

Auto Trader Limited

Annual report and financial statements for the year ended 31 March 2022

Registered number: 03909628



The Directors present their strategic report for Auto Trader Limited (the "Company") for the year ended 31 March 2022.

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.

Results and performance

Revenue has increased by £171.3 million to £424.4 million (2021: £253.1 million). Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 76% to £380.8 million (2021: £216.8 million). Revenue in the prior year was impacted by our decision to provide free advertising to retailer customers in April 2020, May 2020, December 2020 and February 2021, as well as at a discounted rate in June 2020.

Operating profit has increased to £303.4 million (2021: £160.5 million), reflecting the increase in revenue. The profit for the financial year ended 31 March 2022 as set out on page 12, was £255.5 million (2021: £131.9 million). The Company paid no dividends in the year (2021: £1,000.0 million).

During the year, as part of a group reorganisation, the trade and net assets of a fellow subsidiary, KeeResources Limited, were transferred to the Company.

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

The automotive market is complex and often inefficient. There are multiple participants and unsurprisingly consumers can find the process of buying or selling a car overwhelming. Through Auto Trader products, services and partnerships, we aim to significantly improve the car buying experience, as well as leverage our existing relationships to improve further parts of the value chain.

Strategy

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

Our purpose has helped us form our strategy which we display as three strategic pillars:

- **Marketplace:** The largest and most engaged consumer audience underpins our network effect marketplace model. We aim to maintain our leadership position across both new and used vehicles and continue to increase the breadth and depth of vehicles available to buy. Whilst creating value to allow retailers and manufacturers to increase sales, we continue to invest in the technology to enable the online car buying experience and in the onsite tools that consumers need to help them make the most informed decisions.
- **Digital retailing:** We continue to evolve both our products and consumer experience, to bring more of the car buying journey online. By doing so, we aim to make the current process significantly more efficient, for both car buyers and our retailer customers. Having built the component parts of guaranteed part-exchange, reservations and finance we have the foundations in place so that we are ready to scale our full proposition. We will achieve this by creating an end-to-end deal building journey on Auto Trader which includes these component parts.
- **Data as a platform:** A key strategic priority is to further embed our data into the industry, giving buyers and retailers up-to-date insight, allowing them to make better and faster decisions. We aim to provide both data and insight capabilities to support a multitude of customers across many segments, solving a variety of challenges. Our data provides the accuracy, scale and ease of integration to suit our customers' needs. We continue to make progress; this year we have not only increased the volume of data we have shared but also the frequency.

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	2022	2021
Revenue (£ millions)	424.4	253.1
Operating profit (£ millions)	303.4	160.5
Number of full-time equivalent employees	890	790

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 economy, market and business environment; brand; competition; disruptive technologies and changing consumer behaviours; IT systems and cyber security; employee retention; external catastrophic and geo-political events; reliance on third parties, response to climate change and regulation and compliance. 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 20 to the financial statements.

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

COVID-19 continued to impact the business operationally in the year however there was no material impact to business performance, as in the previous year. Retailers adapted throughout lockdown periods by bringing more of their forecourt experience online, adopting a 'click and collect' or home delivery model subsequently enabling them to operate while restrictions were in place.

Towards the end of the financial year we witnessed the initial invasion of Ukraine. As a business focused in the UK and Ireland, we do not believe we have any direct exposure to Ukraine and Russia in terms of customers, supply chain or the imposition of sanctions.

In the wake of COVID-19 and other ongoing events (including the conflict in Ukraine), inflation is resulting in a sharp rise in the cost of living. The impact on the wider economy is yet to be fully realised however a downturn/recessionary period is broadly anticipated. This could have a significant impact on the demand for vehicles and consequently the profitability of retailers. More specifically, we have not witnessed any clear negative impact on vehicle buying and selling in the UK and Ireland as a result of increased fuel prices, but this cannot be ruled out in future. Despite this wider economic uncertainty, the Board remains confident in the Company's long-term growth prospects.

Production delays of new cars due to well documented worldwide semi-conductor shortages have had an impact on new and nearly new supply. This has in turn impacted the supply of used vehicles, combined with strong demand has lead to extraordinary period of like-for-like pricing growth.

As set out in note 1 to the financial statements, these financial statements have been prepared on a going concern basis.

On behalf of the Board



J Warner
Director
7 December 2022

1 Tony Wilson Place
Manchester
M15 4FN

Director's report

Auto Trader Limited

For the year ended 31 March 2022

The Directors present their report on the Company for the year ended 31 March 2022.

Results and dividends

The Company's profit for the financial year was £255.5 million (2021: £131.9 million) which was transferred to reserves. The Company paid no dividends in the year (2021: paid £1,000.0 million). The Directors do not recommend payment of a final dividend (2021: £nil).

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:

N Coe	Director
C Faiers	Director
J Warner	Director
C Baty	Company Secretary

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 20 of the financial statements.

Future developments

The Directors have considered the future developments of the business within the Strategic Report on pages 2-3.

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 (2021: £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 a strong health and safety framework and culture has been created 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 Auditor

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.

KeeResources

On 1 October 2019, the Company acquired 100% of the ordinary share capital of KeeResources Limited for consideration of £26.8m. On 1 April 2021, KeeResources Limited's trade and assets were hived up into the immediate parent company, Auto Trader Limited.

How we engage with our stakeholders

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006. The tables on pages 6-7 sets out how we engage with our key stakeholders.

Environmental impact

The Company is exempt from reporting its direct and indirect greenhouse gas emissions due to its inclusion in the Strategic Report of Auto Trader Group plc. The financial statements of Auto Trader Group plc can be obtained from the address given in note 20 of the financial statements.

Disclosure of information to Auditor

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 Auditor is 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 Auditor is aware of that information.

Going Concern

These financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements for Auto Trader Limited. Stress case scenarios have been modelled to make the assessment of going concern, taking into account severe but plausible potential impacts of a returning pandemic, a data breach and banning the sale of diesel cars. The results of the stress testing demonstrated that Auto Trader Limited would be able to withstand the impact and remain cash generative. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Post Balance Sheet Events

Sale of Webzone Limited

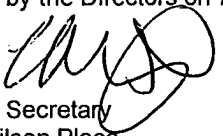
On 24 October, the Group announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. Webzone Limited is a direct subsidiary of the Company. The business was sold to Mediahuis Ireland, Ireland's leading print and digital media publisher which also owns CarsIreland.ie and Cartell.ie, for consideration of €30 million.

