Auto Trader Group plc
Annual Report and Financial Statements 2023

Driving Change Together. Responsibly.

Auto Trader Group plc
is the UK's largest automotive marketplace

Auto Trader's purpose is Driving Change Together. Responsibly. Auto Trader is committed to creating a diverse and inclusive culture, it aims to build stronger partnerships with its customers and use its voice and influence to drive more environmentally friendly vehicle choices.

With the largest number of car buyers and the largest choice of trusted stock, Auto Trader's marketplace sits at the heart of the UK car buying process. That marketplace is built on an industry-leading technology and data platform, which is increasingly used across the automotive industry. Auto Trader is continuing to bring more of the car buying journey online, creating an improved buying experience, whilst enabling all its retailer partners to sell vehicles online.

plc.autotrader.co.uk

Auto Trader Insight

@ATInsight

Our purpose-driven strategy

We have a clear focus on our three strategic priorities, alongside a commitment to always being a responsible business.

CLASSIFIED MARKETPLACE

13,913

average retailer forecourts advertising with Auto Trader

(2022: 13,964)

69.6m

average monthly visits to autotrader.co.uk

(2022: 68.9m)

PLATFORM

c.90

software partners integrated with our Auto Trader Connect platform

(2022: 40)

19

lenders integrated with our finance platform

(2022: 9)

DIGITAL RETAILING

c.50

retailers on Deal Builder trial at end of March 2023

(2022: N/A)

c.7k

new vehicle leases delivered in 2023

(2022: N/A)

BEING A RESPONSIBLE BUSINESS

91%

of employees are proud to work for Auto Trader

(March 2022: 95%)

Net zero

our targets have been validated by the Science Based Targets initiative

Our purpose-driven strategy P10

Being a responsible business P26

This is my ninth and final statement as Chair of Auto Trader Group plc. As such, rather than focus on the year just gone, I would like to offer a longer perspective regarding Auto Trader's history and future. It has been my privilege to serve as the Auto Trader Chair throughout our eight years as a public company.

A reflection on my tenure as Chair

I first got to know Auto Trader around 15 years ago when I was chief executive of Rightmove Plc. I first attended an Auto Trader Board meeting as a guest. That meeting decided to sell Auto Trader's last remaining print plant, though Auto Trader would continue to publish weekly magazines for a few years after that. Auto Trader had a successful website but it contributed a small amount to our overall revenues. Our online product offering was simple and focused on tools to help car retailers get their adverts online and monitor their success. We had a number of small wholly owned or partly owned businesses in other countries. We operated out of a number of physical offices spread around the UK.

Today, we operate a sophisticated online automotive marketplace, with our car retailers able to select from a range of advertising options and data products that not only help them sell vehicles but manage the effectiveness of their operations including the stock they hold. We operate in a single country with the considerable majority of our office-based staff in a single office in Manchester.

During the previous year we took a number of steps to complete the simplification of our business, including the sale of Webzone Limited (trading as 'Carzone'), our Irish business, reducing and simplifying our property holdings and starting the process to exit our legacy defined benefit pension scheme. I would particularly like to thank Warren Cray and his team at Carzone in Ireland for their contribution to the Group over many years.

2023 saw the completion of one of the largest product development projects in the Company's history, enabling our car retailer customers to provide a complete transactional service to car buyers on the Auto Trader platform. This includes the ability to reserve a car online with a deposit, arrange finance, obtain a trade-in valuation on an existing car and delivery to a buyer's home or other convenient location.

2023 also saw the purchase of Autorama, which offers new vehicles on leases to the public. This gives us a substantial potential position in the online transactional market for new cars. A current priority is the integration of the Autorama offering into our existing new car proposition and further developments to that combined offering.

So not only have we successfully transitioned from a print to digital, advertising-only to data business, but we have also embarked on the journey from a used car advertising service to a platform for advertising and transacting in both used and new cars. It will take time for all these businesses to realise their potential and if the past is any guide, we will be both pleasantly surprised in the long term and sometimes disappointed at the speed of adoption and the path to full commercial value being realised.

It is unhelpful for outgoing Chairs to seek to tie the hands of their successors. It is the job of future Auto Trader Board members to exercise their judgement in pursuing the course that makes most sense to them at the time in the knowledge of the marketplace as they then see it. I hope, though, that they will come to the view that the current Board has left the business stronger, simpler and with a wider range of opportunities open to them than when they first became involved.

Board succession

As announced on 1 June 2023, the Board has approved the appointment of Matt Davies as Chair Designate with effect from 1 July 2023, to succeed me as Chair at the conclusion of the 2023 Annual General Meeting, prior to me becoming non-independent and in line with good corporate governance. Therefore, I will not be standing for re-election at our September 2023 AGM and expect a smooth transition to the new Chair.

As a result of the Company becoming public in 2015 we put in place a new Board; as such over the next two years, three further Non-Executive Directors will be deemed to have become non-independent under the nine-year rule. We have plans in place to recruit new Non-Executives, staggering renewal dates to mitigate against large changes in the Board and to preserve and build on diversity and experience which will best serve the business moving forward.

This is covered in more detail in the Nomination Committee report.

Dividend and capital return strategy

We are recommending to shareholders a final dividend of 5.6p, bringing the total dividend for the year to 8.4p. The value of dividends paid in respect of the 2023 financial year totals c.£77.7m, with a further £147.3m returned through share buybacks at an average share price of 582.1p.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at our Manchester office on 14 September 2023 at 10am.

A big thank you

As this is my last statement as Chair, it remains for me to say a big thank you to everyone involved with Auto Trader over the last eight years, including car buyers and sellers, our business customers, past and present employees, the current and previous executive teams, our Board of Directors and our shareholders, many of whom have held our shares continuously since the Company went public in 2015.

In particular, I would like to thank those with whom I have worked closely, including a large number of executives outside the Board. From the start of my involvement with Auto Trader one thing was obvious: an enormous commitment and enthusiasm to simply "get stuff done". I am sure the new Board members, who will replace those of us reaching the end of our Board service, will value this as much as we have. It has allowed us to focus a huge proportion of our time and attention on opportunities and not problems, making it critical to our success and such a pleasure to be part of.

Ed Williams
Chair
1 June 2023

I'm pleased to report that our business is in as strong a position as it has ever been, and we are embarking on a journey where used and new car buyers can not only complete their research on Auto Trader, but complete more of the transaction too.

Summary of Group financial performance

Revenue in the core Auto Trader business increased by 9% to £473.0 million as customers are increasingly using our data, platform and advertising products to support their businesses. At a Group level revenue grew 16% to £500.2 million (2022: £432.7 million), the difference being the inclusion of the Autorama business, acquired in June 2022, with revenue of £27.2 million. Auto Trader growth was ahead of expectations and has been achieved despite both the new and used car markets experiencing low transaction volumes, although this headwind has been somewhat offset by robust levels of retailer profitability. The brilliant work of our people continues to strengthen our position with car buyers, build true partnerships with our customers and support an industry-leading data and technology platform.

Operating profit in the core Auto Trader business was £332.9 million, up 10% on last year, with a continued margin of 70% as a result of careful management of costs despite inflationary pressures. Group operating profit declined by 9% to £277.6 million (2022: £303.6 million), due to an operating loss of £11.2 million from Autorama, and £44.1 million of Group central costs relating to the acquisition of Autorama, which were £38.8 million of deferred consideration and amortisation of acquired intangibles of £5.3 million. Group operating profit margin was 55% (2022: 70%).

Strategy and purpose

Our purpose continues to be "Driving Change Together. Responsibly" which guides strategy and decisions across the organisation. At our 2022 Investor Day, we outlined our strategy using three concentric circles to illustrate that they are all elements of Auto Trader's central business strategy, rather than three distinct opportunities. Our technology and data platform and digital retailing build on the strengths of our core marketplace business. As an example, our platform strategy embeds our technology and data into retailers' businesses enabling them to make quicker decisions, which ultimately improves the value they get from advertising on Auto Trader. Digital retailing provides a deeper buying experience on Auto Trader that is more efficient for retailers and harder for others to replicate.

The UK car market

New car registrations at 1.7 million were 3% above financial year 2022 (2022: 1.6 million) but 19% lower than financial year 2020 with supply chain challenges continuing to impact the volume of new cars available for sale in the UK. New light commercial vehicle ('LCV') registrations were down 11% year on year. Used car transactions at 6.9 million were 8% below financial year 2022 levels (2022: 7.5 million) due to the knock-on impact of low volumes of new car supply, which has reduced the availability of younger cars.

Despite the weakness seen in supply throughout the period, demand has been resilient and used car prices have remained strong. Our used car Retail Price Index saw a 12% like for like, year on year increase in prices over the past 12 months, which has contributed to favourable trading conditions for our customers.

Being a responsible business

We hold ourselves to the highest standards when it comes to acting responsibly. We have a Corporate Responsibility Committee with oversight of Auto Trader's focus on the environmental, social and governance ('ESG') aspects of our business. We have identified focus areas and created a range of initiatives which are monitored regularly, and reported on externally with our cultural KPIs. While recognising that many of these changes take time, we remain committed to making meaningful progress across all measures.

We continue to focus on our people, ensuring that those from all backgrounds can fully realise their potential. We have carefully constructed learning and development programmes focusing on supporting early careers, mid-management and a continuous leadership programme for senior leaders. All of these programmes are specifically designed to recruit, support and develop diverse talent in our business.

There are two strands to our commitment around the environment: achieving net zero carbon emissions by 2040, and supporting consumers in making more environmentally friendly vehicle choices.

Outlook

The new financial year has started well and the Board is therefore confident of meeting its growth expectations for the year.

We expect another good year of retailer revenue growth, by far the largest part of our Auto Trader business. This will come from a similar ARPR growth rate to that achieved in financial year 2023. We expect the product lever to be consistent with the £137 achieved last year and the price lever to be slightly higher than last year's £90. The stock lever is likely to remain flat. We anticipate a slight decline in retailer numbers, mostly due to the full year impact of the disposal of Webzone Limited.

Over time we aim to grow share in the new car leasing market through our new Autorama segment. Our short-term focus is on significantly reducing the current annualised operating losses of £15 million through deeper integration with Auto Trader and being disciplined on costs. Group central costs, which are non-cash and relate to the acquisition of Autorama, will be c.£18 million for the year.

Auto Trader operating profit margins should be consistent year on year at 70%, despite continued investment in product development and inflationary pressures. Group margins are expected to increase year on year.

Nathan Coe
CEO
1 June 2023

Reflecting on and recognising the notable achievements of our Chair, Ed Williams

As the tenure of our current Chair, Ed Williams, comes to an end, we wanted to recognise the unique impact he has had on Auto Trader during his involvement since 2010.

2010
Appointed to the Board of Trader Media Group (co-owned by funds advised by Apax Partners and Guardian Media Group) to support its digital transformation with huge credibility coming from his time as founder and CEO of Rightmove from 2000 to 2013.

2012
Ed was instrumental in the business adopting a strategy to simplify its focus and operations on Auto Trader.

2013
Ed was instrumental in supporting the business's transition from print to digital, culminating in the closure of the magazines in 2013. This included the appointment of Trevor Mather as CEO, who oversaw the strategy to simplify the business and transition to a purpose-led, values driven culture.

2014
Ed was appointed Chair of Auto Trader, leading the business through to its next phase of becoming a public company.

2015
The business had a successful IPO on the London Stock Exchange, supported by Ed's credibility and significant experience with public market investors. This included establishing a new independent Board, most of whom remain with the business to this day.

> Ed has worked diligently in the background for years to create a great business with outstanding governance, while holding himself to the very highest standards as a Chair.

Nathan Coe
CEO

On behalf of myself, the Board and everyone at Auto Trader we want to say thank you for years of dedicated service, over which time the business has completely transformed to the benefit of our people, customers, car buyers, shareholders and other stakeholders.

As we say at Auto Trader, you have every reason to feel **#proud**.

2019

- January: Auto Trader market capitalisation reached £4.2bn as we became a FTSE 100 business.
- November: Following the appointment of Sigga Sigurdardottir, Auto Trader's Board became 50:50 male to female, one of only seven FTSE 100 businesses at the time, exceeding the Hampton-Alexander recommendations for gender diversity on boards.

2020

As Chair, Ed oversaw the planning and execution of a comprehensive succession plan from the then CEO, Trevor Mather, to current CEO, Nathan Coe.

2020

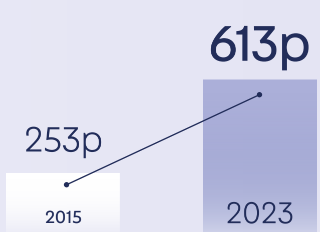
Along with the rest of the world, Auto Trader was hit by the COVID-19 pandemic, with retailers closing their forecourts in late March 2020. The business acted swiftly to protect its people, support its customers and reduce risk given the significant unknowns at the time. This included pausing charging retailers for over four months, pausing dividends and share buybacks, raising capital, reducing debt and waiving Board fees, salaries and bonuses. Ed's leadership of the Board at this time was more important than at any time in our history given the magnitude of decisions made. The impact of these actions still benefit us today – with our people, retailers, car buyers and our shareholders.

2022

- January: Following the appointment of Jasvinder Gakhal, the Board met the Parker review recommendation for ethnic diversity on boards.
- September: The business announces an evolved strategy at its Investor Day, outlining future growth in its core marketplace and the opportunity to grow further through digital retailing – bringing more of the car buying journey onto Auto Trader – and our platform strategy to enable the industry to benefit from the data and technology we use to run Auto Trader.

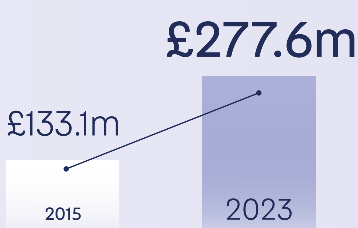
MONTHLY AVERAGE CROSS PLATFORM VISITS

31 MARCH SHARE PRICE



REVENUE

OPERATING PROFIT



£995.1m

cash returned to shareholders through dividends and share buybacks

A changing new and used car market

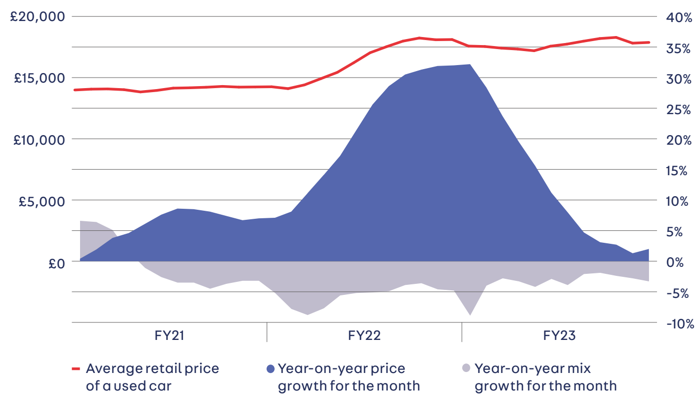
Continually adapting our onsite experience to meet the changing needs of both our consumers and customers is core to remaining the UK's largest automotive marketplace for new and used cars.

Retail Price Index

The Auto Trader Retail Price Index tracks the average retail price of used cars based on c.900,000 daily pricing observations across the automotive retail market.

Used car prices have remained strong, increasing 12% during financial year 2023 on a year-on-year, like-for-like basis, with average prices reaching £17,712 in March 2023, the 36th month of consecutive year-on-year growth.

Prices have remained strong due to a constrained supply side, twinned with robust levels of demand in the market. We expect that these supply and demand dynamics will continue and that average retail prices will remain stable for the foreseeable future.



£17,544

average price of a used car advertised on Auto Trader for the 12 months ending March 2023
+12% year on year, like for like (2022: £16,155)

New car registrations

1.7m

new car registrations in the 12 months to March 2023
+3% year on year (2022: 1.6m)

New car registration volumes remain impacted by supply chain challenges. New car registrations for financial year 2023 were 1.7 million, +3% on financial year 2022 but still -19% behind pre-pandemic levels (financial year 2020).

While levels of supply do remain heavily constrained, the availability of stock has very gradually improved over the second half of the financial year and new car registrations in Q4 of our financial year saw 18% growth year on year.

With manufacturers continuing to bring more electric cars to market, much of the new car growth has been driven by alternatively fuelled vehicles. Over the full year, EVs accounted for 279k registrations, a 25% year-on-year increase.

Used car transactions

6.9m

used car transactions in the 12 months to March 2023
-8% year on year (2022: 7.5m)

Used car transactions were 8% below financial year 2022 levels at 6.9 million for financial year 2023, as transactions continued to feel the knock-on impact of low volumes of new car supply.

This was a story of two halves. In H1, we saw demand on Auto Trader down compared with H1 2022 and saw used car transactions -15% year on year. This was lapping a very strong comparative period in H1 2022.

By contrast, in H2 2023, we saw our demand metrics improve year on year and in the second half used car transactions were actually up marginally year on year.

Despite potential headwinds, we expect demand for used cars to remain robust, not least because cars are for most motorists a fundamental need. What's more, there remains a huge backlog of people waiting for a driving test, and there has been a combined five million lost new and used car sales over the past three years.

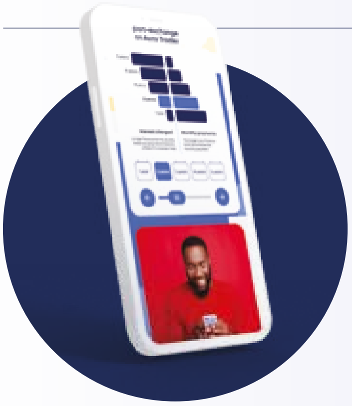
The key drivers shaping the future of our industry

1 Structural changes in the new car market

Key trend
There are significant structural changes taking effect in new vehicles, including electrification, the growth of leasing, new manufacturers entering the UK market and a shift towards new digital distribution models.

Future opportunities
There is a significant opportunity for us to help consumers, retailers, funders and manufacturers navigate these changes.

For consumers, we can help them choose their next new vehicle and for retailers, funders and manufacturers we can be a highly efficient digital sales channel.



2 Consumers' desire to move online

Key trend
Consumer appetite to do more of the car buying journey online remains strong following the pandemic. Today, almost two thirds of consumers and more than 80% of younger car buyers are open to the concept of digital retailing.

Whether it's checking availability, sourcing a valuation, booking a test drive, paying a deposit, or organising finance, 60% of car buyers would like to do these key jobs online.

Future opportunities
While most people still want to do some of the purchase journey in person, many are comfortable doing more of their car buying jobs online.

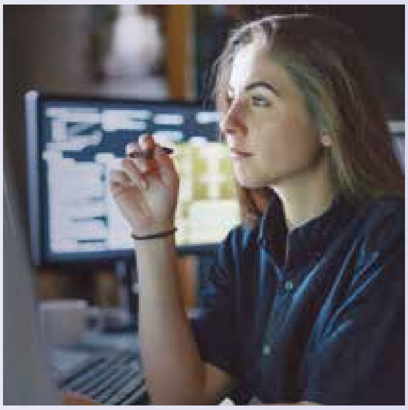
There is a significant opportunity for us in digitising key parts of the transaction, providing a better experience for consumers and creating significant efficiencies for our retailers.

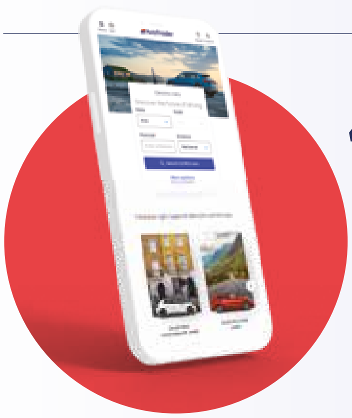
3 The increasing importance of data

Key trend
Levels of supply and demand for different makes and models continue to change at speed, and with the added complexity of increasing fuel types, it is more difficult than ever for retailers to base stocking and pricing decisions on experience alone.

Future opportunities
We're surfacing our award-winning valuations into retailers' businesses through Auto Trader Connect.

We've also launched Vehicle Insight, a new performance tool that enables retailers to access our market data in one simplified view through our Retailer Portal. We're constantly evolving and investing in our platforms to help our retailer partners respond quickly to market changes and improve performance across their digital forecourts.





4 The EV market continues to evolve

Key trend
Across the whole year we have continued to see the demand and supply for electric vehicles ('EVs') increase across both new and used cars.

However, the picture has varied significantly throughout the year. By the end of the year we were seeing supply rise faster than demand in used EVs causing pressure on used EV pricing.

Future opportunities
The EV market is immature and nuanced, which means accurate and timely data is critical for retailers to inform their sourcing and pricing strategies.

Auto Trader has a unique opportunity to guide and support consumers in making the switch to electric and is providing more detail on its platforms including total cost of ownership information and battery ranges.

Our unique network effect

Leveraging our leading market position and technology platform to create value for our stakeholders.

The drivers that set us apart

Brand & audience
Auto Trader has been trusted for over 45 years by UK car buyers and sellers, giving it the largest UK car buying audience.

Technology
We have a scaleable, cloud-based technology platform which enables many iterative changes to be made.

Data
Our proprietary data is increasingly embedded across the automotive value chain as the industry standard.

BEING A RESPONSIBLE BUSINESS
Our ESG ethos runs through all elements of value creation and everything we do as a business.

Read more P26

People & culture
Our values-led culture underpins a fast-moving, collaborative and community-minded environment.

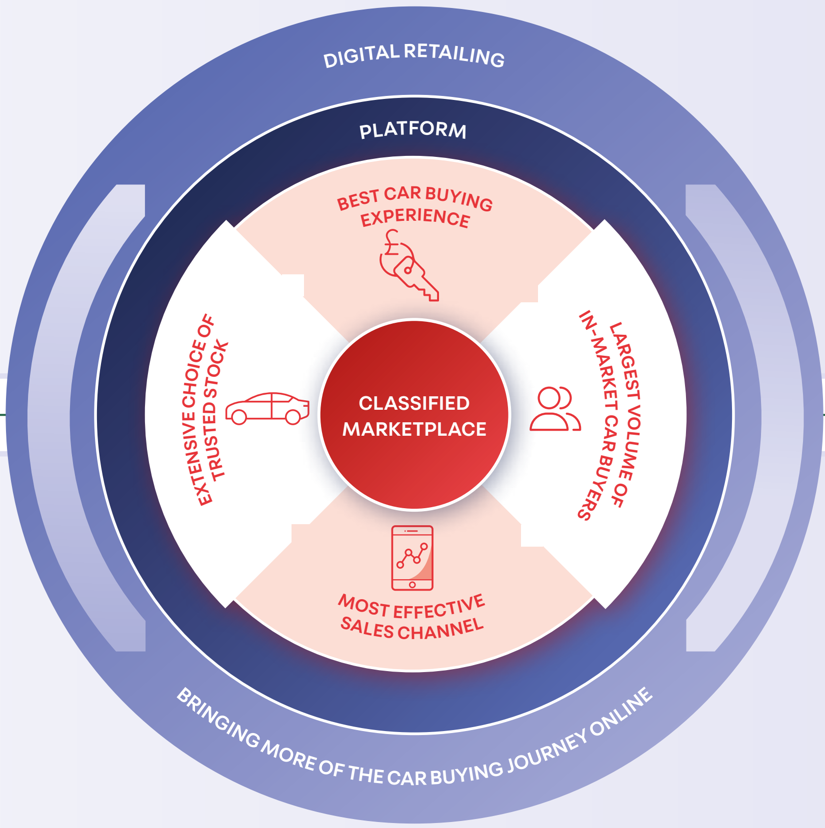
Investment
We have a high return, capital light business model, which enables us to invest in the business.

Long-term focus
The strength of our business model enables us to take a long-term approach to product and technology.

The core activities we undertake to create value

The most trusted brand
1st
choice destination for car buyers in the UK

The most choice
437,000
live car stock on site on average across the year (2022: 430,000)



The most scalable tech
51,000
software releases across the year (2022: 46,000)

A highly cash generative model
£327.4m
cash generated from operations (2022: £328.1m)

Classified marketplace
Our core marketplace benefits from network effects where the largest audience of in-market car buyers attracts the widest array of stock, which then appeals to more car buyers. We create the best experience for consumers, and the most efficient sales channel for our retailer customers.

Platform
Through a combination of our unique data set, scaleable technology and wide-ranging partnerships, we are uniquely placed to be the data and technology platform for UK automotive. We create value by combining data sets and exposing them to our customers, helping them make better and faster decisions.

Digital retailing
We are building products and services to enable consumers to do more of the vehicle buying journey online. For new vehicles this can be an entirely online sale, whereas for used cars this is the completion of a deal. This will ensure a better experience for consumers, and increased efficiency for retailers.

The value created for our stakeholders

FOR CONSUMERS
Our marketplace offers consumers the widest choice of vehicles in the UK, with tools to increase trust and transparency in the buying process.

69.6m
average monthly visits to autotrader.co.uk (2022: 68.9m)

FOR CUSTOMERS
We offer the most effective sales channel for retailers, and are the industry leading technology and data platform for our wider pool of partners.

13,913
average retailer forecourts (2022: 13,964)

FOR OUR PEOPLE
We continue to evolve our unique culture to ensure everyone can develop and achieve their career aspirations.

91%
of employees are proud to work for Auto Trader (March 2022: 95%)





FOR PARTNERS & SUPPLIERS
We work collaboratively in partnership, increasing revenue from shared opportunities whilst ensuring we have fair trading and robust terms and conditions.

c.90
software partners integrated with our Auto Trader Connect platform (2022: 40)

FOR THE COMMUNITY & THE ENVIRONMENT
Every employee is provided up to two volunteering days each year, within local communities. The environment is a key consideration for our business. We have a clear plan for net zero and helping consumers shift to electric vehicles.

Net zero
committed to achieving net zero by 2040

FOR INVESTORS
Given our strong cash generation, a high proportion of our profit is returned to shareholders in the form of dividends and share buybacks.

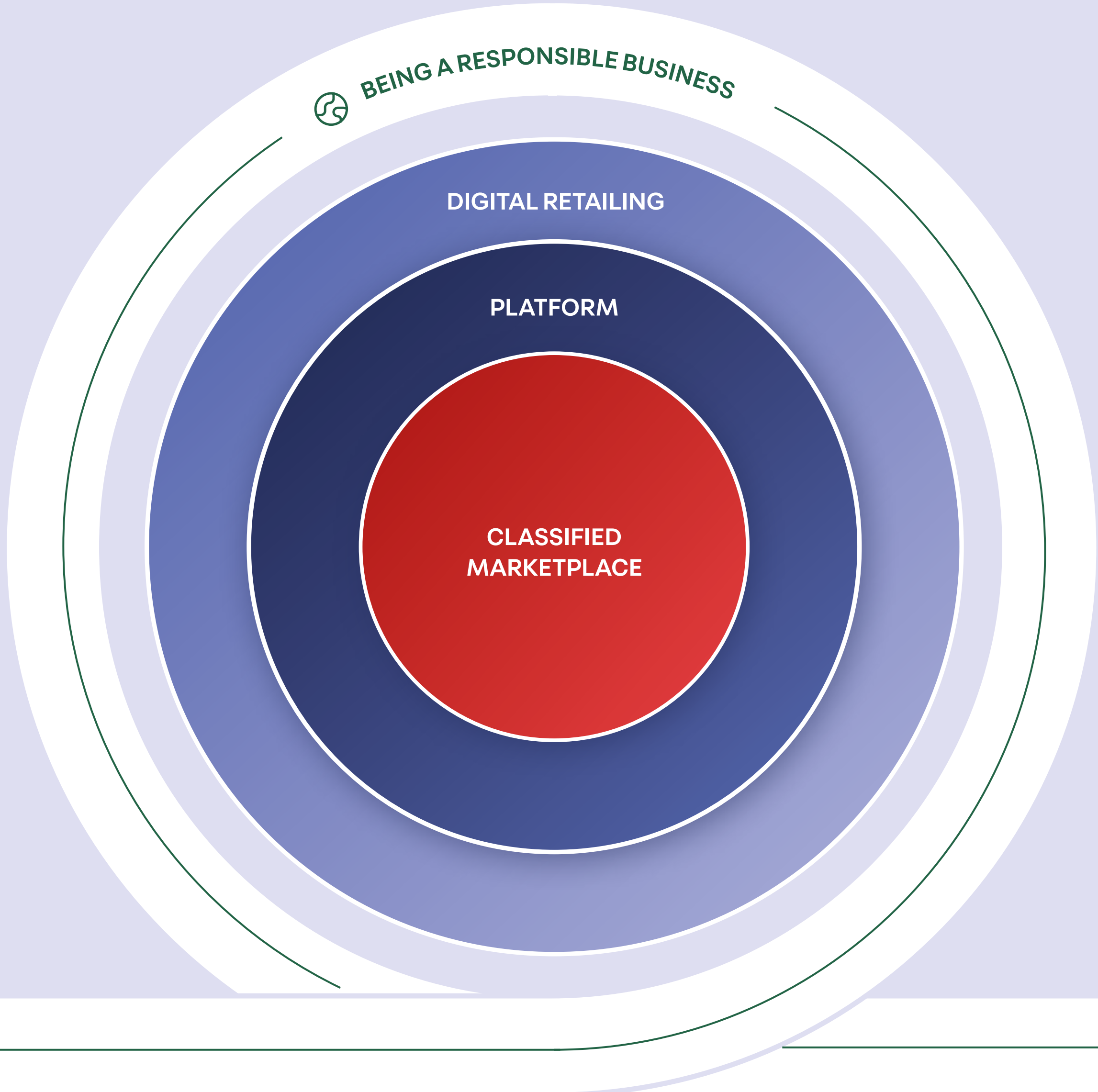
£225.0m
returned to shareholders in 2023 (2022: 237.1m)

Driving Change Together. Responsibly.

Our purpose continues to be Driving Change Together. Responsibly. We deliver on this through our three strategic priorities detailed below, alongside our commitment to always being a responsible business.

Whereas we previously presented Digital Retailing and Data (now called Platform) alongside our Marketplace, we now recognise that all three of these areas are interconnected and complementary.

Our strategy is only possible because of the strength of our Marketplace and everything we are doing serves to strengthen it.



Read more overleaf

Classified marketplace

Be the best place to buy a car

Platform

Be the industry's data & technology platform

Digital retailing

Be the enabler for all retailers to sell online

Being a responsible business

A key part of our purpose is *responsibly*, wherein we commit to doing the right thing. Our teams are passionate about this and it infuses our culture.

It ensures we strive to make a positive difference to our people, the automotive industry, our communities and the wider environment.

Read more P26

2023 progress

Classified marketplace
Be the best place to buy a car

In our core advertising marketplace, we successfully executed our annual price increase in April 2022, which included the launch of Retail Essentials, the first module of our Auto Trader Connect platform. This product was well received by customers given the quality of the data and the operational efficiencies it delivers.

Our customer numbers in the UK are at record levels, with continued low levels of cancellation in part due to the strength of our standing with customers. We continue to make progress deepening our partnerships with our customers, particularly through providing our market-leading insight. Our sales teams have data driven, goal focused conversations with our customers. Levels of new customer acquisition were largely consistent with the prior year.

Penetration of our higher yielding packages increased, with 33% of retailer stock now above Standard as at March 2023 (March 2022: 31%). We also saw an increase in the uptake of our Market Extension product (allowing customers to sell vehicles outside their local area) and our Pay-Per-Click product which allows stock items to appear at the top of the search listings.

With the sale of new and used electric vehicles increasing, we continue to invest in our electric vehicle content to ensure we are the number one destination for car buyers interested in purchasing an EV. We continue to inform consumers about electric vehicles on our social media channels and raise the awareness of EVs through our EV giveaway which achieved over 3.5 million entries this year. By rethinking our make-model product pages, we have significantly improved our EV SEO ranking, bringing more consumers to the site. When on Auto Trader, we have focused on improving the level of information to help make consumers more informed about owning an EV.

Platform
Be the industry's data & technology platform

As part of our annual pricing event in April 2022, we included our first Auto Trader Connect module – 'Retail Essentials'. Retail Essentials gives customers access to our most fundamental and powerful data, including our taxonomy, which improves advert quality, and enables stock to be updated on Auto Trader in real time.

At the end of March 2023, we had integrations with over 90 third-party software providers with Auto Trader Connect.

For our April 2023 pricing event we have launched the second module of Auto Trader Connect – 'Valuations'. This gives our customers access to our retail, part exchange and trade valuations to help inform retailers' sourcing and pricing strategies with the most accurate view of the market.

These modules are an important part of how we are increasingly using our platform to power our retailers' businesses, which strengthens our core and is a key enabler for digital retailing.

We have also made good progress in continuing to build lender integrations, strengthening both the breadth and depth of our finance platform. This is a critical asset that underpins the finance component of our Digital Retailing journey. We now have 19 lenders integrated, which we estimate represents 42% of retailers on our Retailer Finance product (based on first string lender). We also enabled the entire end to end finance transaction journey with one lender including e-sign. FCA Consumer Duty is central to our digital journeys, both for consumers and retailers.

We saw an increase in the number of software releases on the Auto Trader platform to 51,000 (2022: 46,000).

Digital retailing
Be the enabler for all retailers to sell online

Building on both our platform and marketplace, we are bringing more of the car buying journey online. Our approach to digital retailing is to be 'car first' and to enable any retailer (including manufacturers and leasing companies) to sell their cars online. With this goal in mind, we will initially offer two digital retailing consumer journeys: a used car Deal Builder journey on Auto Trader and a fully online retailing journey for new vehicles.

