and Republic of Ireland*'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview	
Materiality: Group financial statements as a whole	£8.0m 4.1% of Group profit before tax
Coverage	100% of Group profit before tax
Risks of material misstatement	
Recurring risks	Revenue recognition

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

The risk	Our response	
Revenue recognition (£311.4 million; 2016: £281.6 million) Refer to page 57 (Audit Committee Report), page 86 (accounting policy) and page 94 (financial disclosures).	Accounting application Revenue primarily consists of fees for advertising on the Group's website and web-related activities, along with retailer website build and hosting subscription fees, maintenance contracts and other subscription fees. There are a large variety of packages available and customers are able to tailor the combination of products they receive. Given the large volume of non-homogenous transactions, we consider there to be a significant risk in relation to the application of the revenue recognition policy.	Our procedures included: <ul style="list-style-type: none">- Control design: Assessing the design and implementation of the revenue recognition process;- Test of details: Matching sales information from the Singleview and OLA systems to the nominal ledger to obtain evidence over completeness of revenue. Agreeing revenue recognised by transaction for the entire population to cash receipts to obtain evidence over existence and accuracy of revenue;- Expectation vs actual: For customers with bespoke contracts, obtaining contracts and forming an expectation of the revenue to be recognised in the period. We assessed whether the actual revenue was in line with our expectation;- Test of details: Assessing whether revenue has been recognised in the correct period by selecting a sample of transactions within two weeks either side of the year end and assessing whether the revenue has been recorded correctly with reference to the timing of the service being received; and- Test of details: Assessing the existence of revenue by inspecting a sample of credit notes raised in the year and post year end.

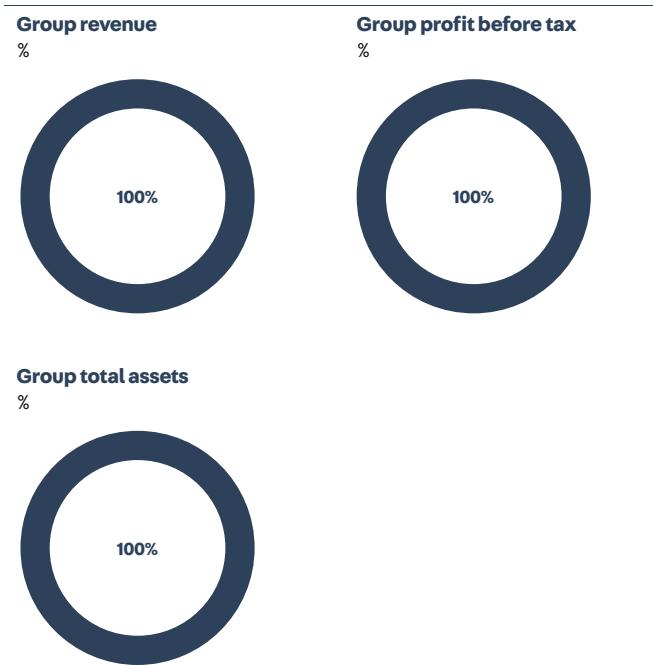
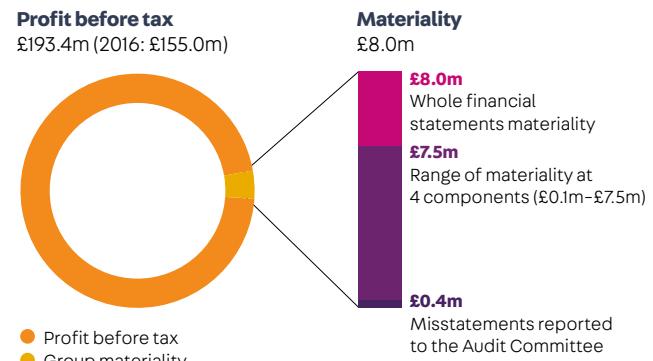
3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.0m, determined with reference to a benchmark of Group profit before tax of £193.4m, of which it represents 4.1%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 4 reporting components, we subjected 4 to full scope audits for Group purposes, all of which were performed by the Group audit team.

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



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

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of viability on page 32, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 March 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 32, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 44 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 75, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

1 St. Peter's Square
Manchester
M2 3AE

8 June 2017

Consolidated income statement

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Revenue	3	311.4	281.6
Administrative expenses		(108.3)	(112.0)
Operating profit before share-based payments and associated NI, and exceptional items		207.2	171.3
Share-based payments and associated NI	26	(4.5)	(2.5)
Exceptional items	4	0.4	0.8
Operating profit	4	203.1	169.6
Finance costs	7	(9.7)	(14.6)
Profit before taxation		193.4	155.0
Taxation	8	(38.7)	(28.3)
Profit for the year attributable to equity holders of the parent		154.7	126.7
Basic earnings per share	9		
From profit for the year (pence per share)		15.64	12.67
Diluted earnings per share	9		
From profit for the year (pence per share)		15.60	12.65

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	2017 £m	2016 £m
Profit for the year	154.7	126.7
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	0.5	0.5
Other comprehensive income for the year, net of tax	0.5	0.5
Total comprehensive income for the year attributable to equity holders of the parent	155.2	127.2

Currency translation differences arise on the consolidation of the Group's subsidiaries that have a functional currency other than sterling.