Defined Benefit Pension Scheme

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). In October 2022 the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4 million, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all scheme members, which as at 31 March 2022 amounted to £17.5 million. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

Following the buy-in, the Scheme's assets largely comprise the bulk annuity policy held with Just Retirement, along with a small amount of additional assets currently held with LGIM. The Scheme trustees are now working to progress towards a full buy out, which will involve various data and benefits exercises. In relation to these, it is likely that there will be further contributions from the Company, the amounts for which are estimated to be c.£1 million. It is anticipated that the Scheme buy-out will be completed in 2024. Once the buy-out is complete, the Scheme has no further purpose and will be wound up.

Approved by the Directors on 7 December 2022 and signed on their behalf


C Baty
Company Secretary
1 Tony Wilson Place
Manchester
M15 4FN

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.

As a marketplace, we have a diverse set of stakeholders and aim to balance their needs and outcomes, for example, balancing those of our consumers (users of the website) with those of our customers (retailers, manufacturers and other customers). We acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders. By understanding our stakeholders, and by considering their diverse needs, we factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

The table below sets out how we engage with our key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board and/or a Board Committee.

<p>Consumers</p> <p>Their needs</p> <ul style="list-style-type: none"> • Ease of buying or selling a vehicle • Comprehensive choice of vehicles • Clear and accurate information about the vehicle, about the seller and about the payment options • Offering good levels of consumer support when there is a problem <p>How we engage</p> <ul style="list-style-type: none"> • We speak to consumers for our Car Buyers Report, and biannual Market Reports to gauge views on the car market • Consumer onsite surveys providing feedback and an NPS score • Consumer user testing of new products, services and brand designs on our website • Workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (including how we display finance) • Complaints and customer security teams operate 7 days a week • We measure consumer brand sentiment and engagement scores • Consumer research is provided to the Board • Surveyed consumers for the completion of our materiality matrix <p>How this engagement influenced Board discussions and decision-making</p> <p>In deciding whether to proceed with the acquisition of Autorama, the Board considered the growing desire of consumers to purchase new vehicles through a lease, as well as improving the wider transparency of the different ways in which a new vehicle can be purchased.</p>	<p>Customers</p> <p>Their needs</p> <ul style="list-style-type: none"> • Making the car selling process more efficient • Access to data to make informed decisions • High-quality access to car buyers' response • Receiving value for money from Auto Trader • Sourcing vehicles <p>How we engage</p> <ul style="list-style-type: none"> • Monthly retailer sentiment surveys, which evaluate value for money • Forums with CEOs of big retailers, OEMs, supermarkets, automotive finance companies and mid-tier franchises • Webinars for smaller customers • Regular insight-driven reports, such as the Car Buyers Report, and the biannual Market Reports • Hosting industry insight events, dealer masterclasses, webinars and conferences • Sales teams, both telesales and field sales • Surveyed customers for the completion of our materiality matrix • Business partnering by Operational Leadership Team ('OLT') and other senior management • Attendance by customers at Board meetings • Enhanced and increased frequency of communication with retailers 	<p>Our people</p> <p>Their needs</p> <ul style="list-style-type: none"> • Diversity and inclusion • Training and career development • Reward and benefits • Working conditions, environment and wellbeing <p>How we engage</p> <ul style="list-style-type: none"> • Board Engagement Guild engages directly with the Board • Biannual virtual conferences, regular CEO and OLT virtual business updates • Annual benefits roadshow, salary workshops and share scheme pulse survey • Save as you earn share schemes • D&I guilds with networks for BAME, Women, Age, LGBT+, Neurodiversity and Disability with OLT sponsors. Including specific Board reverse mentoring by BAME employees • Regular employee check-in surveys • Health and safety assessments • Wellbeing forums • Whistleblowing service • Inclusive Culture Development Programmes • Surveyed our people for the completion of our materiality matrix
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	Customers (continued)	Our people (continued)
	<p>How this engagement influenced Board discussions and decision-making</p> <p>Before making changes to the advertising package staircase, the Board considered the impact on retailers. It was concluded that the changes, including a higher level package with increased prominence, provided customers with more choice of advertising packages and the ability to make their adverts more prominent on the platform.</p> <p>Similarly, the impact of the launch of Market Extension on retailers was considered. It was concluded that the new product increased value to customers, enabling retailers to sell vehicles outside of their local area.</p>	<p>How this engagement influenced Board discussions and decision-making</p> <p>The Board considered the impact on employees of returning to the office post pandemic. The main aim was to protect the strong collaborative nature of our culture, and to ensure that employees remained connected with their teams and the wider Auto Trader community, whilst also recognising the benefits of flexible working for employees.</p> <p>Our leadership team consulted widely with employees through various means and the Board discussed a proposed hybrid working approach directly with the Employee Engagement Guild.</p>

Partners & suppliers	The community & the environment
<p>Their needs</p> <ul style="list-style-type: none"> • Working collaboratively on innovations • Increasing revenue from shared opportunities • Fair trading and terms and conditions <p>How we engage</p> <ul style="list-style-type: none"> • Regular engagement with suppliers and partners, including by a number of our Operational Leadership Team members. • Supplier/procurement processes engage at the time of appointment and during the relationship • Regular monitoring and reviews of financial and operating resilience • Reporting on time taken to pay suppliers • Application of our Ethical Procurement Policy, which helps us to take a holistic view based on cultural alignment when deciding which suppliers and partners we should work with • Surveyed partners and suppliers for the completion of our materiality matrix 	<p>Their needs</p> <ul style="list-style-type: none"> • Energy usage and carbon emissions • The move to electric vehicles • Giving back to the community • Environmental, social and governance ('ESG') factors <p>How we engage</p> <ul style="list-style-type: none"> • Corporate Responsibility Committee • Sustainability Guild within the organisation • Carbon Literacy training for employees and customers • Work with industry bodies and government departments to help inform alternatively fuelled vehicles ('AFV') policy • Auto Trader community fund • 'Make a Difference' strategy • Volunteering days with local charities • Full scope GHG emission reporting, Carbon Disclosure Project ('CDP') and TCFD reporting. • Supporting organisations such as Manchester Digital, and the Automotive 30% club, and involvement with local schools and colleges through STEM ambassadors • Consumer research and user testing to understand what information is most helpful when buying an electric vehicle • Signed up to the 1.5C Science Based Targets initiative • Surveyed members of the community for the completion of our materiality matrix

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 are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006 and applicable law. They have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' applicable in the United Kingdom and the Republic of Ireland ('FRS 101') and the Companies Act 2006.

