**Auto Trader Limited**

Annual report and financial statements for the year ended 31 March 2017

Registered number: 3909628

The Directors present their strategic report for Auto Trader Limited (the "Company") for the year ended 31 March 2017.

**Review of the business**
The principal activity of the Company is online classified advertising of motor vehicles and other related products and services in the digital automotive marketplace. The Company operates wholly in the United Kingdom.
During the year the Board changed the accounting period from 52-week to annual calendar reporting. This has been disclosed in detail in the basis of preparation on page 12.

**Results and performance**
Turnover has increased by £29.1 million to £306.1 million (2016: £277.0 million). Growth has mainly come from providing greater value to retailers in a marketplace whereby consumers are increasingly researching their next vehicle purchase online. Growth has also come from display advertising, where in particular manufacturers have increased their advertising spend on the marketplace in recognition of a growing, relevant and engaged audience.

Operating profit has increased to £203.1 million (2016: £169.6 million) as we continue to focus on operating a simpler, leaner and more data-oriented business. The profit for the year ended 31 March 2017 as set out on page 8 was £167.6 million (2016: £194.4 million). The Company received dividends of £8.9 million (2016: £53.3 million).

More detailed coverage of the Company's strategic report, principal risks and uncertainties, corporate governance structure and approach to corporate social responsibility is published within the Annual Report and Financial Statements of Auto Trader Group plc, as all are managed on a group basis. As the financial statements of Auto Trader Group plc are publicly available, the Company has therefore not included disclosure of these items in its own financial statements.

**Business environment**
Auto Trader continues to operate the UK's largest digital automotive marketplace. The UK automotive marketplace continues to grow as used car volumes are benefitting from previous new car growth, which is expected to decline modestly. The continued development of our products 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 not have not considered Auto Trader as a new car 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. Through the evolution of Auto Trader's digital platforms and innovative data products, we continue to make the car buying process easier for consumers, retailers and manufacturers.

**Strategy**
We are a 100% digital business and have a clear focus on being the UK's leading digital automotive marketplace and help improve the processes of buying and selling vehicles for consumers, retailers and manufactures alike.

Our goals are to:
1. simplify our business and integrate our assets;
2. continuously improve and be brilliant at everything that is at our core; and
3. build a digital culture that is values driven, customer focused and data oriented.

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

**Key performance indicators**
Key performance indicators are monitored primarily on a Group basis and are disclosed in the financial statements of the ultimate parent company, Auto Trader Group plc. In addition, the Board monitors the progress of the Company by reference to the following KPIs:

| Key performance indicators | **2017** | 2016 |
|---|---|---|
| Turnover (£ millions) | **306.1** | 277.0 |
| Operating profit (£ millions) | **203.1** | 169.6 |
| Number of full-time equivalent employees | **782** | 815 |

**Principal risks and uncertainties**
The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls.

The principal risks for the Company include the macro-economic climate; competition; new or disruptive technologies and changing consumer behaviours; IT systems and security and employee retention. Further details of the risks applicable to the whole group can be found in the Annual Report of Auto Trader Group plc, which can be obtained from the address given in note 17.

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

**Future developments**
After a number of years of uninterrupted growth, the industry expects new car registrations to plateau or decline in calendar year 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 growth for used cars.

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 delivery growth.

On behalf of the Board

S Glithero
Director
10 August 2017

1 Tony Wilson Place
Manchester
M15 4FN

The Directors present their report on the Company for the year ended 31 March 2017.

**Results and dividends**
The Company's profit for the financial year was £167.6 million (2016: £194.4 million) which was transferred to reserves. The Directors do not recommend payment of a final dividend (2016: £nil).

**Post balance sheet event**
Since the year end, the Company has acquired Motor Trade Delivery Limited ('MTD') for an undisclosed sum. As at the date of this report we have not yet concluded the accounting for this acquisition.

**Directors and secretary**
The Directors who served during the year and up to the date of the signing of the financial statements, unless otherwise stated, were as follows:

| | |
|---|---|
| T Mather | |
| S Glithero | Director, resigned as Company Secretary 1 November 2016 |
| I Somerset | (resigned 2 December 2016) |
| C Baty | Company Secretary (appointed 1 November 2016) |

**Financial risk management**
The Directors consider that the financial risks are the same as those that are relevant to the Group, accordingly these have been disclosed in the publicly available financial statements of Auto Trader Group plc, which can be obtained from the address given in note 17.