For our used car Deal Builder journey, we are pleased with the initial trial and by the end of the financial year had over 50 retailers live. We have continued to develop the product with the ability to complete the deal in multiple sessions across devices, a revision to the reservations and part exchange flow and the launch of the product for multi-site customers using our Retailer Portal. We have also launched a new product page for cars with Deal Builder.

In new vehicles there are significant structural changes taking effect, including the growth of electric cars, the growth of leasing, new manufacturers entering the UK market and a shift towards new digital distribution models.

To enhance our new vehicle proposition, and to ensure we are well placed as these structural changes take effect, on 22 June 2022, we completed the acquisition of Autorama UK Limited ('Autorama').

By combining Autorama's capabilities with Auto Trader's platform and scale, we believe we have a compelling proposition for manufacturers, retailers and leasing companies, with a significant opportunity to reduce existing customer acquisition costs and grow the business's profitability.

Future opportunities	How we measure progress	Associated risks
We continue to consider ways in which we can build consumer trust in our core marketplace. We also see an opportunity to improve our search experience, particularly in the ways we use data to create a more personalised search experience for consumers. Given the changing landscape in new cars, we will continue to evolve our new car product. For example, with an increasing number of manufacturers selling direct to consumers, or operating under an agency model, we will look to enable manufacturers to advertise new cars directly on Auto Trader with national reach.	• Revenue • Average Revenue Per Retailer ('ARPR') • Operating profit (and margin) • Basic EPS • Cash generated from operations • Cross platform visits • Cross platform minutes • Number of retailer forecourts • Live car stock • Employee engagement	• Automotive economy, market and business environment • Climate change • Employees • Reliance on third parties and partners • IT systems and cyber security • Failure to innovate: disruptive technologies and changing consumer behaviours • Legal and regulatory compliance • Competition • Brand and reputation
We plan to further embed our data and usage of Auto Trader Connect (Retail Essentials and Valuations) with retailers. We have launched a new Vehicle Insight tool in our Retailer Portal which has already seen high levels of engagement. We will also continue to deepen relationships with third-party software providers, OEMs and lenders to further develop our proposition.	• Auto Trader Connect integrations • Number of lender integrations • Number of product releases	• Reliance on third parties and partners • IT systems and cyber security • Failure to innovate: disruptive technologies and changing consumer behaviours
We will continue to scale the number of retailers on Deal Builder, and iterate the product in financial year 2024 – with an aim to monetise the product with some retailers by the end of financial year 2024. By bringing our scale to bear, combined with continued product improvements in financial year 2024, we are confident that our new car leasing order take will grow year on year and expect to see efficiencies in customer acquisition cost.	• For our digital retailing Deal Builder journey: – Number of retailers using Deal Builder – Number of completed deals • For our online retailing journey for new vehicles: – Number of new vehicle leases – Yield per vehicle sold	• Reliance on third parties and partners • IT systems and cyber security • Failure to innovate: disruptive technologies and changing consumer behaviours • Legal and regulatory compliance

Considering our stakeholders

The Directors of the Company have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having due regard in doing so for the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006.

Section 172 matters

Our purpose is **Driving Change Together. Responsibly.**

- We are **driving change** in an industry that needs to evolve to adapt to changing consumer needs, and the impact of electric vehicles.
- Our business model results in bringing **together** a diverse set of stakeholders – consumers, customers (including retailers, manufacturers and other customers), suppliers and partners – underpinned by our collaborative, people-led culture.
- We are committed to act **responsibly** through our focus on diversity and inclusion, environmental sustainability and maintaining high levels of ethical conduct, trust and transparency.

In order to achieve our purpose, we need to understand who our stakeholders are and what is important to them; we need to understand the long-term impact of our business on the industry and the environment; and we need to maintain our high standards of business conduct.

All of these matters are taken into consideration by the Board in its discussions and decision-making. In order to formalise this process, a stakeholder framework has been established which is applied to all Board papers and discussions, to enable the Board to consider the balance of interests of affected stakeholders.

The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all of our stakeholders. But by understanding our stakeholders, and by considering their diverse needs, the Board factors into boardroom discussions the potential impact of our decisions on each stakeholder group, and of the other matters required by S172(1).

Considering the long-term consequences of our decisions	P8 How we create value	P10 Our purpose-driven strategy	P15 Material decisions made
Considering the interests of our employees	P8 How we create value	P16 Our stakeholders	P38 Our people & communities
The need to foster good relationships with our stakeholders	P8 How we create value	P16 Our stakeholders	
Considering our impact on the environment and our community	P76 Report of the Corporate Responsibility Committee	P26 ESG strategy	P30 TCFD disclosures
Maintaining high standards of conduct	P58 Governance	P48 How we manage risk	P44 Our governance & compliance
Acting fairly between stakeholders	P8 How we create value	P16 Our stakeholders	

By understanding our stakeholders' diverse needs, we factor into Board discussions the potential impact our decisions could have on them. Below are two material decisions made during the financial year with an explanation of how we considered the needs of our stakeholders in each.

Read more overleaf

OUR STRATEGIC PRIORITIES

- Classified marketplace
- Platform
- Digital retailing
- Being a responsible business

THE COST OF LIVING CRISIS

Relevant strategic priorities:

CONTEXT

As inflation began to rise and the cost of living crisis began to impact daily life, the Board considered the impact on stakeholders in response to growing financial concerns.

BOARD CONSIDERATIONS

Given the significant shift in the macro-economic backdrop at the start of our financial year, with rising inflation and weaker consumer confidence, the Board devoted significant time to reviewing the impact on the business and each stakeholder group. This included our product and pricing strategy; the management of our own cost base; the impact on employees (particularly lower paid employees); the implications for customers, consumers and suppliers; as well as considering any impacts on the wider community and the environment.

OUTCOME

The Board noted that the increase in the cost of living and inflation pressure would impact all employees, in particular those on lower salaries. Allowance was made for this in the annual pay review, which weighted increases towards employees on lower incomes. In addition, a one-off payment of £700 per employee was made (excluding the OLT and the Board) in December 2022.

The Board considered the impact of rising costs on our customers, and decided to continue to prioritise developing and launching products that would help our customers to inform their own pricing and improve their profitability, such as the Auto Trader Connect: 'Valuations' module and AT Moves, which many customers have made significant cost savings through.

Recognising an increase in our own cost base, and the expectations of investors to grow revenue in line with inflation, the Board considered a number of options in relation to annual price rises, including consideration of a one-off inflationary rise. However, balancing the need to support our customers in a sustainable way, this approach was ruled out, and we maintained the existing policy of a single annual rise.

The Board reviewed consumer behaviour during previous recessions or economic slowdowns, and noted that consumer behaviour has generally remained resilient to economic shocks. However, it was also noted that there was a risk that cost pressures could result in a slowing down in the adoption of electric vehicles, which are on average 37% more expensive than an internal combustion engine ('ICE') vehicle. It was agreed that we need to enhance the content around affordability, including finance options, but to balance this with a continued focus of being the best buying destination for EVs.

The Board noted it was important to continue to work in a partnership approach with suppliers, particularly smaller suppliers. Material supplier contracts were reviewed for inflation linked cost increases and we enhanced our supplier risk review processes over their financial stability.

Noting that the charity sector was likely to be impacted adversely, the Board agreed that it was important to maintain existing levels of corporate charitable donations and to continue to support employees with their fundraising efforts.

Overall, the Board agreed that the actions taken in response to the cost of living crisis are in line with our purpose and the long-term interests of the business.

RELEVANT STAKEHOLDERS

- Consumers
- Customers
- Our people
- Partners & suppliers
- The community & the environment
- Investors

DISPOSAL OF WEBZONE LIMITED

Relevant strategic priorities:

CONTEXT

Webzone Limited, which trades in the Republic of Ireland under the Carzone brand, was sold to Mediahuis Ireland for consideration of €30 million.

BOARD CONSIDERATIONS

Webzone Limited is the second largest automotive marketplace for retailers and consumers in Ireland and is headquartered in Dublin. For the year ended 31 March 2022, Webzone Limited contributed total revenue of £4.9m (which included £4.1 million of retailer revenue) and operating profit of £1.3 million to Auto Trader's Group results. It represented 4% of the Company's average retailer forecourts and 4% of its full-time equivalent employees.

In making its decision about whether to proceed with the disposal of Webzone Limited, the Board considered various factors, including the valuation of the business in comparison to current profitability; the impact of the disposal on the Auto Trader UK business; the impact on Webzone Limited's management team and employees; and the impact on Webzone Limited's customers and suppliers, which were taken into account when negotiating the final terms of the disposal.

OUTCOME

Webzone Limited had been part of the Auto Trader Group for almost 20 years, and whilst this would represent a significant change for employees and customers, the Board agreed that the disposal was likely to promote the success of the Company for the benefit of its members, and would enable Auto Trader to focus fully on the opportunities in the UK automotive market.

RELEVANT STAKEHOLDERS

- Consumers
- Customers
- Our people
- Partners & suppliers
- Investors

Our stakeholders

We highlight below some of our key stakeholders, and we discuss why they are important to us, what their significant areas of interest are and, more importantly, the ways in which we as an organisation, and the Board, effectively engage with them.

Consumers

WHY ARE THEY IMPORTANT TO US?

Maintaining a large and highly engaged consumer audience of in-market car buyers, who have high levels of trust and confidence in Auto Trader, underpins the success of our business model.

SIGNIFICANT AREAS OF INTEREST

- Comprehensive choice of vehicles.
- Ease of buying or selling a vehicle.
- Clear and transparent information about the vehicle, about the seller and about the payment options.
- Offering good levels of consumer support.

HOW DO WE ENGAGE WITH THEM?

- Speaking to consumers for our Car Buyers Report, and biannual consumer brand trackers to gauge views on their car buying intentions. The outputs are shared with the Board.
- Hosting consumer surveys onsite, which provide constant feedback on our user experience.
- Regular consumer user testing of new products, services and brand designs of our website.
- Holding workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (for example, their thoughts on how we display finance).
- Consumer complaints and customer security teams operating seven days a week.

Material issues

- 2 Data privacy and security
- 4 Product innovation
- 5 Customer satisfaction
- 11 Driving transparency

Customers
(retailers, manufacturers and other customers)

WHY ARE THEY IMPORTANT TO US?

Our partnerships with almost 14,000 vehicle retailers, with manufacturers and other customers (such as leasing companies), means that we continue to have the greatest choice of vehicles for consumers. The majority of our revenue is generated from our customers.

SIGNIFICANT AREAS OF INTEREST

- Making the car selling process more efficient.
- Access to data to make informed sourcing and disposing decisions.
- High-quality access to car buyers.
- Receiving value for money from Auto Trader, product quality and cost.
- Sourcing vehicles.
- Building strong partnerships.

HOW DO WE ENGAGE WITH THEM?

- Hosting monthly retailer sentiment surveys, evaluating product improvements and value.
- Hosting regular forums with CEOs of big and mid-tier retailers, OEMs, car supermarkets and automotive finance companies to share latest data and insight.
- Regular thought leadership and insight-driven reports, such as the Road to 2030 Report.
- Hosting industry insight events, retailer performance masterclasses, webinars and conferences to share latest views of the market and news.
- Operational Leadership Team ('OLT') engages in a business partnering programme and the Board visited customers this year.
- Sales teams, both telesales and field sales, are in constant dialogue with all our customers.
- Customers attend select Board meetings.

Material issues

- 2 Data privacy and security
- 4 Product innovation
- 5 Customer satisfaction
- 6 Pricing fairness
- 8 Advocacy

Our people

WHY ARE THEY IMPORTANT TO US?

Our people are fundamental to our continued success. This requires us to attract new talent and to nurture, motivate and inspire a highly skilled workforce. We commit to ensuring that we continue to build a diverse and inclusive culture where everyone feels valued and able to achieve their full potential.

SIGNIFICANT AREAS OF INTEREST

- Diversity and inclusion.
- Training, career development and progression.
- Fair reward, recognition and benefits.
- Working conditions, environment and wellbeing.

HOW DO WE ENGAGE WITH THEM?

- Board Engagement Guild engages directly with the Board (without management present) on matters such as the cost of living crisis.
- Hosting biannual all-employee conferences, and regular CEO and OLT virtual business updates.
- Annual employee benefits roadshows and salary workshops.
- Annual Save As You Earn share scheme for all employees.
- Regular employee check-in surveys.
- Health and safety assessments.
- Wellbeing forums.
- Inclusive Leadership Programme and Diverse Talent Accelerator, which focuses on developing diverse talent across the business.
- Independent whistleblowing service.

Material issues

- 2 Data privacy and security
- 3 Employee wellbeing, engagement and safety
- 7 Investment in talent
- 10 Diversity and inclusion
- 16 Ethics and integrity
- 17 Remuneration

MATERIAL ISSUES

Our environment Our people & communities Our governance & compliance

Being a responsible business P26

Our materiality assessment P27

The Board ensures it is kept informed of stakeholder views and concerns throughout the year and where engagement doesn't take place directly with the Board, the output of this engagement is fed back to the Board and/or a Board Committee, which informs their decisions. A deeper understanding of our stakeholders and their diverse areas of interest enables us to factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

Partners & suppliers

WHY ARE THEY IMPORTANT TO US?

We rely on our suppliers and partners to provide technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products. Building trusted partnerships helps us to work better together and continue to provide the highest quality products and services.

SIGNIFICANT AREAS OF INTEREST

- Working collaboratively on innovations.
- Increasing revenue from shared opportunities.
- Fair trading and terms and conditions.
- Building long-term relationships.

HOW DO WE ENGAGE WITH THEM?

- Maintaining regular engagement with suppliers and partners, including by a number of our OLT members.
- Procurement processes in place to onboard new suppliers into our business, as well arranging regular check-ins for ongoing relationships.
- Agreeing ways of working with new suppliers or partners and providing feedback during ongoing projects.
- Encouraging an open dialogue to ensure we work collaboratively and share learnings.
- Regular monitoring and review of financial and operating resilience.
- Analyse the time taken to pay suppliers via regular reporting.
- Applying 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.

Material issues

- 4 Product innovation
- 13 Responsible supply chain
- 16 Ethics and integrity

The community & the environment

WHY ARE THEY IMPORTANT TO US?

We aim to give back more to the planet than we take out and protect our business from the impact of climate change. We also strive to create stronger communities and have a positive social and environmental impact.

SIGNIFICANT AREAS OF INTEREST

- Energy usage and carbon emissions.
- The transition to electric vehicles.
- Supporting and working with, and in, the local communities in which we operate.
- Environmental, Social and Governance ('ESG') factors.

HOW DO WE ENGAGE WITH THEM?

- Corporate Responsibility Committee holds the business to account on its cultural KPIs.
- Employee networks managing our charitable support including our Auto Trader Community Fund and our sustainability strategy.
- Supporting organisations such as Manchester Digital and the Automotive 30% Club, and local schools and colleges through our STEM ambassadors.
- Carbon Literacy training for all employees and funding an automotive toolkit for industry use.
- Net Zero Working Group, responsible for leading our carbon reduction plans and reporting in line with the TCFD framework.
- Sharing data and insight with industry bodies and government departments to support policy required to enable the mass adoption of electric vehicles.
- Conduct regular consumer research and user testing to understand what information is most helpful when buying an electric vehicle.

Material issues

- 1 Climate
- 9 Making a difference to our local communities and industries
- 10 Diversity and inclusion

Investors

WHY ARE THEY IMPORTANT TO US?

Maintaining a continuous transparent and trusted dialogue with current and potential investors promotes investor confidence and as a result ensures continued access to capital, allowing us to invest in the long term for the success of the business.

SIGNIFICANT AREAS OF INTEREST

- Financial performance including a balanced and fair representation of financial results and future prospects.
- High governance standards and transparency.
- Reasonable remuneration practices.
- Share price performance and return.
- A continued focus on environmental and social issues.

HOW DO WE ENGAGE WITH THEM?

- Open, honest and balanced communication available to all shareholders.
- Annual Report, AGM, corporate website, regulatory news announcements and press releases.
- Comprehensive investor relations programme including results presentations, roadshows, investor day, attendance at conferences, meetings with institutional investors, fund managers and analysts.
- Feedback regularly provided to the Board.
- Meetings which relate to governance are attended by the Chair or another Non-Executive Director.
- Private shareholders encouraged to communicate with the Board through ir@autotrader.co.uk.
- Share relevant industry-related data and internally produced market reports with analysts.
- Engagement with proxy advisors and other agencies.

Material issues

- 4 Product innovation
- 12 Digital infrastructure
- 14 Responsible tax strategy and total tax contribution
- 15 Corporate governance
- 16 Ethics and integrity
- 17 Remuneration

We measure our performance through a defined set of financial, operational and cultural KPIs.

FINANCIAL

Revenue
£m

2023		**500.2**
2022		432.7
2021		262.8

Link to strategic priorities:

Definition
The Group generates revenue from Auto Trader and Autorama. There are three streams within Auto Trader: Trade, Consumer Services and Manufacturer and Agency. Trade revenue is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private, Motoring Services and Instant Offer. Autorama revenue is split into Vehicle and Accessory Sales, and Commission and Ancillary.

Linked to remuneration? Yes

Progress
Revenue increased 16% year on year, with the main driver of growth being Retailer revenue, supported by all other revenue lines. There was also a £27.2m incremental contribution to Group revenue from Autorama following the acquisition on 22 June 2022.

Link to risks: All principal risks could impact this KPI

Average Revenue Per Retailer ('ARPR')
£ per month

2023		**2,437**
2022		2,210
2021		1,324

Link to strategic priorities:

Definition
Average Revenue Per Retailer ('ARPR') is calculated by taking the average monthly revenue generated from retailer customers and dividing by the average monthly number of retailer forecourts who subscribe to an Auto Trader advertising package.

Linked to remuneration? No

Progress
ARPR grew £227 in the year. Growth was driven by our product lever as retailers continued to purchase prominence largely through higher level packages. Market Extension and our Auto Trader Connect: Retailer Essentials products also contributed to growth of the product lever. Growth was further supported by a price increase, with the stock lever being flat.

Link to risks: All principal risks could impact this KPI

Operating profit
£m

2023	Margin 55%	**277.6**
2022	Margin 70%	303.6
2021	Margin 61%	161.2

Link to strategic priorities:

Definition
Operating profit is as reported in the Consolidated income statement on page 109. This is defined as revenue less operating costs, plus share of profit from joint ventures. Operating profit margin is operating profit as a percentage of revenue.

Linked to remuneration? Yes

Progress
Group operating profit declined by 9% to £277.6m (2022: £303.6m), impacted by an operating loss of £11.2m from Autorama, and £44.1m of Group central costs. These Group central costs related to the acquisition of Autorama, which included £38.8m of deferred consideration and amortisation of £5.3m. Operating profit in the core Auto Trader business was £332.9m, up 10% on last year. Group operating profit margin was 55% (2022: 70%).

Link to risks: All principal risks could impact this KPI

Basic EPS
Pence per share

2023		**25.01**
2022		25.61
2021		13.24

Link to strategic priorities:

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

Linked to remuneration? No

Progress
Basic EPS decreased by 2%, which was marginally better than net income which decreased 4%, because of fewer shares in issue following our share buyback programme. The weighted average number of shares in issue decreased by 2% as we purchased and cancelled 25.3 million shares.

Link to risks: All principal risks could impact this KPI

Cash generated from operations
£m

2023		**327.4**
2022		328.1
2021		152.9

Link to strategic priorities:

Definition
Cash generated from operations is as reported in the Consolidated statement of cash flows on page 113. It comprises net cash generated from operating activities, before income taxes paid.

Linked to remuneration? No

Progress
Cash generated from operations decreased marginally to £327.4m in the year due to Autorama operating loss. Corporation tax payments increased to £60.5m (2022: £56.2m). The majority of cash was utilised for the acquisition of Autorama (£144.2m). We also returned cash to shareholders through our share buyback programme of £148.0m and dividends of £77.7m.

Link to risks: All principal risks could impact this KPI

OUR STRATEGIC PRIORITIES Classified marketplace Platform Digital retailing Being a responsible business

OUR PRINCIPAL RISKS AND UNCERTAINTIES

1. Automotive economy, market and business environment
2. Climate change
3. Employees
4. Reliance on third parties and partners
5. IT systems and cyber security
6. Failure to innovate: disruptive technologies and changing consumer behaviours
7. Legal and regulatory compliance
8. Competition
9. Brand and reputation
10. External catastrophic and geo-political events

OPERATIONAL

Cross platform visits

Monthly average visits spent across all platforms

2023	**69.6m**
2022	68.9m
2021	64.6m
2020	56.3m

Link to strategic priorities:

Definition

Monthly average visits across all our platforms, as measured by Snowplow. Prior periods have been restated as they were previously measured by Google Analytics.

Linked to remuneration? No

Progress

Our average monthly cross platform visits increased by 1% to 69.6 million per month (2022: 68.9 million) and were 24% above pre-pandemic levels recorded in 2020 (56.3 million). Continued strong demand from car buyers, despite economic uncertainty and higher cost of living, underpinned good visit numbers across the year.

Link to risks: 1 6 8 9

Cross platform minutes

Monthly average minutes spent across all platforms

2023	**513.6m**
2022	556.3m
2021	498.4m
2020	442.8m

Link to strategic priorities:

Definition

Monthly average minutes spent across all our platforms, as measured by Snowplow. Prior periods have been restated as they were previously measured by Google Analytics.

Linked to remuneration? No

Progress

Engagement, measured by total minutes spent onsite, decreased by 8% to an average of 513.6 million minutes per month (2022: 556.3 million minutes) although was 16% ahead of pre-pandemic levels (2020: 442.8 million minutes). The high levels seen last year were a result of pent-up demand following periods of COVID-19 lockdown. We continue to use Comscore for a comparison to competitors and our share of minutes remained at over 75% across our competitor set.

Link to risks: 1 6 8 9

Number of retailer forecourts

Average number per month

2023	**13,913**
2022	13,964
2021	13,336

Link to strategic priorities:

Definition

The average number of retailer forecourts per month that subscribe to an Auto Trader advertising package during the financial year.

Linked to remuneration? No

Progress

The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, excluding the Webzone Limited disposal (negative impact of 245 retailers over the period), like-for-like retailer numbers grew by 1% year on year, reaching the highest level of UK retailers we have ever had using our platform.

Link to risks: 1 6 8 9

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

Average number (including contractors)

2023	**1,160**
2022	960
2021	909

Link to strategic priorities:

Definition

Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis. Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Linked to remuneration? No

Progress

FTEs have increased by 21% year on year. The acquisition of Autorama in June 2022 has been the primary driver of the increase, contributing an additional 164 FTEs to this year's average. The disposal of Webzone Limited in October 2022 partially offset this growth, with a decrease of 16 FTEs on average.

Link to risk: 3

Live car stock

Average number per month

2023	**437,000**
2022	430,000
2021	485,000

Link to strategic priorities:

Definition

The average number of physical cars (either new or used) that are advertised on autotrader.co.uk per month. Live stock is an important component of our network effect business model. For used cars, we charge our retailer customers on a cost per advertised slot basis for their advertising package, meaning the stock on our website has some correlation to our Retailer revenue.

Linked to remuneration? No

Progress

Total live stock on site increased by 2% to an average of 437,000 cars (2022: 430,000). New car stock declined to an average of 25,000 (2022: 29,000) due to constrained new car supply. Used car live stock increased 3% on average across the year, however we still saw some supply shortages, particularly with our franchise customers.

Link to risks: 1 6 8 9

OUR STRATEGIC PRIORITIES Classified marketplace | Platform | Digital retailing | Being a responsible business

OUR PRINCIPAL RISKS AND UNCERTAINTIES

1. Automotive economy, market and business environment
2. Climate change
3. Employees
4. Reliance on third parties and partners
5. IT systems and cyber security
6. Failure to innovate: disruptive technologies and changing consumer behaviours
7. Legal and regulatory compliance
8. Competition
9. Brand and reputation
10. External catastrophic and geo-political events

CULTURAL

Employee engagement[1]

% of employees who are proud to work at Auto Trader

Link to strategic priorities: Classified marketplace, Platform, Digital retailing, Being a responsible business

Definition

We define employee engagement by measuring the percentage of people who say they are proud to work for Auto Trader. Based on a survey to all employees in February 2023 asking our people to rate the statement "I am proud to work for Auto Trader". Answers were given on a five-point scale from strongly disagree to strongly agree.

Linked to remuneration? No

Progress

We are pleased that we have been able to maintain high levels of engagement from employees, with 91% of employees saying they are proud to work for Auto Trader. We continue to survey employees regularly and seek to improve the employee experience as we continue to operate a hybrid working environment.

Link to risks: 3 9

Women as a % of total staff

% as at March each year

Link to strategic priorities: Being a responsible business

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of employees who are women (both cis and trans) at the end of March. In calculating this percentage we take into account all gender identities, including non-binary.

Linked to remuneration? Yes

Progress

We are committed to having a representative workforce across all levels of our business and recognise the importance of gender diversity. Over the past 12 months, the percentage of our employees who are women increased to 43% (2022: 40%). We remain committed to improving gender diversity across our organisation.

Link to risks: 3 9

Women as a % of leadership

% as at March each year

Link to strategic priorities: Being a responsible business

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of those in leadership positions who are women (both cis and trans) at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and their direct reports.

Linked to remuneration? Yes

Progress

The percentage of employees who are women in leadership roles increased to 40% (2022: 38%). Of the 85 people in leadership positions who define their gender when asked, 34 are women. Our Diverse Talent Accelerator and Continuous Leadership Development programmes are aimed at supporting and developing employees into leadership roles.

Link to risks: 3 9

Ethnically diverse representation as a % of total staff

% as at March each year

Link to strategic priorities: Being a responsible business

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of our headcount that define themselves as ethnically diverse as at the end of March. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

Linked to remuneration? Yes

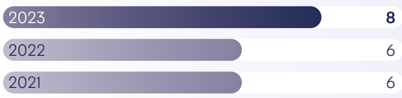
Progress

Over the past 12 months we have increased the percentage of our employees who define themselves as ethnically diverse to 15%. Of the 1,060 people who disclose their ethnicity when asked, 184 are ethnically diverse. There were 166 employees (14%) who have not yet disclosed their ethnicity or opted not to do so.

Link to risks: 3 9

Ethnically diverse representation as a % of leadership

% as at March each year



Link to strategic priorities: Being a responsible business

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of those in leadership positions that define themselves as ethnically diverse at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and their direct reports.

Linked to remuneration? Yes

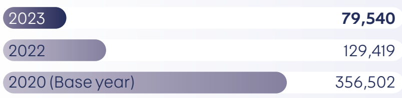
Progress

The percentage of ethnically diverse employees in leadership roles increased in the year to 8%. Of the 85 people in leadership positions who define their ethnicity when asked, seven are ethnically diverse. We recognise there is a lot to do in this area. Our Diverse Talent Accelerator and Continuous Leadership Development programmes are aimed at supporting and developing employees into leadership roles.

Link to risks: 3 9

Total CO_2 emissions[2]

Tonnes of carbon dioxide equivalent



2. Our emissions have been restated to include Autorama, including prior year (2022) and our base year (2020).

Link to strategic priorities: Being a responsible business

Definition

The methodology is based on the financial consolidation approach, as defined in the GHG Protocol, a Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from the UK Government's Department for Business, Energy and Industrial Strategy ('BEIS') conversion factor guidance for the year reported. The total amount of CO_2 emissions includes Scope 1, 2 and 3 across all relevant categories.

Linked to remuneration? Yes

Progress

Calculations of our GHG emissions have been restated to include Autorama, including prior year (2022) and our base year (2020) calculations. GHG emissions during the year total 79.5k tonnes of CO_2 across Scopes 1, 2 and 3 (March 2022 restated: 129.4k tonnes). The majority of our emissions are predominantly due to the emissions associated with the vehicles sold by Autorama which temporarily pass through their balance sheet. This was the main driver for the year-on-year decline with fewer vehicles sold having passed through their balance sheet.

Link to risks: 2 4 7

1. The employee engagement score excludes employees of Autorama. Autorama currently conduct their own survey with a different question set. In their March 2023 survey, Autorama employees were asked to rate the question "How likely is it you would recommend Vanarama as a place to work?" Answers were given on a 10-point scale, 10 representing highly recommend. The survey had a 71% response rate and 62% responded 9 or above.

We aim to comply with all areas of the UK's Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report.

NON-FINANCIAL RISK	POLICIES, PROCEDURES AND EMPLOYEE GUILDS	SECTION WITHIN THIS ANNUAL REPORT	CULTURAL KPIS
ENVIRONMENTAL	• Net Zero Working Group • Sustainability Network	• Environmental sustainability: pages 30 to 37	• Total Scope 1, 2 & 3 CO_2 emissions
OUR PEOPLE	• Stakeholder engagement • Board Engagement Guild • Whistleblowing Policy • Ethnicity Network • Women's Network	• Diversity and inclusion: pages 40 to 43 • Section 172(1) statement: pages 14 to 17	• People who are proud to work at Auto Trader • Gender diversity • Ethnic diversity • Women in leadership roles • Ethnic diversity in leadership roles
SOCIAL AND COMMUNITY	• Ethical Procurement Policy • Customer Charter • Volunteering days • Make a Difference Guild • Wellbeing Guild • Ethnicity Network • Women's Network • Disability & Neurodiversity Network • Age Network • Family Network • Social Mobility Network • Career Kickstart Network • LGBT+ Network	• Diversity and inclusion: pages 40 to 43 • Environmental sustainability: pages 30 to 37	• People who are proud to work at Auto Trader • Gender diversity • Ethnic diversity • Women in leadership roles • Ethnic diversity in leadership roles
HUMAN RIGHTS	• Modern Slavery Policy • Privacy Policy	• Governance & compliance: pages 44 to 47	
ANTI-BRIBERY AND ANTI-CORRUPTION	• Anti-bribery, Gifts and Hospitality Policy	• Governance & compliance: pages 44 to 47	
BUSINESS MODEL		• How we create value: pages 8 and 9	
PRINCIPAL RISKS		• Principal risks and uncertainties: pages 50 to 55	
NON-FINANCIAL KEY PERFORMANCE INDICATORS		• Operational and cultural KPIs: pages 19 and 20	

I am pleased with the progress we've made this year, in particular the development of our digital retailing proposition. The early feedback from our Deal Builder offering is encouraging and we are excited to scale this in the coming year.

Summary of Group operating performance

Consumer engagement remained strong; we have maintained our position as the UK's largest and most engaged automotive marketplace for new and used cars. Over 75% of all minutes spent on automotive classified sites were spent on Auto Trader (2022: over 75%) and we were 7x larger than our nearest competitor (2022: 8x). Our average monthly cross platform visits increased by 1% to 69.6 million per month (2022: 68.9 million) and were 24% above pre-pandemic levels recorded in 2020 (56.3 million). Engagement, measured by total minutes spent onsite, decreased by 8% to an average of 514 million minutes per month (2022: 556 million minutes), although was 16% ahead of pre-pandemic levels (2020: 443 million minutes). For both visits and minutes, we have changed the data source from Google Analytics to Snowplow to give us a deeper understanding of our user events.

The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, excluding the Webzone Limited disposal (a negative impact of 245 retailers over the period), like-for-like retailer numbers grew by 1% year on year, representing the highest level of UK retailers we have ever had using our platform. Though there continues to be some merger and acquisition activity among car retailers, we see no evidence of meaningful industry consolidation, nor any increase in barriers for those wishing to enter the industry.

Total live stock on site increased by 2% to an average of 437,000 cars (2022: 430,000). New car stock declined to an average of 25,000 (2022: 29,000) due to constrained new car supply. Used car live stock increased 3% on average across the year although was 35,000 cars lower than pre-pandemic levels. Autorama delivered 6,895 vehicles across the period, which comprised 4,295 cars, 2,253 vans and 347 pickups. Both vans and pickups were particularly impacted by supply challenges in the year. Average commission and ancillary revenue per vehicle delivered was £1,624.

Our marketplace

Our core Auto Trader marketplace saw strong revenue and operating profit growth despite ongoing supply challenges, which shows the resilience of our business through economic cycles. We successfully executed our annual pricing event in April 2022, which included the launch of Retail Essentials, the first module of our Auto Trader Connect platform. This product uses our proprietary taxonomy data to ensure that vehicles are well described and that their specification is accurate, helping retailers to optimise margins. It also enables real-time stock management to ensure that all stock records are up to date on Auto Trader and all other digital channels, improving sales conversion and the experience of car buyers.

Our UK customer numbers are at record levels due to good market conditions, our strong position with car buyers and the partnerships formed with our customers. We have further embedded our partnership approach by ensuring that we capture our customers' own business goals, be that stock turn, sales volumes or target margins, and then use this as a basis to recommend products and performance improvements. Penetration of our higher yielding packages increased during the year, with 33% of retailer stock now above our Standard package as at the end of March 2023 (March 2022: 31%). We also saw an increase in the uptake of our Pay-Per-Click product which allows stock items to appear at the top of our search listings.

With the sale of new and used electric vehicles increasing, we continue to invest in electric vehicle ('EV') content to ensure we are the number one destination for car buyers interested in purchasing an EV. We inform consumers about electric vehicles through social media channels and raise awareness through our monthly EV giveaway which achieved over 3.5 million entries this year. We have also focused on improving the EV charging information to help give consumers simpler, more consistent data to make informed decisions.

At the end of March 2023, we had over 1,900 retailers (March 2022: over 1,800) paying to advertise new cars on our site which is a robust performance given the challenges of sourcing new car stock due to supply shortages.