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

Consolidated balance sheet

At 31 March 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	10	320.4	323.4
Property, plant and equipment	11	6.7	7.4
Deferred taxation assets	20	4.7	4.3
		331.8	335.1
Current assets			
Trade and other receivables	14	50.7	51.7
Cash and cash equivalents	16	8.0	10.4
		58.7	62.1
Assets of disposal group classified as held for sale	15	-	0.3
		58.7	62.4
Total assets		390.5	397.5
Equity and liabilities			
Equity attributable to equity holders of the parent			
Ordinary shares	22	9.8	10.0
Retained earnings		1,015.9	970.9
Capital reorganisation reserve		(1,060.8)	(1,060.8)
Own shares held	23	(16.9)	(1.5)
Capital redemption reserve		0.2	-
Other reserves		30.4	29.9
Total equity		(21.4)	(51.5)
Liabilities			
Non-current liabilities			
Borrowings	18	357.8	395.6
Deferred taxation liabilities	20	0.2	0.3
Retirement benefit obligations	21	-	-
Provisions for other liabilities and charges	19	1.1	1.1
		359.1	397.0
Current liabilities			
Trade and other payables	17	33.3	36.6
Current income tax liabilities		19.2	14.9
Provisions for other liabilities and charges	19	0.3	0.5
		52.8	52.0
Total liabilities		411.9	449.0
Total equity and liabilities		390.5	397.5

The financial statements from pages 79 to 115 were approved by the Board of Directors and authorised for issue.

Sean Glithero

Chief Financial Officer
8 June 2017

Auto Trader Group plc

Registered number 09439967

Consolidated statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
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	26	–	–	2.3	–	–	–	–	2.3
Deferred tax on share-based payments	20	–	–	0.1	–	–	–	–	0.1
Issue of share capital	22	1.6	–	(1.6)	–	–	–	–	–
Capital reduction	22	(1,491.6)	(144.4)	1,636.0	–	–	–	–	–
Dividends paid	24	–	–	(5.0)	–	–	–	–	(5.0)
Acquisition of shares by ESOT	23	–	–	1.6	(1.6)	–	–	–	–
Transfer of shares from ESOT	23	–	–	(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)
Profit for the year		–	–	154.7	–	–	–	–	154.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	154.7	–	–	–	0.5	155.2
Transactions with owners									
IFRS 2 – share-based payments	26	–	–	4.0	–	–	–	–	4.0
Deferred tax on share-based payments	20	–	–	0.1	–	–	–	–	0.1
Repurchase of own shares for treasury	23	–	–	–	(15.5)	–	–	–	(15.5)
Cancellation of shares	22	(0.2)	–	(87.1)	–	–	0.2	–	(87.1)
Dividends paid	24	–	–	(26.6)	–	–	–	–	(26.6)
Transfer of shares from ESOT	23	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(0.2)	–	(109.7)	(15.4)	–	0.2	–	(125.1)
Balance at March 2017		9.8	–	1,015.9	(16.9)	(1,060.8)	0.2	30.4	(21.4)

Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations before exceptional operating items		212.9	184.4
Cash flows from exceptional operating items (excluding IPO fees)		-	(4.3)
Cash generated from operations	25	212.9	180.1
Tax paid		(34.8)	(16.0)
Net cash generated from operating activities		178.1	164.1
Cash flows from investing activities			
Purchases of intangible assets – financial systems		(0.7)	(0.5)
Purchases of intangible assets – other		(0.5)	(0.3)
Purchases of property, plant and equipment		(2.5)	(2.3)
Proceeds from sale of property, plant and equipment		-	0.1
Bank deposit and other interest received		-	0.1
Net cash used in investing activities		(3.7)	(2.9)
Cash flows from financing activities			
Dividends paid to Company's shareholders	24	(26.6)	(5.0)
Repayment of Syndicated Term Loan	18	(40.0)	(147.0)
Payment of IPO costs		-	(8.3)
Payment of interest on borrowings		(7.6)	(12.6)
Purchase of own shares for cancellation		(86.7)	-
Purchase of own shares for treasury		(15.4)	-
Payment of fees on repurchase of own shares		(0.5)	-
Net cash used in financing activities		(176.8)	(172.9)
Net decrease in cash and cash equivalents		(2.4)	(11.7)
Cash and cash equivalents at beginning of year	16	10.4	22.1
Cash and cash equivalents at end of year	16	8.0	10.4

As outlined in the basis of preparation on page 84, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

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 364 day (52 week) period ended 27 March 2016 and for the 369 day period ended 31 March 2017. Due to the publishing heritage of the business, results have historically been reported on a 52 week basis, with the accounting period ending on the closest Sunday to 31 March. The Board made the decision to change the period end date to be 31 March every year, starting in 2017, to better align with our customers' needs and to the products and services we offer. As a consequence of this change, the 2017 financial year was five days longer than the previous year.

Financial year ends have been referred to as 31 March throughout these consolidated financial statements as per the Company's accounting reference date. Financial years are referred to as 2016 and 2017 in these consolidated financial statements.

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.

Accounting estimates and judgements

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

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position.

The accounting estimates believed to require the most difficult, subjective or complex judgements are as follows:

- carrying values of goodwill; and
- share-based payments.

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 10.

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 26).

New accounting standards and IFRS IC Interpretations

The Group has adopted the following new and amended IFRSs in 2017 in the consolidated financial statements with no significant impact on its consolidated results or financial position:

- Annual improvements to IFRSs 2012-2014
- Amendment to IFRS11, 'Joint arrangements on acquisition of an interest in a joint operation'
- Amendment to IAS16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation
- Amendments to IAS 27, 'Separate financial statements' on equity accounting
- Amendments to IFRS10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption
- Amendments to IAS1, 'Presentation of financial statements' disclosure initiative

The following standards and interpretations were issued by the IASB but have not been adopted either because they were not endorsed by the EU at 31 March 2017 or they are not yet mandatory and the Group has not chosen to early-adopt them:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018). This will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.
- IFRS15, 'Revenue from Contracts with customers' (effective 1 January 2018) and Clarifications to IFRS 15 (not yet EU endorsed). The Group intends to adopt IFRS15 in its financial statements for the year ending 31 March 2019. Under IFRS15, revenue will be recognised when performance obligations are satisfied. The Group does not anticipate that this change will have a material impact on the Group consolidated results or financial position.
- IFRS16, 'Leases' (effective 1 January 2019, not yet EU endorsed). The Group intends to adopt IFRS16 in its financial statements for the year ending 31 March 2020. This standard will significantly affect the presentation of the Group financial statements, with all leases apart from short-term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments.
- Amendments to IFRS 2 – Classification and Measurement of Share-Based payments transactions (not yet EU endorsed). This standard is not anticipated to have a significant impact on the financial statements.