**Future developments**
The Directors have considered the future developments of the business within the Strategic Report on page 3.

**Disabled employees**
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**Employee consultation**
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted on a wide range of matters affecting their current and future interest. Information relevant to employees and the wider business is posted on the Company's intranet. The company also has a universal employee development scheme, focused on developing the potential of all staff members.

***Political Donations***
No political donations were made in the year (2016: £nil).

**Health and safety**
The Company's policy of ensuring safe and pleasant working conditions for all employees, as far as possible within the constraints imposed by the working environment, has continued to operate. Health and safety representatives are present at each property from which the Company operates, are managed centrally and meet on a regular basis. Over the past decade the company has created a solid health and safety framework and culture within the Company.

**Directors' indemnities**
Qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

**Independent auditors**
KPMG LLP were appointed as auditors of the Company during the period. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Disclosure of information to auditors**
The Directors confirm, in the case of each Director in office at the date the directors' report is approved, that: so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Directors on 10 August 2017 and signed on their behalf

C Baty
Company Secretary

1 Tony Wilson Place
Manchester
Greater Manchester
M15 4FN

**Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

**Independent Auditor's report to the members of Auto Trader Limited**

We have audited the financial statements of Auto Trader Limited for the period ended 31 March 2017 set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

**Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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 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.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Mick Davies

**Mick Davies (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
KPMG LLP
One St Peter's Square
Manchester
M2 3AE

10/8/2017

| **Continuing operations** | Note | **2017 £m** | 2016 £m |
|---|---|---|---|
| Turnover | 2 | **306.1** | 277.0 |
| Administrative expenses | | **(103.0)** | (107.4) |
| **Operating profit** | 3 | **203.1** | 169.6 |
| Impairment of fixed asset investment | 9 | **(5.8)** | - |
| Income from shares in group undertakings | | **8.9** | 53.3 |
| **Profit on ordinary activities before interest and taxation** | | **206.2** | 222.9 |
| Tax on profit on ordinary activities | 6 | **(38.6)** | (28.5) |
| **Profit for the financial year attributable to owners of the parent** | | **167.6** | 194.4 |

As outlined in the basis of preparation on page 12, 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.

# Statement of comprehensive income

For the year ended 31 March 2017

| | **2017** **£m** | 2016 £m |
|---|---|---|
| **Profit for the financial year** | **167.6** | 194.4 |
| **Other comprehensive income for the year, net of tax** | **-** | - |
| **Total comprehensive income for the year** | **167.6** | 194.4 |

# Balance sheet

As at 31 March 2017

| | Note | 2017 £m | 2016 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 7 | **20.4** | 23.9 |
| Tangible assets | 8 | **6.8** | 7.7 |
| Investments | 9 | **7.5** | 5.9 |
| | | **34.7** | 37.5 |
| **Current assets** | | | |
| Debtors | 10 | **1,158.7** | 982.3 |
| Cash at bank and in hand | | **7.5** | 9.7 |
| | | **1,166.2** | 992.0 |
| **Creditors: Amounts falling due within one year** | 11 | **(51.3)** | (50.0) |
| **Net current assets** | | **1,114.9** | 942.0 |
| **Total assets less current liabilities** | | **1,149.6** | 979.5 |
| Provisions for liabilities | 12 | **(1.4)** | (1.6) |
| Post-employment benefits | 14 | **-** | - |
| **Net assets** | | **1,148.2** | 977.9 |
| **Capital and reserves** | | | |
| Called up share capital | 13 | **210.5** | 210.5 |
| *Share premium account* | | **243.2** | 243.2 |
| Retained earnings | | **694.5** | 524.2 |
| **Total equity** | | **1,148.2** | 977.9 |

The notes on pages 12 to 35 form an integral part of these financial statements.

The financial statements on pages 8 to 35 were authorised for issue by the Board of Directors on 10 August 2017 and were signed on its behalf.