Platform

We continue to invest in our technology, data and product platform which supports our core marketplace. As mentioned above, we launched Retail Essentials which enables real-time stock management and makes our vehicle taxonomy available to retailers through our own Retailer Portal or our platform via APIs. At the end of March 2023, we had integrations with over 90 third-party software providers with Auto Trader Connect.

As part of our April 2023 pricing event, we launched our second module of Auto Trader Connect, Valuations. This makes specification adjusted valuations available within Retailer Portal, where many of our retailers manage their inventory. Our valuations benefit from machine learning technology which continuously improves and optimises results based on c.500,000 observations that we see each day. This enables customers to drive pricing performance as the market moves. This data can also be accessed through an API via our platform, enabling third parties and retailers to directly integrate valuations into the systems used to manage their businesses. These modules are an important part of how we are using our platform to power retailers' businesses, which strengthens our marketplace and is a key enabler for digital retailing.

We continued to see an increase in the number of software releases to 51,000 over the year (2022: 46,000).

Digital retailing

Last year, we launched a new product, Market Extension, which allows customers to sell vehicles outside their local area, beyond the physical constraints of their forecourt. This product is a key part of our longer-term aspiration to enable digital retailing for all customers. We had over 7% of retailer stock on this product at the end of March 2023 (March 2022: 6%), with the product being most relevant for those customers with either delivery capability or multiple forecourt locations.

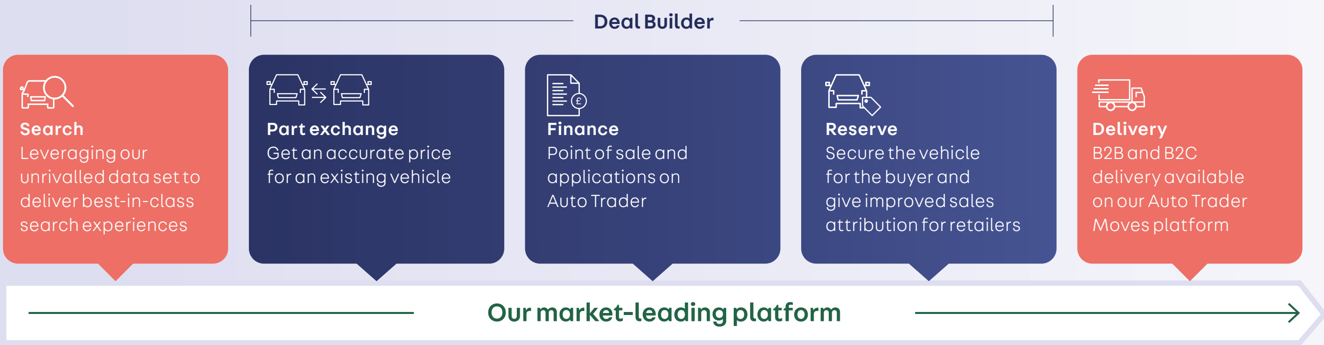
Building on both our strong classified marketplace and platform capability, we continue to bring more of the car buying journey online. Our approach to digital retailing is to be "car first" and to enable any retailer (including manufacturers and leasing companies) to sell their cars online. With this goal in mind, we will initially offer two digital retailing consumer journeys on Auto Trader: a used car Deal Builder journey and an online retailing journey for consumers to lease a new car.

The used car Deal Builder journey

During the year, we launched Deal Builder which uses Auto Trader technology to enable car buyers to do more of their car buying online, including valuing their

A seamless omni-channel experience for consumers

The car market is changing. While there is still a significant role for physical locations to play, it's clear that consumers are keen to complete more of the buying journey online, where possible. With our leading platform and data, we are perfectly positioned to drive and help deliver this change in the best possible way for consumers and retailers, alike.



part exchange, applying for finance and reserving the car. Importantly, all of these interactions can be easily carried out either online, over the phone or on the forecourt. Currently these tools are available in Retailer Portal, but over time they will be made available via APIs as part of our platform strategy, enabling these transactions to be picked up in retailers' existing sales systems and processes. Our focus is on enabling the car buyer to complete as much of the journey as they are comfortable with on Auto Trader, completing the rest of the transaction on the forecourt, over the phone or a combination of these channels.

In summer 2022, we began running a Deal Builder trial with a handful of retailers and have been encouraged by how the trial has performed to date. Towards the end of the year we started to scale the number of customers on the product and by the end of the financial year there were over 50 retailers live. We saw over 200 deals submitted in the year. We are encouraged by the percentage of deals that converted into a sale and the positive feedback from both consumers and retailers. We are seeing strong buyer engagement out of retail hours, seven days a week, which supports the case that this should build sales capacity for our retailers.

We will continue to scale the number of retailers on Deal Builder, and iterate the product during this financial year, with the goal to monetise some retailers by the end of financial year 2024.

Online retailing journey for consumers to lease a new car

There are significant structural changes impacting the new vehicle market in the UK. These include the growth of electric cars, new manufacturers entering the UK market and a shift towards new digital distribution models. These changes present an opportunity for Auto Trader to play a more significant role in the new vehicle market, and were part of the strategic rationale behind the acquisition of Autorama, which completed during the financial year. Autorama's capabilities combined with Auto Trader's platform and scale will provide a compelling proposition for manufacturers, retailers and funders, with an opportunity to drive direct sales, reduce customer acquisition costs and grow their businesses' profitability.

Following the acquisition, Autorama has been heavily impacted by the supply challenges particularly in the pickup and van markets. The business has largely been run standalone throughout 2023, delivering 6,895 vehicles, which comprised 4,295 cars, 2,253 vans and 347 pickups, with average commission and ancillary revenue per vehicle of £1,624. During the latter part of 2023, we successfully tested driving traffic into the Autorama journey and have recently completed the work to enable the full check out of a leasing deal on Auto Trader.

Being a responsible business

We are pleased the proportion of employees that are proud to work at Auto Trader remained high at 91% (March 2022: 95%) and our gender and ethnicity make up has improved year-over-year. At year end, women represented 43% of our organisation (March 2022: 40%) and 40% (March 2022: 38%) of leadership roles as defined by the FTSE Women Leaders Review. We are committed to increasing the percentage of ethnically diverse employees, who currently represent 15% of the organisation (March 2022: 14%), with 14% of employees not disclosing their ethnicity. The percentage of ethnically diverse employees in leadership increased to 8% (March 2022: 6%) again using the FTSE Women Leaders definition, which highlights the work still to be done in this area.

Our employee-driven networks (representing women, ethnicity, LGBT+, early careers, disability & neurodiversity, social mobility, families and age) have continued their impressive work with high engagement and are key to creating an Auto Trader where people feel they belong and can achieve their full potential. Each network sets its own commitments aligned to our broader strategy which is reviewed by the leadership team bi-annually.

We have committed to reducing absolute Scope 1 and 2 emissions by 50% and absolute Scope 3 emissions by 46% before the end of financial year 2031 and continue to include these reduction plans as part of our remuneration targets. Alongside the reduction in emissions, we are working on a carbon removal plan to help us achieve our long-term net zero goal by 2040. These targets were validated by the Science Based Targets initiative in January 2023. Absolute emission levels have increased from last year as we have updated our calculations to include the impact of Autorama. Initial calculations of our GHG emissions during the year total 79.5k tonnes of CO_2 across Scopes 1, 2 and 3 (2022 restated: 129.4k). The majority of our emissions are Scope 3, predominantly attributable to our suppliers and emissions relating to the small number of vehicles sold by Autorama that pass through their balance sheet. The year-on-year reduction is predominantly due to lower volumes of these vehicles passing through the balance sheet, which we expect to reduce further over time. Initiatives include using our data and voice within the industry and government to help inform public policy and better decision-making. We have improved our SEO ranking for electric vehicles, continued our EV giveaway (with over 3.5 million entries this year) and have significantly improved the EV charging and battery range information on our product pages.

Catherine Faiers
Chief Operating Officer
1 June 2023

Group results

Group operating profit (£m)	2023	2022	Change
Revenue	**500.2**	432.7	16%
Operating costs	**(225.1)**	(132.0)	71%
Share of profit from joint ventures	**2.5**	2.9	(14%)
Operating profit	**277.6**	303.6	(9%)

Group revenue increased by 16% to £500.2m (2022: £432.7m) driven by Auto Trader revenue which increased by 9% to £473.0m (2022: £432.7m), and £27.2m from Autorama following its acquisition on 22 June 2022.

Group operating profit declined by 9% to £277.6m (2022: £303.6m). Auto Trader operating profit increased by 10% to £332.9m (2022: £303.6m), which included £2.5m share of profit from joint ventures (2022: £2.9m). Autorama had an operating loss of £11.2m.

Group central costs included a charge of £38.8m, which is part of the £50.0m share-based payment expense relating to the deferred consideration for Autorama (which will be settled in shares 12 months after the completion date), and an amortisation charge of £5.3m relating to the Autorama intangible assets recognised under IFRS 3 business combinations. This resulted in Group operating profit margin of 55% (2022: 70%).

Group adjusted EBITDA (£m)	2023	2022	Change
Operating profit	**277.6**	303.6	(9%)
Depreciation & amortisation	**14.1**	7.2	96%
Share of profit from joint ventures	**(2.5)**	(2.9)	(14%)
Autorama deferred consideration	**38.8**	–	–
Adjusted EBITDA	**328.0**	307.9	7%

Adjusted earnings before interest, taxation, depreciation and amortisation, share of profit from joint ventures and Autorama deferred consideration increased by 7% to £328.0m (2022: £307.9m).

Group profit before tax decreased by 2% to £293.6m (2022: £301.0m), which included a £19.1m profit on disposal of Webzone Limited (trading as 'Carzone'), which was sold on 24 October 2022. Cash generated from operations was £327.4m (2022: £328.1m).

Auto Trader results

Revenue increased to £473.0m (2022: £432.7m), up 9% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 10% to £427.4m (2022: £388.3m).

Auto Trader revenue (£m)	2023	2022	Change
Retailer	**406.8**	370.4	10%
Home Trader	**10.1**	8.8	15%
Other	**10.5**	9.1	15%
Trade	**427.4**	388.3	10%
Consumer Services	**34.5**	33.3	4%
Manufacturer & Agency	**11.1**	11.1	0%
Auto Trader revenue	**473.0**	432.7	9%

Retailer revenue increased by 10% to £406.8m (2022: £370.4m). The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, after accounting for the disposal of Webzone Limited (an impact of 245 fewer retailers over the period), like-for-like retailer numbers increased by 1% on average across the year.

Average Revenue Per Retailer ('ARPR') per month increased by 10% to £2,437 (2022: £2,210). This was driven by both the product and price levers, with the stock lever being flat.

- Price: Our price lever contributed growth of £90 (2022: £74) to total ARPR as we delivered our annual pricing event for all customers on 1 April 2022, which included additional products but also a like-for-like price increase.
- Stock: The number of live cars advertised on Auto Trader increased by 2% to 437,000 (2022: 430,000). New car stock declined to an average of 25,000 (2022: 29,000) due to the well documented shortage of new car supply. Underlying used car live stock increased by 3% on average across the year, although much of this increase came from a higher volume of private listings. The stock lever is not impacted by private listings, but by the number of retailer paid stock units which were broadly flat for the year (2022: increase £52).
- Product: Our product lever contributed growth of £137 (2022: £121) to total ARPR. Broadly half of this product growth was due to more retailers purchasing prominence products, including our higher yielding Enhanced, Super and Ultra packages where penetration increased to 33% (March 2022: 31%). Our Market Extension product, allowing retailers to sell outside of their local area, also contributed to the product lever with 7% (March 2022: 6%) of retailer stock on the product by the end of the year. Finally, there was also some contribution from our Pay-Per-Click product, where retailers can boost visibility of their stock in search through pay-per-click campaigns. The other half of the product lever was made up from our Auto Trader Connect: Retail Essentials product included in our annual pricing event in April 2022 and also smaller contributions from AutoConvert finance and data products.

Home Trader revenue increased by 15% to £10.1m (2022: £8.8m). Other revenue increased by 15% to £10.5m (2022: £9.1m).

Consumer Services revenue increased by 4% in the year to £34.5m (2022: £33.3m). Private revenue, which is largely generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, increased by 11% to £22.4m (2022: £20.2m) which was partially offset by Motoring Services revenue, which decreased 8% to £12.1m (2022: £13.1m). Instant Offer contributed £0.8m to Consumer Services (2022: £0.9m), which is included in Private revenue.

Revenue from Manufacturer and Agency customers was flat at £11.1m (2022: £11.1m). New car advertising in 2023 continued to be impacted by new car supply shortages.

Total costs increased 8% to £142.6m (2022: £132.0m).

Auto Trader costs (£m)	2023	2022	Change
People costs	**74.0**	69.8	6%
Marketing	**22.3**	20.5	9%
Other costs	**39.6**	34.5	15%
Depreciation & amortisation	**6.7**	7.2	(7%)
Auto Trader costs	**142.6**	132.0	8%

People costs, which comprise all staff and contractor costs, increased by 6% to £74.0m (2022: £69.8m). The increase in people costs was partly driven by an increase in the average number of full-time equivalent employees ('FTEs') to 996 (2022: 960), and an increase in underlying salary costs.

Marketing spend increased by 9% in the year to £22.3m (2022: £20.5m).

Other costs, which include data services, property related costs and other overheads, increased by 15% to £39.6m (2022: £34.5m). The increase was primarily due to increased overhead costs, including the cost associated with completing the buy-in of our legacy defined benefit pension scheme, return of travel and higher office and people related costs. Depreciation and amortisation decreased by 7% to £6.7m (2022: £7.2m).

Operating profit bridge (£m)	2023	2022	Change
Revenue	**473.0**	432.7	9%
Operating costs	**(142.6)**	(132.0)	8%
Share of profit from joint ventures	**2.5**	2.9	(14%)
Auto Trader operating profit	**332.9**	303.6	10%
Group central costs – relating to Autorama acquisition	**(44.1)**	–	–
Autorama operating loss	**(11.2)**	–	–
Group operating profit	**277.6**	303.6	(9%)

Operating profit increased by 10% to £332.9m during the year (2022: £303.6m). Operating profit margin remained flat at 70% (2022: 70%).

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased 14% to £2.5m (2022: £2.9m) in the year due to lower levels of auction activity as a result of supply constraints.

Autorama results

Autorama revenue (£m)	2023
Vehicle & Accessory Sales	**16.0**
Commission & Ancillary	**11.2**
Autorama revenue	**27.2**

Autorama revenue was £27.2m, with Vehicle and Accessory Sales contributing £16.0m, and Commission and Ancillary revenue contributing £11.2m.

Total deliveries amounted to 6,895 units, which comprised 4,295 cars, 2,253 vans and 347 pickups. Average commission and ancillary revenue per unit delivered was £1,624.

Autorama costs (£m)	2023
Cost of goods sold	**15.7**
People costs	**10.5**
Marketing	**4.7**
Other costs	**5.4**
Depreciation & amortisation	**2.1**
Autorama costs	**38.4**

The Autorama business delivered c.700 vehicles which were temporarily taken on balance sheet in the period from 22 June 2022 to 31 March 2023. This represented just over 10% of total vehicles delivered in the period. The cost of these vehicles was taken through cost of goods sold, with the corresponding revenue in Vehicle and Accessory Sales. People costs of £10.5m related to the 209 FTEs employed on average through the year. As a result of the acquisition being on 22 June 2022, the contribution to the Group's average number of FTEs in the year was 164. Marketing in the year was £4.7m. Other costs include IT services, property, other overheads and some depreciation and amortisation of developed software. The Autorama operating segment made an operating loss of £11.2m.

Autorama operating loss (£m)	2023
Revenue	**27.2**
Administrative expenses	**(38.4)**
Operating loss	**(11.2)**

Group net finance costs

Group net finance costs increased to £3.1m (2022: £2.6m). Interest costs on the Group's Syndicated Revolving Credit Facility ('Syndicated RCF') totalled £2.6m (2022: £1.4m) with the year-on-year increase due to higher utilisation of the facility across the year. At 31 March 2023 the Group had drawn £60.0m of its available facility (31 March 2022: £nil). Other finance costs comprised amortisation of debt issue costs of £0.5m (2022: £0.1m). Interest costs relating to leases totalled £0.2m (2022: £0.2m), which was offset by interest receivable on cash and cash equivalents of £0.2m (2022: £0.1m).

Amendment of Syndicated RCF commitments

On 1 February 2023, the Group amended and extended its Syndicated RCF, reducing the commitment from £250.0m to £200.0m. The facility was due to terminate in two tranches: £52.2m maturing in June 2023 and £197.8m maturing in June 2025. The facility has now been extended to February 2028 plus additional extension options with no tranche terminations. There is no requirement to settle all or part of the debt earlier than the termination dates stated.

Taxation

Profit before taxation decreased by 2% to £293.6m (2022: £301.0m), with the decrease being lower than operating profit predominantly due to a £19.1m profit on disposal from the sale of Webzone Limited. The Group tax charge of £59.7m (2022: £56.3m) represents an effective tax rate of 20% (2022: 19%). This is higher than the average standard UK rate principally due to the Autorama deferred consideration charge being non-deductible. With revenue exceeding £500.0m for the first time, the Group is potentially within scope of the UK's digital services tax ('DST'), however certain revenue streams, such as vehicle and accessory sales, would be exempt, meaning we do not meet the threshold in financial year 2023. It is HMRC's intention that the current UK DST will be repealed during financial year 2024 and replaced with an OECD model for which the Group would not be in scope.

Earnings per share

Basic earnings per share decreased by 2% to 25.01 pence (2022: 25.61 pence) based on a weighted average number of ordinary shares in issue of 935,138,578 (2022: 955,532,888). Diluted earnings per share of 24.77 pence (2022: 25.56 pence) also decreased by 3%, based on 944,144,242 shares (2022: 957,534,145) which takes into account the dilutive impact of outstanding share awards.

Adjusted EPS (£m)	2023	2022	Change
Net income	**233.9**	244.7	(4%)
Autorama deferred consideration	**38.8**	–	–
Profit on the sale of subsidiary	**(19.1)**	–	–
Adjusted net income	**253.6**	244.7	4%
Adjusted earnings per share (pence)	**27.12**	25.61	6%

Adjusted earnings per share, before Autorama deferred consideration, profit on the sale of subsidiary, and net of the tax effect in respect of these items, increased by 6% to 27.12 pence (2022: 25.61 pence).

Cash flow and net debt

Cash generated from operations decreased to £327.4m (2022: £328.1m). Corporation tax payments increased to £60.5m (2022: £56.2m). Cash generated from operating activities was £266.9m (2022: £271.9m).

As at 31 March 2023 the Group had net bank debt of £43.4m (31 March 2022: net cash £51.3m), an increase of £94.7m due to the acquisition of Autorama. At the year end, the Group had drawn £60.0m of its Syndicated RCF (31 March 2022: £nil) and held cash and cash equivalents of £16.6m (31 March 2022: £51.3m).

Leverage, defined as the ratio of Net bank debt to EBITDA (adjusted for the Autorama deferred consideration), was 0.1 times (2022: zero) and interest paid was £3.4m (2022: £1.5m).

Capital structure and dividends

During the year, a total of 25.3m shares (2022: 24.9m) were purchased for a consideration of £147.3m (2022: £163.5m) before transaction costs of £0.7m (2022: £0.8m). A further £77.7m (2022: £73.6m) was paid in dividends, giving a total of £225.0m (2022: £237.1m) in cash returned to shareholders. The Directors are recommending a final dividend of 5.6 pence per share. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 14 September 2023, the final dividend will be paid on 22 September 2023 to shareholders on the register of members at the close of business on 25 August 2023. The total dividend for the year is therefore 8.4 pence per share (2022: 8.2 pence per share).

The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to grow while returning around one third of net income to shareholders in the form of dividends. Following these activities any surplus cash will be used to continue our share buyback programme and steadily reduce gross indebtedness. It is the Board's long-term intention that the Group will return to a net cash position.

Going concern

The Group generated significant cash from operations during the year. At 31 March 2023 the Group had drawn £60.0m of its £200.0m unsecured Syndicated RCF and had cash balances of £16.6m. The Group has a strong balance sheet and flexibility in terms of uses of cash to manage increased economic uncertainty and higher interest rates. The £200.0m Syndicated RCF is committed until February 2028. Based on the facilities available and current financial projections for the next 12 months the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Jamie Warner
Chief Financial Officer
1 June 2023

Making a positive impact

We are committed to being a responsible business and our purpose is driven by our resolve to do the right thing, measure and report transparently, and always act ethically and with integrity.

As the UK's largest automotive marketplace, we believe we have an obligation to do business responsibly and to create a more accessible, equitable and sustainable future.

In a rapidly changing world, we recognise the importance of making sustainability a business priority. We know that we will only succeed as a business if we use our technology, expertise and data to help solve the challenges our customers, our consumers and our industry face. Our trusted brand has been built over more than 40 years and we remain committed to being the best place to find, buy and sell vehicles in the UK on a platform that enables data-driven digital retailing for our customers.

This involves changing how the UK shops for vehicles by providing the best online buying experience and supporting all our retailers to sell online.

Our ESG strategy focuses on the material issues that have the greatest impact on our business whilst considering the expectations of our stakeholders. In 2021 we introduced our cultural KPIs (see page 20) to help us measure progress against our strategy. In 2022, we undertook our first materiality assessment to consider what ESG issues matter most to our stakeholders and the impact of these on our business. The findings continue to inform our ESG strategy and focus areas.

Our ESG strategy is underpinned by our purpose, Driving Change Together. Responsibly.

We can play a positive role in making a difference to our people, our communities, our industries and the wider environment to create a more accessible, equitable and sustainable future.

E — Our environment

Minimise our impact on the environment, thereby protecting our business from the impact of climate change.

Drive change across our own operations and supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle climate change.

S — Our people & communities

Build diverse teams and an inclusive culture.

Maintain high levels of employee engagement, supporting positive health and wellbeing.

Partner with charities, community groups and industry bodies to make a difference to the communities where we work and live.

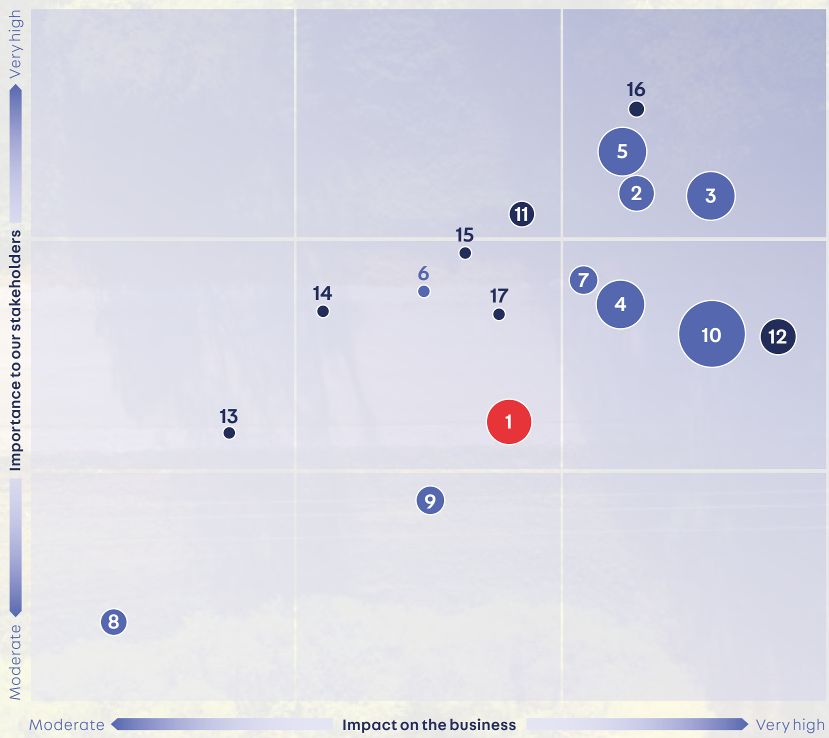
G — Our governance & compliance

Uphold the values of good corporate governance and risk management and consider the needs of all our stakeholders in our strategic decision-making.

Comply with our legal and regulatory obligations and behave ethically and with integrity at all times.

Maintain a trusted marketplace for our customers and consumers to find, buy and sell vehicles.

Our materiality assessment



The size of the bubbles on our materiality assessment highlight where our activities for this financial year have been focused and will continue to be focused over the coming 12 months.

Our environment

1. Climate

Our people & communities

2. Data privacy and security
3. Employee wellbeing, engagement and safety
4. Product innovation
5. Customer satisfaction
6. Pricing fairness
7. Investment in talent
8. Advocacy
9. Making a difference to our local communities and industries
10. Diversity and inclusion

Our governance & compliance

11. Driving transparency
12. Digital infrastructure
13. Responsible supply chain
14. Responsible tax strategy and total tax contribution
15. Corporate governance
16. Ethics and integrity
17. Remuneration

Want to know how we define each material issue? Head online:

plc.autotrader.co.uk/esg

In order to remain successful in the long term, an understanding of what ESG topics matter most to our key stakeholders is essential. In 2022, we conducted a materiality assessment to help inform our ESG strategy. This included an analysis of the issues impacting our business and a survey of opinion amongst our stakeholders as to the relative importance to them of those issues. The stakeholders included our employees, consumers, retailers, suppliers, commercial partners and investors. The materiality assessment helped us to capture our impacts in a non-financial manner and the findings continue to guide the focus areas of our ESG strategy.

Alongside our aim to have high standards of governance, we have focused most of our activities and initiatives on: diversity and inclusion; employee wellbeing; engagement and safety; product innovation; and customer satisfaction, all of which our stakeholders placed in the higher priority category. We have also chosen to actively focus on climate. Although climate did not place in the highest category, we believe we should be doing what we can to positively impact the world in which we live.

Product innovation and customer satisfaction are key to our business strategy. Our focus on digital retailing is to bring more of the buying journey online, realising both an improved consumer experience and efficiencies for our customers (read more on pages 12 and 13). We actively seek retailer feedback on all aspects of product and service development to ensure that we continue to provide market-leading solutions and also actively monitor consumer sentiment across our various products and channels.

ESG at a glance

Our progress during financial year 2023

Our environment | **Our people & communities** | **Our governance & compliance**

OUR AMBITIONS

Our environment

- Achieve net zero in our own business as well as help our customers and suppliers as they transition to net zero.
- Ensure the majority of our employees have completed Carbon Literacy training.
- Our customers can confidently sell more electric vehicles.
- Support our customers in making their workforce environmentally aware with the Automotive Carbon Literacy Toolkit.
- Help car buyers make more environmentally friendly vehicle choices.
- Use our data and insight to support and influence the government's policies related to supporting the adoption of electric vehicles.

Our people & communities

- Have a representative workforce across all levels of our business.
- Foster an environment where everyone feels included.
- Continue to make progress on our gender & ethnicity pay gaps.
- Maintain high levels of employee engagement.
- Support the physical, mental and financial wellbeing of all our employees.
- Positively contribute to the communities we operate in through local and national charities.

Our governance & compliance

- Fully adopt the NIST framework for cyber-security.
- Continue to evolve with the requirements of both GDPR and FCA compliance.
- Integrate sustainability into all aspects and decision-making processes of our business.
- Embed our ethical procurement policy within the business and adopt a socially responsible sourcing model.
- Report comprehensively in line with SASB and TCFD reporting frameworks.

2023 HIGHLIGHTS

Our environment

- Our long-term target to be net zero by 2040 has been validated by the Science Based Targets initiative ('SBTi').
- Included Autorama in our carbon footprint calculations.
- 80% of Auto Trader employees have completed the Carbon Literacy training, putting us at Platinum award level.
- 114 organisations have engaged with the Automotive Carbon Literacy Toolkit, with over 1,000 people completing their accreditation.
- Hosted two industry-focused sustainability events, bringing together sustainability-focused organisations to collaborate and share ideas.
- Earned a Guinness World Record for the 'largest online quiz', amplifying our monthly electric vehicle giveaway.
- Launched new sustainability awards for manufacturers and retailers at our flagship Retailer and New Car Awards.

Our people & communities

- Three more cohorts (32 employees) completed our Diverse Talent Accelerator programme during the year, developing our next level of leadership talent.
- Fully launched our Continuous Leadership Development programme to support senior leaders within the business.
- Launched our social mobility network and we were 33rd on the Top 75 Employers in the Social Mobility Index produced by the Social Mobility Foundation.
- Four colleagues recognised at the Automotive 30% Club Most Inspiring Automotive Women Awards for 2022.
- Launch of our new 'Your Community Fund' to support local community based charities.
- We have again been named as one of the Inclusive Top 50 companies in the UK.

Our governance & compliance

- Ethical procurement questionnaires completed covering 75% of our supplier spend.
- Further evolved our TCFD reporting to include scenario analysis.
- Fully migrated our technology infrastructure to the cloud and will exit from our two main data centres by June 2023.
- Red team testing undertaken to ensure our processes for responding to a cyber incident are robust and fit for purpose.
- Comprehensive implementation plan in place to ensure compliance with the forthcoming FCA Consumer Duty.
- Began the process of integrating Autorama into the Group governance framework following acquisition.

ALIGNMENT WITH THE UN SDGS

Our environment: 13 Climate Action

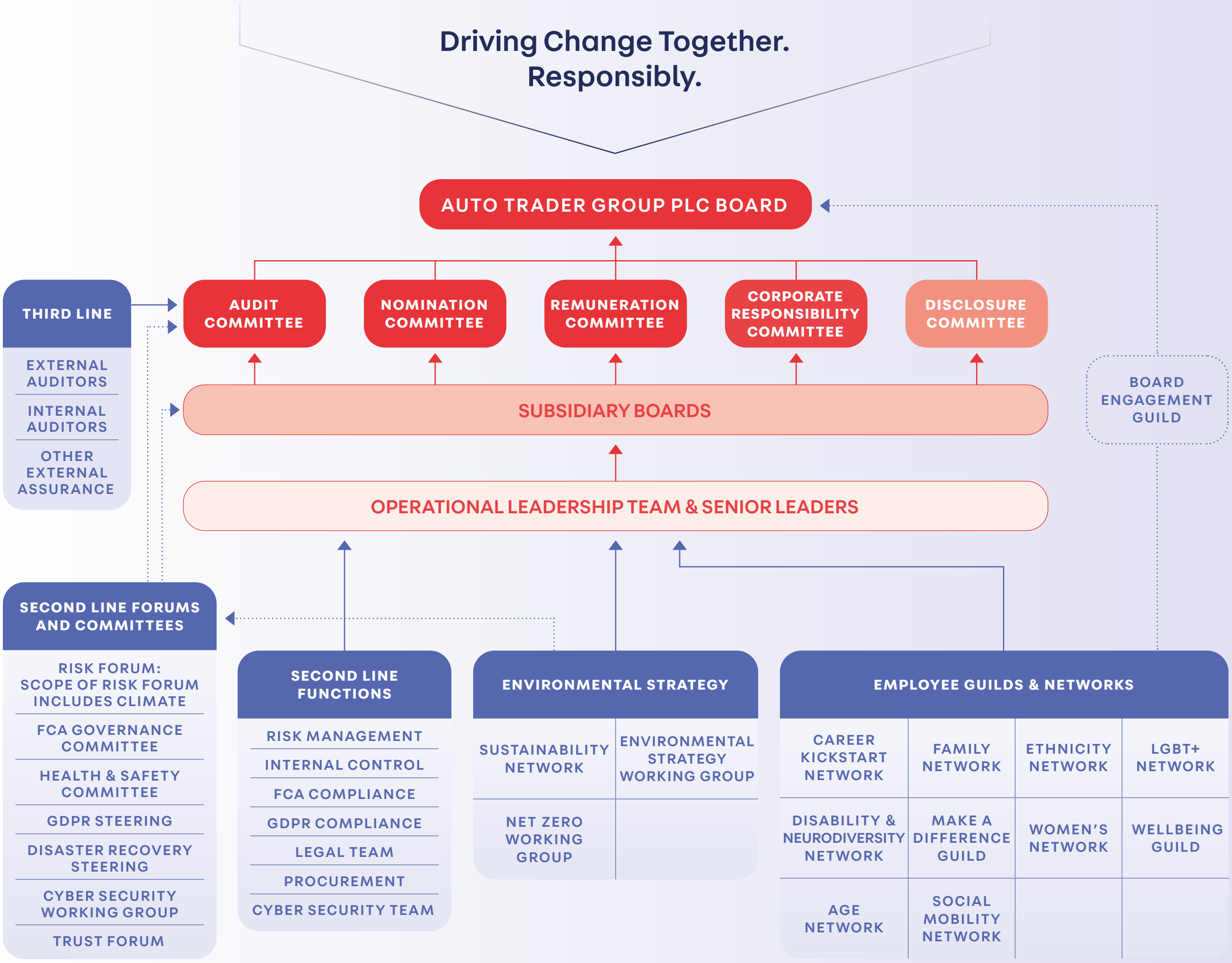
Our people & communities: 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities

Our governance & compliance: 5 Gender Equality; 8 Decent Work and Economic Growth

There are 17 UN SDGs that form a shared global agenda to achieve a better and more sustainable future for all. Whilst all of the goals are important, we believe our ambitions and priorities best align with the above SDGs, which are most relevant to our strategy and where we believe we can have the greatest impact.