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.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

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, refunds 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 is recognised as follows:

- Trade revenue: fees from retailer and home trader customers for advertising on the Group's websites and web-related activities are recognised on a straight-line basis as the service is provided. Retailer website build and hosting subscription fees, maintenance contracts and other subscription fees are recognised on a straight-line basis over the period to which they relate.
- Consumer services revenue: fees from private sellers for advertising on the Group's websites are recognised on a straight-line basis as the service is provided. Revenues from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance, are recognised as the service is provided.
- Display advertising : revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites is recognised on a straight-line basis as the service is provided.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders in the case of final dividends, or the date at which they are paid in the case of interim dividends.

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.

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 and share-based payments and associated NI.

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.

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.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

Intangible assets

a) Goodwill

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

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

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

b) Trademarks, trade names, technology 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

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.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

Derivative financial instruments and hedging

The Group does not currently use derivative financial instruments for hedging or for speculative purposes.

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 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.

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

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

Where the Group purchases its own equity share capital to hold in Treasury, the consideration paid for the shares is shown as own shares held within equity.

Shares held by the Employee Share Option Trust

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

Notes to the consolidated financial statements

continued

1. Accounting policies continued

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

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

The capital redemption reserve arises from the purchase and subsequent cancellation of the Group's own equity share capital.

Other reserves comprise the currency translation reserve on the consolidation of entities whose functional currency is other than sterling.

Earnings per share

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

2. 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. As the amounts are not significant, no sensitivity analysis has been presented.

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

ii. Interest rate risk

The Group's interest rate risk arises from long-term borrowings under the Syndicated Term Loan subject to floating rates of interest linked to LIBOR. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk.

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 2017 was 0.6% of revenue (for the year ended 31 March 2016: 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.

The tables below analyse 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. As disclosed in note 18 of these consolidated financial statements, the borrowings are currently drawn down under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual interest cost. Interest paid in the year in relation to borrowings amounted to £7.6m.

At 31 March 2017	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	—	—	363.0	—
Trade and other payables	7.1	—	—	—
Undrawn revolving credit and other facilities	—	—	30.0	—
Total	7.1	—	393.0	—

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	—

b) Capital risk management

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

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

	2017 £m	2016 £m
Loans due within one year	—	—
Loans and overdrafts greater than one year	363.0	403.0
Less: Cash and cash equivalents	(8.0)	(10.4)
Total net debt	355.0	392.6
Total equity	(21.4)	(51.5)
Total capital	333.6	341.1

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

The margin payable on the 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 Syndicated Term Loan Agreement and there is no requirement to settle all or part of the Syndicated Term Loan earlier than its termination date of 2020. The Group remains in compliance with its banking covenants.

c) Fair value estimation

At 31 March 2017 and 31 March 2016, the Group had no financial instruments held at fair value through profit and loss.

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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 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 and home trader customers advertising their vehicles and utilising the Group's products;
- **Consumer services:** revenue from private sellers for vehicle advertisements on the Group's websites. This category also includes revenue from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance; and
- **Display advertising:** revenue from manufacturers and their 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	2017 £m	2016 £m
Trade	262.1	236.4
Consumer services	31.8	30.3
Display advertising	17.5	14.9
Total revenue	311.4	281.6

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 a non-GAAP measure, Underlying operating profit, which is Operating profit before share-based payments and associated NI and exceptional items. This adjusted profit measure was applied by the OLT to understand the earnings trend of the Group and was considered the most meaningful measure by which to assess the true operating performance of the Group, as it allowed better interpretation of the underlying performance of the business. From next year, i.e. for 2018 and beyond, the business will report against the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

	2017 £m	2016 £m
Operating profit	203.1	169.6
- Share-based payments and associated NI	4.5	2.5
- Exceptional items	(0.4)	(0.8)
Underlying operating profit	207.2	171.3

A reconciliation of the total segment Operating profit to the profit before tax is provided as follows:

	2017 £m	2016 £m
Total segment Operating profit	203.1	169.6
Finance costs - net	(9.7)	(14.6)
Profit before tax	193.4	155.0

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 consolidated 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:

	2017 £m	2016 £m
Revenue:		
UK	306.1	277.0
Ireland	5.3	4.6
Total revenue	311.4	281.6
 Non-current assets:		
UK	321.0	326.5
Ireland	6.1	4.3
Total non-current assets (excluding deferred tax)	327.1	330.8

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.

4. Operating profit

Operating profit is stated after charging:

	Note	2017 £m	2016 £m
Staff costs	5	53.6	53.6
Contractor costs		0.4	0.4
Depreciation of property, plant and equipment	11	3.2	2.8
Amortisation of intangible assets	10	4.8	7.8
Operating lease payments		2.7	2.8

Exceptional items:

	2017 £m	2016 £m
Restructuring of Group operations	(0.4)	(0.8)
Total exceptional items	(0.4)	(0.8)

Exceptional income for the year ended 31 March 2017 and 31 March 2016 relates to the reversal of provisions previously made for restructuring costs that are no longer required.

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:

	2017 £m	2016 £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	0.1	0.2
- tax advisory services	—	0.1
Total	0.2	0.4

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5. Employees and Directors

	2017 £m	2016 £m
Wages and salaries	42.5	44.4
Social security costs	4.7	4.8
Other pension costs (note 21)	1.9	1.9
	49.1	51.1
Share-based payments and associated NI (note 26)	4.5	2.5
Total	53.6	53.6

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

	2017 Number	2016 Number
Customer operations	339	395
Product and technology	311	295
Display	46	41
Corporate	124	123
Total	820	854

6. Directors' and Key Management remuneration

The remuneration of Directors was as follows:

	2017 £m	2016 £m
Aggregate Directors' emoluments	1.5	1.7
Share-based payments charge	1.3	0.8
Total	2.8	2.5

During the year ended 31 March 2017 two Directors (2016: two Directors) were members of the Group's defined pension contribution scheme.