S Glithero
Director

Auto Trader Limited
Registered number: 3909628

# Statement of changes in equity

For the year ended 31 March 2017

| | Note | Called up share capital £m | Share premium account £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 30 March 2015** | | **210.5** | **243.2** | **328.2** | **781.9** |
| Profit for the financial year | | - | - | 194.4 | 194.4 |
| Total comprehensive income for the year | | - | - | 194.4 | 194.4 |
| Transactions with owners: | | | | | |
| Share-based payments | 5 | - | - | 1.6 | 1.6 |
| Deferred tax on share-based payments recognised | | - | - | - | - |
| Total transactions with owners, recognised directly in equity | | - | - | 1.6 | 1.6 |
| **Balance at 27 March 2016** | | **210.5** | **243.2** | **524.2** | **977.9** |
| Profit for the financial year | | - | - | 167.6 | 167.6 |
| Total comprehensive income for the year | | - | - | 167.6 | 167.6 |
| Transactions with owners: | | | | | |
| Share-based payments | 5 | - | - | 2.6 | 2.6 |
| Deferred tax on share-based payments recognised | | - | - | 0.1 | 0.1 |
| Total transactions with owners, recognised directly in equity | | - | - | 2.7 | 2.7 |
| **Balance at 31 March 2017** | | **210.5** | **243.2** | **694.5** | **1,148.2** |

## 1 Accounting policies

**General information**
Auto Trader Limited ('the Company') is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 4th floor, 1 Tony Wilson Place, Manchester, M15 4FN.

The individual financial statements of Auto Trader Limited 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.

**Basis of preparation**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial information presented is at and is 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 Group, results have historically been reported on a 52-week basis, with the accounting period ending on the closest Sunday to 31 March. The Board of Auto Trader Group plc made the decision to change the period end date to be 31 March every year, for the Group and all of its subsidiaries, starting in 2017. This was to better align with customers' needs and to the products and services the Group offers. Consequently, the 2017 financial year was five days longer than the previous year.

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The financial statements contain information about Auto Trader Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Auto Trader Group plc, a company incorporated in England and Wales. Copies of Auto Trader Group plc consolidated financial statements can be obtained from the address given in note 17.

**Accounting estimates and judgements**
The preparation of the financial statements requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates and judgements are continually evaluated on a Group basis 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 operations and financial position.

The accounting estimates believed to require the most difficult, subjective or complex judgements are as follows:
- carrying value of goodwill; and
- share-based payments.

## 1 Accounting policies (continued)

**Going concern**
The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing date of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**Cash flow statement**
The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Auto Trader Group plc, includes the company's cash flows in its own consolidated financial statements.

**Cash and cash equivalents**
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**Related party transactions**
The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

**Foreign currency**
The Company's functional and presentation currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

## 1 Accounting policies (continued)

**Employee benefits**
The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. The Company also has a defined benefit contribution plan for certain former employees.

*(i) Short term benefits*
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*(ii) Annual bonus plan*
The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

*(iii) Defined contribution pension plans*
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

*(iv) Defined benefit pension plan*
The Company operates a defined benefit plan for certain former employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

## 1 Accounting policies (continued)

**Employee benefits (continued)**

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement of net defined benefit liability".

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as "Interest expense". Any scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet.

*(v) Share-based payments*
The Company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity. 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.

## 1 Accounting policies (continued)

**Taxation**
Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

*(i) Current tax*
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

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.

*(ii) Deferred tax*
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**Turnover**
Turnover comprises the fair value of the consideration receivable for the sales of goods and services in the ordinary course of the Company's activities. Turnover is stated net of discounts, rebates, refunds and value-added tax.

Turnover is recognised when the amount 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 activities described below. Estimates are based on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

Turnover is recognised as follows:

- Trade: fees from retailer and home trader customers for advertising on the Company'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: fees from private sellers for advertising on the Company's websites are recognised on a straight-line basis as the service is provided. Fees 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: fees from manufacturers and their advertising agencies for placing display advertising on the Company's websites are recognised on a straight-line basis as the service is provided.

## 1 Accounting policies (continued)

**Intangible assets**
Goodwill arising on the acquisition of businesses (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and written off over a period of 20 years. This is deemed an appropriate period of amortisation for goodwill acquired by the Company. Provision is made for any impairment. Impairments are assessed when a triggering event has occurred and are assessed by comparing the carrying value of the goodwill attributable to an income generating unit to its value in use.