Governance of our ESG strategy

We recognise that our activities, and the way in which we carry them out, impact well beyond our financial performance. There is increasing evidence that sustainable businesses drive greater long-term profit and value for stakeholders. With this in mind, in 2021 we established our Corporate Responsibility Committee to sit alongside our Audit, Remuneration and Nomination Committees. Whilst ESG related topics are covered in all Committees, this is a formal Committee of the Board with the overarching goal of monitoring our corporate responsibility initiatives and sustainability targets. The Committee, chaired by Jeni Mundy, plays a crucial role in overseeing the progress towards fulfilling our ESG strategy and ensuring that our targets and goals are ambitious and realistic. Responsibility for putting our ESG strategy into action spans across the business through specific functions within the business and through our individual guilds and networks, which are empowered to drive change within the organisation.

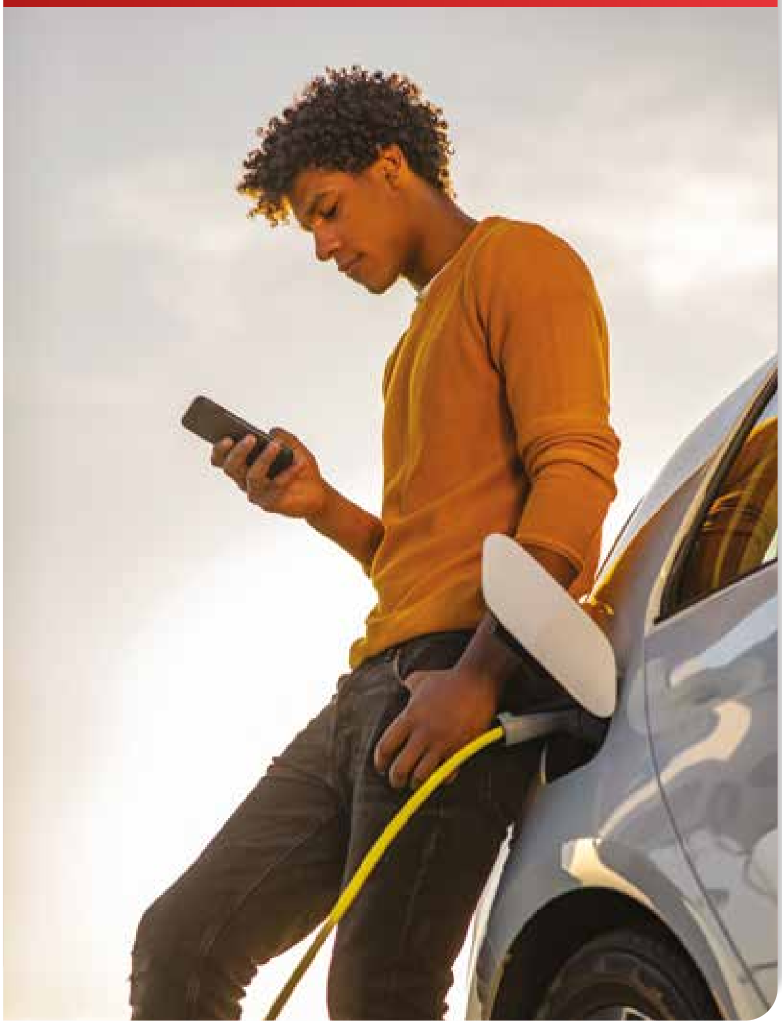


How we manage risk P48
Governance overview P58
Report of the Corporate Responsibility Committee P76

Our environment

Minimise our impact on the environment, thereby protecting our business from the impact of climate change.

Drive change across our own operations and supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle climate change.



Task Force on Climate-related Financial Disclosures ('TCFD') compliance statement

The Group has prepared its TCFD disclosures in line with guidance from the 2021 updates to the TCFD Final Report and Annex, including the supplementary guidance for all sectors. At the time of publication, the Group has made climate related financial disclosures consistent with the TCFD recommendations set out on pages 30 to 34. We have built on our progress from previous years to develop a net zero strategy and we continue to identify the risks and opportunities to our business as a result of climate change and their potential financial impact.

TCFD: Governance

We have integrated climate governance into our existing governance processes and sought to embed responsibility for the risks associated with climate change throughout our business, adopting a climate change focused mindset. There is a clear commitment from the Board to deliver on our environmental commitments and ensure relevant accountability across the business. Our environmental strategy was initiated to ensure a joined up approach across the business considering the risks and opportunities climate issues pose and how we are responding to them.

TCFD: Strategy

As the world transitions to a low carbon economy, regulatory change and changes in consumer behaviour will have an impact on the automotive market, meaning we need to develop and adapt our business strategy accordingly. Reducing the impact our business has on the environment is embedded into our wider business strategy of acting responsibly and we are committed to being a net zero business by 2040. As well as reducing our own emissions, we are also raising environmental awareness with both our customers and consumers, encouraging them to reduce their own environmental impact.

We use our breadth of expertise, data and market insight to accelerate the transition to low carbon transport, working with the automotive industry.

How we govern this area

1. BOARD RESPONSIBILITY

The Corporate Responsibility Committee is responsible for holding the Executive Directors to account with respect to climate risks and their impacts on the business. Our environmental strategy is a standing agenda item for all Committee meetings.

2. EXECUTIVE RESPONSIBILITY

The responsibility for assessing and managing climate related risks sits at both executive and Board level. Executive responsibility for climate change impact is held by all our Executive Directors, who have responsibility for overseeing our climate change agenda and are responsible for ensuring that climate related risks are integrated into our existing business strategy. Responsibility for the consideration of climate related risks on the financial performance of the Group and compliance with environmental reporting rests with our CFO, Jamie Warner.

3. RISK FORUM

Our Risk Forum undertakes a review of climate related risks with our Operational Leadership Team ('OLT').

4. REMUNERATION COMMITTEE

The Committee introduced ESG related targets into the Performance Share Plan ('PSP') for the first time in 2021. In 2022, the PSP included a performance target linked to a reduction of our GHG emissions and it will also be included in the 2023 PSP.

5. THIRD-PARTY ASSURANCE

Our GHG emissions have been independently assured by EcoAct using ISO 14064-3 for all scopes of our carbon footprint.

6. ENVIRONMENTAL WORKING GROUPS

Our environmental strategy not only focuses on our own environmental impact, but also aims to support our customers, consumers and the industry in which we operate and, as a result, various parts of the business play a part in delivering our ambitions. Different parts of the business are brought together through our various working groups, which are supported by members of our OLT. Key activities and milestones are set for each financial year and these are shared with the Corporate Responsibility Committee. The working groups meet individually as required but meet collectively on a quarterly basis:

- Net Zero working group (sponsored by Jamie Warner, CFO): responsible for our commitment to net zero in line with our SBTi targets.
- Environmental strategy working group (sponsored by Ian Plummer, Commercial Director): responsible for helping consumers make more environmentally friendly vehicle choices.

7. EMPLOYEE GUILDS & NETWORKS

Our employees play a fundamental role in the success of our environmental strategy. Our Sustainability Network comprises passionate individuals from across the business who are focused on making life at Auto Trader more sustainable through increasing employee awareness and driving impactful changes for both individuals and our business, supporting our overall goal of reducing our carbon emissions.

Climate related risks and opportunities

To build climate resilience into our business strategy we identify climate related risks and opportunities. As an online marketplace, we have a relatively small carbon footprint and our business model is sustainable in a low carbon environment. However, with the acquisition of Autorama, our emissions have increased due to the vehicles sold by Autorama that temporarily pass through their balance sheet. The nature of the risks and opportunities that we face depends not just on the physical aspects of climate change, but also on transition risks. These are driven by the trajectory of our customers and consumers in responding to climate change and the regulations applied to the market we operate in.

During the year we refined our assessment of the risks and opportunities posed by climate change and how they might impact our business. We considered the transitional and physical climate risks and opportunities presented by rising temperatures, climate related policy and emerging technologies. We agreed the methodology for assessing and quantifying financial impacts. For the purposes of our assessment, the time horizons we used were as follows:

- Short term: 0–5 years
- Medium to long term: 5 years +

In each case, the likely impact on costs or revenues was assessed. We have assessed how the risks can be better managed, reduced or mitigated in line with the Group's risk management framework and business strategy. The risks identified during our analysis are more likely to present themselves in the medium or long term.

Having assessed and modelled the risks, we believe that there is no immediate material financial risk or threat to our business model. Even though there is uncertainty around the time horizon over which climate risks will materialise, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions.

We recognise that we will need to keep abreast of future climate change legislation as well as consumer preferences and retailers' ability to adapt. However, we have a strong track record of quickly evolving.

The results of our scenario analysis inform our long-term strategic business planning and are overseen by the Corporate Responsibility Committee.

Climate related scenario analysis

To further understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term, the TCFD recommends undertaking climate scenario analysis, which includes a '2°C or lower scenario' in line with the 2015 Paris Agreement.

We examined three climate scenarios against two timeframes for the purposes of our analysis. The three scenarios we considered were as follows:

Scenario	Description
Disorderly transition	Rapid change in policy and legislation to encourage businesses to rapidly achieve reductions and avoid climate change – UK takes immediate and substantial action – governments make dramatic policy interventions to make up for a late start.
Orderly transition	Additional policy and legislation introduced to limit climate change – UK does not take immediate and substantial action – gradual and deliberate shift towards a low carbon economy.
Hot house world	Business as usual – no change in climate policy and legislation – UK takes limited or no action – continuation of current projection of carbon emissions without any significant abatement or mitigation.

Impact	Mitigation/response	Financial impact	Inherent likelihood
Physical risk: Increased frequency/severity of extreme weather and climate related natural disasters			
• Offices closed. • Data centre disruption. • Customers cannot open their showrooms.	All technology infrastructure is cloud based. Disaster recovery/business continuity planning in place, including tools and guidance to support our people in emergency situations. COVID-19 proved the sales process can be completed without physical showrooms, plus development of digital retailing will enable all retailers to compete on our digital marketplace.		Low
• Weather has the potential to disrupt the supply chain and limit vehicles entering the UK car parc.	We have experienced the impact of disrupted supply chains as a result of recent external catastrophic and geo-political events. These significant supply side challenges have constrained new and used car transactions for much of the past three years. However, our business has remained healthy as market dynamics have adjusted and OEMs and retailers learnt to adapt their business models. We would anticipate weather related disruption to be more intermittent and comparatively less severe than the disruption caused by recent events.		Low
• Costs – increased operational costs such as heating/aircon, insurance, cloud costs.	In order to have a significant impact on our business, costs would need to increase significantly. We are continually reviewing our cost base such that any increases can be managed and profit margins retained.		Medium
Transition risk: Increased regulation relating to climate change			
• Regulation banning the sale of new internal combustion engine ('ICE') vehicles from 2030 is existing UK regulation that the industry is already working towards.	We already closely monitor the implementation of policies relating to our core business. We will continue to monitor policies with a view to identifying potential risks and opportunities and related financial impacts. We are already evolving our product offering and provision of information to support the effectiveness of EVs on our marketplace and will continue to meet changing preferences of car buyers.		High
• Increased regulatory scrutiny and introduction of new legislation could result in increased reputational risk but also increased compliance costs. Failure to deliver against our environmental commitments would undermine our reputation as a responsible business and may result in loss of revenue, legal exposure or regulatory sanctions.	We have formed a Corporate Responsibility Committee to oversee our environmental commitments. We will report in line with the TCFD recommendations and report progress towards our net zero ambitions against our science based targets.		Low

Impact	Mitigation/response	Financial impact	Inherent likelihood
Transition risk: Regulation ramping up of internal combustion engine ('ICE') vehicle taxation			
• Cost of ownership increases, making ICE vehicles less appealing. • Consumers stop buying petrol or diesel vehicles, demand switches over to electric. • If EVs remain expensive some consumers could be priced out of the market presenting a risk to demand.	We will continue with our strategy to adapt our marketplace to meet changing preferences of all car buyers. It is likely that used car prices will continue to move in line with supply and demand dynamics such that lower demand will make vehicles more affordable.	●	Low/Medium
Transition risk: Demand for sustainable products & services			
• Risk: Consumers' preferences shift away from ICE vehicles; steep decline in purchase of petrol or diesel vehicles in favour of EVs. • Opportunity: Help our audience to find the sustainable options they are seeking.	We will continue with our strategy to adapt our marketplace to meet changing preferences of all car buyers and continue to be the largest marketplace for EVs.	●	Low/Medium
Transition risk: Increased reputational risk associated with the automotive industry and misrepresenting environmental claims			
• As consumer consciousness around climate change rises, there is increased scrutiny on our industry's role on the environment. • Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers.	As part of our goal to be net zero by 2040 we will focus not only on our own operational footprint but also on how we can positively support our industry. We have set clear reduction targets for our own operations and report progress to stakeholders. We work with customers, suppliers and the industry on education and policy.	●	Low
Transition risk: Achieving resource efficiency through cutting our carbon footprint and improving energy efficiency			
• Reduced costs associated with energy use and avoid increased costs associated with carbon taxation.	Reduction initiatives to reduce our absolute carbon usage, including moving our technology infrastructure to the cloud.	●	Medium
Transition risk: Increase in towns and cities introducing pedestrian zones/Ultra Low Emission Zones ('ULEZs') supported by government scrappage schemes and/or improvements in public transport			
• Risk: Consumers stop buying ICE vehicles as they no longer require a vehicle. • Opportunity: Consumers' desire/need to switch to EV.	Likely the risk and opportunity would be taken together, and stock/demand would be maintained as the desire for personal transportation/vehicle ownership remains strong. We will continue with our strategy to adapt our marketplace to meet changing preferences for all car buyers and continue to be the largest marketplace for EVs.	●	Low/Medium

● Minor ● Moderate ● Major

We intend to periodically review the scenarios and timeframes we choose to apply in our analysis and refine them as needed. The risk management recommendations arising from our climate change scenario analysis were:

- Policy/regulation: it is likely that increased policy and regulation will have the most significant financial impact on Auto Trader over the longer term. The most significant action we can take is to reduce our exposure to this risk and continue with our strategy to adapt our marketplace to meet the changing preferences of all car buyers. We also need to make sure we continue to remain abreast of regulatory requirements to ensure we are compliant with all relevant reporting obligations.
- Market: climate change is expected to impact the supply and demand for ICE vehicles and EVs. Auto Trader can mitigate this risk by continuing to develop its strategy to be the destination of choice for consumers searching for a more environmentally friendly vehicle.

TCFD: Metrics and targets

Methodology

The Group is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG reporting period is aligned to the financial reporting year. The methodology used to calculate emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from the UK Government's Department for Business, Energy and Industrial Strategy ('BEIS') conversion guidance for the year reported.

We have calculated our footprint using the official UK Government conversion factors. For general procurement categories, an Environmentally Extended Input Output database methodology was used to calculate the GHG footprint across total spend in the year. For vehicle purchases, a bottom-up, life cycle assessment-based approach has been used.

We have approximated and rounded up where necessary, reflecting this is a 'scoping exercise' to indicate the broad quantum of emissions rather than a precise calculation. The accuracy of our footprint will get better each year as we revisit and refine the methodology and underlying dataset. We have reported our Scope 2 emissions using both a location based and market based approach, with the latter taking into account renewable energy consumed.

Rebasing of our calculations

During the year we acquired Autorama and we have therefore undertaken work to calculate their emissions and include them within our base year (2019/20) and every year thereafter. We have also undertaken work to identify more accurate data in relation to our suppliers and include this in our calculations. The data resulted in a change of more than 5% in our emissions and so we have recalculated our base year and every year thereafter using the updated data.

We have disclosed our rebased base year, prior year and current year to take into account these changes and will be updating our climate targets accordingly.

Independent verification of our GHG emissions

EcoAct has independently assessed and verified Auto Trader's GHG emissions following verification standard ISO 14064-3:2019. Based on the data and information provided by Auto Trader and the processes and procedures followed, nothing has come to EcoAct's attention to indicate that the GHG emissions totals for all years reported are not fairly stated and free from material error.

TCFD: Risk management

The Board is collectively responsible for determining the nature and extent of the principal risks which may impact the business as it seeks to achieve its strategic objectives. We recognise climate change as a principal risk (see page 51) as it poses a threat to our business and supply chain, mainly through regulatory changes. We have updated our risk management process to enhance our assessment of the potential implications of climate change on our business and its operations. Our risk management framework, including the processes for identifying, assessing and managing risk, is described on pages 48 and 49.

Our total CO_2 emissions[1]

	2023		2022		2020 (base year restated)	
	UK	Global	UK	Global	UK	Global
Scope 1	**342**	**363**	276	294	441	487
Scope 2 (location based)	**297**	**310**	368	385	510	542
Total (Scopes 1 and 2)	**639**	**674**	644	679	951	1,029
KwH ('000s)	**2,714**	**2,775**	2,618	2,767	3,462	3,766
Purchased goods & services		**19,537**		23,562		50,149
Capital goods		**498**		794		477
Fuel and energy-related activities		**133**		196		244
Upstream transportation & distribution		**72**		115		210
Waste generated in operations		**5**		16		16
Business travel		**365**		63		1,141
Employee commuting (inc. working from home)		**1,746**		1,004		716
Upstream leased assets		**129**		106		33
Use of sold products		**56,323**		102,807		302,267
End of life treatment of sold products		**31**		50		191
Investments		**26**		27		29
Scope 3 (total)		**78,865**		128,740		355,473
Total (Scopes 1, 2 and 3)		**79,540**		129,419		356,502
Revenue[3]		**£510.4m**		£491.1m		£458.9m
Tonnes of CO_2 equivalent per FTE[2]		**68.5**		107.9		334.1
Tonnes of CO_2 equivalent per £million turnover[3]		**155.8**		263.5		1,091.9
Scope 2 (market based)		**3**		91		N/A
% renewable		**99%**[4]		76%[4]		N/A

1. Scopes 1, 2 & 3 are reported in tonnes of CO_2 equivalent.
2. Based on average number of employees in the Group throughout the year (2023: 1,160, 2022: 1,199, 2020: 1,067). The average number of employees included Autorama FTEs for the period 1 April to 31 March for each period reported.
3. This includes Autorama revenue for the period 1 April to 31 March for each period reported.
4. Emissions from our data centres are included within our Scope 2 emissions. It has been confirmed by our provider that our data centres continue to be powered by 100% renewable – we have received a certificate covering the period to 31 December 2022 and the period 1 Jan to 31 Mar 2023 is currently being verified by a third party.

Our pathway to net zero

Overview

We want to minimise our impact on the environment, thereby protecting our business from the impact of climate change. Our strategy is to put the brakes on carbon, not only across our own operations and supply chain, but also using our capabilities and voice to influence the automotive industry to support others in the transition to a low carbon economy and take urgent action to tackle climate change.

1. Our net zero commitment

In June 2021, we signed up to the Science Based Targets initiative ('SBTi') Business Ambition for 1.5°C. By doing so, we are committed to achieving net zero before 2050 and to reducing emissions in line with the Paris Agreement goals. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. Our near and long-term net zero targets have both been approved by the SBTi.

We have committed to reach net zero greenhouse gas emissions across our value chain by 2040, committing to:

- Reduce absolute Scope 1 and 2 GHG emissions by 50% before 2030 from a 2020 base year.
- Reduce absolute Scope 3 GHG emissions by 46.2% over the same timeframe.
- Reduce absolute Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2020 base year.

How we're taking action

To meet the SBTi's definition of net zero, we need to reduce our emissions by at least 90% and then use carbon removal initiatives to neutralise any limited emissions that cannot yet be eliminated. It is therefore essential that we fully understand the source of our emissions and undertake targeted actions. The make up of our carbon emissions is heavily weighted towards Scope 3, and within that, purchased goods and services and use of sold goods are the biggest contributors. During the year, our GHG emissions totalled 79.5ktCO_2. Whilst this represents a significant reduction from our restated 2020 baseline year (2020: 356.5k CO_2e), it was principally due to a reduction and mix of vehicles passing through Autorama's balance sheet. Further work is required to understand the emissions associated with these vehicles. In respect of our other emissions, we have a committed climate action plan and our targets and progress are set out below:

Metric	Emission type	Target year	Our progress	Current status
Switch 100% of our fleet vehicles (Auto Trader fleet) to be EV or low emission.	SCOPE 1	2030	Base year → Current year 240 tCO_2e → 91 tCO_2e • Any newly ordered vehicles must be fully electric or hybrid with emissions 75g/km or less. • 16% of the Auto Trader fleet is now an EV or ULEV.	ON TRACK
Auto Trader data centres to be fully migrated to the cloud.	SCOPE 2	2024	Base year → Current year 168 tCO_2e → 74 tCO_2e • Our data centres are powered entirely by renewable energy. 100% of our data centres will be migrated to the cloud by June 2023.	ON TRACK
Energy: reduce overall electricity use by 50% (against a 2020 baseline) and procure 100% renewable energy for our remaining needs.	SCOPE 2	2030	Base year → Current year 542 tCO_2e → 310 tCO_2e • Moved to a smaller London office but contracts are not renewable. • Disposed of High Wycombe and Dublin offices. • Energy saving initiatives implemented including removal of printers, switching off electrical items while the office is closed.	ON TRACK
Business travel emissions: achieve a 50% reduction (against a 2020 baseline).	SCOPE 3	2030	Base year → Current year 1,141 tCO_2e → 365 tCO_2e • Air travel has reduced with more people opting to travel by rail. • Enhanced video conferencing equipment to facilitate enhanced virtual meetings and collaborative online working.	ON TRACK
Commuting emissions (including emissions generated from working from home): achieve a 50% reduction (against a 2020 baseline).	SCOPE 3	2030	Base year → Current year 716 tCO_2e → 1,746 tCO_2e • Employee commuting survey launched in January 2023 giving us more accurate commuting data. • Introduction of Connected Working which offers all employees greater flexibility in where and when they work, resulting in less commuting. • Launched employee salary sacrifice scheme to lease electric vehicles with 6% of eligible employees participating to date.	MORE WORK NEEDED
Suppliers: require 50% of suppliers, by spend, to have meaningful carbon reduction targets.	SCOPE 3	2030	• Overall significant reduction in Scope 3 but more work is needed on supplier engagement. • Ethical procurement questionnaires completed covering 75% of our supplier spend. • 20% of Auto Trader suppliers by spend have CDP responses.	MORE WORK NEEDED
Autorama Scope 3 emissions	SCOPE 3	2030	• The first phase of recalculating our emissions to include the impact of Autorama is complete. • As can be seen from our restated emissions, the acquisition of Autorama has resulted in a significant increase in our Scope 3 emissions as we are required to account for the projected life time carbon emissions of vehicles held temporarily on the balance sheet. Further work will be undertaken in 2024 to form relevant metrics to monitor reduction of their emissions.	ON TRACK

Developing the first ever industry-specific Carbon Literacy Toolkit

Developed in partnership with the Carbon Literacy Trust, the toolkit is the first of its kind, being carefully designed in close collaboration with leading retailers and manufacturers, including: Nissan, Marshall Motor Group, Lookers, Motorpoint, AvailableCar and SYNETIQ.

Available for any organisation, of any size, working within the automotive industry, it has been developed with the purpose of supporting individuals and businesses in their journey towards reducing their carbon footprint.

Carbon Literacy Project

2. Supporting the automotive industry

Our aim is to support the industry in the transition to the mass adoption of electric vehicles ('EVs').

The automotive industry is under enormous pressure to reduce its carbon emissions and whilst many manufacturers and retailers have bold commitments to reduce emissions, many are still very early on in their sustainability journeys and are actively seeking support to help them develop a carbon reduction plan. Therefore, our partnership with the Carbon Literacy Trust, and the resulting Automotive Carbon Literacy Toolkit we created, has been well received. 114 organisations have now completed the training (as at 31 March 2023) which many see as an important step in their sustainability strategy, as well as a key initiative to engage their workforces. Once an individual in a business has been accredited as 'carbon literate', the business is then provided with training content and trainer manuals that enable them to run their own one-day Carbon Literacy training. Over 1,000 people in these businesses have now completed the training.

In addition to the training, we launched a new sustainability themed series of events where we invite businesses to share their sustainability journeys, ask questions and share ideas with the aim of inspiring action and motivating businesses to be more sustainable. We've hosted two in the year and are planning our third in the autumn.

The production and distribution of electric vehicles is also a key part of many businesses' sustainability strategies, so in order for retailers to feel equipped to sell these vehicles, we launched a 'Retailer Performance Module' focusing on EVs.

We also support the National Franchise Dealership Association's 'Electric Vehicle Accreditation' scheme; once retailers become accredited, we add their badge to their Auto Trader profile and adverts on our marketplace, enabling them to promote their knowledge to consumers.

As manufacturers and retailers become more focused on their own environmental impacts, we felt it was important to start recognising those who are leading the way as another way to inspire others to do more. We therefore introduced sustainability-focused awards at both our Retailer Awards and New Car Awards. The categories are self-nominated and attracted a high level of entries.

The government's mandate to ban the sale of new petrol and diesel cars by 2030 has created huge levels of change in the industry, and a lot needs to happen in the coming years to ensure the mass adoption of electric vehicles. We regularly meet with various government departments to share our data and insights to help guide policy required to support the mass adoption of EVs.

CELEBRATING SUSTAINABILITY IN THE AUTOMOTIVE INDUSTRY

To celebrate and support the industry's efforts to do business more sustainably, we have introduced new sustainability awards at both our New Car Awards and Retailer Awards.

114

organisations have engaged with the Carbon Literacy Automotive Toolkit training during the year

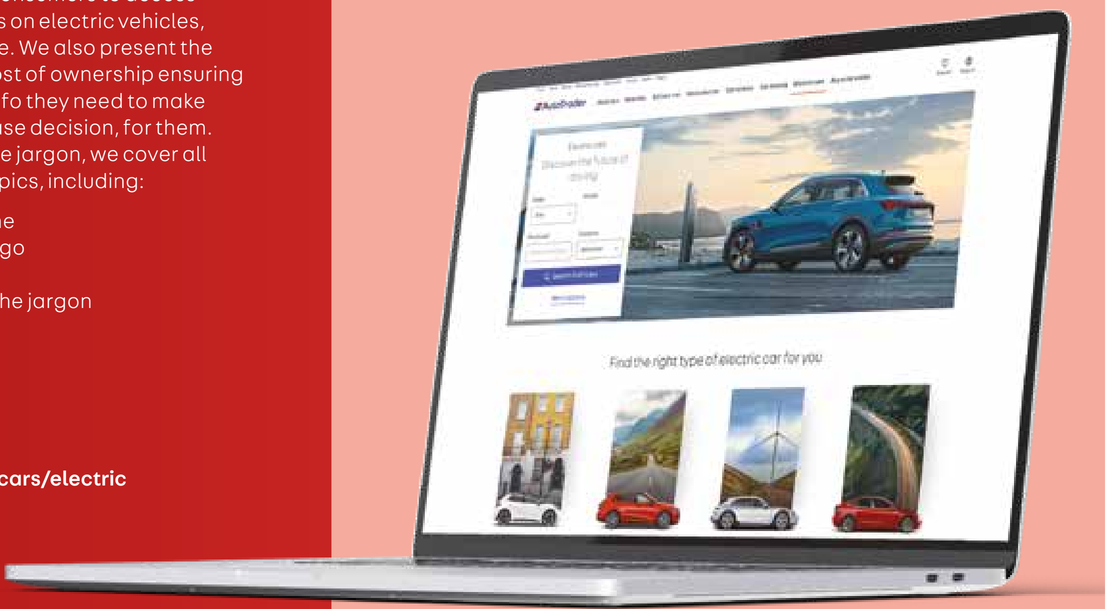
Our wealth of data and insight gives us a unique view of consumer car buying intentions, and particularly consumer EV buying intentions. This data forms the basis of our 'Road to 2030' Reports, which are extremely valuable to not only the government, but also to media and the industries involved in the transition to EVs. The Report is widely reported in national press and is regularly presented at key industry events.

Evolving our dedicated EV hub

The dedicated EV hub on our marketplace makes it easy for consumers to access articles and videos on electric vehicles, reviews and advice. We also present the facts regarding cost of ownership ensuring they have all the info they need to make the correct purchase decision, for them. Cutting through the jargon, we cover all of the pertinent topics, including:

- Charging at home
- Charging on the go
- Range
- Understanding the jargon
- Battery life

autotrader.co.uk/cars/electric



3.Supporting consumers

Our aim is to support consumers in making the switch to more environmentally friendly vehicles and be the number one electric car destination in the UK.

We have increased the coverage and exposure we give EVs across all our platforms. On our marketplace, we have taken steps to make it easier for car buyers to search for EVs, so the filters now reflect the key attributes of an EV. Our EV adverts now include more information about battery range and charge time, which are key to helping consumers to make the switch. The number of EV models listed on Auto Trader has grown from 84 to 129 in the year and over 23,000 adverts appeared on our site on average across the last year.

We launched an EV hub on site which has new content and tools added to it all the time, so consumers can get the information they need to decide whether an EV is right for them, right now.

The team have published more than 110 electric-themed editorial reviews, news, help and advice articles on site (2022: 91). Across our tracked electric keyword set as a whole, including consumer FAQs, our share of voice grew from 27% to 33%. As part of this we grew our electric make model terms share of voice by 11% over the year, giving us the third highest market share in this area.

EVs have been a key marketing focus in the year, with new partnerships formed and campaigns launched. The EV monthly giveaway continued and achieved over 3.5 million entries,and we achieved a Guinness World Record which saw the team host the largest online quiz to promote EVs. We developed 'Electric Sceptics', our first original social content series with full marketing mix support, and signed a three-year partnership with Green TV to build association with EVs, both with consumers through their World EV Day and EV Live events and with the industry at the EV Summit.

23,000

EV adverts appeared on our site on average across 2023

SUPPORTING WOMEN AND NEW AUDIENCES IN MAKING THE SWITCH TO EVS

Our research shows that women are more likely to say they don't like the car buying process and they don't feel confident in buying a car. They are also less likely to consider buying an electric vehicle. So we are actively trying to change this by engaging the media that influence women and changing the conversation so that women feel more empowered about buying their next car, be that electric or otherwise.

Our people & communities

Build diverse teams and an inclusive culture.

Maintain high levels of employee engagement, supporting positive health and wellbeing.

Partner with charities, community groups and industry bodies to make a difference to the communities where we work and live.

Our values

Our values underpin everything we do from the delivery of our products and services to recruitment, career development and recognition.

REFLECTING OUR CULTURE AND COMMITMENT TO MAKING A POSITIVE IMPACT

BE DETERMINED
We are passionate, resilient and have the conviction to do the right thing. We roll up our sleeves to get the job done.

BE RELIABLE
We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

BE COURAGEOUS
We are bold in our thinking, overcoming fears, challenging convention and embracing change.

BE HUMBLE
We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

BE CURIOUS
We are always learning. We question why, we search for better ways, ask questions and actively listen.

BE COMMUNITY-MINDED
We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

How we govern this area

1. BOARD RESPONSIBILITY

Material ESG topics discussed by the Board include diversity and inclusion, employee engagement and talent development. The Corporate Responsibility Committee is responsible for holding the Executive Directors to account and on a quarterly basis our people scorecard is reviewed and progress against our cultural KPIs is monitored. The Board plays an important role in ensuring our culture is aligned with our long-term strategy.

2. EXECUTIVE RESPONSIBILITY

The responsibility for assessing and managing our people and culture sits at both Executive and Board level. Our Executive Directors have responsibility for oversight of our diversity and inclusion agenda and are responsible for ensuring that our values are embedded into all parts of our business.

3. OPERATIONAL LEADERSHIP TEAM

Our Operational Leadership Team ('OLT') is responsible for driving our culture that is values-led, customer-centric and data driven, underpinned by a diverse and inclusive team. Having a progressive culture and environment, ensuring the attraction, development and retention of a talented, engaged and diverse workforce.

4. REMUNERATION COMMITTEE

The Committee introduced diversity related metrics into the Performance Share Plan ('PSP') for the 2021 PSP award, and introduced an underpin for the 2022 PSP award. For the 2023 PSP award performance will again be measured against our diversity ambitions as part of an underpin rather than as a standalone measure.

5. EMPLOYEE GUILDS & NETWORKS

Our employees play a fundamental role in the success of our ESG strategy. Through our thriving networks and guilds, our ESG priorities and ambitions are championed and driven forward by our employees. See page 42 for more information about our networks. These networks feed into a wider Diversity and Inclusion Guild which oversees the various networks to ensure they drive real change across our organisation.

Our Board Engagement Guild is the primary mechanism for our Board to engage with our employees and meetings are not attended by the Executive Directors. Employees are able to share their experiences and views, as well as providing the opportunity for them to ask questions directly of Non-Executive Directors. The Board Engagement Guild has representatives from across different parts of the business and canvasses views and opinions from their colleagues to share with the Board.

6. THIRD-PARTY CHARTERS & ACCREDITATIONS

We have signed up to various third-party charters and have received a number of accreditations, most notably:

- Race at Work Charter.
- Change the Race Ratio.
- Disability Confident Leader.
- Social Mobility Top 75.
- Inclusive Companies.

Engaging our employees

We welcome open and honest feedback from our employees and surveys are conducted on a regular basis. We aim to understand job satisfaction, measure opinion and find where changes may be necessary. Summary results are made available and feedback acted upon by management, which is then presented to the Board. In our most recent survey we were pleased that 91% (2022: 95%) of our employees agreed or strongly agreed with the statement "I am proud to work for Auto Trader", a measure which we view as a proxy for engagement.[1]

Wellbeing and safety of our employees

We are committed to supporting our employees in all aspects of their health and wellbeing. We provide a comprehensive range of healthcare benefits as well as access to tools and education, mental health support and supportive pathways to empower our employees to have more good days. We have tools to support employees with their financial wellbeing and all employees can join the Group's Save As You Earn Scheme, with 68% (2022: 66%) of eligible employees participating in one of the current schemes. A Group personal pension plan is offered to all employees, under which they can contribute between 3% and 5% (or higher) of their salary and Auto Trader contributes between 5% and 7%.