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTO TRADER LIMITED

Opinion

We have audited the financial statements of Auto Trader Limited ("the Company") for the year ended 31 March 2022 which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management of the Company and Auto Trader Group plc and inspection of policy documentation as to the Company and Group's high-level policies and procedures to prevent and detect fraud, including the outsourced internal audit function, and the channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account performance incentives and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is not material judgement or estimation in revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of transactions.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals posted to unexpected accounts and journal descriptions which may indicate high risk.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the General Data Protection Regulation, competition law, employment law, fraud, anti-bribery and anti-corruption, money laundering legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

8 December 2022

Profit and loss account
For the year ended 31 March 2022

Auto Trader Limited

	Note	2022 £m	2021 £m
Turnover	2	424.4	253.1
Administrative expenses		(121.0)	(92.6)
Operating profit	3	303.4	160.5
Amounts written off investments		(3.6)	-
Income from shares in group undertakings		12.6	0.9
Interest payable and similar expenses		(0.2)	(0.2)
Profit on ordinary activities before taxation		312.2	161.2
Tax on profit on ordinary activities	6	(56.7)	(29.3)
Profit for the financial year		255.5	131.9

All results arise from continuing activities in both financial years.

As outlined in the basis of preparation on page 16, the current period is for the year ended 31 March 2022 and the comparative period is for the year ended 31 March 2021.

The notes on pages 16 to 40 form an integral part of these financial statements.

Statement of comprehensive income

Auto Trader Limited

For the year ended 31 March 2022

	2022 £m	2021 £m
Profit for the financial year	255.5	131.9
Remeasurements of post-employment benefit obligations	0.2	1.6
Other comprehensive income for the year, net of tax	0.2	1.6
Total comprehensive income for the year	255.7	133.5

The notes on pages 16 to 40 form an integral part of these financial statements.

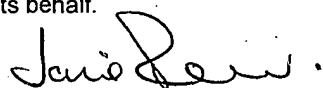
Balance sheet
As at 31 March 2022

Auto Trader Limited

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	7	36.8	13.7
Plant, property and equipment	8	14.2	8.3
Investments	10	73.5	100.5
Deferred taxation assets	15	0.9	3.8
Post-employment benefits	17	3.7	3.2
		129.1	129.5
Current assets			
Debtors	11	1,066.2	782.9
Cash at bank and in hand		20.6	22.7
		1,086.8	805.6
Creditors: Amounts falling due within one year	13	(57.0)	(36.7)
Net current assets		1,029.8	768.9
Total assets less current liabilities		1,158.9	898.4
Non-current liabilities			
Lease Liabilities	9	(6.0)	(4.5)
Provisions for liabilities	14	(2.0)	(1.4)
		(8.0)	(5.9)
Net assets		1,150.9	892.5
Capital and reserves			
Called up share capital	16	210.5	210.5
Share premium account		243.2	243.2
Retained earnings		697.2	438.8
Total equity		1,150.9	892.5

The notes on pages 16 to 40 form an integral part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 December 22 and were signed on its behalf.



J Warner
Director

Auto Trader Limited
Registered number: 03909628

Statement of changes in equity
For the year ended 31 March 2022

Auto Trader Limited

	Note	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
Balance at 31 March 2020		210.5	243.2	1,301.7	1,755.4
Profit for the financial year		-	-	131.9	131.9
Remeasurements of post-employment benefit obligations		-	-	1.6	1.6
Total comprehensive income for the year		-	-	133.5	133.5
Transactions with owners:					
Share-based payments	5	-	-	3.0	3.0
Tax on share-based payments recognised		-	-	0.6	0.6
Dividends paid		-	-	(1,000.0)	(1,000.0)
Total transactions with owners, recognised directly in equity		-	-	(996.4)	(996.4)
Balance at 31 March 2021		210.5	243.2	438.8	892.5
Profit for the financial year		-	-	255.5	255.5
Remeasurements of post-employment benefit obligations		-	-	0.2	0.2
Total comprehensive income for the year		-	-	255.7	255.7
Transactions with owners:					
Share-based payments	5	-	-	3.7	3.7
Tax on share-based payments recognised		-	-	0.1	0.1
Merger reserve		-	-	(1.1)	(1.1)
Total transactions with owners, recognised directly in equity		-	-	2.7	2.7
Balance at 31 March 2022		210.5	243.2	697.2	1,150.9

The notes on pages 16 to 40 form an integral part of these financial statements.

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 101 'Reduced Disclosure Framework' applicable in the United Kingdom and the Republic of Ireland' ('FRS 101') and the Companies Act 2006.

The Company has transitioned its financial statements from FRS 102 to FRS 101 this year. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 19.

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 year ended 31 March 2022 and for the year ended 31 March 2021. 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 20 to these financial statements.

Exemptions taken

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its financial statements are consolidated into the consolidated financial statements of Auto Trader Group plc. The shareholders of the Company have been informed of the use of the disclosure exemptions set out in FRS 101, and have not objected to their adoption, specifically in relation to the Company not preparing its own cash flow statement, the disclosure of transactions between companies within the same group, certain financial instrument disclosures, certain lease disclosures, certain share-based payment disclosures and the non-disclosure of the compensation of key management personnel with the intention to continue to take disclosure exemptions in the next financial statements.

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:

Recoverability of financial assets

IFRS 9 prescribes that historical expected credit losses should be adjusted for forward-looking information to reflect macro-economic and market conditions. Used car pricing could potentially decline after significant price growth throughout the financial year ended 31 March 2022; this may have an adverse effect on the cash flows of retailers and is likely to increase credit risk looking forward as less profit is made per vehicle sold. Adjustments were made to the expected credit losses on financial assets to reflect this.

Going concern

These financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements for Auto Trader Limited. Stress case scenarios have been modelled to make the assessment of going concern, taking into account severe but plausible potential impacts of a returning pandemic, a data breach and banning the sale of diesel cars. The results of the stress testing demonstrated that Auto Trader Limited would be able to withstand the impact and remain cash generative. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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 certain key 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.

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 101 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 asset".

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 a 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 fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model.

The Company has taken advantage of the exemption in respect of certain Share Based Payments disclosures.

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 is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. Turnover is stated net of discounts, rebates, refunds and value-added tax. Turnover principally represents the amounts receivable from customers for advertising on the Company's platforms but also includes non-advertising services such as data services. The different types of products and services offered to customers along with the nature and timing of satisfaction of performance obligations are set out as follows:

(i) Trade turnover

Trade turnover comprises fees from retailers, home traders, data customers and logistics customers for advertising on the Company's platforms and utilising the Company's services.