The remuneration of the highest paid Director was as follows:

	2017 £m	2016 £m
Aggregate emoluments	0.7	0.9
Share-based payments charge	0.9	0.5
Total	1.6	1.4

During the year to 31 March 2017, Trevor Mather and Sean Glithero (2016: 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 received no remuneration in respect of their services as Directors of the Company and Auto Trader Holding Limited, a subsidiary undertaking.

Refer to the Directors' Remuneration Report on pages 62 to 68 for further detail.

Key Management compensation

During the year to 31 March 2017, Key Management comprised the members of the OLT (2016: OLT). The remuneration of all Key Management (including Directors) was as follows:

	2017 £m	2016 £m
Short-term employee benefits	5.0	5.7
Share-based payments	2.6	1.4
Compensation for loss of office	—	0.2
Pension contributions	0.2	0.2
Total	7.8	7.5

7. Finance costs

	2017 £m	2016 £m
Finance costs		
On bank loans and overdrafts	7.5	12.7
Amortisation of debt issue costs	2.2	1.9
Total	9.7	14.6

8. Taxation

	2017 £m	2016 £m
Current taxation		
UK corporation taxation	39.3	28.6
Foreign taxation	0.2	0.3
Adjustments in respect of prior years	(0.4)	(0.7)
Total current taxation	39.1	28.2
Deferred taxation		
Origination and reversal of temporary differences	(0.3)	(0.3)
Effect of rate changes on deferred taxation	–	0.4
Adjustments in respect of prior years	(0.1)	–
Total deferred taxation	(0.4)	0.1
Total taxation charge	38.7	28.3

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.

	2017 £m	2016 £m
Profit before taxation	193.4	155.0
Tax on profit on ordinary activities at the standard UK corporation tax rate of 20% (2016: 20%)	38.7	31.0
Expenses not deductible for taxation purposes	0.6	0.3
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	(0.5)	(0.7)
Total taxation charge	38.7	28.3

Taxation on items taken directly to equity was a credit of £0.1m (2016: £0.1m) relating to deferred tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 20% (2016: 20%). The March 2016 budget announced a further reduction in the UK corporation tax rate to 17% from 1 April 2020. Finance Act 2016 was 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively. Deferred tax has been calculated based on the rate of 17% which is the rate at which the majority of items are expected to reverse.

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9. 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.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2017			
Basic EPS	989,278,991	154.7	15.64
Diluted EPS	991,812,212	154.7	15.60
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

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus 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:

	Weighted average number of shares
Year ended 31 March 2017	
Issued ordinary shares at 31 March 2016	1,001,051,699
Weighted effect of ordinary shares purchased for cancellation	(7,621,111)
Weighted effect of ordinary shares purchased for treasury	(3,173,244)
Weighted effect of shares held by the ESOT	(978,353)
Weighted average number of shares for basic EPS	989,278,991
Dilutive impact of share options outstanding	2,533,221
Weighted average number of shares for diluted EPS	991,812,212

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.

10. 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
Cost							
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
Additions	-	0.5	0.7	-	-	-	1.2
Exchange differences	0.5	0.1	-	-	-	-	0.6
At 31 March 2017	434.1	54.6	12.3	5.8	5.6	1.9	514.3
Accumulated amortisation and impairments							
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
Amortisation charge	-	1.5	2.3	0.1	0.7	0.2	4.8
At 31 March 2017	120.8	53.8	6.5	5.8	5.4	1.6	193.9
Net book value at 31 March 2017	313.3	0.8	5.8	-	0.2	0.3	320.4
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

At 31 March 2017, £0.1m (2016: £0.1m) of software and website development costs represented assets under construction. Amortisation of these assets will commence when they are brought into use.

For the year to 31 March 2017, the amortisation charge of £4.8m (2016: £7.8m) has been charged to administrative expenses in the income statement.

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 unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill.

The recoverable amount of the CGU is determined from value-in-use calculations that use cash flow projections from the latest three-year plan approved by the Directors. Assets have been allocated between the Auto Trader Digital CGU and the Webzone CGU. At 31 March 2017, the carrying value of goodwill allocated to the Auto Trader Digital CGU was £307.6m and to the Webzone CGU was £5.7m.

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% (2016: 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% (2016: 8.0%).

Significant headroom exists in the CGUs that have not been fully impaired. There are no reasonably 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 15 years). The longest estimated useful life remaining at 31 March 2017 is five years.

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11. Property, plant and equipment

	Assets under construction £m	Land, buildings and leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
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 15)	-	(0.3)	-	(0.3)
Disposals	-	-	(0.1)	(0.1)
At 31 March 2016	-	3.9	17.9	21.8
Additions	-	-	2.5	2.5
At 31 March 2017	-	3.9	20.4	24.3
Accumulated depreciation				
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
Charge for the year	-	0.3	2.9	3.2
At 31 March 2017	-	1.4	16.2	17.6
Net book value at 31 March 2017	-	2.5	4.2	6.7
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

The depreciation expense of £3.2m for the year to 31 March 2017 (2016: £2.8m) has been recorded in administrative expenses.

12. Investments

Shares in other undertakings

	£m
Cost	
At 31 March 2017 and 31 March 2016	3.2
Provision for impairment	
At 31 March 2017 and 31 March 2016	3.2
Net book value at 31 March 2017	-
Net book value at 31 March 2016	-

At the balance sheet date the Group holds a 19.4% (2016: 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 2017 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 ²	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited ²	England and Wales	Classified listings	Ordinary	-	100%
Trader Licensing Limited ²	England and Wales	Dormant company	Ordinary	-	100%
Trader Media Holdings Ireland Limited ^{1,3}	Republic of Ireland	Holding company	Ordinary	-	100%
Trader Media Ireland Unlimited ^{1,3}	Republic of Ireland	Holding company	Ordinary	-	100%
Webzone Limited ³	Republic of Ireland	Classified listings	Ordinary	-	100%

1 As at 31 March 2017 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.

2 Registered office address for UK companies is shown on the inside back cover.

3 Registered office address for the Republic of Ireland companies is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

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.