We are committed to creating a safe space for our colleagues in the office environment.

Our principal objective is to prevent or minimise accidents, injury and ill health to staff working at our premises or remotely. This includes contractors, and others, who work at, or visit our premises. We have a fully compliant Health and Safety Policy and appropriate insurance for all employees. We can report that we have had no fatalities or serious injuries during the year, and there was no impact to our operations due to work-related incidents or work-related occupational disease.

Following the introduction of our Connected Working approach, which offers all employees greater flexibility in where and when they work, a programme of ergonomic assessments was carried out to review and ensure effective and safe homeworking environments. This approach allows people to stay connected with their team and the wider Auto Trader community and maintains our collaborative culture.

1. The employee engagement score excludes employees of Autorama. Autorama currently conduct their own survey with a different question set. In their March 2023 survey, Autorama employees were asked to rate the question "How likely is it you would recommend Vanarama as a place to work?" Answers were given on a 10-point scale, 10 representing highly recommend. The survey had a 71% response rate and 62% responded 9 or above.

Investing in and supporting our talent

Our ambition is to make sure that everyone's career is supported by learning opportunities, including self-learning, mentoring, coaching and formal programmes. We pride ourselves on having a community focused on development where everyone can be successful. Despite challenging times we still retain a strong level of retention and employee engagement. Our attrition rate remains low at 11% (2022: 11%) when compared to industry and national averages.

Our learning academy platform provides a range of opportunities to support careers at Auto Trader and during the year 100% of our employees (including part-time and contractors) were offered training. We also provide sponsorship for professional qualifications and access to continuing professional development for our people. Mandatory training covers our compliance essentials to ensure compliance with our legislative and regulatory requirements. Our non-mandatory training covers a broad range of learning and development, including awareness, technical skills and soft skills. Our mentoring and coaching programmes are available to all employees. We currently have five colleagues qualified as coaches, with two more working towards their qualification, to build internal coaching capability.

Year[1]	2023	2022
Hours of mandatory training (see pages 44 to 47 for more detail)	**2,286**	2,657
Hours of non-mandatory training	**27,316**	19,739
Annual cost of training[2]	**£494k**	£379k
Average cost per employee	**£487**	£378
Employees studying for professional qualification	**8**	6
Employees on an apprenticeship/early careers	**78**	61

1. The number of hours/cost of training does not include Autorama employees.
2. This includes external trainer and platform costs, but excludes the employment costs of our in-house Learning & Development team.

Degree apprenticeship programme

We are proud to support degree apprenticeships – they provide the opportunity to gain a paid-for degree while getting industry experience and earning a salary, and Auto Trader also benefits from a great pipeline of talent.

Being on the degree apprenticeship programme has meant I can study for a degree at the same time as working towards becoming an experienced UX designer.

Eniya Ali
Digital User Experience Apprentice

Gender and ethnicity pay gap

We released our third combined Gender and Ethnicity Pay Gap Report 2022 (published in November 2022, reporting the pay gap as at 5 April 2022). This year we joined forces with other FTSE 100 companies to encourage more companies to report and to campaign to make ethnicity pay gap reporting mandatory in the same way that it is for gender. Please see our website, plc.autotrader.co.uk, for more information.

We continue to make progress in reducing our gender pay gap. Our mean gender pay gap decreased by 0.3% (2021: 2.7% decrease), however, our median pay gap increased by 0.4% (2021: 0.7% decrease). During the reporting period, we performed well in retaining women in our upper quartiles (25% women leavers compared to 57% for men), and of the 136 new hires included in the report, 43% were women (2021: 81 new starters, 42% women). We believe that hiring women early on in their careers and progressing them through the business, taking into consideration the fact that women are greatly underrepresented in both the technology and automotive sectors, is the most sustainable way to reduce the pay gaps in the long term. Between April 2021 and March 2022, we were pleased to see that women accounted for 41% of all promotions, and we continue to strive to increase this further.

During the reporting period, the mean and median ethnicity pay gaps have decreased by 0.8% and 1.2% respectively (2021: increased by 2.7% and 0.7% respectively). The main drivers include the retention of ethnically diverse colleagues in the upper quartiles while also hiring new talent across the business. The highest representation for ethnically diverse colleagues is still in the lower quartile pay bands, mainly driven by our early careers intake. 33% (2021: 31%) of early career hires during the reporting period were ethnically diverse.

At a Board level, over half of our Board are women, exceeding the FTSE Women Leaders Review recommendation, which has a target of 40% women's representation. We also satisfied the recommendation of the Parker Review that at least one Director should be from an ethnically diverse background.

The percentage of the total company who are from an ethnically diverse background has increased from 14% to 15% during the year, with the percentage of those from an ethnically diverse background in leadership increasing from 6% to 8%.

	As at 31 March 2023									As at 31 March 2022								
	Board			Executive management OLT[2]		OLT direct reports		Total company		Board			Executive management OLT[2]		OLT direct reports		Total company	
	Number	%	Number of senior positions[1]	Number	%	Number	%	Number	%	Number	%	Number of senior positions[1]	Number	%	Number	%	Number	%
Men	4	44%	4	4	44%	45	62%	696	57%	4	44%	4	5	56%	57	63%	599	60%
Women	5	56%	–	5	56%	28	38%	524	43%	5	56%	–	4	44%	34	37%	400	40%
Non binary /other	–	–	–	–	–	–	–	6	–	–	–	–	–	–	–	–	3	–

	As at 31 March 2023									As at 31 March 2022								
	Board			Executive management OLT[2]		OLT direct reports		Total company		Board			Executive management OLT[2]		OLT direct reports		Total company	
	Number	%	Number of senior positions[1]	Number	%	Number	%	Number	%	Number	%	Number of senior positions[1]	Number	%	Number	%	Number	%
White British or other White	8	78%	3	9	100%	62	85%	876	72%	8	78%	3	9	100%	79	87%	739	74%
Mixed ethnic groups	–	–	–	–	–	1	1%	29	2%	–	–	–	–	–	1	1%	23	2%
Asian /Asian British	1	11%	–	–	–	4	6%	103	8%	1	11%	–	–	–	3	3%	79	8%
Black/African /Caribbean /Black British	–	–	–	–	–	2	3%	37	3%	–	–	–	–	–	1	1%	26	3%
Other	–	–	–	–	–	–	–	15	1%	–	–	–	–	–	1	1%	11	1%
Not disclosed	–	11%	1	–	–	4	6%	166	14%	–	11%	1	–	–	6	7%	124	12%

1. Senior positions defined as CEO, CFO, SID and Chair of the Board.
2. Excludes CEO, COO and CFO who are included in the Board numbers.

Diversity and inclusion

We define diversity as any classification that can be used to differentiate groups or individuals from one another, including: gender; sex; age; sexual orientation; disability & neurodiversity; race and ethnic origin; religion & faith; marital status; and social/educational background and way of thinking. We define inclusion as a state of being valued, respected and supported for who you are. We, and our people, strongly believe in pursuing this aim authentically and systemically, expecting to see improvements in metrics, but not being driven by them. We are committed to driving long-term change in both the technology and automotive industries. Our focus is on developing diverse leaders as well as representative workforces in these industries. We invest heavily in our early careers programmes, as well as supporting several initiatives and partnerships, including DigitalHer with Manchester Digital, AUTO30% and our STEM Ambassador Programme.

Driving our D&I strategy through our internal networks

We have a number of internal networks that support and align with our diversity and inclusion strategy. These employee-driven networks and their leaders are a core part of our culture, helping to welcome employees when they join our organisation, empowering team members to thrive and spearheading outreach programmes that support our local communities. Everyone at Auto Trader is encouraged to join one of our employee-driven networks.

Our Ethnicity Network is a well-established group of Black, Asian and minority ethnic colleagues, and allies, that works to tackle inequalities and celebrate inclusivity.

Our Women's Network is focused on improving and evolving representation of women at all levels in Auto Trader, the automotive industry and the digital communities within which we operate, by recruiting, retaining and developing female talent.

Our Disability & Neurodiversity Network continues to create a more accessible and inclusive environment for our colleagues. 13.5%[1] (2022: 12.8%) of our colleagues have disclosed a disability or neurodiverse condition. The network partners with various charities including Leonard Cheshire, the Royal National Institute for Deaf People and the Business Disability Forum to educate colleagues and raise awareness.

The Career Kickstart Network brings together colleagues from across the business to learn and grow together through shared experiences, resources and discussion.

Our LGBT+ Network representation is currently 9.1%[1] (2022: 8.3%) and the network has continued to support our colleagues and connect with local LGBT+ charities, including The Proud Trust and the George House Trust.

Our Age Network was launched last year and focuses on creating an inclusive environment for the multigenerational workforce of Auto Trader.

Supporting parents and carers across our business, our Family Network works closely with our other networks, our People team and with charities such as Carers UK.

Our Social Mobility Network is focused on understanding how socio-economic background can influence individuals in the workplace and working to remove barriers and open opportunities. Auto Trader has signed the Social Mobility Pledge, committing to putting social mobility at the heart of what we do.

Our representation of women at a total company level increased from 40% to 43%. During the year, the percentage of women on our Operational Leadership Team ('OLT') increased from 44% to 56%. We also increased the percentage of women in leadership roles to 40% as at 31 March 2023 (March 2022: 38%), as defined by the FTSE Women Leaders Review (formerly the Hampton-Alexander review).

To increase our representation across all levels of the organisation, we aim to stimulate the flow of diverse talent from early careers through to senior leadership by both targeted development programmes and equipping our leaders to get the very best out of everyone on their team and support their development through the organisation. Our Continuous Leadership Development programme, made up of a range of training interventions, supports our senior leaders and people managers. We have also continued with our Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues.

Promoting diversity in the workplace

We want to build a diverse and inclusive workplace where every one of us can be our best and true selves; only with a mix of different ideas and perspectives can we come up with the most exciting new ideas and create the best experience for our customers and consumers.

We have a number of internal networks that support and align with our diversity and inclusion strategy.

Everyone at Auto Trader is encouraged to join one of our employee-driven networks. These networks and their leaders are a core part of our culture, helping to welcome employees when they join our organisation, empowering team members to thrive and spearheading outreach programmes that support our local communities.

Making a difference to our communities and the industries we operate in

Community-minded is one of the values that shapes our culture and we are committed to making a difference and having a positive impact on the communities we operate in. Our Make a Difference Guild is committed to empowering our employees to support our local communities and national charities. During the year we continued our partnership with Forever Manchester to operate the Auto Trader Community Fund that provides support for community projects across Greater Manchester. We also launched a new 'Your Community Fund' available to all employees to nominate charities close to their hearts and local communities. We continue to work closely with our charity partner in London and support and promote all Disasters Emergency Committee ('DEC') appeals. We operate in both the automotive and technology industries. BEN is a key charity supporting the automotive industry with the aim to offer life changing support which empowers people to take control of their mental and physical health. As with all charities, BEN was heavily impacted by the pandemic, making it even more important that we continue to support them.

Forever Manchester

The Auto Trader Community Fund, powered by the charity Forever Manchester, considers applications and awards up to £1,000 aimed at supporting grassroots projects across Greater Manchester, and in London.

During the year we celebrated the sixth anniversary of the Auto Trader Community Fund at Forever Manchester that provides support for a wide range of volunteer-led community projects across Greater Manchester.

Our governance & compliance

Uphold the values of good corporate governance and risk management and consider the needs of all our stakeholders in our strategic decision-making.

Comply with our legal and regulatory obligations and behave ethically and with integrity at all times.

Maintain a trusted marketplace for our customers and consumers to find, buy and sell vehicles.

Overview

To ensure that high standards are embedded across the business and form part of our culture, we have a compliance framework in place, consisting of policies, processes, guidance and training focused on a number of core compliance topics. Details of our Board governance framework and policies can be found in the Governance section (page 58 onwards).

As an online marketplace, cyber security and protecting customer and consumer data are primary areas of focus. They are fundamental to our future success and to build trust with our customers and consumers. As we shift to an accelerated adoption of digital retailing it is paramount that our cyber and data security and infrastructure evolve with our business priorities.

Cyber security

Attempts to breach our systems to access our data and the threat of an unauthorised malicious attack on our systems pose a significant and perpetual threat. The nature of cyber-attacks has continued to evolve and changes in ways of working have created more opportunities for cyber criminals, increasing in both frequency and sophistication. A successful breach could lead to significant impairment of our reputation with customers and regulators and could be costly in terms of fraud losses, regulatory sanction or remediation activity – one of our viability scenarios reflects the risk of a data breach (see page 57).

Whilst cyber security risks cannot be fully mitigated, having an effective cyber security risk and governance framework can help to significantly reduce the impact of such events. We have a security programme in place that covers both our corporate systems and the Auto Trader platform which includes a defined security governance framework, overseen by our Chief Technology Officer.

NIST Cybersecurity Framework

We have adopted the NIST Cybersecurity Framework ('NIST CSF') to help us understand and define our existing policies, processes and technical measures in place with the aim to better govern our cyber security position. It enables us to identify areas of improvement and focus our efforts by agreeing and setting a target state, with the understanding that the NIST CSF is designed to complement and enhance existing business and cyber security operations.

Internal Audit function

We operate a rolling internal audit programme (outsourced to a third party) which includes annual reviews of cyber security. As part of this programme, a review of our NIST Framework has been carried out to validate the status and perform an operating effectiveness review, the purpose of which is to provide confidence that the framework is robust, appropriate and effective.

How we govern this area

1. BOARD RESPONSIBILITY

Material ESG topics are discussed by the Board including cyber security and GDPR.

The Corporate Responsibility Committee assists the Board in fulfilling its oversight responsibilities in respect of governance and compliance, where topics have not been covered by the Board.

2. EXECUTIVE RESPONSIBILITY

Responsibility for assessing and managing our governance and compliance sits at both Executive and Board level. Our Executive Directors have responsibility for ensuring we conduct ourselves with the highest standards of honesty and integrity.

3. OPERATIONAL LEADERSHIP TEAM

The Group's Chief Technology Officer, Chris Kelly, is responsible for setting the Group technology strategy, including our cyber security framework. The Group's Director of Governance, Claire Baty, is responsible for regulatory compliance, customer security, procurement, legal services and risk management. Her remit includes compliance with GDPR and FCA regulation.

4. AUDIT COMMITTEE

Internal audit reports are reported to the Audit Committee and monitored to ensure recommendations are actioned.

5. SECOND LINE FORUMS & COMMITTEES

We operate the following second line forums and committees:

- Risk Forum.
- FCA Governance Committee.
- GDPR Steering.
- Cyber Security working group.
- Trust forum.
- Health & Safety Committee.

6. INTERNAL AUDIT PROGRAMME

We operate a rolling internal audit programme which provides independent and objective assurance activities relating to the Group's governance, risk management and internal control processes. The programme includes regular reviews of cyber security, enterprise risk management, GDPR compliance and FCA compliance.

We have successfully adopted the practical elements of the NIST CSF effectively.

Policies and procedures

- A proactive awareness programme to educate all employees on cyber security risks.
- A dedicated security operations team to detect and respond to security incidents in line with our cyber security incident management procedures.
- Enhanced backup solutions have been implemented across consumer facing and internal systems, to guard against the increasing threat of ransomware.
- All employee accounts are protected by multi-factor authentication ('MFA') regardless of device and location, providing enhanced authentication protection.
- Major incident response simulations and business continuity tests are carried out periodically.
- System vulnerability and penetration testing is carried out regularly by both external and internal resources, including: application vulnerability testing; penetration testing of our platform and infrastructure; and Red team testing to ensure our processes for responding to a cyber incident are robust and fit for purpose.
- All aspects of our applications are designed and deployed with security in mind so that Auto Trader can deliver a secure and trusted platform for our customers.

Protecting our customer and consumer data

Data is at the heart of everything we do and data compliance and protection is therefore of critical importance to Auto Trader. We operate a structured framework which supports us in meeting our compliance obligations, the expectations of customers and clients, fulfil privacy rights and mitigate the risks of a data breach. We comply with the Data Protection Act 2018 ('DPA 2018'), and the UK General Data Protection Regulation ('UK GDPR') as our benchmark for data protection.

When it comes to collecting and storing personal data, be that for consumers, customers or our employees, we have a comprehensive set of policies which reflect the applicable privacy legislation and abide by a clear set of principles. We act as data processor for our customers and a data controller for the personal data of our people.

We are committed to ensuring that the personal information we collect is used for the appropriate purpose, which does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our privacy notices which govern all our platforms and subsidiaries.

To ensure we are meeting our compliance obligations we have a dedicated team that is responsible for data privacy, data breach prevention and reporting, policy compliance, record keeping and data subject rights. We have an assurance framework in place to monitor compliance with data privacy laws and to ensure any breaches are dealt with in a robust manner.

We hold GDPR Steering meetings bimonthly, attended by data owners from all business areas. The meeting is a central point of communication and coordination and provides guidance on the governance of our data strategy and ongoing compliance with relevant data security and privacy regulations.

All Auto Trader employees, including part-time employees, contractors and all Board members, are required to complete annual data privacy and security training and we have established processes to cover all aspects of the GDPR: Data Protection Impact Assessments ('DPIAs'). These are conducted to help identify and minimise any data protection risks for new or changed products or services; and all processes are recorded and records of processing activity ('ROPAs') are reviewed quarterly by data owners. These include the lawful basis for processing and data retention periods; our privacy notices are reviewed and updated regularly. We have separate notices for consumers, employees and retailers; and we have processes in place to respond to Subject Access Requests ('SAR') and Erasure requests.

Where required, Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent (gathered separately) is also obtained to contact consumers for marketing purposes. Where we pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees, we carefully vet any third parties that we share data with, and they are obliged to keep it securely, and use it only to fulfil the service they provide on our behalf.

We record all instances of data loss and have a rigorous incident management process in the unlikely event a breach occurs. This includes reporting notifiable breaches to the relevant regulatory authorities without undue delay and within stipulated deadlines. Where required we take remedial action as soon as possible.

Maintaining a trusted marketplace

As a leading online marketplace, we strive to provide a marketplace that is relevant, reliable and fair. It is important to our customers and our consumer audience that adverts displayed on Auto Trader are accurate and genuine. Our goal is also to provide a valuable service for our customers and consumers and provide an engaging user experience.

Retailer feedback

We actively seek retailer feedback in all aspects of product and service development to ensure that we continue to provide market-leading solutions and support to our retailer partners. We also actively monitor consumer sentiment across our various products and channels, and our teams review thousands of items of feedback a week.

Product research and testing

When we bring a product to market, we go through a rigorous process of discovery to ensure solutions meet the varied needs of both our retailer partners and consumers. Retailers are involved at all stages of product development, including beta testing prior to scaling solutions.

Sentiment tracking

We survey retailers on a monthly basis through marketing channels to capture structured feedback on our relationship with retailers to ensure we're meeting their needs and gauge sentiment towards our brand. This ensures we can keep an eye on overall satisfaction, value for money and the partnership we aim to foster.

Voice of the customer

We actively monitor feedback which our Retailer Development and Support teams capture from retailers during the course of the thousands of inbound and outbound calls we field per week, ensuring we keep a good gauge on retailer sentiment and can react to market challenges facing our retailers quickly.

Consumer sentiment

We've maintained extremely positive feedback scores across external review platforms including Trustpilot (4.7/5 based on 80,453 reviews), iOS App Store (4.8/5 based on 165,159 reviews) and Android Play Store (4.7/5 based on 67,967 reviews).

TAG verification

We have achieved verification by TAG ('Trustworthy Accountability Group'), achieving the Brand Safety Recognition seal. TAG is the world's leading programme to fight criminal activity and protect brand safety in digital advertising. They have established best in class global standards that protect the industry from potentially harmful threats around fraud, malware and brand safety. Obtaining our TAG status is recognition that we meet the high standards required by TAG and our contribution towards fighting criminal activity and increasing trust and transparency in digital advertising.

VSTAG forum

We continue to actively participate in the Vehicle Safe Trading Advisory Group ('VSTAG'), an industry forum we founded over 15 years ago. The forum brings together the UK's leading online automotive advertising companies, advisors from the Metropolitan Police, Get Safe Online and Action Fraud to work together to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud.

FCA compliance

Auto Trader Limited, the main trading subsidiary of the Group, is authorised by the FCA for consumer credit and insurance intermediary activities. Our activities primarily relate to providing finance and insurance introductions to consumers for third parties, be it retailers or commercial partners. We are developing and trialling consumer journeys for some of our regulated activities as part of the business's wider digital retailing proposition using the technology of Blue Owl Limited (trading as 'AutoConvert'), a wholly owned subsidiary. AutoConvert became an Authorised Representative of Auto Trader Limited in 2022 in respect of consumer credit activities.

Autorama UK Limited (trading as 'Vanarama'), acquired in 2022, is authorised by the FCA for consumer credit and insurance activities. The activities relate to brokering vehicle leasing to retail and trade customers and we also arrange General Insurance Services under the trading name Vanarama Insurance Services. We are developing and trialling consumer journeys where consumers start their journey on Auto Trader and complete an onward journey with Vanarama.

We have specialist internal resource within our Governance, Risk and Compliance team with significant experience of working in FCA regulated businesses, and we have developed a detailed governance framework to ensure that we comply with the principles, rules and guidance applicable to our activities. We have implemented the Senior Managers & Certification Regime, which came into effect in December 2019. Senior Managers at Auto Trader are Nathan Coe, Catherine Faiers, Jamie Warner and Claire Baty. Certain members of the Operational Leadership Team hold Certified Functions. Senior Managers at Vanarama are members of the company's board and other members of the Vanarama senior leadership team. All of these individuals have been assessed and certified as Fit and Proper. All employees are subject to the Conduct Rules and have received appropriate training and guidance. We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with the requirements, including financial promotions, product change management, complaint handling, vulnerable customers and transparency. Our Customer Charter outlines our commitment to Treating Customers Fairly.

We also have in place a comprehensive implementation plan in respect of ensuring our compliance with the FCA's forthcoming Consumer Duty.

Business ethics and compliance

We have a zero tolerance approach to bribery, corruption and other financial crime within our business and/or in any dealings with our customers, suppliers and other third parties who we deal with in the course of our business. We require regular compliance training for all Auto Trader employees and contractors, including all Board members. We have a well established online training and awareness programme which includes compliance modules for information security, GDPR, anti-bribery and corruption, the corporate criminal offence of facilitating tax evasion, anti-money laundering, modern slavery and whistleblowing to ensure all employees uphold our ethical standards in their day-to-day decision-making and actions, remain up to date and are alert to unethical practices and potential risks to our consumers or customers. We do not conduct business with any service provider, customer or supplier which does not meet the principles of our policies with respect to these areas.

Human rights

We are opposed to all forms of discrimination with respect to employment and occupation, modern slavery, human trafficking, forced or compulsory labour and child labour, in our business and our supply chain. We are committed to supporting human rights through our compliance with national laws and through our internal policies which adhere to internationally recognised human rights principles. In line with our commitment to creating a diverse and inclusive culture, our internal policies require respect and equal and fair treatment of all persons we come into contact with. All employees are paid in excess of the Real Living Wage, ensuring that all employees and contractors working in our offices receive at least the Living Wage. We are an accredited Living Wage Employer. We safeguard our employees through a framework of policies and statements including Modern Slavery, Gender Pay, Flexible Working, Equal Opportunities and Inclusion Policies.

Modern slavery

We are committed to preventing slavery and human trafficking in our business and supply chains. We require the highest standards of honesty and integrity in all our business dealings and relationships. We will not tolerate the mistreatment of people in our employment and, wherever possible, employed in our supply chain. During 2023, no incidents of modern slavery or human rights abuse have been identified in our business or supply chain.

Tax transparency

Auto Trader is committed to being a responsible taxpayer acting in a transparent manner at all times. Our detailed tax policy includes further transparency on our approach to risk management and governance. In 2023, our total tax contribution was £175.4m (2022: £143.5m). Taxes borne by the Group totalled £69.4m (2022: £63.8m) and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £106.0m (2022: £79.7m) and consist of PAYE deductions, employees' NICs and net VAT collected.

Supplier ESG engagement

We hold ourselves and our suppliers to the highest standards of behaviour. We want to engage suppliers that share our values and collaborate with them to build a stronger, more responsible supply chain. We have an established supplier engagement strategy and the information we collect through our supplier engagement/onboarding process provides us with greater insight into numerous aspects of our suppliers' performance, including Environmental, Social and Governance practices such as: how they are engaging the communities they are based in; what charitable activities they are undertaking; how they identify and improve diversity and inclusion; what governance they have in place to ensure good practice and limit instances of modern slavery, bribery or breaches of other relevant legislation; and sustainability. As part of our environmental strategy, we have expanded our discussions on sustainability with our highest spending suppliers to deep dive into understanding where our suppliers are on their own sustainability journey. We have published a supplier code of conduct which outlines Auto Trader's stance on important matters and our expectations of our suppliers.

Grievance reporting or escalation procedures

We aim to create a working environment in which all individuals enjoy coming to work, where they can perform at their best, and where they are free from discrimination or harassment.

We foster a culture of open and healthy conversations, mutual appreciation and respect. We treat any behaviour that undermines this aim as totally unacceptable and it will not be tolerated. We are committed to a culture where staff can freely report any issue that needs attention and access support via the escalation procedures we have in place. Our grievance policy sets out both informal and formal avenues for addressing concerns.

Whistleblowing

We are committed to carrying out all business activities in an honest and open manner and strive to apply high ethical standards in all our business dealings. We actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have concerns, if they suspect anything inappropriate or experience any serious malpractice or wrongdoing in our business. We believe this contributes to a fairer and transparent marketplace where customers and consumers know that we can be trusted. We have an internal reporting facility for employees to discuss concerns and we also operate an anonymous and confidential whistleblowing helpline through an independent organisation. Reports are directed to the Audit Committee Chair and the Company Secretary or via the independent hotline.

Further information

To find out more about all of our governance & compliance policies, please go online:

Our risk management arrangements

The Board is collectively responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives.

Risk management and internal control

The Company does not have a separate Risk Committee; instead the Board as a whole is collectively accountable for determining the nature and extent of the principal risks Auto Trader is willing to take in achieving its strategic objectives.

The Board is also accountable for establishing and maintaining the Group's system of risk management and internal controls. It receives regular reports from management identifying and evaluating our response to key risks. Our risk management framework is described opposite.

Our risk management process

Effective risk management is critical if we are to achieve our strategic objectives, to achieve sustainable long-term growth, and ultimately to achieve our purpose of Driving Change Together. Responsibly.

A four-step process is adopted to help us manage our principal risks. OLT members are responsible for identifying, assessing, mitigating and monitoring risks, and reporting against these risks. The Governance, Risk and Compliance function facilitates this process and supports the OLT in designing responses to risks, thereby ensuring that the response is aligned to the Group's risk appetite. The risk management process can be summarised as follows:

EFFECTIVE RISK MANAGEMENT

1 Identify risks

A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall accountability for the effectiveness of internal control and risk management, the day-to-day management of risk is delegated to the OLT. Independent support is provided to the OLT by the Governance, Risk and Compliance function.

2 Assess and quantify risks

Risks are evaluated to establish the root causes, the impact and the likelihood of occurrence. Risks are categorised as:

- Existential risks, being those which have the potential to lead to fundamental change within our organisation and wider industry.
- Operational risks, being those arising out of the existing business activities.
- Emerging risks, being those which relate to new initiatives, new products, and new laws and regulations.

3 Respond to, manage and mitigate risks

After identifying the root cause of a risk, owners must consider whether the existing mitigations reduce the risk to an acceptable level, with this assessment challenged independently by the Governance, Risk, and Compliance function. The level of acceptable risk is guided by our Group risk appetite. If the residual level of risk after mitigation remains above our risk appetite, then further mitigating actions are implemented.

4 Monitor and review

The OLT is responsible for monitoring the effectiveness of controls and mitigating actions, with continuous independent challenge provided by the Group's Governance, Risk and Compliance function, and Internal Audit. The Board reviews the Group's risk register and assesses the adequacy of mitigating actions to ensure that risks are being managed in a manner consistent with our risk appetite.

Risk appetite

The Board has considered the nature and extent of the principal risks Auto Trader currently faces, the potential risks we expose ourselves to as we proceed with our strategy, and the wider market, economy and business environment. The Board has set its risk appetite accordingly, which can be summarised as follows:

Flexible
Auto Trader acknowledges that, in some circumstances, fast-paced and innovative development of new products within the technology space presents significant opportunities and taking advantage of these opportunities may result in financial loss. We consider the opportunities can outweigh the downside risks, and therefore, in pursuit of our strategic objectives, we are flexible about taking risks which relate to product innovation, addressing competitive threats, and/or making the most of market opportunities.

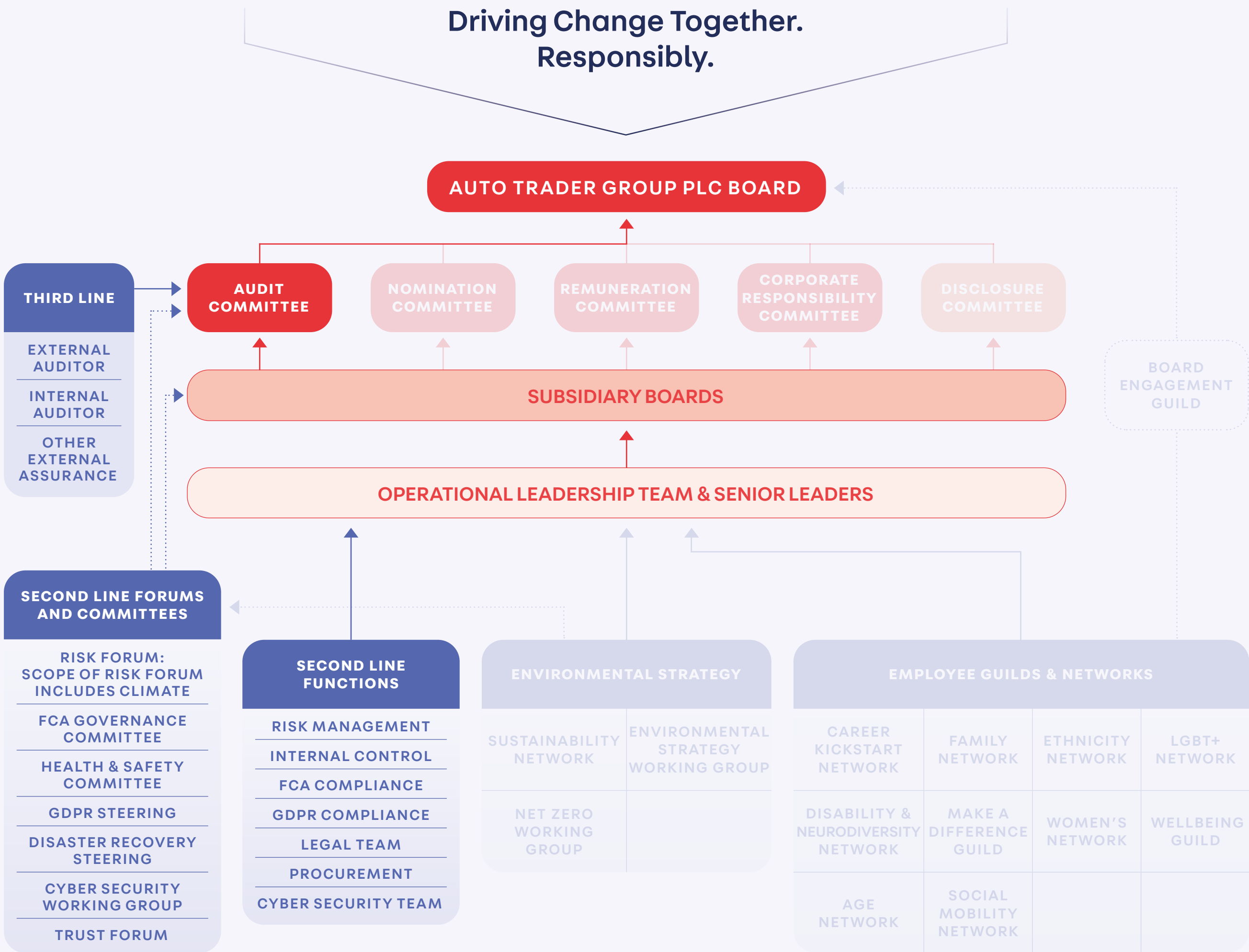
Cautious
As we pursue our strategic objectives, we must remain cognisant of the potential for them to have conflicting impacts on our stakeholders, including employees, suppliers and third parties, and the environment. Owing to the potential for these risks to have significant knock-on impacts across a wide range of categories, we are cautious about taking risks in relation to such areas.

Averse
We are averse to taking risks which conflict with our values; risks which could damage our reputation; risks which threaten the security of our systems and technology; risks leading to a breach of laws, regulations or financial covenants; and/or risks which could compromise the organisation's going concern status. Across these categories we take all reasonable steps to ensure our business activities do not give rise to significant risk of damage to our stakeholders, and in pursuing our strategic objectives we are averse to exposing ourselves to higher levels of risk knowingly.

Our risk management framework

The Group's principal risks are recorded within a risk register which captures details of each risk and the root causes; likelihood of the risk occurring; the impact if it does occur; and details of the actions being taken to manage the risk.