Retailer turnover

Retailer customers pay a monthly subscription fee to advertise their stock on the Company's platforms. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are agreed at a retailer or retailer Company level and are ongoing subject to a 30-day notice period. Turnover is invoiced monthly in arrears. Retailers have the option to enhance their presence on the platform through additional products, each of which has a distinct performance obligation. For products that provide enhanced exposure across the life of the product, control is passed to the customer over time. Turnover is only recognised at a point in time for additional advertising products where the customer does not receive the benefit until they choose to apply the product. Additional advertising products are principally billed on a monthly subscription basis in line with their core advertising package, however certain products are billed on an individual charge basis. The Company also generates turnover from retailers for data and valuation services under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers either across the life of the contract where customers are licensed to use the Company's services or at a point in time when a one-off data service is provided. Contract modifications occur on a regular basis as customers change their stock levels or add or remove additional advertising products from their contracts. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. A receivable is recognised only when the Company's right to consideration is only conditional on the passage of time.

Home Trader turnover

Home Trader customers pay a fee in advance to advertise a vehicle on the Company's platform for a specified period of time. Turnover is deferred until the customer obtains control over the services. Control is obtained by customers across the life of the contract as their vehicle is continually listed. Contracts for these services are typically entered into for a period of between two and six weeks.

Logistics turnover

Logistics customers pay a monthly subscription fee for access to the Company's AT Moves platform. Control is obtained by customers across the life of the contract as their access is continuous. Contracts for these services are agreed at a customer level and are ongoing subject to a 30-day notice period. Logistics customers have the option to bid on vehicle moves advertised by retailers on the platform. The logistics customer pays a fee if they are successful in obtaining business from retailers through the Company's marketplace. Turnover is recognised at the point in time when the vehicle move has been completed. A receivable is recognised only when the Company's right to consideration is only conditional on the passage of time.

Data customers

Data customers pay a subscription fee to access elements of Auto Trader's vehicle database or to access the Fleetware software. Control is transferred to customers across the life of the contract where customers have continuous access to the database or the software.

For the year ended 31 March 2022

(ii) Consumer Services turnover

Consumer Services comprises fees from private sellers for vehicle advertisements on the Company's websites, and third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance. Private customers pay a fee in advance to advertise a vehicle on the Company's platform for a specified period of time. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are typically entered into for a period of between two and six weeks and turnover is recognised over this time. Turnover is also generated from third-party partners who utilise the Company's platforms to advertise their products under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers at a point in time when the service is provided. Turnover is also generated through Instant Offer, providing consumers with a guaranteed price for their vehicle offered by a third-party buyer. The Company's fee is recognised as turnover when the consumer's vehicle is collected by the third-party buyer.

(iii) Manufacturer and Agency turnover

Turnover is generated from manufacturers and their advertising agencies for placing display advertising for their brand or vehicle on the Company's websites under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers across the life of the contract as their advertising is displayed on the different platforms. Rebates are present in the contractual arrangements with customers and are awarded either in cash or value of services based upon annual spend; an estimate of the annualised spend is made at the reporting date to determine the amount of turnover to be recognised. A receivable is recognised only when the Company's right to consideration is only conditional on the passage of time.

Intangible assets

a) Goodwill represents the excess cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement and are not reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

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

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

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs. Other development expenditures that do not meet these criteria, as well as ongoing maintenance and costs associated with routine upgrades and enhancements, are recognised as an expense as incurred.

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

Licence agreements to use cloud software provided as a service are treated as service contracts and expensed in the Company income statement, unless the Company has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets. Implementation costs are expensed unless implementation is a distinct service and gives rise to a separate intangible asset.

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.

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

At inception of a contract, the Company assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the Company recognises a right of use asset and a lease liability at the lease commencement date other than as noted below.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company presents right of use assets in property, plant and equipment and leased liabilities in lease liabilities in the balance sheet.

The Company has applied the recognition exemption of low value leases. For these leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

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:

- Leasehold land and buildings: life of lease
- Leasehold improvements: life of lease
- Plant and equipment: 3–10 years

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

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

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.

Financial instruments

(i) Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost, fair value through profit or loss or fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IFRS 9, trade receivables and accrued income, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. 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.

(ii) Financial liabilities

A financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. 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

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

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.

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:	2022 £m	2021 £m
Trade	380.8	216.8
Consumer services	33.2	26.5
Manufacturer & Agency	10.4	9.8
Total turnover	424.4	253.1

3 Operating profit

Operating profit is stated after charging:

	2022 £m	2021 £m
Wages and salaries	53.3	42.9
Social security costs	4.8	4.4
Defined contribution pension costs (note 17)	2.9	2.0
Share-based payments and associated national insurance costs (note 5)	4.4	3.6
Staff costs	65.4	52.9
Depreciation of property, plant and equipment	4.4	3.2
Amortisation of intangible assets	2.0	1.2
Audit fees payable to the Company's auditors	0.4	0.1

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Auto Trader Group plc.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

4 Employees and Directors

Employees

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

	2022 Number	2021 Number
Customer operations	386	342
Product and technology	354	316
Corporate	150	132
	890	790

The remuneration of Nathan Coe, Jamie Warner and Catherine Faiers (2021: Nathan Coe, Jamie Warner and Catherine Faiers) 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:

	2022 £m	2021 £m
Aggregate Directors' emoluments	4.9	2.4
Total	4.9	2.4

At the end of the year, three Directors (2021: 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) to senior executives and other individuals within the Auto Trader Group of companies ('the Group'). 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, Black-Scholes pricing model or fair value at grant date as is most appropriate for each scheme.

The share-based payment expense recognised by the Company is determined based on the proportion of options held by employees of the Company relative to the total Group. The total charge incurred by the Company in the year relating to the four schemes was £4.4 million (2021: £3.6 million). This included associated national insurance ('NI') at 13.8% or 15.05% dependent on 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.

	2022 £m	2021 £m
Sharesave scheme ('SAYE')	0.8	0.7
Performance Share Plan ('PSP')	-	0.1
Single Incentive Plan ('SIPA')	2.9	2.2
Total share-based payment charge	3.7	3.0
NI and apprenticeship levy on applicable schemes	0.7	0.6
Total charge	4.4	3.6

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,

5 Share-based payments (continued)

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.

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.

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 17 June 2021, the Group awarded 368,361 nil cost options under the PSP scheme. For the 2021 awards, the Group's performance is measured by reference to the growth in Operating profit (75% of the award), growth in Revenue (12.5% of the award) and Diversity progress (12.5% of the award) over the three-year period April 2021 – March 2024.