Following reorganisations of the Company when a number of investments were divisionalised an amount of the original cost of investment has been redesignated as goodwill in the Company's balance sheet. This amount is restricted to the amount of goodwill that would have arisen on the initial acquisition and is written off over a period of 20 years.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight-line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**Investments**
Investments in subsidiary, associated and other undertakings are shown at cost less any provision for impairment. Dividends received are credited to the profit and loss account when the right to receive payment is established.

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.

**Tangible fixed assets and depreciation**
Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

*(i) Land and buildings*

Land and buildings include freehold and leasehold properties. Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

## 1 Accounting policies (continued)

### Tangible fixed assets and depreciation (continued)

*(ii) Plant and equipment*

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

*(iii) Depreciation and residual values*

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

| | |
|---|---|
| Leasehold improvements | life of lease |
| Leasehold land and buildings | life of lease |
| Fixtures and fittings, equipment and vehicles | 3-10 years |

Assets under construction are recorded as tangible fixed assets and are transferred to the appropriate tangible fixed asset classification when complete, and depreciated from that date.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

### Provisions

A provision is recognised in the financial statements when an obligation exists at the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the 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. Provisions are discounted where the effect is material.

### 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 profit and loss account on a straight line basis over the period of the lease.

### Dividends

Dividends on equity shares are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders. Interim dividends declared by Directors are recognised when paid.

## 1 Accounting policies (continued)

**Financial instruments**
The Company adopts Sections 11 and 12 of FRS 102 in respect of financial instruments.

*(i) Financial assets*

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

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

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) 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.

*(ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies 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 pre-payment 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. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## 2 Turnover

Turnover is attributable to the principal activity of the Company and is earned entirely within the United Kingdom.

***By class of business segmental analysis:***

| | **2017 £m** | 2016 £m |
|---|---|---|
| Trade | 257.7 | 232.5 |
| Consumer | 31.7 | 30.3 |
| Display | 16.7 | 14.2 |
| **Total turnover** | **306.1** | 277.0 |

## 3 Operating profit

Operating profit is stated after charging:

| | **2017 £m** | 2016 £m |
|---|---|---|
| Wages and salaries | 41.0 | 43.3 |
| Social security costs | 4.3 | 4.6 |
| Other pension costs (note 14) | 1.9 | 1.9 |
| Share-based payments and associated national insurance costs | 2.9 | 1.8 |
| **Staff costs** | **50.1** | 51.6 |
| Operating lease charges | **2.6** | 2.6 |
| Audit fees payable to the Company's auditors | **0.1** | 0.2 |

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for 'Other services' as this information is included in the consolidated financial statements of Auto Trader Group plc, which can be obtained from the address given in note 17.

 

## 4 Employees and Directors

### Employees

The average monthly number of full time equivalents (including executive Directors) employed by the Company during the year was:

| | **2017 Number** | 2016 Number |
|---|---|---|
| Customer operations | 327 | 381 |
| Product and technology | 309 | 293 |
| Display | 46 | 41 |
| Corporate | 100 | 100 |
| | **782** | 815 |

The remuneration of Trevor Mather and Sean Glithero was paid by Auto Trader Group plc and recharged through a management fee to the Company. The remuneration of Directors including the management fee was as follows:

| | **2017 £m** | 2016 £m |
|---|---|---|
| Aggregate Directors' emoluments | 2.0 | 2.0 |
| **Total** | **2.0** | 2.0 |

At the end of the year, two Directors (2016: three Directors) were members of the Company's defined contribution scheme.

## 5 Share-based payments

Share options are granted by the ultimate parent company ('Auto Trader Group plc', the "Group') to senior executives and other individuals. 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 £2.9 million (2016: £1.8 million). 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.

| | **2017 £m** | 2016 £m |
|---|---|---|
| Share Incentive Plan ('SIP') | 0.8 | 0.8 |
| Sharesave scheme ('SAYE') | 0.3 | 0.1 |
| Performance Share Plan ('PSP') | 1.3 | 0.7 |
| Deferred Annual Bonus Plan ('DABP') | 0.2 | 0.1 |
| Total share-based payment charge | **2.6** | 1.7 |
| NI and apprenticeship levy on applicable schemes | 0.3 | 0.1 |
| **Total charge** | **2.9** | 1.8 |

### Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares 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.

| | **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** | **-** | - |

## 5 Share-based payments (continued)

The weighted average market value per ordinary share for SIP awards released in 2017 was £3.87 (2016: £3.44). 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 certain key employees.