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13. Financial instruments by category

The accounting policies for financial instruments have been applied to the loans and receivables and financial liabilities as detailed in the table below:

31 March 2017	Loans and receivables £m	Non-financial assets £m	Total £m
Financial assets as per balance sheet:			
Trade and other receivables	21.4	29.3	50.7
Cash and cash equivalents	8.0	-	8.0
Total	29.4	29.3	58.7
Financial liabilities as per balance sheet:			
Borrowings	(357.8)	-	(357.8)
Trade and other payables	(7.1)	(26.2)	(33.3)
Total	(364.9)	(26.2)	(391.1)
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)

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

The carrying amounts of financial assets and liabilities approximate their fair values.

14. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	24.4	32.5
Less: provision for impairment of trade receivables	(3.1)	(3.2)
Trade receivables – net	21.3	29.3
Other receivables	0.1	0.1
Accrued income	26.1	18.5
Prepayments	3.2	3.8
Total	50.7	51.7

The ageing analysis of trade receivables is as follows:

	2017 £m	2016 £m
Fully performing	17.8	21.3
Past due but not impaired:		
Up to three months	2.8	7.4
Impaired	3.8	3.8
Total	24.4	32.5

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:

	2017 £m	2016 £m
At beginning of year	3.2	2.9
Provision for receivables impairment	1.7	1.9
Receivables written off during the year as uncollectible	(1.8)	(1.6)
Total	3.1	3.2

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:

	2017 £m	2016 £m
Sterling	23.6	31.6
Euro	0.8	0.9
Total	24.4	32.5

At 31 March 2017 and 31 March 2016 all other financial receivables are primarily denominated in sterling.

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15. 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.

	2017 £m	2016 £m
Non-current assets held for sale:		
Property, plant and equipment	—	0.3

16. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	8.0	10.4

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 2017 and 31 March 2016, the cash and cash equivalents are primarily denominated in sterling.

17. Trade and other payables

	2017 £m	2016 £m
Trade payables	6.1	7.8
Other taxes and social security	10.0	10.9
Other payables	0.5	0.2
Accruals	14.3	15.4
Deferred income	1.9	1.8
Accrued interest payable	0.5	0.5
Total	33.3	36.6

18. Borrowings

Non-current	2017 £m	2016 £m
Syndicated Term Loan gross of unamortised debt issue costs	363.0	403.0
Unamortised debt issue costs	(5.2)	(7.4)
Total	357.8	395.6

The Syndicated Term Loan is repayable as follows:

	2017 £m	2016 £m
Within two to five years	363.0	403.0
Total	363.0	403.0

The carrying amounts of borrowings approximate their fair values.

Syndicated Term Loan (the debt under the terms of the 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. 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'). The RCF was undrawn at 31 March 2017 (2016: 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 2016: 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 2017 the Group repaid £40.0m of the Syndicated Term Loan (2016: £147.0m).

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:

	2017 £m	2016 £m
One month or less	363.0	403.0
Total	363.0	403.0

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19. Provisions for other liabilities and charges

	Onerous lease and dilapidations provision £m	Restructuring provision £m	Holiday pay provision £m	Total £m
At 31 March 2016	1.1	0.2	0.3	1.6
Charged/(released) to the income statement	(0.4)	-	0.3	(0.1)
Received/(utilised) in the year	0.4	(0.2)	(0.3)	(0.1)
At 31 March 2017	1.1	-	0.3	1.4
			2017 £m	2016 £m
Current			0.3	0.5
Non-current			1.1	1.1
Total	1.4			1.6

The onerous lease provision was provided for future payments under property leases in respect of unoccupied properties no longer suitable for the Group's use. During the year, the Group disposed of the last remaining property and as a result, an exceptional credit of £0.4m was recognised.

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 2025 and February 2029.

The restructuring provision related to redundancy and other costs concerning key relocations and reorganisations in the UK.

The holiday pay provision relates to liabilities for holiday pay in relation to the UK and Ireland operations for leave days accrued and not yet taken at the end of the financial year, and is expected to be fully utilised in the year to 31 March 2018.

20. 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 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
Credited/(charged) to the income statement	0.4	(0.1)	-	0.3
Credited directly to equity	0.1	-	-	0.1
At 31 March 2017	0.9	3.8	-	4.7
Deferred taxation liabilities				
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
Credited to the income statement	-	-	(0.1)	(0.1)
At 31 March 2017	-	-	0.2	0.2

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.

21. 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 2017 the pension contributions to the Group defined contribution scheme amounted to £1.9m (2016: £1.9m). At 31 March 2017, there were £0.3m (31 March 2016: £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 2017 by a qualified independent actuary.

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

	2017 £m	2016 £m
Present value of funded obligations	21.0	17.5
Fair value of plan assets	(21.4)	(18.4)
Effect of surplus cap	0.4	0.9
Net liability recognised in the balance sheet	-	-

The surplus of £0.4m (2016: £0.9m) has not been recognised as an asset as it is not deemed to be recoverable by the Group.

Notes to the consolidated financial statements

continued

21. 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:

	2017 £m	2016 £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:

	2017 £m	2016 £m
Remeasurement (losses)/gains recognised in the year (before tax)	(0.5)	0.4
Effect of surplus cap	0.5	(0.4)
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 2015	19.1	(19.1)	-
Interest expense/(income)	0.6	(0.6)	-
Remeasurements:			
Gain from changes in financial assumptions	(1.2)	-	(1.2)
Gains arising from experience	(0.4)	-	(0.4)
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)	-
Interest expense/(income)	0.6	(0.6)	-
Remeasurements:			
Loss from changes in financial assumptions	3.9	-	3.9
Gains arising from experience	(0.2)	-	(0.2)
Return on plan assets, excluding amounts included in interest income	-	(3.2)	(3.2)
Benefits paid	(0.8)	0.8	-
Effect of surplus cap	-	(0.5)	(0.5)
At 31 March 2017	21.0	(21.0)	-

The Company has agreed to contribute £70,000 per annum to the scheme with effect from 1 October 2016 for a period of three years. During the year to 31 March 2017, the Group contributed £29,165 to the scheme (2016: £Nil).