For other previous awards, the Group's performance had been measured by reference to growth in Operating profit and Revenue over a three-year period, the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE250 share index.

The fair value of the 2021 award was determined to be the share price at grant date. In previous years, the total shareholder return element was valued using the Monte Carlo model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

Single Incentive Plan

The Group operates a Single Incentive Plan Award ('SIPA') for certain key employees. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions"). The awards will vest in tranches, with the first tranche vesting on the date on which the Remuneration Committee determines that the Performance Conditions have been satisfied, and subsequent tranches vesting on the first and second anniversary of this date, subject to continuing employment.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

6 Taxation on profit**(a) Tax expense included in profit or loss**

	2022 £m	2021 £m
Current tax:		
UK corporation tax on profits for the year	56.6	28.7
Adjustment in respect of prior periods	(0.4)	-
Total current tax	56.2	28.7
Deferred tax:		
Origination and reversal of timing differences	0.4	0.7
Impact of change in tax rate	0.1	-
Impact of IFRS 16 adoption	-	(0.1)
Total deferred tax	0.5	0.6
Tax on profit	56.7	29.3

(b) Tax expense included in equity

	2022 £m	2021 £m
Current tax	0.3	0.2
Deferred tax	0.3	0.3
Total tax charge	0.6	0.5

(c) Reconciliation of tax charge

Tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended March 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit on ordinary activities before taxation	312.2	161.2
Profit multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	59.3	30.6
Effects of:		
Income not subject to tax	(1.7)	(0.2)
Expenses not deductible for tax purposes	1.2	0.7
Group relief for nil consideration	(0.9)	(1.8)
Adjustments in respect of prior periods	(0.4)	-
Effect of rate change on deferred taxation	(0.8)	-
Tax charge for the year	56.7	29.3

(d) Tax rate changes

Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised.

On 10 June 2021, Royal Assent to the Finance Act was given to increase the UK corporation tax from 19% to 25% from 1 April 2023. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 20% being used to measure all deferred tax balances as at 31 March 2022 (2021: 19%).

At the date of these financial statements, it remains the case that the UK rate of corporation tax will increase the rate to 25% from 1 April 2023.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

7 Intangible assets

	Goodwill £m	Software £m	Other £m	Total £m
Cost				
At 31 March 2021	55.1	19.2	11.9	86.2
Re-designated from investment cost (note 10)	14.0	-	11.1	25.1
At 31 March 2022	69.1	19.2	23.0	111.3
Accumulated amortisation				
At 31 March 2021	42.7	18.6	11.2	72.5
Charge for the year	-	0.3	1.7	2.0
At 31 March 2022	42.7	18.9	12.9	74.5
Net book value				
At 31 March 2022	26.4	0.3	10.1	36.8
At 31 March 2021	12.4	0.6	0.7	13.7

Other intangibles include customer relationships, technology, trade names, trademarks, non-compete agreements and brand assets. Intangible assets which have a finite useful life are carried at cost less accumulated amortisation.

For the year to 31 March 2022, the amortisation charge of £2.0m (2021: £1.2m) has been charged to administrative expenses in the income statement. At 31 March 2022, there were no software and website development costs representing assets under construction (2021: £nil).

In accordance with FRS 101, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators of impairment. Goodwill is carried at cost less accumulated impairment losses.

Following the transfer of trade and assets of KeeResources Limited to the Company on 1 April 2021, £25.1 million of investment cost was re-designated to intangible assets (goodwill and other intangibles) in the Company's financial statements.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

8 Property, plant and equipment

	Land, building and leasehold improvements £m	Office equipment £m	Assets under construction £m	Motor Vehicles £m	Total £m
Cost					
At 31 March 2021	14.6	12.5	0.1	1.5	28.7
Additions	5.1	2.5	0.2	0.2	8.0
Disposals	-	(0.4)	-	-	(0.4)
Intercompany transfers in	2.2	0.9	-	-	3.1
At 31 March 2022	21.9	15.5	0.3	1.7	39.4
Depreciation					
At 31 March 2021	8.8	10.5	-	1.1	20.4
Charge for the year	2.6	1.5	-	0.3	4.4
Disposals	-	(0.4)	-	-	(0.4)
Intercompany transfers in	-	0.8	-	-	0.8
At 31 March 2022	11.4	12.4	-	1.4	25.2
Net book value					
At 31 March 2022	10.5	3.1	0.3	0.3	14.2
At 31 March 2021	5.8	2.0	0.1	0.4	8.3

The depreciation expense of £4.4 million (2021: £3.2 million) has been recognised in administrative expenses. Land, building and leasehold improvements include lease right of use assets of £7.8m (2021: £5.0m).

9 Leases

The Company leases assets including land and buildings and motor vehicles that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below:

	2022 £m	2021 £m
Net book value of property, plant and equipment owned	6.4	3.3
Net book value right of use assets	7.8	5.0
At 31 March 2022	14.2	8.3

	Land, building and leasehold improvements £m	Office equipment £m	Motor Vehicles £m	Total £m
Net book value of right of use assets				
At 31 March 2020	5.9	0.1	0.1	6.1
Additions	-	-	0.5	0.5
Depreciation charge	(1.4)	-	(0.2)	(1.6)
At 31 March 2021	4.5	0.1	0.4	5.0
Additions	5.1	-	0.2	5.3
Depreciation charge	(2.1)	(0.1)	(0.3)	(2.5)
At 31 March 2022	7.5	-	0.3	7.8

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

9 Leases (continued)

Lease liabilities on the balance sheet at 31 March:

	2022 £m	2021 £m
Current	2.8	2.1
Non-Current	6.0	4.5
At 31 March 2022	8.8	6.6

The term recognised for certain leases has assumed lease break options are exercised. Certain lease rentals are subject to periodic market rental reviews. On 14 April 2021, the Company entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The Group also extended the term of the existing lease of our Manchester office space. These changes resulted in a lease modification under IFRS 16. The right of use assets were increased by £5.1m with corresponding adjustments to the lease liability and dilapidations provision.

Amounts charged in the income statement:

	2022 £m	2021 £m
Depreciation charge for right of use assets	2.5	1.6
Interest on lease liabilities	0.2	0.2
Total amount charged in the income statement	2.7	1.8

Cash outflow:

	2022 £m	2021 £m
Cash outflow for leases	2.9	2.4

10 Investments

	Shares in Subsidiaries £m	Shares in Joint Ventures £m	Total £m
Cost			
At 1 April 2020	34.5	48.1	82.6
Additions	17.9	-	17.9
At 31 March 2021	52.4	48.1	100.5
Re-designated to goodwill	(23.4)	-	(23.4)
Provision for impairment	(3.6)	-	(3.6)
At 31 March 2022	25.4	48.1	73.5

Following the book value transfer of trade and assets of KeeResources Limited to the Company on 1 April 2021, £23.4m of investment cost was re-designated to intangibles in the Company's financial statements.