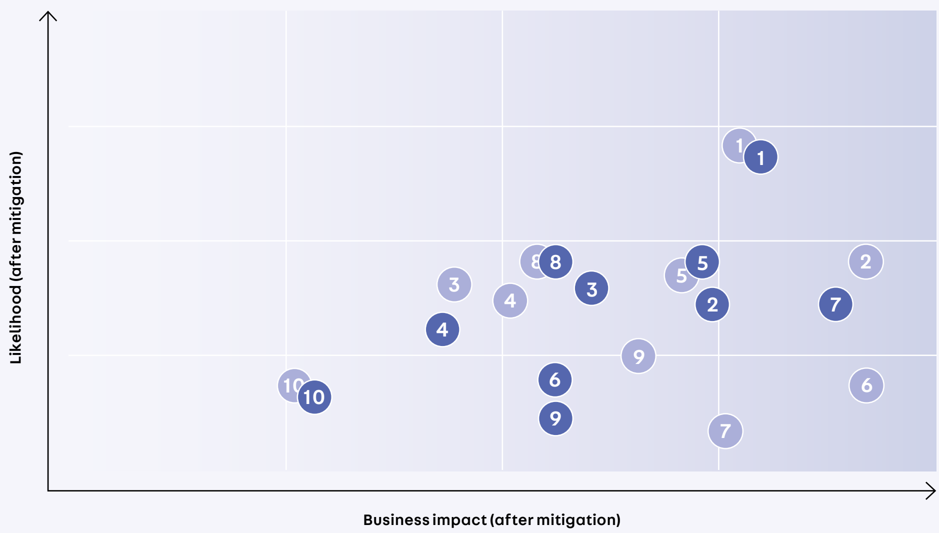
The Board considers whether, given the strategy and risk appetite of the Group, the mitigations are reducing the risk to an acceptable level.



Our risk assessment matrix

The risk landscape has continued to evolve over the last 12 months, and we expect changes to continue in the coming year. Our view in 2023 is that the principal risks to Auto Trader are a) those which could result in fundamental changes to the automotive retail industry, and b) those which could prevent us achieving our strategic objectives. Accordingly, our strategy is linked intrinsically to our principal risks. We have taken great strides in the last year to manage these risks. Examples include the launch of Deal Builder and improvements to our core marketplace products. However, to execute our strategy, it is crucial we protect ourselves against the threats to achieving our strategic objectives.

The following pages provide detail on each of our 10 principal risks and how we are responding to each risk.



1. Automotive economy, market and business environment
2. Climate change
3. Employees
4. Reliance on third parties and partners
5. IT systems and cyber security
6. Failure to innovate: disruptive technologies and changing consumer behaviours
7. Legal and regulatory compliance
8. Competition
9. Brand and reputation
10. External catastrophic and geo-political events

● Current year
● Previous year

How we mitigate our principal risks

Identifying, assessing, responding to and monitoring the Group's principal risks.

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

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

1 Automotive economy, market and business environment

Unchanged

Risk and potential impact	Key changes and outlook	How we manage the risk
An adverse change in supply and demand in the new/used car market could lead to reduced retailer profitability and reduced retailer wallets, resulting in reduced advertising spend. Adverse movements in supply and demand of vehicles could also lead to a contraction in the number of retailers. In addition, we continue to see the movement towards an agency model whereby retailers facilitate OEM sales directly to consumers. This could lead to a loss of revenue from our retailer customers.	• The low level of supply of new vehicles since 2020 has continued for much of the last year. However, new car registrations in Q1 (January to March) 2023 increased by 18% compared to Q1 2022. Looking to the future, more reliable supply of new vehicles will be important to the success of Autorama's integration into the Auto Trader Group. • The low level of new car supply since 2020 will likely affect the availability of used car stock in the coming years. In contrast, consumer demand remains high and retailer profitability, in the main, remains high. In March 2023, used car retail prices increased by 2% year on year, being the 36th consecutive month of price growth. • In 2023 some OEMs begin operating an agency model. We are aware that each OEM encounters unique challenges if they switch to an agency model and we have been working with OEMs to develop bespoke solutions. • Overall, the risks posed by changes to the automotive economy, market and business environment continue to evolve, however metrics and performance indicators suggest that we are managing these risks to an acceptable level through our strategic actions.	• We monitor new and used car transactions closely, using data from SMMT and DVLA, observing behaviour on our marketplace, and from engaging closely with our customers and consumers. • Our agile culture enables us to respond quickly to new and emerging threats. We continuously develop new products and enhance existing products. We are making significant progress with our digital retailing strategy which aims to bring more of the car buying journey online. • We use our own Auto Trader Retail Price Index and valuations data to monitor the pricing trends of used cars by trade sellers. • We are progressing well with integrating Autorama into our business and are now leveraging their leasing capabilities. Autorama will diversify our business by providing a leasing proposition to consumers, as well as helping us to achieve our strategy relating to digital retailing on new cars. • We have also maintained a strong balance sheet, and our low leverage should enable us to respond in the event of major threats crystallising.

Our purpose-driven strategy P10

Being a responsible business P26

OUR STRATEGIC PRIORITIES

Classified marketplace   Platform   Digital retailing   Being a responsible business

2 Climate change

Decreasing

Risk and potential impact	Key changes and outlook	How we manage the risk
The automotive industry is intrinsically linked to climate change and there is increasing pressure from consumers and government for the industry to reduce its impact on the climate. However, failure to deliver on our environmental commitments will negatively impact our brand as a responsible business and may result in legal exposure or regulatory sanctions. Failure to overcome the uncertainty created by the shift from internal combustion engine ('ICE') to electric vehicles ('EVs') could inhibit their take-up, potentially leading to changes in buying behaviours. Factors include the high purchase price of most EVs, potential for improvement in public transport, new and expanded emissions zones, increasing EV running costs, and consumer uncertainty over the residual value of used EVs. Changing and more stringent regulatory requirements could increase our cost base, and increased frequency and severity of extreme weather events could lead to heightened costs, including heating/air-conditioning, insurance, and cloud infrastructure. Extreme weather events could also lead to short-term closure of retailer forecourts (for example, due to flooding).	• Updates to our website in the last year position us as front-runners in the switch to EVs and enable us to respond to potential changes in OEM and retailer business models. • There is still a relatively small amount of data informing the residual values of used EVs. We have positioned ourselves well by leveraging Autorama's capabilities, providing those consumers switching to EVs for the first time a viable alternative to outright purchase. • Despite ongoing uncertainty surrounding EVs, data from our website shows the electric share of ad-views has a gradual upwards trend. Supply in the used EV market increased this year as those EVs purchased on three- and four-year agreements enter the used EV market. • Looking ahead, widespread take-up of EVs could be affected by: – the availability of public charging for drivers unable to access private charging, – EV purchase costs, which are still around 37% more expensive than ICE equivalents on a like-for-like basis. – Increases in EV running costs owing to increased taxation and charging costs (especially those EV drivers without private charging). • Further regulation and legislation are likely, such as the introduction of new clean air zones and congestion charges. • At Autorama, some vehicles are pre-registered and held temporarily on the balance sheet. Consequently, we capture the lifetime emissions of these vehicles when calculating the Group's carbon emissions. This has led to a material increase in our reported carbon emissions. • Overall, the risks associated with climate change have decreased in the last year owing to the actions we continue to take. Nevertheless, looking to the future, the impact of climate change means that managing these risks effectively remains a key strategic priority. More detail about the risks associated with climate change and the mitigations is contained on pages 32 and 33.	• We are evolving our product offering and marketplace to provide consumers with more information about EVs. A cross-functional working group is focusing on helping consumers make more environmentally friendly vehicle choices. Our ongoing integration of Autorama adds digital retailing and leasing capabilities on new cars, including EVs. This places us in an optimal position to provide a viable alternative to consumers who are anxious about making outright purchases. • Our Corporate Responsibility Committee oversees our environmental commitments and work is ongoing to reduce our carbon emissions across all scopes. • As part of our climate commitments, we are focusing not just on our own carbon footprint, but positively supporting the industry. Our partnership with the Carbon Literacy Trust, for example, provides training and insights to employees and external stakeholders. • We regularly meet with various government departments, including HM Treasury and the Department for Transport's Office for Zero Emission Vehicles, to share our data and insights to help guide policy around the topic. • The climate records and commitments of suppliers is a key factor in our procurement processes. • Development and evolution of our digital retailing products provides customers and consumers with purchasing options should extreme weather events lead to short-term retailer forecourt closures.

3 Employees

Increasing

Risk and potential impact	Key changes and outlook	How we manage the risk
To enable us to achieve our strategic objectives it is important that we attract, retain and motivate a highly skilled workforce, including those with specialist skillsets in data and technology. Delivery of our strategy is also dependent on us building a diverse and inclusive workforce, and a supportive, collaborative culture, conducted in a safe environment, all of which will enable optimum performance from all our employees.	• Our Glassdoor rating based on anonymous reviews is 4.4 out of 5 and in our latest Culture Amp survey, 91% of respondents said that they are proud to work at Auto Trader. This year our employee turnover has remained low. • We now operate a Connected Working model where employees are in the office for two 'fixed' days per week plus an additional 'flex' day per week on a day which suits them best. The aim of this working model is to increase efficiency, collaboration and innovation whilst also allowing flexibility and maximising inclusion. • Connected Working also includes a 'remote first' policy. For periods in July, August, and December, employees can work fully remotely to increase flexibility at times when there are increased levels of annual leave. • The cost of living crisis and skills shortages in the market continue to affect workforce costs. We monitor the market proactively to ensure that our salaries are fair, proportionate and aligned to market rates. In 2022 we made a cost-of-living payment to all employees (except for the OLT and the Board) and increased the size of our annual salary review. • In the marketplace, employees have increasing expectations of their employers to act in a fair, responsible and sustainable manner and we remain committed to ensuring that we conduct our business in a morally responsible way. • Overall, the employee-related risks remain a principal risk and we acknowledge that managing this risk effectively is crucial to achieving our strategic objectives.	• A values-led culture which is embedded throughout the recruitment, induction, training and appraisal processes. • Long-term incentive plans for senior and key staff, including incentives with respect to diversity and inclusion and Auto Trader's environmental impact. • Regular employee engagement surveys and monitoring of Glassdoor ratings. We have regular business updates, networks, guilds, and all-employee conferences. • We continue to monitor the impact Connected Working is having on engagement, inclusion, employee safety and productivity, with reference to both pandemic and pre-pandemic levels. Any overseas working during the Remote First periods must be reviewed and approved by People Operations to ensure the safety of our employees, security of our systems and compliance with all relevant laws and regulations. • Active succession planning and career development plans to retain and develop our executives. Talent development is part of the Terms of Reference of the Nomination Committee. • Diverse Talent Accelerator, Inclusive Leadership, and Continuous Leadership Development programmes aim to equip our employees, people leaders and future leaders with the skills to lead, manage and work within diverse teams.

4 Reliance on third parties and partners

Decreasing

Risk and potential impact	Key changes and outlook	How we manage the risk
To achieve our strategic objectives, we are reliant on partners engaging with the changes we are introducing to the industry. Getting lenders on-board with our digital retailing aspirations, for example, is a key dependency. We also rely on third parties to support our technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products. Consequently, it is important that we manage relationships with, and performance of, key suppliers and key strategic partners.	• We have implemented a refreshed onboarding and monitoring process for critical suppliers. Despite the threats posed to our suppliers in the external environment, we have not experienced any material disruptions in the last year. • As we progress further into digital retailing, we are likely to see an increased reliance on third parties. Some of the products we intend to launch will rely on partners and lenders, and these could be barriers to growth should these partners not engage with us. Ensuring that we manage our relationships with these third parties will be crucial. • Overall, our significant strategic initiatives in relation to platform and commercial data represent good progress in reducing the level of reliance we have on third parties. However, we remain aware of the importance of our partners in achieving our aspirations in digital retailing.	• Where possible, we limit reliance on single suppliers to reduce single points of failure. • We have identified key suppliers and have plans in place to respond to disruption. • Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process and are subject to regular review. • We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture. • We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.

5 IT systems and cyber security

Unchanged

Risk and potential impact	Key changes and outlook	How we manage the risk
As a digital business, we rely on our IT infrastructure to provide our services. A disruptive cyber security and/or business continuity event could lead to downtime of our systems and infrastructure. Execution of our strategy also relies on us making appropriate investments in secure systems and technologies. Failure to invest in appropriate technology and safeguards could lead to us failing to achieve our objectives. Delivery of our strategic objectives also relies on us using data to provide valuable insights to customers. A significant data breach, whether because of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, retailers and advertisers.	• We have completed a multi-year migration of our applications to the cloud. This increases the resilience of our systems and the security of our data. • Development of new products carries the threat of cyber-attack and with digital retailing the impact of a potential data breach is likely to increase. We are therefore developing systems which provide not just the best customer and consumer experience, but all necessary security to ensure we remain resilient. • Integration of Autorama's leasing deals onto the Auto Trader platform is complex, and we are mindful of IT and cyber security threats during the integration. We are also committed to continuously reviewing, testing and updating Autorama's IT disaster recovery and business continuity arrangements. • Whilst we have used artificial intelligence ('AI') for many years, the recent emergence of generative AI poses a great opportunity for us to enhance our products, customer and consumer experience, and to improve efficiency. However, it is important we use AI in a manner which does not expose us to excessive security, compliance and or reputational risks. • AI could be used by criminals maliciously in future. Deepfake technology, for example, increases the risks of social engineering against stakeholders. • The cyber security landscape is constantly evolving. We continue to make significant investments in safeguarding our systems and data, as well as implementing best-in-class systems to support the achievement of our strategic objectives.	• We have a disaster recovery and business continuity plan which is regularly reviewed and tested. • We continuously monitor the availability and resilience of processing systems and services. The migration to the cloud has improved to the efficiency of our systems and improved our ability to respond to an incident in a timely manner. • We have dedicated security teams, including white hat hackers, and carry out regular penetration testing of key systems to identify vulnerabilities. • All employees are required to undergo IT security awareness training on at least an annual basis. • We use two-factor authentication for all our car retailers and employees to access our network. • We have now adopted the National Institute of Standards and Technology ('NIST') Cybersecurity Framework to manage and reduce cyber security risks. • Our digital retailing teams regularly review the IT systems and infrastructure required to deliver our strategy.

6 Failure to innovate: disruptive technologies and changing consumer behaviours

Decreasing

Risk and potential impact	Key changes and outlook	How we manage the risk
The automotive industry is changing at unprecedented pace. Should we fail to innovate our business and product offerings, we could lose relevance with our key stakeholders, including consumers and customers. It is crucial that we develop and implement new products, services and technologies, and adapt to changing consumer behaviour towards car buying and ownership. Failure to provide both customers and consumers with the best possible products and online journey, including an online buying experience, could lead to reduced website traffic and loss of revenue.	• We continue to develop new products in our marketplace, platform and digital retailing. In the last year we have launched a trial of Deal Builder with a small number of retailers. This provides consumers with an omni-channel buying journey where they can find, reserve, finance, and part exchange online. • Leveraging Autorama's systems, we launched a leasing check-out journey on the Auto Trader website. Providing consumers with a leasing option positions us to meet their needs as buying behaviours change, particularly those consumers wary about buying an EV for the first time. • We have continued to develop our AT Connect solution. This online tool leverages our platform and data to provide retailers with real-time connections to Auto Trader systems which can be used to inform vehicle valuations, maintain stock on our website in real-time and access our vehicle taxonomy. • Our data has been recognised nationally through the provision of our market pricing data to the ONS. We also work with government to provide information about EV demand to inform potential locations for EV chargers. • Overall, we have continued to manage the risks well over the last year and continue to provide new and updated solutions to both customers and consumers.	• Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world to enable peer-to-peer sharing of good practice. • An inclusive and diverse workforce enables us to maximise creativity and performance, leading to innovation. • An agile and collaborative culture, as well as continuous investment in technology, maximises innovation. • Dedicated workstreams as part of all our strategic priorities. These workstreams are aimed at developing the best products to meet the needs of the consumer and customer.

7 Legal and regulatory compliance

Increasing

Risk and potential impact	Key changes and outlook	How we manage the risk
The Group operates in a complex regulatory environment. As we progress in executing our strategy, we are likely to be exposed to increased legal and regulatory risks, particularly those relating to FCA and GDPR. There is a risk that the Group, or its subsidiaries, fail to comply with legal and regulatory requirements. This could lead to reputational damage, financial or criminal penalties and impact on our ability to do business.	• Providing consumers with an online car buying journey will increase our exposure to regulatory risks, in particular the amount of personal information we collect and in the provision of the online finance application journey. • Integrating Autorama exposes us to increased FCA and GDPR risks. This relates to both the leasing journey itself, as well as the ancillary products offered as part of leasing, such as gap insurance. Our compliance teams have been working to ensure that Autorama's policies and procedures are compliant. • We are regularly 'horizon scanning' to prepare us for upcoming changes to regulations and legislation. Upcoming legislative and regulatory changes which may affect us, albeit to varying degrees, include the UK Online Safety Bill Digital Markets, Competition and Consumers Bill, Data Protection and Digital Information Bill, the UK Audit Reform Bill, FCA Consumer Duty regulations, and changes to the UK Corporate Governance Code. • In the last year, in both response to, and in anticipation of, changes in regulatory risk, we have increased our resource in relation to risk and compliance monitoring, and increased headcount in our Governance, Risk and Compliance function. Overall, we consider the level of risk has increased.	• We have dedicated internal expertise responsible for identifying, assessing and responding to upcoming changes in laws and regulations, and we utilise external specialists where necessary. • We have a mature governance framework to oversee our legal and regulatory risks. Governance forums receive regular internal reporting on our compliance with the principles, rules and guidance applicable to our regulated activities. • A comprehensive suite of policies is reviewed regularly. Additionally, training and monitoring ensures awareness of, and compliance with, regulatory requirements, including information security, data protection, financial promotions, product change management, complaints handling and vulnerable customers. • The regulated entities within the Group continue to comply with the FCA's Senior Managers & Certification Regime. The relevant individuals have been assessed and certified as Fit and Proper. All employees are subject to the FCA's Conduct Rules and have received appropriate training and guidance. • We have increased headcount in our Governance, Risk and Compliance function.

8 Competition

Unchanged

Risk and potential impact	Key changes and outlook	How we manage the risk
Our data continues to show that there is a low competitive threat in our classified marketplace. Nevertheless, we remain wary of the risk that competitors could develop a superior consumer experience or superior retailer products. This could lead to loss of market share. Further, as the automotive industry evolves, an agency model could change the way that vehicles are bought and sold. Under an agency model, cars are sold by OEMs directly to consumers via retailers. As we progress with our own objectives surrounding digital retailing, an agency model could mean that OEMs themselves emerge as a direct competitor in the vehicle retail industry. Failure to manage this emerging threat could inhibit our ability to achieve our objectives.	• Large technology companies such as Facebook, eBay and Amazon continue to operate in the automotive marketplace. In the last year, however, we maintained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader. • On Boxing Day 2022 we launched a new marketing campaign which focuses on helping consumers to find the right car for them. This was supported by social media and digital audio content. We estimated that our advertising reached 99% of the UK population between Boxing Day and 31 March 2023. • In 2023 we worked with certain OEMs to provide them with advertising solutions following their switch to an agency model. • Overall, we continue to see retailers and manufacturers evolving their online offerings, and as we diversify our own product offering, we broaden our competitive landscape, potentially leading to exposure to increased competition. It therefore remains imperative that we are innovative across our classified marketplace, our platform and digital retailing.	• Continued investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle. • Working with OEMs to develop solutions to enable them to advertise their new car pipeline stock on our website. • We monitor competitor activity closely through monthly reporting and formal quarterly competitor reviews, and regularly review this at OLT and Board level. • We continue to invest in and develop our product offering to ensure we offer value to consumers, retailers and manufacturers. • We work in an agile way which enables us to respond quickly to emerging competitive threats.

9 Brand and reputation

Decreasing

Risk and potential impact	Key changes and outlook	How we manage the risk
Our brand is one of our biggest assets. Our research shows that we are the largest and most trusted automotive classified brand in the UK. Failure to maintain and protect our brand, and/or negative publicity affecting our reputation could diminish the confidence that retailers, consumers and advertisers have in our products and services. This could result in a reduction in audience and revenue.	• Our research shows that Auto Trader has c.90% prompted brand awareness with consumers. We are also voted regularly as the most influential automotive website by consumers in the car buying process. • We are supporting digital retailing product development with marketing to ensure that consumers see us as the most suitable place to transact online. • Owing to measures and monitoring techniques used by our security team, we continue to see very low levels of fraudulent and misleading adverts on our website. We use a customer watch list which aims to manage our platforms proactively in line with our values and relevant regulations, to identify and stop customer behaviour that could harm consumers, retailers or the Auto Trader brand. • To date, the trial of our Deal Builder product has been provided to only a select number of retailers. All retailers trialling this new product undergo enhanced checks before being granted access, including reviews on consumer feedback. • Overall, we consider there to be a decreasing risk to our brand and reputation.	• We have a clear and open culture with a focus on trust and transparency. • We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts. Customer security also work proactively with retailers and the wider industry to flag potential security concerns. • We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used. • To get access to Deal Builder, retailers are required to sign up to and adhere to a Seller Promise. Seller Promise prescribes minimum levels of consumer service and advertising. • Our approach to cyber security and data protection helps to protect us from the adverse impact of a significant data breach or cyber-attack. • We have well developed breach reporting and crisis management programmes that enable us to identify, escalate and appropriately handle any emerging issues that could result in reputational damage.

10 External catastrophic and geo-political events

Unchanged

Risk and potential impact	Key changes and outlook	How we manage the risk
In a connected, global industry, we are increasingly prone to the impacts of external events around the globe, as are our customers and consumers. We consider there to be a threat to the short-to-mid-term performance of our business posed by external, unpreventable, catastrophic and geo-political events. Such events could result in our customers being unable to trade, leading to loss of revenue, stock, audience and market share.	• In the last year, adverse market reaction to UK Government policy, the enduring impacts of COVID-19 and the conflict in Ukraine have all led to high inflation. Should the resultant rise in the cost of living be sustained for a lengthy period, it could have an impact on the ownership model of vehicles, potentially with a lower volume of vehicles per household. However, our exposure to high interest rates is minimal owing to our low levels of debt. • It is of paramount importance to the resilience of our business that we can anticipate, and respond quickly to, the impacts of external events, particularly those which impact on our customers. We are therefore continuously reviewing our business continuity and crisis management arrangements to ensure that they consider the impacts of external events. • Overall, we have performed well despite the uncertain national economy. Nevertheless, we remain wary of the threats posed by external events, and we continue to review our crisis and business continuity arrangements regularly.	• We monitor external events continuously and assess the ways in which our business could be impacted, both in the short term and in the longer term. • Our Crisis Response team includes senior leadership and internal experts. Where necessary we also have external advisors available to support us in our response. • Our business continuity plan, IT disaster recovery plan, and wider crisis management arrangements all set out the key steps required for us to respond to major events and restore operations in the event of downtime. • We have identified the key internal stakeholders who are responsible for crisis management across all areas of the business. We have also nominated delegates to minimise single person dependencies. • Our crisis management arrangements are tested regularly via simulated 'war games' scenarios. All key stakeholders within the organisation are involved and we capture lessons learned to continually improve our crisis management arrangements.

Viability statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

Assessment of prospects

The Group's overall strategy and business model, as set out on pages 10 to 13, and pages 8 and 9, respectively, are central to assessing its future prospects. The Group's aim is to grow both its car buying and selling audiences, thereby strengthening its core advertising business. It will change how the UK shops for cars by providing the best online car buying experience and enabling all retailers to sell online.

As such, key factors likely to affect the future development, performance and position of the Group are:

- data and technology: continuous investment is made in developing platform technologies which lead to improvements for consumers, retailers and manufacturers;
- market position: the Group is the UK's largest digital automotive marketplace, with the largest volume of in-market car buyers and the most influential website a consumer visits when purchasing a vehicle; and
- people: continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

The Board has determined that a period of five years to March 2028 is the most appropriate period to provide its viability statement as:

- it allows consideration of the longer-term viability of the Group;
- it being more aligned with the Group's strategic planning process; and
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts.

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

The output of the annual review process is a set of objectives which collectively form our three strategic priorities and our Environmental, Social and Governance ('ESG') strategy, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2023, which considered the Group's current position and its prospects over the forthcoming years. Progress against these plans is reviewed monthly by both the Operational Leadership Team and the Board.

> The Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending March 2028.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the five-year period to March 2028. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated Revolving Credit Facility ('Syndicated RCF'). The first year of the financial forecasts is based off the Group's 2024 annual financial budget. The following years are prepared in detail and are flexed based on the actual results in year one.

The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- continued growth in our core marketplace, as we develop our advertising platform and we continue to invest in our search experience;
- growth in digital retailing, as we continue to evolve both our products and consumer experience, bringing more of the car buying journey online;
- growth in the use of our data, being the industry standard platform and further embedding our data into the industry, giving buyers and retailers up-to-date insight; and
- increase in costs through salaries as the Group continues to grow, supporting and developing new products.

These key assumptions are reflected in the Group's principal risks and uncertainties, which are set out on pages 50 to 55. The purpose of the principal risks is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained opposite.

Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 50 to 55. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were as follows:

Scenario modelled	Links to principal risks
Scenario 1: Severe economic downturn Given the increase in the cost of living and steep rise in interest rates, the impact of a severe economic downturn has been considered. This would likely suppress consumer confidence, pressuring the used and new car markets, with retailers impacted due to an increase in their cost of capital. In the longer term, this landscape could be a catalyst for structural changes in the ownership model of vehicles, potentially including a rise in subscription-based models. **Revenue assumptions:** Approximately one third of retailers are lost, with underlying ARPR reducing through a loss of stock resulting in a 45% decrease in Trade revenue. A 40% decrease in all other revenue streams, including Autorama, was assumed due to reduced demand. Modest recovery was assumed for the financial year March 2026. **Cost assumptions:** Cost of sales and marketing decreased in line with revenue.	**Risk 1:** Automotive economy, market and business environment **Risk 10:** External catastrophic and geo-political events affecting customer and consumer behaviours
Scenario 2: Data breaches The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine (4% of Group revenue), coupled with a significant level of reputational damage to the Group's brand. **Revenue assumptions:** A severe reduction was modelled through Trade revenue, resulting in an initial 45% decrease in revenue driven by lost retailers. A 45% decrease in Consumer Services, Manufacturer and Agency and Autorama revenue was also assumed through the loss of consumer and partner confidence. Modest recovery was assumed for the financial year March 2025. **Cost assumptions:** Cost of sales and marketing decreased in line with revenue.	**Risk 5:** IT systems and cyber security **Risk 7:** Legal and regulatory compliance **Risk 9:** Brand and reputation
Scenario 3: Banning the sale of diesel cars The impact of climate change has been considered through the potential ban of diesel cars. The government has outlined plans to ban the sale of new conventional petrol and diesel cars from 2030. This scenario assumes the government brings forward the ban of diesel cars, and also applies it to used cars, in the financial year to March 2026. This would result in a significant impact on stock available as well as a loss of retailers who cannot operate viably without the sale of diesel cars. **Revenue assumptions:** Approximately one third of retailers are lost, with underlying ARPR reducing through a loss of stock, resulting in a 40% decrease in Trade revenue. A 16% decrease in Consumer Services revenue was assumed through lost private diesel car volumes. A modest impact to Manufacturer and Agency revenue was assumed with Manufacturers well progressed into the transition to selling electric vehicles. Autorama revenue decline of 30% due to reduction in volumes. Modest recovery was assumed through retailers for the financial year March 2027 and beyond. **Cost assumptions:** Cost of sales and marketing decreased in line with revenue.	**Risk 1:** Automotive economy, market and business environment **Risk 2:** Climate change **Risk 6:** Failure to innovate: disruptive technologies and changing consumer behaviours
Scenario 4: Combination of all three scenarios as above This is seen as a worst-case scenario, and highly unlikely.	All of the above

The war in Ukraine

The war in Ukraine has the potential to materially impact the automotive value chain. As Russia is an exporter of key metals and other materials used in parts production, and Ukraine makes components used in production such as wiring harnesses, there is a direct disruption and rising price risk. The supply chain is already impacted by semi-conductor supply issues, and there could be a further impact to new car transactions. This scenario has not been modelled as the Group does not feel there is likely to be significant impact than that already seen, however it will continue to monitor the situation.

Syndicated Revolving Credit facility ('Syndicated RCF')

The above scenarios consider the bi-annual covenants attached to the Group's Syndicated RCF, ensuring thresholds are met. The scenarios are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, it would be able to withstand the impact of any of these scenarios, remain cash generative and meet the obligations of its debt facility.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending March 2028.

Going concern

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

The Company's Strategic report, set out on pages 2 to 57, was approved by the Board on 1 June 2023 and signed on its behalf by:

Nathan Coe
Chief Executive Officer
1 June 2023

These reports explain our governance policies and procedures in detail and describe how we have applied the principles contained in the UK Corporate Governance Code 2018 (the 'Code').

Dear shareholders

Compliance with the Corporate Governance Code

The reports on the following pages, including the Committee reports, set out the governance arrangements we have in place, and detail how we have met the Code requirements. Once again, the Company complied with all provisions set out in the Code for the period.

Board succession planning

Succession planning has been a major focus area during the year. The Board has approved the appointment of Matt Davies as Chair Designate with effect from 1 July 2023, to succeed me as Chair prior to the conclusion of the 2023 AGM. Two of our Non-Executive Directors (David Keens and Jill Easterbrook) will reach the end of their third three-year terms in 2024, the ninth anniversary of Auto Trader Group plc's admission to the London Stock Exchange's official list. Jeni Mundy will reach the end of her third three-year term in 2025. The Nomination Committee report sets out in some detail the succession plan for these changes, including the overarching goals, skills and experience requirements and the expected timelines. The Company will continue to update on our progress at the appropriate time, as suitable candidates are identified and appointments are made.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10:00am on Thursday 14 September 2023 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. Myself and the other Directors will join the meeting either in person or by telephone. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@autotrader.co.uk.

Ed Williams
Chair
1 June 2023

Independence[1]

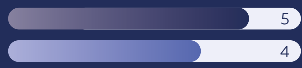
Number of Directors as at 31 March 2023[2]

Percentage of independent Directors on the Board: 62.5%

Independent Non-independent

Gender diversity

Number of Directors as at 31 March 2023[2]

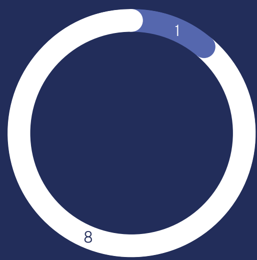


Percentage of women on the Board: 55.6%

Women Men

Ethnic diversity[3]

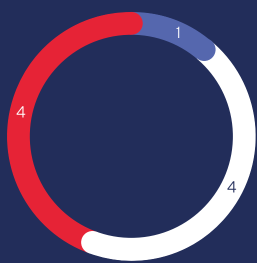
Number of Directors as at 31 March 2023[2]



Ethnically diverse
White

Length of tenure[4]

Number of Directors as at 31 March 2023



0–3 years
3–6 years
6–9 years

1. Excluding the Chair.
2. No change from 31 March 2022.
3. As per the Parker Review, a Director was defined as being ethnically diverse if they identified as Asian, Black, Mixed or Other.
4. Refers to the period since appointment to the PLC Board.

Compliance with the 2018 Code

The Company has complied in full with all provisions of the 2018 Corporate Governance Code during the year as referenced below:

1 Board leadership and company purpose

The Board is responsible for setting the Group's purpose, for determining the basis on which the Group generates value over the long term and developing a strategy for delivering the objectives of the Group. The Strategic report, which can be found on pages 2 to 57, sets out the Group's purpose, strategy, objectives and business model. Details of how the Board assesses and monitors culture can be found on page 62.

The Board's engagement with employees, shareholders and other stakeholders is described in detail on pages 14 to 17 and page 62.

2 Division of responsibilities

The responsibilities of the Chair, Chief Executive Officer, Senior Independent Director, Non-Executive Directors and Company Secretary are set out on page 63. The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate and is reviewed at least annually. Each Committee has formally approved Terms of Reference which are reviewed and approved at least annually, or more frequently as circumstances require. Details are published on our website at plc.autotrader.co.uk/investors.

At the date of this report, the Board consists of the Non-Executive Chair, five Independent Non-Executive Directors and three Executive Directors. Refer to page 64 for details of Board and Committee meetings and attendance, and to the biographies on pages 60 and 61 for details of Board members' external commitments, all of which were approved by the Board.

3 Composition, succession and evaluation

The Board has established a Nomination Committee, chaired by Ed Williams, with all other members comprising Independent Non-Executive Directors. The main responsibilities of this Committee are to keep under review the structure, size and composition of the Board and its Committees; to identify and nominate candidates for appointment to the Board; and to ensure that there are formal and orderly succession plans in place.

During the year, the Committee focused on implementation of the succession plan for the Chair and Non-Executive Directors who are reaching their nine-year tenure. The Committee also led an evaluation of the Board, the Committees and each individual Director. The work of the Committee is described on pages 66 to 69. The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. Biographies of all members of the Board appear on pages 60 and 61.

4 Audit, risk and internal control

The Board has established an Audit Committee, chaired by David Keens and comprised entirely of Independent Non-Executive Directors. The Chair is not a member of the Committee. The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management, internal control, internal audit and external audit.