As at 31 March 2017, approximately 65% of the liabilities (2016: 65%) are attributable to former employees who have yet to reach retirement and 35% to current pensioners (2016: 35%).

The significant actuarial assumptions were as follows:

	2017 %	2016 %
Discount rate	2.60	3.55
Pension growth rate	2.35	2.15
Inflation rate ('RPI')	3.45	3.25

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 S2NA with CMI 2015 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2017		2016	
	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	92

Plan assets are comprised as follows:

	2017		2016	
	£m	%	£m	%
Equities	12.0	56.1	10.1	54.9
Corporate bonds	8.3	38.8	7.4	40.2
Real estate	1.1	5.1	0.9	4.9
Total	21.4	100.0	18.4	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

22. Share capital

Share capital	2017		2016	
	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	1,001,052	10.0	1,000,000	1,500.0
New shares allotted	-	-	1,052	1.6
Capital reduction	-	-	-	(1,491.6)
Purchase and cancellation of own shares	(22,081)	(0.2)	-	-
Total	978,971	9.8	1,001,052	10.0

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM, the Company was authorised to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p, with a total consideration paid (inclusive of all costs) of £102.6m. 4,211,957 shares were purchased to be held in treasury, with 22,080,553 being cancelled.

Included within shares in issue at 31 March 2017 are 948,924 (2016: 1,021,224) shares held by the ESOT and 4,203,277 (2016: Nil) shares held in treasury, as detailed in note 23.

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.

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 created a significant amount of distributable reserves for the Company.

23. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2015	-	-	-
Acquisition of shares by ESOT	(1.6)	-	(1.6)
Transfer of shares from ESOT	0.1	-	0.1
Own shares held as at 31 March 2016	(1.5)	-	(1.5)
Own shares held as at 1 April 2016	(1.5)	-	(1.5)
Transfer of shares from ESOT	0.1	-	0.1
Repurchase of own shares for treasury	-	(15.5)	(15.5)
Own shares held as at 31 March 2017	(1.4)	(15.5)	(16.9)

Own shares held – number	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of own shares held
Own shares held as at 1 April 2015	-	-	-
Acquisition of shares by ESOT	1,051,699	-	1,051,699
Transfer of shares from ESOT	(30,475)	-	(30,475)
Own shares held as at 31 March 2016	1,021,224	-	1,021,224
Own shares held as at 1 April 2016	1,021,224	-	1,021,224
Transfer of shares from ESOT	(72,300)	-	(72,300)
Shares purchased for treasury	-	4,211,957	4,211,957
Share-based incentives exercised in the year	-	(8,680)	(8,680)
Own shares held as at 31 March 2017	948,924	4,203,277	5,152,201

24. Dividends

Dividends declared and paid by the Company were as follows:

	2017	2016		
	Pence per share	£m	Pence per share	£m
2016 interim dividend paid	—	—	0.5	5.0
2016 final dividend paid	1.0	9.9	—	—
2017 interim dividend paid	1.7	16.7	—	—
	2.7	26.6	0.5	5.0

The proposed final dividend for the year ended 31 March 2017 of 3.5p per share, totalling £34.1m, is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2017 interim dividend paid on 27 January 2017 was £16.7m, being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 10 November 2016 and the dividend record date of 6 January 2017.

The 2016 final dividend paid on 30 September 2016 was £9.9m, being a difference of £0.1m compared to that reported in the 2016 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 9 June 2016 and the final dividend record date of 2 September 2016.

The Directors' policy with regards to future dividends is set out in the Strategic report on page 29.

25. Cash generated from operations

	2017 £m	2016 £m
Profit before taxation	193.4	155.0
Adjustments for:		
Depreciation	3.2	2.8
Amortisation	4.8	7.8
Share-based payments charge (excluding associated NI)	4.0	2.3
Finance costs	9.7	14.6
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	0.7	(2.6)
Trade and other payables	(2.3)	5.3
Provisions	(0.6)	(5.1)
Cash generated from operations	212.9	180.1

Notes to the consolidated financial statements

continued

26. Share-based payments

The Group currently operates four share schemes: the Performance Share Plan, Deferred Annual Bonus Plan, Share Incentive Plan and the Sharesave scheme.

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

The total charge in the year relating to the four schemes was £4.5m (2016: £2.5m) with a Company charge of £1.5m (2016: £0.7m). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Share Incentive Plan ('SIP')	0.8	0.7	—	—
Sharesave scheme ('SAYE')	0.3	0.1	—	—
Performance Share Plan ('PSP')	2.4	1.2	1.0	0.4
Deferred Annual Bonus Plan ('DABP')	0.5	0.3	0.3	0.2
Total share-based payment charge	4.0	2.3	1.3	0.6
NI and apprenticeship levy on applicable schemes	0.5	0.2	0.2	0.1
Total charge	4.5	2.5	1.5	0.7

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015, subject to a three-year service period ('Vesting Period'). The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured to be £2.72 using the Black-Scholes model. The resulting share-based payments charge is being spread evenly over the Vesting Period.

UK SIP

	2017 Number	2016 Number
Outstanding at 1 April	913,917	—
Awarded	—	1,051,699
Dividend shares awarded	6,139	—
Forfeited	(69,589)	(107,307)
Released	(74,422)	(30,475)
Outstanding at 31 March	776,045	913,917
Vested and Outstanding at 31 March	—	—

Irish SIP

	2017 Number	2016 Number
Outstanding at 1 April	45,491	—
Awarded	—	45,491
Forfeited	(1,060)	—
Released	—	—
Outstanding at 31 March	44,431	45,491
Vested and Outstanding at 31 March	—	—

The weighted average market value per ordinary share for SIP awards released in 2017 was 387.14p (2016: 344.25p).