Dealer Auction Limited declared a dividend of £10.0m on 29 April 2021. The Company owns 49% of the ordinary share capital of Dealer Auction Limited and therefore received payment of £4.9m on 14 May 2021. Dealer Auction Limited also declared a dividend of £6.0m on 3 February 2022 and therefore £2.9m was received on 23 March 2022. A dividend of £3.6m was received from KeeResources and an impairment charge, as a return of investment recognised.

In the prior year on 31 July 2020, the Company acquired the entire share capital of Blue Owl Network Limited ('Blue Owl') for consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. The deferred consideration has been discounted using a rate of 1.7% and recognised on the balance sheet at £8.0m.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

10 Investments (continued)

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

Subsidiary company	Principal activity	Country of registration or incorporation	Ordinary shares owned by company %	Ordinary shares owned by subsidiary %
Webzone Limited ¹	Online marketplace	Republic of Ireland	100%	-
Trader Licensing Limited ²	Dormant company	England and Wales	100%	-
KeeResources Limited ²	In liquidation	England and Wales	100%	-
Blue Owl Network Limited ²	Finance Platform	England and Wales	100%	-

¹ Registered office address for the Republic of Ireland company is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7 (Webzone Limited was subsequently disposed of on 24 October 2022)

² Registered office address for UK companies is disclosed in note 20 to these financial statements

Joint ventures	Principal activity	Country of registration or incorporation	Ordinary shares %
Dealer Auction Limited ¹	Online marketplace	England and Wales	49%
Dealer Auction (Operations) Limited ¹	Dormant company	England and Wales	49%
Auto Trader Autostock Limited ¹	Dormant company	England and Wales	49%
Dealer Auction Services Limited ¹	Dormant company	England and Wales	49%

¹ Registered office address is Central House, Leeds Road, Rothwell, Leeds, West Yorkshire, England, LS26 0JE

The Company holds a 15.99% (2021: 15.99%) interest in the preferred share capital of IAUTOS Company Limited. IAUTOS Company Limited is an intermediate holding company through which trading companies incorporated in the People's Republic of China are held. This investment was fully impaired in the year to 31 March 2014 as the Chinese trading companies are loss making with forecasted future cash outflows.

11 Debtors

	2022 £m	2021 £m
Trade receivables (invoiced)	24.7	22.6
Net accrued income	34.2	32.8
Trade receivables (total)	58.9	55.4
Amounts owed by Group undertakings	1,003.0	724.2
Prepayments	3.8	3.1
Corporation tax	0.5	0.2
	1,066.2	782.9

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 £2.4 million (2021: £2.7 million). Accrued income is stated after provisions for impairment of £1.2 million (2021: £1.3 million). Exposure credit risk and expected credit losses relating to trade and other debtors are disclosed in note 12.

For the year ended 31 March 2022

12 Financial Instruments**Financial assets**

	2022 £m	2021 £m
Trade receivables (invoiced)	24.7	22.6
Net accrued income	34.2	32.8
Net trade debtors (total)	58.9	55.4
Cash and cash equivalents	20.6	22.7
Total	79.5	78.1

Expected credit loss assessment

Expected credit losses are measured using a provisioning matrix based on actual credit loss experience over the past three years and adjusted, when required, to take into account current macro-economic factors. For certain customers the Group applies experienced credit judgement that is determined to be predictive of the risk of loss to assess the expected credit loss, taking into account external ratings, financial statements and other available information. The following table provides information about the exposure to credit risk and expected credit losses for trade debtors and accrued income from individual customers as at 31 March 2022.

	Expected credit loss rate	Gross Carrying Amount £m	Loss allowance £m	Credit Impaired
Accrued income	3.3%	35.4	1.2	No
Current	3.0%	22.9	0.7	No
Past due 1-30 days	8.6%	1.8	0.2	No
Past due 31-60 days	21.5%	0.6	0.1	No
Past due 61-90 days	50.4%	0.2	0.1	No
More than 91 days past due	82.9%	1.7	1.4	No
Total	5.8%	62.6	3.7	

Sensitivity analysis has been performed in assessing the expected credit loss rate. There are no changes to the rate that are considered by the Directors to be reasonably possible, which give rise to a material difference in the loss allowance. Comparative information about the exposure to credit risk and expected credit losses for trade debtors from individual customers as at 31 March 2021 is set out below:

	Expected credit loss rate	Gross Carrying Amount £m	Loss allowance £m	Credit Impaired
Accrued income	3.9%	34.1	1.3	No
Current	2.9%	4.4	0.1	No
Past due 1-30 days	5.6%	18.3	1.0	No
Past due 31-60 days	21.5%	0.6	0.1	No
Past due 61-90 days	50.4%	0.2	0.1	No
More than 91 days past due	72.9%	1.8	1.4	No
Total	6.8%	59.4	4.0	

The Company has identified specific balances for which it has provided an impairment allowance on a line by line basis across all ledgers, in both years. The allowance accounts in respect of trade debtors are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly. The movement in the allowance for impairment in respect of trade debtors during the year was as follows.

12 Financial Instruments (continued)

	2022	2021
	£m	£m
At 1 April	4.0	4.2
Charged during the year	0.4	0.2
Utilised during the year	(0.8)	(0.4)
At 31 March	3.6	4.0

13 Creditors: amounts falling due within one year

	2022	2021
	£m	£m
Trade creditors	2.7	4.3
Lease liabilities	2.8	2.1
Amounts owed to related undertakings	-	0.6
Other taxation and social security	20.5	3.1
Other creditors	0.4	0.4
Deferred consideration (note 10)	8.0	7.9
Accruals and deferred income	22.6	18.3
	57.0	36.7

14 Provisions for liabilities

The Company had the following provisions during the year:

	Onerous lease and dilapidations provision £m	Holiday pay provision £m	Total £m
At beginning of the year	1.0	0.4	1.4
Charged to profit or loss	-	0.7	0.7
Recognised under IFRS16	0.3	-	0.3
Amounts utilised in the year	-	(0.4)	(0.4)
At end of year	1.3	0.7	2.0

The holiday pay provision relates to liabilities for holiday pay in relation to the United Kingdom and Ireland operations for leave days accrued and not yet taken at the end of the financial year. This is expected to be fully utilised in the year to 31 March 2023.