On 17 June 2016, the Group awarded 1,661,442 nil cost options under the PSP scheme that applies to Auto Trader Limited employees. 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 Total Shareholder Return ('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 of the Auto Trader Group plc Annual Report.

The PSP awards have been valued using the Monte Carlo model for the TSR element and the Black-Scholes model for the UOP 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 | 1,009,353 | - |
| Options granted in the year | 796,983 | 1,009,353 |
| Forfeited | (144,894) | - |
| **Outstanding at 31 March** | **1,661,442** | 1,009,353 |
| **Exercisable at 31 March** | - | – |

The PSP awards outstanding at 31 March 2017 have a weighted average remaining vesting period of 1.7 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 certain key employees.

## 5 Share-based payments (continued)

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 98,585 nil cost options under the DABP scheme that applies to Auto Trader Limited employees.

| 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 |

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

| | 2017 Number |
|---|---|
| Outstanding at 1 April 2016 | - |
| Options granted in the year | 98,585 |
| Forfeited | - |
| **Outstanding at 31 March 2017** | **98,585** |
| **Exercisable at 31 March 2017** | **-** |

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:

| 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 (£) |
|---|---|---|---|---|---|---|---|---|
| 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.

**5 Share-based payments (continued)**

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price £** | Number of share options | Weighted average exercise price £ |
| Outstanding at 1 April 2016 | 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 2017** | **919,281** | **2.64** | 1,060,225 | 2.64 |
| **Exercisable at 31 March 2017** | – | – | – | – |

The weighted average market value per ordinary share for Sharesave options exercised in 2017 was £3.70p (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.

## 6 Taxation on profit on ordinary activities

### (a) Tax expense included in profit or loss

| | **2017 £m** | 2016 £m |
|---|---|---|
| Current tax: | | |
| UK corporation tax on profits for the year | 39.4 | 28.8 |
| Adjustment in respect of prior periods | (0.6) | (0.7) |
| Total current tax | **38.8** | 28.1 |
| | | |
| Deferred tax: | | |
| Origination and reversal of timing differences | (0.2) | (0.1) |
| Impact of change in tax rate | - | 0.5 |
| Total deferred tax | **(0.2)** | 0.4 |
| **Tax on profit on ordinary activities** | **38.6** | 28.5 |

### (b) Tax income included in equity

| | **2017 £m** | 2016 £m |
|---|---|---|
| Deferred tax | (0.1) | - |
| Total tax income included in equity | **(0.1)** | - |

### (c) Reconciliation of tax charge

Tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for the year ended March 2017 of 20% (2016: 20%). The differences are explained below:

| | **2017 £m** | 2016 £m |
|---|---|---|
| Profit on ordinary activities before taxation | **206.2** | 222.9 |
| | | |
| Profit multiplied by the standard rate of tax in the UK of 20% (2016: 20%) | 41.2 | 44.6 |
| Effects of: | | |
| Income not subject to tax | (1.8) | (10.7) |
| Other permanent differences | - | (2.1) |
| Expenses not deductible for tax purposes | 1.8 | 0.3 |
| Group relief for nil consideration | (2.0) | (3.3) |
| Adjustments in respect of prior periods | (0.6) | (0.7) |
| Re-measurement of deferred tax – change in UK tax rate | - | 0.4 |
| **Tax charge for the year** | **38.6** | 28.5 |

## 6 Taxation on profit on ordinary activities (continued)

### (d) Tax rate changes

The tax charge for the year is based on the standard rate of 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.