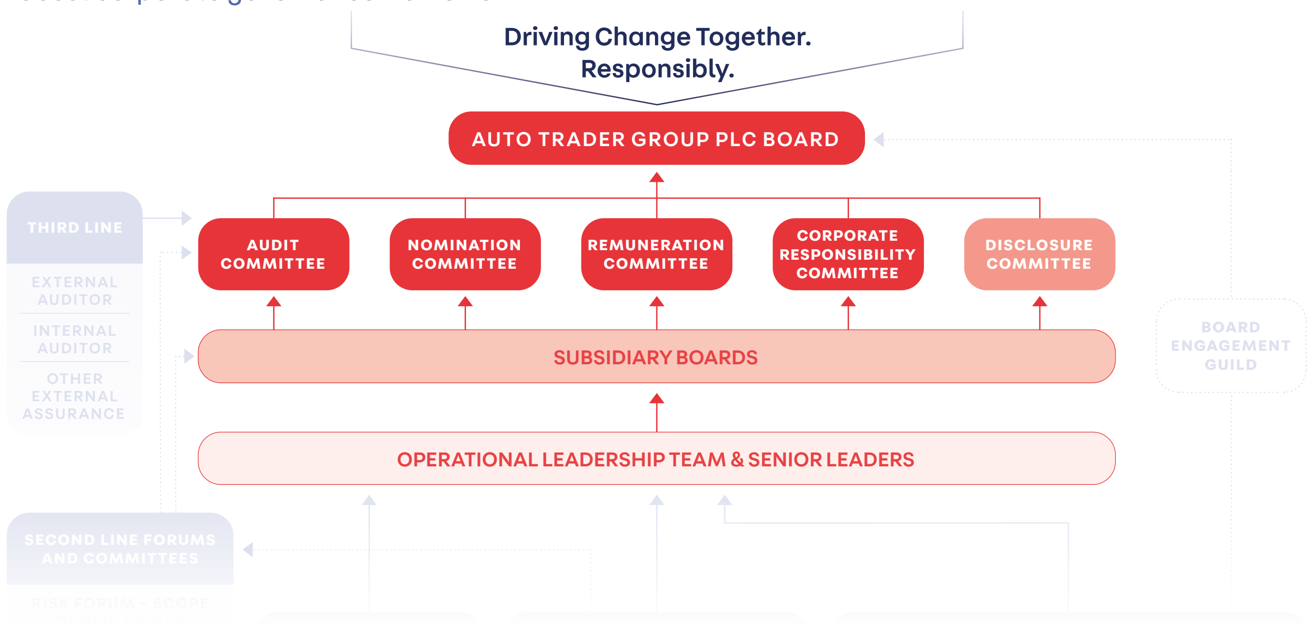
The work of the Committee is described on pages 70 to 75.

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining risk appetite, and the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. Refer to page 73 for details of the evaluation of the risk management and internal control framework, and to pages 48 to 55 for details of risk management and the principal risks facing the Company.

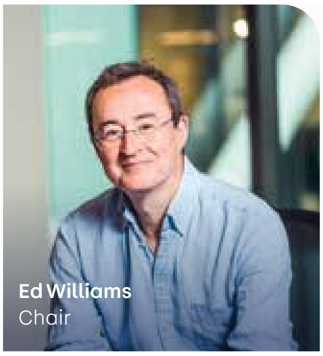
5 Remuneration

The Board has established a Remuneration Committee, chaired by Jill Easterbrook and comprised entirely of Independent Non-Executive Directors. The Remuneration Committee is responsible for determining the Remuneration Policy, and for setting remuneration for the Executive Directors, the Chair and senior employees; for monitoring the remuneration policies for the wider organisation; and for ensuring the alignment of reward with the culture of the organisation. The work of the Committee is described on pages 80 to 93.

A robust corporate governance framework



FURTHER DETAIL
For the full detail on how we govern ESG:
Being a responsible business P26
How we manage risk P48



Ed Williams
Chair

Biography
Ed was appointed as Chair of Auto Trader Group plc in February 2015.

He was the founding Chief Executive of Rightmove plc, serving in that capacity from November 2000 until his retirement from the business in April 2013. Rightmove plc was floated on the London Stock Exchange in February 2006.

Prior to Rightmove, Ed spent the majority of his career as a management consultant with Accenture and McKinsey & Co.

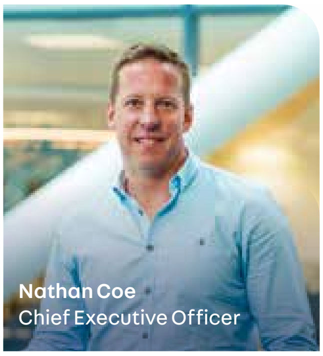
Ed holds an MA in Philosophy, Politics and Economics from St Anne's College, Oxford.

Appointed to PLC Board
February 2015

Independent on appointment?
Yes

External appointments
- Baltic Classifieds Group plc

Committee memberships
N



Nathan Coe
Chief Executive Officer

Biography
Nathan was first appointed to the Board as Chief Operating Officer ('COO') in April 2017 and as Chief Financial Officer ('CFO') in July 2017. Nathan was appointed Chief Executive Officer ('CEO') in March 2020, following the announcement of former CEO Trevor Mather's retirement.

Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to a pure digital company. Prior to his appointment to the Board, Nathan was the joint Operations Director, sharing responsibility for the day-to-day operations of the business.

Prior to joining Auto Trader, Nathan was at Telstra, Australia's leading telecommunications company, where he led Mergers and Acquisitions and Corporate Development for its media and internet businesses.

He was previously a consultant at PwC, having graduated from the University of Sydney with a B.Com (Hons).

Appointed to PLC Board
April 2017

Independent on appointment?
N/A

External appointments
None

Committee memberships
D

Catherine Faiers
Chief Operating Officer

Biography
Catherine joined Auto Trader in August 2017 and was appointed as Chief Operating Officer ('COO') in May 2019. Catherine is responsible for the day-to-day operations of Auto Trader's business. She is also focused on guiding the Group's strategy and development.

Prior to this, Catherine was Chief Operating Officer at Addison Lee, Corporate Development Director at Trainline and a Director at Close Brothers Corporate Finance.

Catherine graduated from the University of Durham with a BA in Economics and is a qualified Chartered Accountant, training at PwC.

Appointed to PLC Board
May 2019

Independent on appointment?
N/A

External appointments
- Allegro.eu Group

Committee memberships
None

Jamie Warner
Chief Financial Officer

Biography
Jamie was appointed Chief Financial Officer ('CFO') in March 2020. Prior to this he was Auto Trader's CFO-Designate and Deputy CFO. During his time at Auto Trader, Jamie has worked in a variety of different roles across finance, covering commercial finance, financial reporting, pricing and investor relations.

Jamie initially worked as a freight derivatives broker for inter-dealer broker GFI. Jamie left to join a start-up company, Swapit, developing a children's online swapping and trading community, that was subsequently acquired by Superawesome. He then joined Auto Trader in 2012.

Jamie graduated from Bristol University with a BSc in Economics and Economic History and is a qualified Chartered Management Accountant.

Appointed to PLC Board
March 2020

Independent on appointment?
N/A

External appointments
None

Committee memberships
D

David Keens
Senior Independent
Non-Executive Director

Biography
David was appointed as a Non-Executive Director on 1 May 2015.

David was previously Group Finance Director of NEXT plc (1991 to 2015) and its Group Treasurer (1986 to 1991). He was a Non-Executive Director and Audit Chair of J Sainsbury plc (2015 to 2021), and most recently has taken up the role as Senior Independent Non-Executive Director and Audit Chair of Moonpig Group plc.

Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco (1977 to 1986) and prior to that seven years in the accountancy profession.

David is a member of the Association of Chartered Certified Accountants and of the Association of Corporate Treasurers.

Appointed to PLC Board
May 2015

Independent on appointment?
Yes

External appointments
- Moonpig Group plc

Committee memberships
A CR N R

Jill Easterbrook
Independent
Non-Executive Director

Biography
Jill was appointed as a Non-Executive Director to the Board on 1 July 2015. Jill is also a Non-Executive Director of Ashtead Group plc, the FTSE 100 international equipment rental company; a Non-Executive Director of UP Global Sourcing Holdings plc, a FTSE small cap consumer goods business; a Non-Executive Director of Tracsis plc, an AIM listed provider of software, hardware, data analytics/GIS and services for the transport industries; and is Chair of Headland, a PR and Communications agency.

Jill brings strong digital experience within retail environments to the Board. Previously, Jill was a member of the Executive Committee at Tesco Plc where she held a variety of senior roles, and was the Chief Executive Officer of JP Boden & Co. She also spent time as a management consultant having started her career at Marks & Spencer.

Appointed to PLC Board
July 2015

Independent on appointment?
Yes

External appointments
- Ashtead Group plc
- UP Global Sourcing Holdings plc
- Verde Bidco Limited (Headland)
- Tracsis plc

Committee memberships
R A CR N

Jasvinder Gakhal
Independent
Non-Executive Director

Biography
Jasvinder was appointed as a Non-Executive Director on 1 January 2022.

Jasvinder is currently Managing Director of Motor at Direct Line Group, leading Motor Insurance strategy and business delivery across household names such as Direct Line, Churchill and Privilege, and is a member of the Direct Line Group Executive Team. Prior to this, she held a number of roles within Direct Line including most recently Chief Strategy Officer and before that, Managing Director of Direct Line for Business.

Jasvinder is a champion of gender diversity and women in top positions in business. She has been named on Green Park's BAME 100 Board Talent Index, on the Cranfield University Top 100 women to watch in 2018 list and also featured on the Northern Power Women list of 'Top 50 Women to Watch'.

Appointed to PLC Board
January 2022

Independent on appointment?
Yes

External appointments
- UK Insurance Business Solutions Limited

Committee memberships
A CR N R

Jeni Mundy
Independent
Non-Executive Director

Biography
Jeni was appointed as a Non-Executive Director on 1 March 2016.

Jeni is currently Visa Inc's SVP Global Head of Merchant Sales and Acquirers responsible for driving the growth of digital commerce for the world's sellers. She joined Visa in 2018 as the Managing Director for UK and Ireland. Jeni was previously at Vodafone Plc (1998 to 2017). Most recently she held Group Director roles across product management and sales. Prior to that she was Chief Technology Officer on the UK and New Zealand Executive Boards.

Jeni started her career as a Telecommunications Engineer in New Zealand and holds an MSc in Electronic Engineering from Cardiff University.

Appointed to PLC Board
March 2016

Independent on appointment?
Yes

External appointments
None

Committee memberships
CR A N R

Sigga Sigurdardottir
Independent
Non-Executive Director

Biography
Sigga was appointed as a Non-Executive Director to the Board effective 1 November 2019.

Sigga is currently part of the UK executive team at Experian and is responsible for their UK Direct to Consumer Business. Sigga has worked in the financial services industry since 2001, pioneering digital transformation at both American Express and Santander UK. She was responsible for the development and launch of Asto, a Santander Fintech business, providing innovative cash flow solutions to small businesses.

Sigga holds a doctorate in Leadership and Innovation from Manchester Business School, an MBA from IESE Business School as well as a BS degree in Marketing from the University of South Carolina.

Appointed to PLC Board
November 2019

Independent on appointment?
Yes

External appointments
- Frumtak Ventures

Committee memberships
A CR N R

Claire Baty
Company Secretary

Biography
Claire joined Auto Trader in July 2015 and is Company Secretary and Director of Governance. She is responsible for corporate governance; legal services; regulatory compliance; customer security; procurement; and risk management.

Claire was previously Deputy Company Secretary at Betfair Group plc and prior to that was Company Secretary at Centaur Media plc.

Claire is a qualified accountant, a member of the Institute of Chartered Secretaries and Administrators and holds an MBA from Manchester Business School.

Committee memberships
D

Committee memberships
- A Audit
- CR Corporate Responsibility
- D Disclosure
- N Nomination
- R Remuneration
- ● Chair

This Corporate governance statement explains key features of the Company's governance framework. The Company has complied in full with all provisions of the 2018 UK Corporate Governance Code during the year.

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

Culture

Auto Trader has a distinctive culture that is values-oriented and underpinned by a diverse and inclusive workforce. The Board plays an important role in ensuring that this culture remains aligned with our long-term strategy, in setting values, demonstrating behaviours consistent with these values, and in monitoring the culture and behaviours of the organisation.

The Board receives a quarterly Cultural Scorecard, designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement, customer feedback and complaints.

Workforce engagement

A Board Engagement Guild has been established as the core mechanism by which the Board engages with the workforce. The Board Engagement Guild comprises members from across different parts of the business, all of whom are members of the Company's other existing guilds covering areas such as family & wellbeing, diversity & inclusion and sustainability. Each member canvasses views and opinions from their colleagues to share with the Board.

The Board has decided that it is not appropriate to designate a specific Non-Executive Director to carry out this role and instead shares this role across all Non-Executive Directors, and so the Guild meets with the Chair and all Non-Executive Directors (without Executive Directors or any members of senior management present).

Additionally there are a number of well established ways in which the Company engages with the workforce, for example, regular check-in surveys; an annual employee engagement survey; attendance by Non-Executive Directors at some of our Diversity and Inclusion Guild events; an annual conference and quarterly virtual conferences and updates; regular sharing of information from the CEO via emails and videos; and informal open forums.

Whistleblowing

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

Engagement with shareholders

The Board has a comprehensive investor relations programme to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts on the half-year and full-year results. These updates are webcast live and posted on the Group's investor relations website.

The results presentations are followed by formal investor roadshows covering UK and overseas shareholders.

In September 2022, an investor day was held, attended by institutional investors, buy-side and sell-side analysts, during which the Executive Directors and members of senior management outlined the evolution of our strategy. The investor day presentations are available on the Company's website: plc.autotrader.co.uk/investors.

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

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

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

Annual General Meeting

At the 2022 AGM, all resolutions were passed with votes in support ranging from 92.26% to 100%. The 2023 AGM will take place at 10:00am on Thursday 14 September 2023 at the Company's registered office: 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. Myself and the other Directors will join the meeting.

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. We encourage shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@autotrader.co.uk. Following the meeting, responses to questions will be published on the website at plc.autotrader.co.uk/investors.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

Results of resolutions proposed at the AGM will be published on the Company's website: plc.autotrader.co.uk/investors following the AGM.

DIVISION OF RESPONSIBILITIES

THE BOARD

Main responsibilities include:

- Providing leadership for the long-term success of the Group.
- Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action.
- Overall authority for the management of the Group's business, strategy, objectives and development.
- Oversight of operations including effectiveness of systems of internal control and risk management and high standards of business conduct.
- Approval of the Annual Report and Financial Statements, equitable engagement with shareholders and the wider investment community.
- Approval of changes to the capital, corporate and/or management structure of the Group, the dividend policy and capital policy.
- Engagement with and consideration of the interests of employees and other stakeholders.
- Consideration of the business's impact on the community and the environment, and oversight of climate related risks and opportunities.

COMMITTEES

Nomination Committee
Reviews the structure, size and composition of the Board and its Committees, evaluates their performance and makes recommendations to the Board. Also covers diversity, talent development and succession planning.
Read more P66

Audit Committee
Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditor.
Read more P70

Corporate Responsibility Committee
Assists the Board in fulfilling its oversight responsibilities in respect of corporate responsibility and sustainability for the Company and the Group as a whole.
Read more P76

Remuneration Committee
Responsible for all elements of the remuneration of the Executive Directors, the Chair and senior employees.
Read more P80

Disclosure Committee
Assists the Board in discharging its responsibilities relating to monitoring the existence of inside information and its disclosure to the market.
Read more online

BOARD ROLES

Chair

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

Chief Executive Officer

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

Non-Executive Directors

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

Senior Independent Director

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

Company Secretary

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

The full schedule of matters reserved for the Board and the Terms of Reference of each Committee are published on the Company's website at plc.autotrader.co.uk/investors.

To ensure a clear division of responsibility at the head of the Company, the positions of Chair and Chief Executive Officer are separate and not held by the same person. The division of roles and responsibilities between the Chair and the Chief Executive Officer is set out in writing and has been approved by the Board. David Keens is the Senior Independent Director.

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

Ed Williams was considered to be independent on appointment. All of the Non-Executive Directors (David Keens, Jill Easterbrook, Jeni Mundy, Sigga Sigurdardottir and Jasvinder Gakhal) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. The Chair's fees and the Non-Executive Directors' fees are disclosed on page 87, and they received no additional remuneration from the Company during the year. Therefore, at 31 March 2023 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chair, should comprise Independent Non-Executive Directors.

Attendance at meetings

	Board	Nomination Committee	Audit Committee	Corporate Responsibility Committee	Remuneration Committee
Number of scheduled meetings held	11	3	4	3	5
Director					
Ed Williams	11/11	3/3	N/A	N/A	N/A
Nathan Coe	11/11	N/A	N/A	N/A	N/A
Catherine Faiers	11/11	N/A	N/A	N/A	N/A
Jamie Warner	11/11	N/A	N/A	N/A	N/A
David Keens[1]	10/11	3/3	4/4	3/3	4/5
Jill Easterbrook	11/11	3/3	4/4	3/3	5/5
Jeni Mundy[1]	10/11	3/3	4/4	3/3	5/5
Sigga Sigurdardottir[1]	10/11	2/3	4/4	3/3	5/5
Jasvinder Gakhal	11/11	3/3	4/4	3/3	5/5

1. Where Directors were unable to attend a meeting date, this was either due to unavoidable personal circumstances or work commitments. Directors all received the meeting papers and had an opportunity to feed comments in to the Board and Committee Chairs prior to the meetings.

In addition to the scheduled Board meetings detailed above, ad hoc calls took place throughout the year relating to various financial and transactional decisions.

Board and Committee meetings attendance

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

A monthly financial update call is also held at which the Board discusses results with operational management. Once a year the Directors spend a day visiting customers.

During the year, the Chair and Non-Executive Directors have met without Executive Directors present. In addition, the Non-Executive Directors have met without the Chair and the Executive Directors present, and the Senior Independent Director has met with the Executive Directors.

Board and Committee activities in 2023

The Board makes decisions in order to ensure the long-term success of the Group whilst taking into consideration the interests of wider stakeholders, such as employees, consumers, customers and suppliers, and other factors as required of it under s172 of the Companies Act 2006. Board meetings are one of the mechanisms through which the Board discharges this duty, and in order to formalise this process, a stakeholder framework has been established which is applied to all Board papers and discussions. Further information about engagement with the Group's stakeholders is included on pages 14 to 17.

The Board's activities are structured through the year to develop and monitor the delivery of the Group's strategy and financial results; to receive feedback from and engage with stakeholder groups such as employees, customers and suppliers; and to maintain a robust governance and risk management framework. Some of the key activities during the year are shown in the diagram on page 65.

Induction and development

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

Specific focus areas in the induction schedule include: statutory and regulatory information, Board and Committee specific information, business overview and deep dives into people and culture, technology and digital retailing.

The majority of Board meetings contain a presentation from senior management on one of the strategic priorities for the year. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate.

All Directors are offered the opportunity to meet with customers and take part in sales calls to understand the business from a customer's perspective, or to take part or observe focus groups with consumers who use our website. Directors receive regular feedback from our sales and service team to ensure they are kept informed of the latest customer dialogue and sentiment.

The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur, and there is an annual legal and regulatory update provided as part of the Board meeting. All Directors are required to complete our annual compliance training modules covering anti-bribery, anti-money laundering, data protection, information security and other relevant subjects. As part of the Board evaluation, the Chair meets with each Director to discuss any individual training and development needs.

Information and support available to Directors

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

All Directors have access to the advice and services of the Company Secretary, Claire Baty. The appointment or removal of the Company Secretary is a matter for the whole Board.

Concerns over operation of the Board

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

Letters of appointment

The Chair and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting; or on request from ir@autotrader.co.uk. These letters set out the expected time commitment from each Director. Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Conflicts of interest

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

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. We recognise that our Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Auto Trader. Following the year end, Catherine Faiers has been appointed as a Non-Executive Director of Allegro.eu Group. The Board approved the directorship in advance to ensure that there was no conflict of interest. None of the other Executive Directors has any external directorships as at the date of this report. The Board is comfortable that external appointments of the Chair and the Non-Executive Directors do not create any conflict of interest.

Time commitment

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. The Chief Operating Officer holds one external directorship as at the date of this report. The Board is comfortable that external appointments of the Chair, the Non-Executive Directors and the Chief Operating Officer do not impact on the time that any Director devotes to the Company.

Election of Directors

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

Risk management and internal control

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The processes in place for assessment, management and monitoring of risks are described in Principal risks and uncertainties on pages 48 to 55.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 31 March 2023 and for the period up to the date of approval of the Consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board considered the weaknesses identified and reviewed the developing actions, plans and programmes that it considered necessary. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2023 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Report of the Audit Committee on pages 70 to 75 for details of the review process.

See pages 56 to 57 for the Board's statement on going concern and the viability statement.

KEY ACTIVITIES OF THE BOARD AND COMMITTEES DURING FY23

STRATEGY & GROWTH

- Review and approve the mid-term financial plan for viability scenarios.
- Strategy session focused on how our customers are thinking about digital retailing and the wider eco-system that we operate in.
- Reviewed the technology strategy with a focus on cyber and risk.
- Autorama post acquisition review.
- Disposal of Webzone Ltd.

OPERATIONAL

- Deep dives into Auto Trader as a platform.
- Deep dive into digital retailing's end-to-end consumer journey.
- Overview of competitive landscape.
- Reviewed audience and marketing plans.
- Deep dive into the core advertising business and main revenue drivers.

FINANCIAL

- Review and approve financial year 2024 Plan.
- Approval of half-yearly report, Annual Report and Preliminary Results.
- Amendment and extension of debt facility, reducing the commitment from £250m to £200m and extending the term to February 2028.
- Review of capital policy.
- Review of tax compliance.
- Review of managing core marketplace revenue and costs in a high inflationary period.

PEOPLE & CULTURE

- Board Engagement Guild meetings covering topics including: gender and ethnicity pay gap, navigating the cost of living crisis, executive remuneration, Connected Working and our annual employee engagement survey results.
- Review of people changes, recruitment, resourcing needs and employee engagement.
- Review of remuneration framework and target setting.
- Approval of FY22 bonus outturn and Single Incentive Plan vesting for senior management.
- FY23 PSP and Single Incentive Plan targets and grants.
- Approval of cost of living bonuses and increased levels of salary review.
- Succession planning for senior management.
- Director and senior management salary reviews.
- Gender and ethnicity pay gap reporting.

SHAREHOLDERS AND OTHER STAKEHOLDERS

- Review of cultural KPIs.
- Review of stakeholder materiality assessment.
- ESG rating agencies update.
- Approval of science based targets and progress on net zero strategy.
- Quarterly shareholder analysis.
- Review of feedback from analysts and investors from results roadshows.
- Review of dividend policy and capital structure.
- Review of feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM').

GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

- Governance and regulatory updates including: Carbon Literacy training and external legal and regulatory update.
- Review and approval of Group risk register.
- Internal audit update including reviews of IT General Controls; FCA Consumer Duty readiness; and key financial controls at Autorama.
- Review of insurance programme.
- Review and approval of modern slavery statement.
- Review of internal and risk management framework and internal controls.
- Review of external audit effectiveness.
- Board evaluation feedback and action plan.
- Review of succession plans.
- Review of crisis management framework.
- Business continuity planning.
- Approval of material contracts.

Ed Williams
Chair of the Committee

> The focus of the Committee's work during the year was on developing and implementing a plan to renew the Non-Executive Directors, including the Chair, in 2024.

AT A GLANCE

Reviewing the Board's size and composition, and ensuring effective succession planning for the business.

OVERVIEW
- Composed of the Chair and five Independent Non-Executive Directors.
- At least one meeting held per year. A significantly higher number of meetings held this year due to increased activity levels.
- Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation.

OUR PROGRESS IN 2023
- Progressing the implementation of succession plans for the Chair, Senior Independent Director and Audit Committee Chair in 2024.
- Concluding selection process for appointment of Chair Designate.
- Continuing to monitor succession plans for other Board members and senior management succession.
- Held an internal Board evaluation and reviewed the results.

FOCUS AREAS FOR 2024
- Implementing succession plans for the Non-Executive Directors.
- Following up on the Board evaluation recommendations.
- Continuing to monitor Board and senior management succession.

Board of Directors P60

For more information on the Committee's Terms of Reference: plc.autotrader.co.uk/investors

Dear shareholders,

I am pleased to present the Report of the Nomination Committee for 2023.

Role of the Committee

The Committee's main role is to keep under constant review the size and composition of the Board and its Committees including its gender and ethnic diversity, its independence, and the skills, knowledge and experience required for the effective oversight of the Group. The Committee is also responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

How the Committee operates

All members of the Committee are Independent Non-Executive Directors. The Chair of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor or such other matters in which he may have a potential conflict of interest. For those meetings, the Senior Independent Director ('SID') takes the Chair unless the SID is in contention for the role or also has a potential conflict of interest.

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

Board evaluation

We carried out an internal Board evaluation during the year. No significant issues were identified. The results are included in the table opposite.

Appointments to the Board

No new appointments were made during the year, however, since the year end the Board has appointed Matt Davies as a Non-Executive Director and Chair Designate.

The Senior Independent Director led the process for finding the next Chair, working closely with the CEO. A detailed role specification was drawn up, identifying the skills and experience required. A wide search was conducted, taking into consideration the requirements of the role, and with due regard to the benefits of diversity including gender and ethnicity. Erevena, a recruitment consultancy who has no other connection with the Company, were used to identify candidates. Extensive interviews were conducted, including with all Executive and Non-Executive Directors. Following this process, the Committee identified Matt Davies as the successful candidate, and therefore Matt will be appointed as Chair Designate with effect from 1 July 2023, and will assume the role of Chair from the 2023 AGM.

Policy on appointments to the Board

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

As set out in the table on page 41, 56% of our Board Directors are women, exceeding the targets set by the Listing Rules. We do not currently have a woman in one of the roles of Chair, SID, CEO or CFO. However, we do have a female Executive Director, Catherine Faiers, in the role of COO, which we believe to be of equal status to those roles. One of our Board Directors is from a minority ethnic background.

At a leadership level, 56% of the Operational Leadership Team ('OLT') and 38% of the OLT's direct reports were women, a combined total of 40%.

Succession planning

The focus of the Committee's work during the year was on developing and implementing a plan to renew the Non-Executive Directors, including the Chair. A detailed description of the approach we are adopting is set out overleaf.

We also conducted a long-term review of executive succession with two areas of focus. The first was to confirm the identity of our preferred internal candidate as the eventual successor to our CEO, Nathan Coe. The second area of focus was in regard to the composition and potential of the next level of executives outside the Executive Director group. The intention is to both enlarge the OLT and to communicate clearly to those with the potential to join the OLT in the relatively near term. We believe we have the talent within the business to fill potentially all of our future needs and we believe that offering greater clarity to people in this group will contribute to their retention.

Election and re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire and offer themselves for election or re-election to the Board. Since the last report, Sigga Sigurdardottir has entered into her second three-year term. Following the appointment of Matt Davies as Chair Designate, I will not be standing for re-election. Matt will be standing for election and will assume the role of Chair at the conclusion of the 2023 AGM. Following confirmation by the Committee and Board that they are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company, the Board recommends that shareholders approve the resolutions to be proposed at the 2023 AGM relating to the election and re-election of the Directors.

I welcome any questions in respect of the work of the Committee, which can be submitted to ir@autotrader.co.uk, or in person at our Annual General Meeting.

Ed Williams
Chair of the Nomination Committee
1 June 2023

Board evaluation and effectiveness

An internal evaluation was conducted in 2022/23. The internal review included the completion of a detailed questionnaire by each of the Board Directors, covering the following areas:

- Board meetings and information flows;
- the Board's role, knowledge and skills;
- Board composition and succession planning;
- business strategy, performance and culture;
- risk management;
- engagement with shareholders and other stakeholders;
- the operation of each of the Board's Committees; and
- a follow up on the recommendations raised in the previous review.

The results were reviewed by the Chair and then discussed with the Board in March 2023.

In addition, an assessment of the Chair's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually. Overall, the results showed that the Board and its Committees continue to operate both effectively and efficiently, and that each individual Director continues to make an effective contribution.

The next external evaluation is due in 2023/24.

Results of the 2023 internal review

Areas of strength	Areas for improvement
The Board is a very inclusive environment, open to discussion, feedback and alternative views. Key relationships are excellent and there is a high level of transparency between Executives and Non-Executives.	Although Board papers generally are of high quality and clarity, more work could be done to reduce jargon, focus on salient points and to provide background and context. This will become even more important as new members join the Board in future.
The wider consequences of decisions and the impact on different stakeholder groups is well considered and articulated in Board papers and Board discussions, and is further enhanced by the Employee Engagement Guild.	Whilst it was noted that it is unusual for Non-Executive Directors to attend investor meetings (unless in their capacity as a Committee Chair), it was agreed it would be useful for Non-Executive Directors to attend investor days/analyst presentations from time to time.
The induction process for newly appointed Board Directors was noted to be very good, and training/upskilling sessions for the Board are excellent. This will be of considerable importance in the coming year as new members join the Board.	It was noted that, taking into account the need to renew the Board, we need to ensure that we continue to have strong finance experience, and that the Board should evolve in line with changes in business and strategy.

Board succession plan

Much of the time of the Nomination Committee over the last year has been taken up with planning for and implementing the plan for the renewal of Non-Executive Directors.

The need for a plan arises from the Code's requirement for independent directors and the deemed loss of independence after nine years' service. Auto Trader became a public company in March 2015. Part of that process was the replacement of a private equity board with a public company board. The Committee believes that it made sound choices of the initial set of public company Non-Executive Directors.

As a consequence, the Company faced a need to replenish the majority of its Non-Executive Directors over the next two years, including the Chair. It is in part a result of the belief that a smaller Board has been very beneficial for the business and is likely to remain so into the future. The Committee will look to stagger as much as possible through this next round of appointments.

The panel opposite lists the Non-Executive Board members by length of service, their roles, the experience they bring and identifies when they will be deemed to lose their independence under the Code.

Following the appointment of Matt Davies as Chair Designate, the Committee will now be able to refine the criteria to be applied in the search for other Non-Executive Directors knowing the experience and skills the new Chair brings to the business. It also allows for the new Chair to play a role in making the other appointments.

At the time of the IPO, it was felt important to have a Chair with both public company experience and a depth of knowledge in online classifieds. These were complementary to the then CEO who had a strong technology background and experience of building a global, though at the time private, entrepreneurial business. Online marketplace experience is no longer essential given the depth of experience among the executive leadership, and so the focus was on candidates with public company experience, and a belief that the person understands, values and will seek to preserve and build on the Auto Trader culture including the desire for inclusivity and diversity.

The panel opposite sets out the plan in some detail and highlights the areas that are seen as potentially the most challenging in its successful execution.

The composition of your Board today

EXECUTIVE BOARD MEMBERS

Nathan Coe
Chief Executive Officer

Catherine Faiers
Chief Operating Officer

Jamie Warner
Chief Financial Officer

Chair of the Board, Senior Independent Director & Non-Executive Directors

Name
Ed Williams

Role(s)
- Chair of the Board
- Nomination Committee Chair

Executive experience
- Online marketplaces
- Public company CEO

Deemed loss of independence
March 2024[1]

Name
David Keens

Role(s)
- Senior Independent Director
- Audit Committee Chair

Executive experience
- Retail
- Public company CFO

Deemed loss of independence
May 2024

Name
Jill Easterbrook

Role(s)
- Remuneration Committee Chair

Executive experience
- Retail
- Business partnerships

Deemed loss of independence
July 2024

Name
Jeni Mundy

Role(s)
- Corporate Responsibility Committee Chair

Executive experience
- Telcos
- Payments & technology

Deemed loss of independence
March 2025

Name
Sigga Sigurdardottir

Role(s)
- Non-Executive Director

Executive experience
- Retail banking
- Technology

Deemed loss of independence
November 2028

Name
Jasvinder Gakhal

Role(s)
- Non-Executive Director

Executive experience
- Insurance
- Data

Deemed loss of independence
January 2031

63%
Board independence, excluding the Chair, as at 31 March 2023 (no change from 31 March 2022)

56%
of our Board are female as at 31 March 2023 (no change from 31 March 2022)

Goals for the replacement of NEDs over the next two years

Comply with the requirements of the Corporate Governance Code during and at the end of this process

Maintain the current number of Board members (or possibly reduce the number from nine to eight)

1. Although Ed Williams joined the Auto Trader business as a Non-Executive Director in November 2010 when it was under private ownership, the understanding of the Committee and the Board, having consulted with the FRC, is that the nine-year period commences on the date that Auto Trader listed on the London Stock Exchange.

PLANNED APPOINTMENT TIMINGS

1 Chair of the Board

The Senior Independent Director led the process of finding the next Chair, working closely with the CEO. Matt Davies has been appointed as Chair Designate from 1 July 2023 and will assume the role of Chair after the 2023 AGM.

2 Audit Committee Chair

Now the next Chair has been identified, the Committee will focus on the role of Audit Committee Chair. There are a number of candidates in mind, though this will be influenced by wanting complementary experience to that of the new Chair. It will not be a requirement that the successful appointee also perform the role of SID, though the experience required to perform both roles is often found together.

3 Senior Independent Director

If the Audit Committee Chair is not also appointed as SID, we will seek an additional appointment to take on the role of SID, and David Keens will remain in the role until such time as a new SID has been announced.