The SIP shares outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.1 years (2016: 2.1 years).

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

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the OLT and certain key employees.

On 17 June 2016, the Group awarded 1,186,365 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 performance period following the award date. The vesting in June 2019 ('Vesting Date') of 25% of the 2016 PSP award will be dependent on a relative TSR performance condition measured over the performance period and the vesting of the 75% of the 2016 PSP award will be dependent on the satisfaction of a cumulative Underlying operating profit ('UOP') target measured over the performance period.

For details of TSR and UOP performance conditions refer to the Directors' remuneration report on pages 62 to 68.

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.

Grant date	Condition	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
19 June 2015	TSR dependent	3.06	Nil	30	3.0	0.9	0.0	0.0	2.08
19 June 2015	UOP dependent	3.06	Nil	n/a	3.0	0.9	0.0	0.0	3.06
17 June 2016	TSR dependent	3.89	Nil	29	3.0	0.4	0.4	0.0	2.16
17 June 2016	UOP dependent	3.89	Nil	n/a	3.0	0.9	0.4	0.0	3.89

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

	2017 Number	2016 Number
Outstanding at 1 April	1,641,267	-
Options granted in the year	1,186,365	1,641,267
Forfeited	(144,894)	-
Outstanding at 31 March	2,682,738	1,641,267
Exercisable at 31 March	-	-

The PSP awards outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.6 years (2016: 2.2 years) and a weighted average contractual life of 8.7 years (2016: 9.2 years).

Deferred Annual Bonus Plan

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors and certain key senior executives.

Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Monte Carlo model and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

On 17 June 2016, the Group awarded 248,263 nil cost options under the DABP scheme

Grant date	Share price at grant date (£)	Exercise price (£)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Non-vesting condition (%)	Fair value per option (£)
17 June 2016	3.89	Nil	30	2.0	0.4	0.4	0.0	3.89

Notes to the consolidated financial statements

continued

26. Share-based payments continued

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

	2017 Number
Outstanding at 1 April	–
Options granted in the year	248,263
Forfeited	–
Outstanding at 31 March	248,263
Exercisable at 31 March	–

The DABP awards outstanding at 31 March 2017 have a weighted average remaining vesting period of 2.2 years (2016: n/a) and a weighted average contractual life of 9.2 years (2016: n/a).

The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2017 targets.

Sharesave scheme

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

	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	3.0	1.0	0.0	33	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.

	2017		2016	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	1,060,225	2.64	–	–
Options granted in the year	–	–	1,096,112	2.64
Exercised	(8,680)	2.64	–	–
Lapsed	(132,264)	2.64	(35,887)	2.64
Outstanding at 31 March	919,281	2.64	1,060,225	2.64
Exercisable at 31 March	–	–	–	–

The weighted average market value per ordinary share for Sharesave options exercised in 2017 was 369.51p (2016 n/a).

The Sharesave options outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.7 years (2016: 2.7 years) and a weighted average contractual life of 2.2 years (2016: 3.2 years).

Sharesave options exercised relate to those attributable to good leavers as defined by the scheme rules.

27. 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 2017 was £363.0m (2016: £403.0m).

28. 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	
	2017 £m	2016 £m	2017 £m	2016 £m
No later than one year	1.4	1.1	0.6	0.5
Later than one year and no later than five years	9.9	8.9	0.7	1.0
Later than five years	12.4	14.8	–	–
Total	23.7	24.8	1.3	1.5

At 31 March 2017, £11.8m (2016: £14.2m) 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.

29. Post balance sheet event

On 25 April 2017, Auto Trader Limited, a subsidiary of the Group, acquired 100% of the share capital of Motor Trade Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year end were less than 1% of the revenue and profits of the Group. The acquisition accounting has not yet been concluded as of the date of these financial statements.

Company balance sheet

At 31 March 2017

	Note	2017 £m	2016 £m
Fixed assets			
Investments	3	1,210.5	1,207.8
		1,210.5	1,207.8
Current assets			
Debtors	4	420.1	440.3
		420.1	440.3
Creditors: amounts falling due within one year	5	(118.4)	(8.8)
Net current assets		301.7	431.5
Net assets		1,512.2	1,639.3
Capital and reserves			
Called-up share capital	8	9.8	10.0
Own shares held	9	(16.9)	(1.5)
Capital redemption reserve		0.2	-
Retained earnings		1,519.1	1,630.8
Total equity		1,512.2	1,639.3

The financial statements from pages 116 to 122 were approved by the Board of Directors and authorised for issue.

Sean Glithero

Director
8 June 2017

Auto Trader Group plc

Registered number 09439967

Company statement of changes in equity

For the year ended 31 March 2017

	Share capital £m	Share premium account £m	Own shares held £m	Capital redemption reserve £m	Retained earnings/(deficit) £m	Total equity £m
Balance at March 2015	1,500.0	144.4	–	–	(1.3)	1,643.1
Loss for the period	–	–	–	–	(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	–
Transfer from ESOT	–	–	0.1	–	(0.1)	–
Dividends paid	–	–	–	–	(5.0)	(5.0)
Share-based payments	–	–	–	–	2.3	2.3
Total transactions with owners, recognised directly in equity	(1,490.0)	(144.4)	(1.5)	–	1,633.2	(2.7)
Balance at March 2016	10.0	–	(1.5)	–	1,630.8	1,639.3
Loss for the year	–	–	–	–	(1.9)	(1.9)
Total comprehensive expense, net of tax	–	–	–	–	(1.9)	(1.9)
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(87.1)	(87.1)
Purchase of treasury shares	–	–	(15.5)	–	–	(15.5)
Transfer from ESOT	–	–	0.1	–	(0.1)	–
Dividends paid	–	–	–	–	(26.6)	(26.6)
Share-based payments	–	–	–	–	4.0	4.0
Total transactions with owners recognised directly in equity	(0.2)	–	(15.4)	0.2	(109.8)	(125.2)
Balance at March 2017	9.8	–	(16.9)	0.2	1,519.1	1,512.2

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 369 day period ended 31 March 2017. The comparative financial information presented is at and for the 364 day (52 week) period ended 27 March 2016. 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 £1.9m (2016: loss of £1.1m).