## 7 Intangible assets

| | Goodwill £m | Software £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 27 March 2016 | 63.9 | 65.0 | 128.9 |
| Additions | - | 1.2 | 1.2 |
| **At 31 March 2017** | **63.9** | **66.2** | **130.1** |
| **Amortisation** | | | |
| At 27 March 2016 | 48.9 | 56.1 | 105.0 |
| Charge for the year | 0.9 | 3.8 | 4.7 |
| **At 31 March 2017** | **49.8** | **59.9** | **109.7** |
| **Net book value** | | | |
| **At 31 March 2017** | **14.1** | **6.3** | **20.4** |
| At 27 March 2016 | 15.0 | 8.9 | 23.9 |

The software intangible assets include the Company's order to cash billing system which was created for the Company's specific requirements. The asset is carried at £4.9 million (2016: £7.4 million). There are no other individually material intangible assets. 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 and is charged to administrative expenses.

Goodwill has been allocated to the cash-generating unit (CGU) using an earnings before interest, tax, depreciation and amortisation weighting. The nominal discount rate used to measure each CGU was 8.0% (2016: 8.0%). The inflation rate which has been applied to the CGUs is 2.0% (2016: 2.0%). No reasonable change in these assumptions would result in a material change to the value of the impairments.

## 8 Tangible assets

| | Land, buildings and leasehold improvements £m | Plant and equipment £m | Assets under construction £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 27 March 2016 | 5.0 | 17.2 | 0.1 | 22.3 |
| Additions | - | 2.5 | - | 2.5 |
| Disposals | (0.6) | - | - | (0.6) |
| **At 31 March 2017** | **4.4** | **19.7** | **0.1** | **24.2** |
| **Depreciation** | | | | |
| At 27 March 2016 | 1.8 | 12.8 | - | 14.6 |
| Charge for the year | 0.3 | 2.8 | - | 3.1 |
| Disposals | (0.3) | - | - | (0.3) |
| **At 31 March 2017** | **1.8** | **15.6** | **-** | **17.4** |
| | | | | |
| **Net book value** | | | | |
| **At 31 March 2017** | **2.6** | **4.1** | **0.1** | **6.8** |
| At 27 March 2016 | 3.2 | 4.4 | 0.1 | 7.7 |

The net book value of land, building and leasehold improvements comprises:

| | **2017 £m** | 2016 £m |
|---|---|---|
| Leasehold land and buildings | - | 0.3 |
| Leasehold improvements | 2.6 | 2.9 |
| | **2.6** | 3.2 |

Land, buildings and leasehold improvements includes £2.6 million (2016: £3.2 million) of depreciable assets.

The depreciation expense of £3.1 million (2016: £2.7 million) has been recognised in administrative expenses.

## 9 Investments

| | Total £m |
|---|---|
| At 27 March 2016 | 5.9 |
| *Additions* | 7.4 |
| Impairment | (5.8) |
| **At 31 March 2017** | **7.5** |

The addition of £7.4 million (2016: £nil) relates to the purchase of Webzone Limited which was part of a group reorganisation.

Trader Media Holdings Ireland Limited, a subsidiary of Auto Trader Limited, is in the process of a members voluntary liquidation. On 26 October 2016 Trader Media Holdings Ireland Limited declared and paid a dividend of £7.3 million to Auto Trader Limited following the cancellation of the Company's issued share capital. As a result, an impairment charge of £5.8 million was recorded for the year ended 31 March 2017.

Fixed asset investments comprise equity shares in the following subsidiaries, none of which are publicly traded.

| Subsidiary company | Operation | Country of registration or incorporation | Ordinary shares % |
|---|---|---|---|
| Trader Media Ireland Unlimited[1, 3] | Holding | Republic of Ireland | 100% |
| Trader Media Holdings Ireland Limited[1,3] | Holding | Republic of Ireland | 100% |
| Webzone Limited [3] | Classified listings | Republic of Ireland | 100% |
| Trader Licensing Limited [2] | Dormant | England and Wales | 100% |

1 As at 31 March 2017 the denoted companies were in the process of members' voluntary liquidation as part of a Group restructuring 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 disclosed in note 17

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

The following subsidiaries were liquidated by way of a members' voluntary liquation on 21 January 2017 as part of a Group restructuring process:

- Trader Finance (2009) Limited
- Trademail Holdings Limited
- Trader Media (Earls Court) Group Limited
- Trader Data Systems Limited

The Company holds a 15.99% (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. This investment was fully impaired in a prior year as the Chinese trading companies are loss making with forecasted future cash outflows.