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

15 Deferred taxation

A net deferred tax asset of £0.9m has been recognised in the balance sheet at 31 March 2022. The deferred taxation assets and liabilities, without taking into consideration the offset of balances within the same tax jurisdiction, is as follows:

The deferred tax asset consists of the following:

	2022 £m	2021 £m
Accelerated capital allowances	2.8	3.0
Other timing differences	2.3	1.9
	5.1	4.9

The deferred tax liabilities consists of the following:

	2022 £m	2021 £m
Other timing differences	4.2	1.1
	4.2	1.1

16 Called-up share capital

	2022 £m	2021 £m
<i>Allotted, called-up and fully paid</i>		
210,533,602 (2021: 210,533,602) ordinary shares of £1 (2021: £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.

17 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	2022 £m	2021 £m
Net defined benefit scheme asset	17 (a)	3.7	3.2

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

	Note	2022 £m	2021 £m
Defined benefit scheme			
- Settlement cost	17 (a)	-	0.1
- Past service cost	17 (a)	-	0.1
Defined contribution scheme	17 (b)	2.9	2.0
Total charge in Operating profit		2.9	2.2

For the year ended 31 March 2022

17 Post-employment benefits (continued)**(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 Company's defined contribution scheme.

The last triennial actuarial valuation of the Scheme was performed by an independent professional actuary as at 30 April 2018 using the projected unit method of valuation. Adjustments to the valuation at that date have been made based on the following assumptions:

	2022	2021
CPI inflation	3.00%	2.60%
Discount rate for scheme liabilities	2.75%	2.10%
RPI inflation	3.80%	3.40%

The Company has assumed that mortality will be in line with the nationally published mortality table S2NA with CMI 2018 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2022	2021
Longevity at age 65 for current pensioners		
- Male	87	87
- Female	88	89
Longevity at age 65 for future pensioners		
- Male	89	89
- Female	90	91

Reconciliation of scheme assets and liabilities:

	Assets £m	Liabilities £m	Total £m
At 31 March 2020	19.7	(18.8)	0.9
Benefits paid	(0.4)	0.4	-
Past service cost	-	(0.1)	(0.1)
Contributions paid by the employer	0.1	-	0.1
Interest income/(expense)	0.5	(0.5)	-
Remeasurement gains	3.6	(1.2)	2.4
Settlements	(0.7)	0.6	(0.1)
At 31 March 2021	22.8	(19.6)	3.2
Benefits paid	(0.6)	0.6	-
Contributions paid by the employer	0.1	-	0.1
Interest income/(expense)	0.5	(0.5)	-
Remeasurement gains	(1.6)	2.0	0.4
At 31 March 2022	21.2	(17.5)	3.7

The Trustees of the Scheme sought legal advice which concluded that the Company has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Company therefore has recognised the accounting surplus of £3.7m and an associated deferred tax liability of £1.1m on the balance sheet.

For the year ended 31 March 2022

17 Post-employment benefits (continued)

Total cost recognised as an expense:

	2022	2021
Settlement cost	-	0.1
Past service cost	-	0.1
	-	0.2

The amount included in the cost of assets is £nil (2021: £nil).

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits for the effect of unequal GMPs accrued between 1990 and 1997. The issues determined by the judgment affect many other UK defined benefit pension schemes. Allowance was made for the cost of GMP equalisation as a past service cost for the year ending 31 March 2019. No further update or adjustment was applied to this figure during the year ending 31 March 2020.

A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of the scheme before 2018 need to be equalised. The court ruling made on 20 November 2020 confirmed that all transfers with GMPs built up between 17 May 1990 and 5 April 1997 need to be equalised. A liability of £110,000 has been recognised within the scheme's DBO at 31 March 2021. The 2020 cost of £110,000 has been recognised as a past service cost in full in the current year.

Current service costs and past service costs are charged to the income statement in arriving at Operating profit. Interest income on Scheme assets and the interest cost on Scheme liabilities are included within finance costs.

In the prior year, the Company and Trustees of the Scheme implemented an Enhanced Transfer Value exercise, where members of the Scheme were given the option to transfer their benefits away from the Scheme, and provided with paid-for independent financial advice.

In the prior year, two members elected to take a transfer, and a total of £0.7m was paid out from the Scheme. These transfers settled £0.6m of defined benefit obligation, resulting in a settlement cost of £0.1m recognised in the Consolidated income statement for the year ended 31 March 2021. There were no transfers in the year to 31 March 2022.

UK legislation requires that pension schemes are funded prudently. The ongoing funding valuation of the Scheme was carried out by a qualified actuary as at 30 April 2021 and showed a surplus of £1.5m. Subsequently, as the Scheme is in surplus, deficit contributions have ceased with effect from 1 February 2022 which were put in place as a result of the 2018 recovery plan. The Company paid deficit contributions of £117,000 for the year ending 31 March 2022 (2021: £140,000) as per the Schedule of Contributions set out in the valuation at 30 April 2018. The next funding valuation is due as at 30 April 2024. The Company also pays expenses and PPF levies incurred by the Scheme.

The fair value of the plan assets was:

	2022 £m	2021 £m
Equities	13.7	12.4
Corporate bonds	7.2	8.8
Cash	0.3	0.5
Real estate	-	1.1
Total fair value of assets	21.2	22.8
Present value of scheme liabilities	(17.5)	(19.6)
Surplus in the scheme	3.7	3.2
Net pension asset	3.7	3.2

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

17 Post-employment benefits (continued)

The return on plan assets was:

	2022 £m	2021 £m
Interest income	0.5	0.5
Total return on plan assets	0.5	0.5

In October 2022 the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4 million, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all scheme members, which as at 31 March 2022 amounted to £17.5 million. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

(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:

	2022 £m	2021 £m
Current period contributions	2.9	2.0

18 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 other subsidiaries in the Auto Trader Group plc Group have jointly and severally guaranteed the borrowings under the Syndicated Term Loan and revolving credit facility. 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 20.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

19 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2022, the comparative information presented in these financial statements for the year ended 31 March 2021 and in preparation of an opening FRS 101 balance sheet at 1 April 2020.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements with its previous basis of accounting being UK GAAP, 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. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following table and the accompanying notes:

19 Explanation of transition to FRS 101 (continued)

		As at 1 April 2020			As at 31 March 2021		
		Effect of transition to FRS 101			Effect of transition to FRS 101		
	notes	FRS 102 £'000	£'000	FRS 101 £'000	FRS 102 £'000	£'000	FRS 101 £'000
Non-current assets							
Intangible assets	(i)	15.8	(0.9)	14.9	14.5	(0.8)	13.7
Property, plant and equipment	(ii)	4.0	6.1	10.1	3.3	5.0	8.3
Investments		82.6	-	82.6	100.5	-	100.5
Deferred taxation assets	(iii)	-	-	-	3.7	0.1	3.8
Post-employment benefits		0.9	-	0.9	3.2	-	3.2
		103.3	5.2	108.5	125.2	4.3	129.5
Current assets							
Debtors	(iv)	1,661.1	(0.6)	1,660.5	783.4	(0.5)	782.9
Cash at bank and in hand		35.7	-	35.7	22.7	-	22.7
		1,696.8	(0.6)	1,696.2	806.1	(0.5)	805.6
Non-current liabilities							
Lease Liabilities	(v)	-	(6.0)	(6.0)	-	(4.5)	(4.5)
Provisions for liabilities	(vi)	(1.7)	0.3	(1.4)	(1.8)	0.4	(1.4)
Deferred taxation liabilities		(0.3)	-	(0.3)	-	-	-
		(2.0)	(5.7)	(7.7)	(1.8)	(4.1)	(5.9)
Current liabilities							
Trade and other payables	(vii)	(43.0)	3.5	(39.5)	(37.3)	2.7	(34.6)
Lease Liabilities	(v)	-	(2.1)	(2.1)	-	(2.1)	(2.1)
		(43.0)	1.4	(41.6)	(37.3)	0.6	(36.7)
Net current assets		1,653.8	0.8	1,654.6	768.8	0.1	768.9
Net assets		1,755.1	0.3	1,755.4	892.2	0.3	892.5
Capital and reserves							
Called up share capital		210.5	-	210.5	210.5	-	210.5
Share premium account		243.2	-	243.2	243.2	-	243.2
Retained earnings	(viii)	1,301.4	0.3	1,301.7	438.5	0.3	438.8
Total reserves		1,755.1	0.3	1,755.4	892.2	0.3	892.5

19 Explanation of transition to FRS 101 (continued)

Notes to the table of adjustments:

(i) Intangible assets

Under IFRS, goodwill is not amortised however is subject to an annual impairment review. Additional intangible assets are recognised as a result of business combinations and subsequently amortised. Intangible assets under IFRS as a result decreased by £0.9m at 1 April 2020 and £0.8m at 31 March 2021.

(ii) Property, plant and equipment -

Under FRS 102, operating lease costs were charged to the profit and loss through operating expenses account in the year in which they were occurred. Under IFRS, IFRS 16 is applied and operating leases are capitalised as a right of use asset. The amount capitalised, net of accumulated depreciation was, £6.1m at 1 April 2020 and £5.0m at 31 March 2021.

(iii) Deferred taxation assets

The deferred tax asset under IFRS comprises deferred tax on capitalised operating leases and additional intangible assets recognised of £0.1m at 31 March 2021.

(iv) Debtors

Under IFRS, prepayments reduced in respect of operating lease payments, with payments subsequently reducing lease liabilities, by £0.6m at 1 April 2020 and £0.5m at 31 March 2021.

(v) Lease liabilities

Under IFRS, IFRS 16 is applied to operating leases, with the current and non-current liability of the operating lease commitments as follows:

- a) Current liability in respect of operating lease commitments was £2.1m at 1 April 2020 and £2.1m at 31 March 2021.
- b) Non-current liability in respect of operating lease commitments was £6.0m at 1 April 2020 and £4.5m at 31 March 2021.

(vi) Provisions for liabilities

Under IFRS, dilapidations in respect of operating leases increased by £0.3m at 1 April 2020 and £0.4m at 31 March 2021.

(vii) Trade and other payables

Under IFRS, accruals reduced in respect of operating lease payments, with payments subsequently reducing lease liabilities, by £3.5m at 1 April 2020 and £2.7m at 31 March 2021.

(viii) Retained earnings

Under FRS 101, retained earnings have been adjusted as follows:

Notes to the financial statements (continued)

Auto Trader Limited

For the year ended 31 March 2022

19 Explanation of transition to FRS 101 (continued)

	1 April 2020 £m	31 March 2021 £m
Goodwill not amortised and additional intangibles recognised under IFRS	(0.9)	(0.8)
Capitalised operating leases under IFRS 16, net of deferred tax	1.2	1.0
Inclusion of deferred tax for capitalised operating leases under IFRS 16	-	0.1
Total adjustment to retained earnings	0.3	0.3

The above changes on transition to FRS 101 had not material changes to profit and loss previously reported in the income statement for the year ended 31 March 2021 under FRS 102.

20 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.

21 Related parties

The Company provided data services to Dealer Auction under a licence agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.6m (2021: £0.6m) and has been recognised within revenue. At 31 March 2022, deferred income outstanding in relation to the licence agreement was £9.5m (2021: £10.0m). The Company also provided invoicing and collection services for Dealer Auction. Cash is collected by the Company and passed through to Dealer Auction. The total amount invoiced on behalf of Dealer Auction during the year was £5.1m (2021: £4.1m). During the period Dealer Auction provided no data services to the Company (2021: £0.5m). Services in the prior period were provided to the Company on an arm's length basis and recorded as administrative expenses. The Company had a creditor of £0.0m (2021: £0.6m) outstanding with Dealer Auction as at 31 March 2022.

The Company sponsors a funded defined benefit pension scheme. Details of transactions with the Wiltshire (Bristol) Limited Retirement Benefits Scheme are set out in note 17.

22 Post balance sheet events

Sale of Webzone Limited

On 24 October, the Group announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. Webzone Limited is a direct subsidiary of the Company. The business was sold to Mediahuis Ireland, Ireland's leading print and digital media publisher which also owns CarsIreland.ie and Cartell.ie, for consideration of €30 million.

Defined Benefit Pension Scheme

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). In October 2022 the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4 million, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all scheme members, which as at 31 March 2022 amounted to £17.5 million. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

22 Post balance sheet events (continued)

Following the buy-in, the Scheme's assets largely comprise the bulk annuity policy held with Just Retirement, along with a small amount of additional assets currently held with LGIM. The Scheme trustees are now working to progress towards a full buy out, which will involve various data and benefits exercises. In relation to these, it is likely that there will be further contributions from the Company, the amounts for which are estimated to be c.£1 million. It is anticipated that the Scheme buy-out will be completed in 2024. Once the buy-out is complete, the Scheme has no further purpose and will be wound up.