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

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

Amounts paid to the Company's auditors in respect of the statutory audit were £55,000 (2016: £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 26 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.

Share capital

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

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

Shares held by the Employee Share Option Trust

Shares in the Company held by the Employee Share Option Trust ('ESOT') are included in the balance sheet at cost as a deduction from equity.

Taxation

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

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

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

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

Financial instruments

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

a) Financial assets

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

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

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

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

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

b) Financial liabilities

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Dividend distribution

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

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 62 to 68.

Notes to the Company financial statements

continued

3. Investments in subsidiaries

	2017 £m	2016 £m
At beginning of the period	1,207.8	1,206.2
Additions	2.7	1.6
At end of the period	1,210.5	1,207.8

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

Subsidiary undertakings

At 31 March 2017 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 ²	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited ²	England and Wales	Classified listings	Ordinary	-	100%
Trader Licensing Limited ²	England and Wales	Dormant company	Ordinary	-	100%
Trader Media Holdings Ireland Limited ^{1,3}	Republic of Ireland	Holding company	Ordinary	-	100%
Trader Media Ireland Unlimited ^{1,3}	Republic of Ireland	Holding company	Ordinary	-	100%
Webzone Limited ³	Republic of Ireland	Classified listings	Ordinary	-	100%

1 As at 31 March 2017 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.

2 Registered office address for UK companies is shown on the inside back cover.

3 Registered office address for the Republic of Ireland companies is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.

4. Debtors

	2017 £m	2016 £m
Amounts owed by Group undertakings	419.7	440.0
Deferred tax asset	0.4	0.2
Corporation tax receivable	-	0.1
	420.1	440.3

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

5. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Amounts owed to Group undertakings	117.5	8.3
Accruals and deferred income	0.9	0.5
	118.4	8.8

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

6. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2017 and period ended 31 March 2016 may be analysed as follows:

Financial assets	2017 £m	2016 £m
Financial assets measured at amortised cost	419.7	440.0
Financial liabilities	2017 £m	2016 £m
Financial liabilities measured at amortised cost	118.4	8.8

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

Dividends declared and paid by the Company were as follows:

	2017		2016	
	Pence per share	£m	Pence per share	£m
2016 interim dividend paid	—	—	0.5	5.0
2016 final dividend paid	1.0	9.9	—	—
2017 interim dividend paid	1.7	16.7	—	—
	2.7	26.6	0.5	5.0

The proposed final dividend for the year ended 31 March 2017 of 3.5p per share, totalling £34.1m is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2017 interim dividend paid on 27 January 2017 was £16.7m, being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 10 November 2016 and the dividend record date of 6 January 2017.

The 2016 final dividend paid on 30 September 2016 was £9.9m, being a difference of £0.1m compared to that reported in the 2016 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 9 June 2016 and the final dividend record date of 2 September 2016.

The Directors' policy with regards to future dividends is set out in the Strategic report on page 29.

8. Called-up share capital

Share capital	2017		2016	
	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid: Ordinary shares of 1p each				
At 1 April	1,001,052	10.0	1,001,000	1,500.0
New shares allotted	—	—	1,052	1.6
Capital reduction	—	—	—	(1,491.6)
Purchase and cancellation of own shares	(22,081)	(0.2)	—	—
Total	978,971	9.8	1,001,052	10.0

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM, the Company was authorised to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p, with a total consideration paid (inclusive of all costs) of £102.6 million. 4,211,957 shares were purchased to be held in treasury, with 22,080,553 being cancelled.

Included within shares in issue at 31 March 2017 are 948,924 (2016: 1,021,224) shares held by the ESOT and 4,203,277 (2015: Nil) shares held in treasury, as detailed in note 9.

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.

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 created a significant amount of distributable reserves for the Company.

Notes to the Company financial statements

continued

9. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2015	-	-	-
Acquisition of shares by ESOT	(1.6)	-	(1.6)
Transfer of shares from ESOT	0.1	-	0.1
Own shares held as at 31 March 2016	(1.5)	-	(1.5)
Own shares held as at 1 April 2016	(1.5)	-	(1.5)
Transfer of shares from ESOT	0.1	-	0.1
Repurchase of own shares for treasury	-	(15.5)	(15.5)
Own shares held as at 31 March 2017	(1.4)	(15.5)	(16.9)
Own shares held – number	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of own shares held
Own shares held as at 1 April 2015	-	-	-
Acquisition of shares by ESOT	1,051,699	-	1,051,699
Transfer of shares from ESOT	(30,475)	-	(30,475)
Own shares held as at 31 March 2016	1,021,224	-	1,021,224
Own shares held as at 1 April 2016	1,021,224	-	1,021,224
Transfer of shares from ESOT	(72,300)	-	(72,300)
Shares purchased for treasury	-	4,211,957	4,211,957
Share-based incentives exercised in the year	-	(8,680)	(8,680)
Own shares held as at 31 March 2017	948,924	4,203,277	5,152,201

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 2017 was £363.0m (2016: £403.0m).

11. Related parties

During the year, a management charge of £1.9m (2016: £2.0m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £419.7m and £117.5m respectively for debtors and creditors (2016: £440.0m and £8.3m) as set out in notes 4 and 5.

Shareholder information

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 (charged at the appropriate international rate)

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

Financial calendar 2017–2018

Annual General Meeting	21 September 2017
Half-year results	9 November 2017
2018 Full-year results	June 2018

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 autotradershares.co.uk where you can view and manage all aspects of your shareholding securely including electronic communications, account enquiries or amendment to address.

Investor relations website

The investor relations section of our website, 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.

Notes



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