## 10 Debtors

| | 2017 £m | 2016 £m |
|---|---|---|
| Trade debtors | 20.4 | 28.7 |
| Amounts owed by group undertakings | 1,104.3 | 927.3 |
| Deferred taxation asset | 4.2 | 4.1 |
| Other debtors | 0.1 | 0.1 |
| Prepayments and accrued income | 29.7 | 22.1 |
| | **1,158.7** | 982.3 |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £2.9 million (2016: £3.1 million).

The deferred tax asset consists of the following:

| | 2017 £m | 2016 £m |
|---|---|---|
| Accelerated capital allowances | 3.8 | 3.8 |
| Other timing differences | 0.4 | 0.3 |
| | **4.2** | 4.1 |

## 11 Creditors: amounts falling due within one year

| | 2017 £m | 2016 £m |
|---|---|---|
| Trade creditors | 6.6 | 7.8 |
| Amounts owed to group undertakings | 0.2 | 0.2 |
| Corporation tax | 19.4 | 15.1 |
| Other taxation and social security | 9.6 | 10.5 |
| Other creditors | 0.5 | 0.2 |
| Accruals and deferred income | 15.0 | 16.2 |
| | **51.3** | 50.0 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 12 Provisions for liabilities

The Company had the following provisions during the year:

| | Onerous lease and dilapidations provision £m | Other £m | Total £m |
|---|---|---|---|
| At beginning of the year | 1.1 | 0.5 | 1.6 |
| Charged to profit or loss | 0.4 | 0.3 | 0.7 |
| Amounts utilised | (0.4) | (0.5) | (0.9) |
| **At end of year** | **1.1** | **0.3** | **1.4** |

Dilapidations have been provided on all United Kingdom and Ireland properties based on the estimate of costs upon exit of the leases, which expire between June 2024 and February 2029.

Other provisions include a restructuring provision, which was fully utilised by March 2017, and a holiday pay provision which relates to employee holidays accrued and not taken at the end of the financial year.

## 13 Called-up share capital

| | **2017** **£m** | 2016 £m |
|---|---|---|
| *Allotted, called-up and fully paid* | | |
| 210,533,602 (2015: 210,533,602) ordinary shares of £1 (2015: £1) each | 210.5 | 210.5 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

## 14 Post-employment benefits

The Company operates several pension schemes for its current and former employees. The amount recognised in the balance sheet is as follows:

| | Note | 2017 £m | 2016 £m |
|---|---|---|---|
| Net defined benefit scheme liability | 14 (a) | - | - |

The amount recognised in the profit and loss account is as follows:

| | Note | 2017 £m | 2016 £m |
|---|---|---|---|
| Defined benefit scheme | | | |
| - Current service cost | 14 (a) | - | - |
| - Past service cost | 14 (a) | - | - |
| Defined contribution scheme | 14 (b) | 1.9 | 1.9 |
| Total charge in operating profit | | **1.9** | 1.9 |
| Defined benefit scheme | | | |
| - Net interest expense | 14 (a) | - | - |
| Total charge | | **1.9** | 1.9 |

### (a) Defined benefit scheme

The "Wiltshire (Bristol) Limited Retirement Benefits Scheme" provides benefits based on final pensionable pay and this wholly funded 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 contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement. The most recent actuarial valuation was as at 30 April 2015.

This actuarial valuation was updated at 31 March 2017 by AON, an independent qualified actuary, and adjustments to the valuation at that date have been made based on the following assumptions:

| | 2017 | 2016 |
|---|---|---|
| Expected rate of increases in pensions in payment | **2.35%** | 2.15% |
| Discount rate | **2.60%** | 3.55% |
| Rate of inflation (RPI) | **3.45%** | 3.25% |

**14 Post-employment benefits (continued)**

The Group has assumed that mortality will be in line with the 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 |
|---|---|---|
| Longevity at age 65 for current pensioners | | |
| - Male | **88** | 88 |
| - Female | **90** | 90 |
| Longevity at age 65 for future pensioners | | |
| - Male | **90** | 90 |
| - Female | **92** | 92 |

Reconciliation of scheme assets and liabilities:

| | **Assets £m** | **Liabilities £m** | **Total £m** |
|---|---|---|---|
| At 30 March 2015 | 19.1 | (19.1) | - |
| Benefits paid | (0.6) | 0.6 | - |
| Employer contributions | - | - | - |
| Current service cost | - | - | - |
| Past service cost | - | - | - |
| Interest income/(expense) | 0.6 | (0.6) | - |
| Re-measurement gains/(losses) | (1.2) | 1.6 | 0.4 |
| Effect of surplus cap | (0.4) | - | (0.4) |
| At 27 March 2016 | 17.5 | (17.5) | - |
| Benefits paid | (0.8) | 0.8 | - |
| Employer contributions | - | - | - |
| Current service cost | - | - | - |
| Past service cost | - | - | - |
| Interest income/(expense) | 0.6 | (0.6) | - |
| Re-measurement gains/(losses) | 3.2 | (3.7) | (0.5) |
| Effect of surplus cap | 0.5 | - | 0.5 |
| **At 31 March 2017** | **21.0** | **(21.0)** | **-** |

Total cost recognised as an expense:

| | **2017** | 2016 |
|---|---|---|
| Current service cost | - | - |
| Past service cost | - | - |
| Interest cost | - | - |
| | - | - |

The amount included in the cost of assets is £nil (2016: £nil).

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 Company contributed £29,165 to the scheme (2016: £nil).

**14 Post-employment benefits (continued)**

The fair value of the plan assets was:

| | **2017** | 2016 |
|---|---|---|
| | **£m** | £m |
| Equities | 12.0 | 10.1 |
| Corporate bonds | 8.3 | 7.4 |
| Real estate | 1.1 | 0.9 |
| Total fair value of assets | **21.4** | 18.4 |
| Present value of scheme liabilities | (21.0) | (17.5) |
| Surplus in the scheme | **0.4** | 0.9 |
| Effect of surplus cap | (0.4) | (0.9) |
| Net pension asset | - | - |

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The surplus in the scheme of £0.4 million (2016: £0.9 million) has not been recognised as an asset as it is not deemed to be recoverable.

The return on plan assets was:

| | **2017** | 2016 |
|---|---|---|
| | **£m** | £m |
| Interest income | 0.6 | 0.6 |
| Return on plan assets less interest income | 3.2 | (1.2) |
| Total return on plan assets | **3.8** | (0.6) |

**(b) Defined contribution scheme**

The Company provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme was:

| | **2017** | 2016 |
|---|---|---|
| | **£m** | £m |
| *Current period contributions* | **1.9** | 1.9 |

### 15 Financial commitments

Capital expenditure contracted for at the end of the year but not yet incurred was £nil (2016: £nil).

The total commitments of the Company under non-cancellable operating leases are as follows:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£m** | £m | **£m** | £m |
| Operating leases with an expiry date: | | | | |
| - within one year | 1.3 | - | 0.5 | - |
| - between two and five years | 9.6 | 0.2 | 0.7 | 1.5 |
| - over five years | 11.8 | 24.6 | - | - |
| | **22.7** | 24.8 | **1.2** | 1.5 |

### 16 Contingent liabilities – financial guarantees

The Company has access to a group cash management facility and guarantees the facility to the extent of its cash deposited in the United Kingdom with its clearing bank.

The Company and certain other subsidiaries in the Auto Trader Group plc group have jointly and severally guaranteed the borrowings under the Syndicated Term Loan. Details of these banking arrangements are included in the financial statements of Auto Trader Group plc, which can be obtained from the address given in note 17.

### 17 Controlling parties

The Company's immediate parent company is Auto Trader Holding Limited, which is incorporated and registered in England and Wales.

The ultimate parent undertaking and controlling party is Auto Trader Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Auto Trader Group plc consolidated financial statements can be obtained from the Company Secretary at 1 Tony Wilson Place, Manchester, M15 4FN.

### 18 Post balance sheet event

On 25 April 2017, the Company acquired 100% of the share capital of Motor Trade Delivery Limited ('MTD') for an undisclosed sum. Acquisition accounting has not yet been concluded as of the date of these financial statements.