4 Remuneration Committee Chair

The Committee expects to be able to appoint one of the existing Remuneration Committee members as Remuneration Committee Chair in succession to Jill Easterbrook, meeting the recommendation to have served on a Remuneration Committee for at least 12 months on appointment. Therefore, Jill may not be directly replaced when she steps down from the Board in 2024.

5 Non-Executive Director

The Committee expects to make at least one further appointment during 2025 (the end of Jill Easterbrook's nine years falls in July 2024 and the end of Jeni Mundy's nine years falls in March 2025). Jeni Mundy's replacement as Chair of the Corporate Responsibility Committee may either be an existing Board member or be a new Director, appointed during 2025.

The composition of your Board in the future

EXECUTIVE BOARD MEMBERS

Nathan Coe
Chief Executive Officer

Catherine Faiers
Chief Operating Officer

Jamie Warner
Chief Financial Officer

Chair & Nomination Committee Chair
Name
Matt Davies
From
September 2023

These positions may or may not be filled by the same individual, depending on relevant experience & expertise

Senior Independent Director ('SID')
Target date: 2024

Audit Committee Chair
Target date: 2024

Name
Sigga Sigurdardottir
Role(s)
Non-Executive Director

Name
Jasvinder Gakhal
Role(s)
Non-Executive Director

Non-Executive Director
Target date: 2025

Skills sought from our new Chair and Non-Executive Directors

Recent financial experience

Experience as a public company CEO or CFO

Retail industry or online media experience

Maintain the record of having women constitute at least 40% of the Board

Ensure the right mix of experience including prior public company experience as a CEO or CFO, financial experience and ideally some continued online and retail industry experience

Achieve a greater staggering of Board appointment dates to reduce the risk of being in a similar position in nine years' time

David Keens
Chair of the Committee

AT A GLANCE

Monitoring the integrity of financial reporting, internal controls and the effectiveness of internal and external audit.

OVERVIEW

- Five Independent Non-Executive Directors.
- David Keens is considered by the Board to have recent and relevant experience. All members have significant commercial and operating experience in consumer and digital businesses.
- At least three meetings held per year.
- Meetings are attended by the Chair of the Board, CEO, COO, CFO, internal auditor and external auditor by invitation.

ACTIVITIES IN 2023

- Assess the Group's going concern and viability statements.
- Review the acquisition accounting for Autorama.
- Discuss key areas of financial judgement.
- Evaluate the quality, effectiveness and independence of external audit.
- Review the effectiveness of internal audit, internal controls and risk management.
- Appointment of new internal auditors.

PLANNING FOR 2024

- Review the integration and control environment of Autorama.
- Agree with KPMG any changes for their 2024 audit.
- Consider the impact and timing of forthcoming Audit and Corporate Governance Reform and any other regulatory changes or implications.

How we manage risk P48

For more information on the Committee's Terms of Reference: plc.autotrader.co.uk/investors

> We reviewed the Annual Report including: recognition of revenue, acquisition accounting, impairment of assets, and the assumptions and scenarios in the viability statement.

Dear shareholders,

I am pleased to present the Report of the Audit Committee for 2023.

The Committee is comprised entirely of Independent Non-Executive Directors. I fulfil the requirement for a Committee member to have recent and relevant financial experience. All members (and therefore the Committee as a whole) have competence in consumer and digital businesses.

The Board approves the Terms of Reference and duties of the Committee, which include: monitoring the integrity of the Group's financial reporting, effectiveness of the internal control and risk management framework, internal audit, and the quality, independence and effectiveness of external audit.

Our Internal Audit function has been co-sourced with Deloitte LLP for the eight years since we became a listed plc in 2015. They have provided an excellent, independent, professional service for which we thank them. Jointly, we determined that it was appropriate to make a change in view of the longevity of their tenure. We conducted a competitive process and have appointed BDO LLP as our new co-sourced Internal Audit provider.

Our external auditor, KPMG LLP, and internal auditor regularly attend Audit Committee meetings. The Chair of the Board, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other members of management attend by invitation.

The Committee has reviewed the content of the Annual Report, including the acquisition accounting for Autorama; the presentation of segmental reporting and profit measures; and the Group's policies over revenue recognition, impairment of assets, and the assumptions and scenarios in the viability statement.

The Annual Report explains our strategy, financial performance and position in a way which we believe is fair, balanced and understandable.

Whilst this Report of the Audit Committee contains some of the matters addressed during the year, it should be read in conjunction with the external auditor's report starting on page 98 and the Auto Trader Group plc financial statements in general.

At the 2022 AGM, shareholders approved the re-appointment of KPMG as our external auditor. The Committee has carried out a review of the effectiveness and independence of KPMG and has recommended to the Board that they are re-appointed at the 2023 AGM.

David Keens
Chair of the Audit Committee
1 June 2023

Financial reporting

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

The Committee assessed the accounting principles and policies adopted, and whether management had made appropriate estimates and judgements. In doing so, the Committee considered management reports and the basis of judgements made. The Committee reviewed external audit reports on the 2023 half-year statement and 2023 Annual Report.

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

Description of significant area	Audit Committee action
Acquisition accounting Management's assessment of the allocation and valuation of goodwill and intangible assets as part of the acquisition of Autorama.	The Committee reviewed the assumptions made by management in respect of the identification and valuation of intangible assets, and the allocation of consideration, and was satisfied that these were appropriately accounted for and disclosed under IFRS 3.
Revenue recognition Revenue recognition for the Group's revenue streams is not complex. However this remained an area of focus due to the large volume of transactions, the new revenue streams from Autorama, and as revenue is the largest figure in the income statement.	The Committee was satisfied with the explanations provided and conclusions reached in relation to the Group's revenue recognition, including management's assessment of Autorama revenue streams.
Going concern and viability statement The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities as they fall due. The period over which the Directors have determined it is appropriate to assess the prospects of the Group has been defined as five years. In addition, the Directors must consider if the going concern assumption is appropriate.	The Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group's Medium Term Plan and cash flow forecasts for the period to March 2028. The Committee discussed with management the appropriateness of the five-year period, and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 50 to 55. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required were discussed. Scenarios covering events that could adversely impact the Group were considered. The Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions.

Other areas of focus	Audit Committee action
Carrying value of goodwill Following the acquisition of Autorama, the Group has two cash-generating units ('CGUs'), being the Digital CGU and Autorama CGU, which require annual impairment testing. Management's assessment of the recoverability of the goodwill is based on future cash flow forecasts.	The Committee reviewed the assumptions made by management, in particular the judgements around allocation of goodwill to CGUs and the estimates that underpin the value in use (Auto Trader CGU) and fair value (Autorama CGU) recoverable amounts. The Committee concluded that the judgements and estimates applied were appropriate.
Investment value in joint venture The Group has a joint venture with Cox Automotive UK, Dealer Auction. Management's assessment of the recoverability of the investment value, including goodwill, is based on future cash flow forecasts.	The Committee reviewed the assumptions made by management, particularly in relation to cash flow forecasts to support the carrying value, and was satisfied that these were appropriately accounted for.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2023 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee was provided with a draft of the Annual Report and the opportunity to comment where further clarity or information should be added. The final draft was then recommended for approval by the Board. When forming its opinion, the Committee had regard to discussions held with management and reports received from internal and external auditors. In particular, the Committee considered:

Is the report fair?	• Is a complete picture presented and has any sensitive material been omitted that should have been included? • Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? • Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	• Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? • Do you get the same messages when reading the front end and the back end independently? • Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence? • Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? • How do these compare with the risks that KPMG include in their report?
Is the report understandable?	• Is there a clear and cohesive framework for the Annual Report? • Are the important messages highlighted and appropriately themed throughout the document? • Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2023 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Risk management and internal control

The Committee's responsibilities include a review of Auto Trader's risk management arrangements and internal controls to ensure that they remain effective and that any identified weaknesses are remediated fully and in a timely manner. The Committee:

- reviews annually the effectiveness of the Group's risk management systems;
- reviews annually the effectiveness of the Group's internal control framework;
- monitors and oversees the response to any alleged instances of fraud, bribery and whistleblowing complaints;
- commissions reports on the effectiveness of business processes and controls and ensures recommendations are implemented where appropriate;
- receives reports from the Group's outsourced Internal Audit function and ensures recommendations are implemented where appropriate; and
- reviews reports from the external auditor on any issues identified in the course of their work, including any internal control reports highlighting control weaknesses, and ensures that there are appropriate responses from management.

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

Element	Approach and basis for assurance
Risk management	Details of our governance structure can be found in the Risk management section of this Annual Report. Risk management operates throughout all levels of our governance structure. The Board as a whole is accountable for risk management. The day-to-day responsibility for managing key risks resides with the Operational Leadership Team ('OLT'). Assurance over the effectiveness of risk management activity is provided under the three lines of defence model as described below. Reports on the effectiveness of risk management and internal controls are presented to executive management at monthly Risk Forum meetings, to the Audit Committee, and to the Board. The Risk Forum agenda includes risk-based 'deep dives' into key risk areas and in the last year these have included: crisis management; enterprise risk management; cyber security; audit and corporate governance reform; FCA Consumer Duty; IT controls over key financial applications; and financial controls at Autorama. Key risks and controls are documented in a Group risk register with OLT members designated as risk owners. A review of the Group risk register is undertaken on a quarterly basis. The process for reviewing and updating the risk register is facilitated by the Governance, Risk and Compliance function and overseen by the Board. A risk-based internal audit programme provides independent, third-line assurance over the effectiveness of the risk management arrangements and this year's internal audit plan included reviews of the following areas: IT General Controls; FCA Consumer Duty readiness; and key financial controls at Autorama.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, balance sheet, cash flow and detailed analysis. The pack also includes KPIs and these are reviewed by the OLT and the Board. Results are compared against the Plan or re-forecast and narrative is provided by management to explain significant variances. The effectiveness of the controls within the financial reporting and consolidation process is reviewed on a quarterly basis by the Governance, Risk and Compliance function. The Risk Forum reviews and oversees these reports.
Budgeting and forecasting	An annual Plan is produced and monthly results are reported against this. The Plan is prepared using a bottom-up approach, informed by a high-level assessment of market and economic conditions. Reviews are performed by the OLT and the Board. The Plan is also compared to the top-down Medium Term Plan ('MTP') as a sense check. The Plan is approved by the OLT and the Board. A detailed monthly rolling forecast is produced, with inputs provided from all business owners. The rolling forecast is then used to help identify potential risks and opportunities by comparison to the original budget plan. A business review then takes place with the relevant OLT member, COO and CFO to agree actions.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions is maintained within the Board's Terms of Reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including: procurement, payments to suppliers, payroll, discounts and refunds. Regular reviews of IT system access take place to ensure that segregated duties remain enforced. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Internal audit

Deloitte were the Group's outsourced Internal Audit function. The Internal Audit function is accountable to the Audit Committee and uses a risk-based approach to provide independent assurance over the adequacy and effectiveness of the control environment. The internal audit work plan for 2022/23 included internal audit assignments in relation to the following areas of risk:

- Follow up into the timeliness and appropriateness of responses to previous internal audit recommendations.
- IT General Controls over key financial applications.
- Key financial controls at Autorama.
- Readiness for the FCA Consumer Duty across Auto Trader Ltd and Autorama UK Limited.

In 2023, following a competitive tender exercise, the provision of co-source Internal Audit services was awarded to BDO LLP. Under the co-source arrangement, BDO will continue to report to the Audit Committee. The arrangements with BDO will enable the Group to leverage existing internal resource to provide assurance over core areas of risk, and also leverage BDO's expertise and independence.

The risk-based internal audit plan for FY24 was approved by the Audit Committee and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas. Whilst the plan has been approved, the Audit Committee will continue to review it regularly to ensure that any new and emerging significant areas of risk are considered.

Management actions that are recommended following the internal audits are tracked to completion and reviewed by the Risk Forum and then by the Audit Committee to ensure that identified risks are mitigated in a timely manner.

Without management present, the Committee met with both Deloitte and the newly appointed BDO. The Committee has also met with management without the presence of Deloitte or BDO. There were no significant issues raised during these meetings.

A risk-based programme of key controls testing takes place on a quarterly basis. We continue to monitor the resource within our Governance, Risk and Compliance function to ensure that we are able to meet future requirements which may arise following the BEIS consultation into the future of audit and corporate governance.

External auditor

The Committee oversees the relationship with the external auditor, KPMG, and reviews their findings in respect of audit and review work. The Committee received and discussed KPMG's review of the half-year report to 30 September 2022 and their audit of the financial statements for the year to 31 March 2023. The Committee met with KPMG without management present and with management without KPMG present, to ensure that there were no issues in the relationship between management and the external auditor to be addressed. There were none.

One of the Committee's roles is to evaluate the quality and effectiveness of audit services provided, and the level of professional scepticism applied. The Committee has carried out a review based on discussion of audit scope and plans, materiality assessments, review of auditor's reports and feedback from management on the effectiveness of the audit process. The review concluded that the external auditor remained effective and applied professional scepticism throughout. The review of the audit report and feedback from management also confirmed that the external auditor challenged management's judgements and estimates where necessary.

The Committee is also responsible for ensuring the external auditor remains independent. The Committee has reviewed, and is satisfied with, the independence of KPMG as the external auditor. In particular, discussions have been held with KPMG's senior management to verify the Group's audit partner's performance and standing within KPMG. There were no conflicts or matters of concern conveyed. The year ended 31 March 2023 was the third year the Group's audit partner has been involved in the audit of the Group.

Non-audit services provided by the external auditor

The external auditor is primarily engaged to carry out statutory audit work. There may be other services where the external auditor is considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from more than one firm, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity, and will be assessed in line with FRC Ethical and Auditing Standards.

Non-audit service	Policy
Audit-related services directly related to the audit For example, the review of interim financial statements, compliance certificates and reports to regulators.	Pre-approval by the Committee is required for all non-audit services. Permissible services may be approved to a maximum of £100,000 for each individual engagement, and to a maximum aggregate in any financial year of 70% of the average audit fees paid to the audit firm in the last three consecutive years.
Prohibited services In line with the EU Audit Reform, services where the auditor's objectivity and independence may be compromised. Prohibited services are detailed in the FRC Revised Ethical Standard 2019 and include tax services, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met and will be assessed going forward in line with the new FRC Ethical and Auditing Standards.

Refer to plc.autotrader.co.uk/investors for full details of the policy.

During the year, KPMG charged the Group £48,000 (2022: £43,841) for audit-related assurance services directly relating to the audit for the review of the Group's interim report for the six months ended 30 September 2022.

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

A competitive tender was carried out in 2016 and KPMG LLP were first appointed as statutory auditor for the year to March 2017. We have therefore complied with the requirement that the external audit contract is tendered within the 10 years prescribed by UK legislation and the Code's recommendation. The Group confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

David Keens
Chair of the Audit Committee
1 June 2023

Jeni Mundy
Chair of the Committee

AT A GLANCE

Providing oversight, scrutiny and challenge on matters relating to the Group's ESG strategy.

OVERVIEW
- Composed of five Independent Non-Executive Directors.
- The Chair of the Board, Executive Directors and other relevant individuals attend the meetings when appropriate by invitation.
- The Assistant Company Secretary acts as secretary to the Committee.
- At least three meetings held per year.

OUR PROGRESS IN 2023
- Long-term net zero targets validated and approved by the SBTi.
- Carbon Literacy training completed by all members of the Board.
- Continued roll out of the Diverse Talent Accelerator programme.
- Launch of the Continuous Leadership Development programme.
- Launch of our Social Mobility Network.
- Review of our cyber security controls.

FOCUS AREAS FOR 2024
- Review our materiality assessment to ensure we are prioritising and focusing on the right issues.
- Oversee and monitor the development of the Group's carbon reduction plan.
- Continued education and training for the Board as new ESG challenges emerge and ESG regulation continues to grow.

Being a responsible business P26

For more information on the Committee's Terms of Reference: plc.autotrader.co.uk/investors

> We continue to make good progress on setting our near-term and longer-term goals across all ESG matters, but we know there is still more to do.

Dear shareholders,

I am pleased to present the Report of the Corporate Responsibility Committee for March 2023.

The Committee was formed to oversee the progress towards fulfilling our Environmental, Social and Governance ('ESG') strategy.

We recognise that our activities – and the way we carry them out – have impacts that reach well beyond our financial performance. Our business activities impact a wide range of stakeholders and we strive to make this impact a positive one.

Our progress in 2023

We continue to make good progress with our ESG strategy and our cultural KPIs:

Materiality assessment

In the prior year, the Group identified the ESG issues that mattered most to its stakeholders and where our ESG activities should focus. The Committee continues to support the areas identified by management as areas of focus: diversity and inclusion; employee wellbeing; engagement and safety; product innovation; customer satisfaction; and climate.

Environmental strategy

The Committee has reviewed the Group's environmental strategy and recognises the progress made during the year. Each of the pillars making up the environmental strategy has achieved key milestones and the Committee commends the positive progress made towards the Group's ambitious targets.

Key achievements during the year include verification of our long-term (2040) net zero targets by the Science Based Targets initiative ('SBTi') and the achievement of the Platinum Award for Carbon Literacy (meaning 80% of our employees are now certified).

We have continued to report consistently with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). As part of this, the Group has undertaken climate scenario analysis and refined its assessment of the risks and opportunities posed by climate change and how they might impact our business. The Committee has reviewed the analysis conducted and recognises that this analysis will need to continually evolve as the Group grows and changes and as we respond to the risks and opportunities identified.

In addition, the Group has undertaken work to understand the impact of the Autorama acquisition on the Group's carbon footprint and has included them in the calculation of our GHG emissions for the year. Our GHG emissions have been audited by a third party, EcoAct, providing an assurance over our emissions reporting.

I am pleased to see the progress made in our aim to become the number one electric car destination and it is encouraging to see the Group meet significant milestones in this area.

Looking ahead to next year, the Committee looks forward to seeing the Group's progress with its carbon reduction plan – with the Group's commitment to net zero and the increased volume of emissions as a result of the Autorama acquisition, a clear plan and focused action will be required if we are to achieve our ambitious target to be net zero by 2040.

Diversity and inclusion

There has been a growing emphasis on the 'Social' pillar within ESG and I am pleased that the Group has continued to focus on and make progress to improve the diversity and inclusion within the organisation. The Group has targeted programmes for employees at different stages of their careers including early careers, mid-career and senior leaders. During the year, the Committee received an update on the Diverse Talent Accelerator programme and it is encouraging to see positive progress with a high proportion of participants benefiting from opportunities within the business. The Continuous Leadership Development programme launched during the year which is focused on supporting senior leaders within the business.

I am pleased that work has already begun to roll out our diversity and inclusion courses and initiatives within Autorama, including our 'One Auto Trader' workshops, and further work will continue in the coming year.

As we face the additional challenges of a growing opportunity gap in the wake of COVID-19 and the cost of living crisis, Auto Trader is committed to ensuring everyone has the opportunity to succeed, regardless of their background, and this includes socio-economic diversity. This year we launched our Social Mobility Network. The Group has supported social mobility for a number of years and has made many changes to its outreach, recruitment, application and onboarding processes. The Social Mobility Network is committed to taking steps to boost opportunities at a time when social mobility is more challenging than ever. This commitment has been recognised by the Group being featured in the Top 75 Employers in the Social Mobility Index by the Social Mobility Foundation.

Ongoing ESG training

During the year all Board members completed Carbon Literacy training – the course covers a broad range of climate change related topics and creates greater awareness of the carbon costs and impacts of everyday activities, as well as understanding how individuals and organisations can reduce their emissions.

ESG continues to receive heightened stakeholder focus and disclosure requirements for companies continue to evolve, requiring companies to enhance and standardise their disclosures, particularly in relation to climate. In addition, as the Group continues to evolve its ESG strategy to incorporate risks and opportunities and their impact on the long-term business strategy, it is essential that the Committee remains abreast of ESG issues and regulation. To assist the Committee in successfully overseeing the Group's ESG strategy, the Committee will continue to receive regular training and education as new ESG challenges and regulations emerge.

Non-financial reporting frameworks

We continue to evolve our Environmental, Social and Governance ('ESG') reporting to meet the requirements of leading industry frameworks and our stakeholders' expectations. Our reporting focuses on the Task Force on Climate-related Financial Disclosures ('TCFD') and the Sustainability Accounting Standards Board ('SASB') standards referencing the SASB's reporting framework for the Internet and Media Services and Media & Entertainment industries. We have also identified the UN Sustainable Development Goals ('SDGs'), which we believe Auto Trader can make a meaningful contribution to.

Measuring progress

We feel it is important to assess the progress being made across the Group's commitments and goals. This is the third year that we have reported our cultural KPIs to sit alongside the existing financial and operational KPIs and I am pleased to see that there has been positive progress with all of our diversity and inclusion KPIs. Whilst they may seem like small changes year on year, we recognise meaningful change takes a number of years and the main focus has to be systemic change resulting in sustainable progress.

It is encouraging to see that employee engagement scores remain high despite these challenging times.

Progress towards our net zero target will continue to be monitored throughout the year to ensure that the Group is on target to reach our goals.

Over the next year the Committee will continue to oversee and monitor the business's commitments in relation to ESG and continue to push forward our ESG strategy.

Jeni Mundy
Chair of the Corporate Responsibility Committee
1 June 2023

TCFD alignment at a glance

The Task Force on Climate-related Financial Disclosures ('TCFD') recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. We have summarised our progress below and pages 30 to 35 in our Being a responsible business section includes disclosures consistent with the recommendations of the TCFD.

TCFD

TCFD recommended disclosure	Group progress
Governance 1. Describe the Board's oversight of climate related risks and opportunities. 2. Describe management's role in assessing and managing climate related risks and opportunities.	We have integrated climate governance into our existing governance processes and sought to embed responsibility for the risks associated with climate change throughout our business. Oversight of climate risks and opportunities is described in 'Our environment' in the Being a responsible business section on pages 30 and 31.
Strategy 3. Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term. 4. Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning. 5. Describe the resilience of the organisation's strategy, taking into consideration different climate scenarios.	The global threat of climate change and the Paris Agreement are forcing action and car buyers want to make the shift to more environmentally friendly vehicles. Public policy is pushing de-carbonisation with the ban on petrol and diesel vehicles before 2030. We have also strengthened our environmental strategy to focus on the following areas: (i) Auto Trader's net zero commitments; (ii) Supporting the automotive industry; and (iii) Supporting our consumers. We have undertaken climate scenario analysis and refined its assessment of the risks and opportunities posed by climate change and how they might impact our business, including consideration of the resilience of our business strategy. See pages 32 and 33 for more information.
Risk management 6. Describe the organisation's processes for identifying and assessing climate related risks. 7. Describe the organisation's processes for managing climate related risks. 8. Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	We have a well-established risk management framework that separates responsibilities into three lines of defence – our OLT, oversight functions and committees and independent assurance. The Group Risk Register includes risk of climate change as a principal risk. We have considered various risks and opportunities, which includes both physical and transition factors. We are looking to take advantage of the opportunities presented by a shift towards electric vehicles and mitigate risks. We have modelled a climate related scenario in our viability statement and have also undertaken climate scenario analysis. See pages 32 and 33 for more information.
Metrics and targets 9. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process. 10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks. 11. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	To help us accurately assess and develop strategies to reach our net zero target, we have broadened the reporting of our GHG emissions to include a full inventory of Scope 3. We have updated our reporting to include the impact of Autorama. We are committed to the Science Based Targets initiative and our near-term (2030) and long-term (2040) targets have both been validated by the SBTi. We are committed to: (i) Reduce absolute Scope 1 and 2 GHG emissions 50% by FY2030/31 from a FY2019/20 base year; (ii) Reduce absolute Scope 3 GHG emissions 46.2% over the same timeframe; and (iii) Reduce absolute Scope 1, 2 and 3 GHG emissions 90% by FY2040/41 from a FY2019/20 base year. Our GHG emissions have been audited by a third party, EcoAct, providing an assurance over our emissions reporting. See page 34 for more information.

SASB disclosure topics and accounting metrics

SASB standards enable businesses around the world to identify, manage and communicate financially material sustainability information to their investors. The SASB standards are industry specific and identify the minimum set of financially material sustainability topics and their associated metrics for the typical company in an industry. SASB assigns Auto Trader to Internet & Media Services and the following disclosure sets out our progress according to the SASB standard for that sector.

Topic	Accounting metric	Group progress
Environmental footprint of hardware infrastructure	1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewable	Scope 1, 2 and 3 GHG emissions disclosed. See page 34 for further information.
	Discussion of the integration of environmental considerations into strategic planning for data centre needs.	We have continued with the migration of our data centres to the cloud. We will have completed the migration by June 2023.
Data privacy, advertising standards and freedom of expression	Description of policies and practices relating to behavioural advertising and user privacy.	See pages 44 to 47 for more information on our approach to data privacy.
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering or censoring.	None, Auto Trader is a UK based company with a predominantly UK based target audience.
Data security	1. Number of data breaches 2. Percentage involving personally identifiable information ('PII') 3. Number of users affected.	We report qualifying incidents to the relevant regulators (for example, the Information Commissioner's Office ('ICO') in the UK) and impacted individuals, where we are legally required to do so and within the mandated timeframes. To the extent that the relevant regulators ever find fault with our data breach management and/or data security practices, they publish their findings/sanctions on their websites. There were no such sanctions in 2022/23.
	Description of approach to identifying and addressing data security risks, including use of third-party cyber security standards.	See pages 44 to 47 for our approach to data security and privacy. We have adopted the National Institute of Standards and Technology ('NIST') Cybersecurity Framework to manage and reduce cyber security risks.
Employee recruitment, inclusion and performance	Percentage of employees that are foreign nationals.	The Group has a total of 79 foreign nationals, representing 6.4% of total employees as at 31 March 2023.
	Employee engagement as a percentage.	91%, see page 20 for further information.
	Percentage of gender and racial/ethnic group representation for: 1. Management. 2. All other employees.	See pages 41 to 43 for further information.
Intellectual property protection and competitive behaviour	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations.	No monetary losses as a result of legal proceedings.

Jill Easterbrook
Chair of the Committee

> The Committee is conscious of the impact of cost of living on our colleagues and we have taken steps to support them during the year, including one-off payments and various initiatives including salary finance.

AT A GLANCE

Advising and overseeing all elements of remuneration for the Chair, Executive Directors and senior management.

OVERVIEW

- Composed of five Independent Non-Executive Directors.
- The Chair of the Board, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other relevant individuals including external advisors are invited to attend the meetings when appropriate – no person is present during any discussion relating to their own remuneration.
- Ed Williams, Chair of the Board, was in attendance at all meetings by invitation.

OUR PROGRESS IN 2023

- Continued to monitor our approach to remuneration to ensure it remains aligned with our strategy, including our ESG ambitions, and the creation of sustainable long-term value and that it is appropriate in the context of evolving shareholder guidance and corporate governance.
- Reviewed pay arrangements considering the impact of inflation and cost of living increases on the wider workforce.
- Considered the treatment of the acquisition of Autorama and the disposal of Webzone Limited (trading as 'Carzone') on the FY23 annual bonus and 2021 and 2022 PSP awards.
- Assessed the achievement of targets for the FY23 annual bonus and 2020 PSP awards.
- Set appropriate targets for the FY24 annual bonus and the PSP awards to be granted in 2023.
- Reviewed fees for incoming Chair.

FOCUS AREAS FOR 2024

- Assess the achievement of targets for the FY24 bonus and 2021 PSP awards.
- Review our Directors' Remuneration Policy to ensure that it continues to support our strategy, is aligned with our purpose and values and provides appropriate motivation for our Executive Directors.
- Continue to monitor our remuneration arrangements in the context of our approach to the wider workforce, executive pay environment, governance developments and market practice.

For more information on the Committee's Terms of Reference: plc.autotrader.co.uk/investors

Key performance indicators P18

Annual statement by the Chair of the Remuneration Committee

Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') for the year ended 31 March 2023.

Performance and reward in 2023

Annual bonus

As detailed in last year's Directors' remuneration report, the FY23 annual bonus was based 75% on Operating profit and 25% on progress made against our digital retailing strategy. Performance was measured excluding the impact of the acquisition of Autorama and the disposal of Webzone Limited (trading as 'Carzone') to allow for a like-for-like comparison with the original targets set.

However, in order to recognise that the performance of Autorama has disappointed compared to initial expectations, the Committee has reduced the bonus outcome by 7.9%. The Committee determined this reduction taking into account the level of performance versus initial expectations. Following these adjustments, the Operating profit element of the award will vest at 54.9% out of a maximum of 75%. The Committee assessed that the stretching digital retailing strategic and operational milestones were met at a level that justified a payout of 17.5% out of a maximum of 25%.The overall bonus payout is therefore 72.4%, which the Committee believes is a fair reflection of the performance during the year.

Performance Share Plan ('PSP')

PSP awards granted in 2020 will vest in August 2023 based on performance over the three years to 31 March 2023. The awards were based 100% on relative total shareholder return ('TSR') compared to the FTSE 350 (excluding investment trusts). These awards were granted during the COVID-19 pandemic, when, due to the uncertainty at the time it was considered very challenging to set robust and fair financial targets for the PSP and therefore the Committee took the approach to base the awards solely on TSR to ensure our focus on long-term recovery rather than short to medium-term performance. As detailed on page 88, relative TSR was below the threshold requirement, and this resulted in 0% of the award vesting.

When reviewing the PSP outcome the Committee recognised that management has performed extraordinarily well over the last three years. For much of the performance period this award was tracking to achieve some level of vesting. However, relative TSR performance is measured versus the general FTSE 350 market and Auto Trader has recently suffered with the cross-sector impact on share prices in the tech sector which meant TSR performance fell below median at the end of the performance period. The Committee reviewed performance relative to our TSR tech sector peers, which would have resulted in some vesting of the award. However, given shareholder sensitivity we have decided not to apply positive discretion in this case.

Performance and reward in 2024

Our 2024 salary review

During the year, the Board and Committee were mindful of the challenging circumstances in the macro-economic environment as inflation began to rise and the cost of living crisis began to impact daily life. The Board was conscious that these pressures were impacting all employees, in particular those on lower salaries. Allowance is being made for this in the annual pay review, which will weight increases towards employees on lower incomes, with the lowest paid employees planned to receive on average c.9% and with a planned average overall increase of c.6%, which is higher than in previous years. In addition, a one-off payment of £700 per employee (excluding the OLT and the Board) was made in December 2022.

Having taken into account the above, the Committee approved salary increases of 5% for the Executive Directors and for the Chair, which is below the planned average Company-wide pay increase of c.6% for 2024. The Board also approved increases of 5% to Non-Executive Director fees.

As referenced in my 2022 statement, and detailed further in the Nomination Committee report, the Board is in the process of implementing the succession plan for the Chair and the Non-Executive Directors that were on the Board at IPO. The Committee has noted that the current Chair's fee is significantly behind market practice, and therefore this will be increased on appointment of the incoming Chair. Similarly, the Board has reviewed the current Non-Executive Director fees and will also apply market-based increases to the Committee Chair fees within the coming year. Further details of the new fees are set out on page 86.

Variable pay in 2024

For 2024 we will continue with the approach we introduced for 2023 awards. The annual bonus for 2024 will continue to be based 75% on Operating profit and 25% on strategic measures linked to the achievement of stretching strategic and operational milestones against our digital retailing objectives. PSP awards granted in 2023 will again be based on 70% Operating profit growth, 20% Revenue growth, and 10% Carbon reduction targets, with an underpin linked to progress on our diversity ambitions. The PSP targets are disclosed in full on page 82 onwards.

I hope that you will support our Directors' remuneration report at the AGM in September. I will be available at the AGM to answer any questions. Over the next year, we will be undertaking a review of our Directors' Remuneration Policy, and will consult with our shareholders prior to proposing any changes. In the meantime, I welcome any feedback that you may have, which can be submitted to ir@autotrader.co.uk.

Jill Easterbrook
Chair of the Remuneration Committee
1 June 2023

REMUNERATION AT A GLANCE: HOW EXECUTIVES WILL BE PAID IN FUTURE YEARS

An overview of our Policy and how it is proposed to apply in 2024 is set out below:

Fixed pay: to recruit and reward executives of a high calibre

Remuneration for the year ending 31 March 2024

Salary	CEO: £626,578 COO: £347,485 CFO: £364,032	A 5% increase below the planned average Company-wide increase of c.6%. The salary review date is 1 July 2023 to align with the approach for the wider workforce. The COO's salary has been pro-rated to reflect that she works 4.5 days per week. Her full-time equivalent salary is £386,094.
Pension	7% of salary	Aligned with the maximum pension opportunity for the wider workforce.
Benefits	Includes private medical cover, life assurance and income protection insurance.	

Annual bonus

To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.

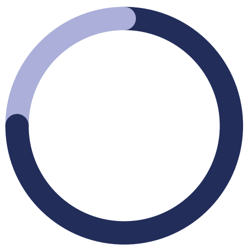
50% of bonus paid in cash

50% of bonus deferred into shares for two years

Maximum opportunity
CEO: 150% of salary
COO and CFO: 130% of salary

Malus and clawback provisions apply.

FY24 bonus metrics



- **75%** Operating profit[1]
- **25%** Strategic: milestones linked to our digital retailing strategic priority

Performance Share Plan

To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.

3-year performance period

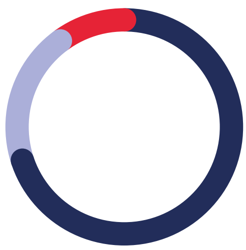
2-year holding period

Maximum opportunity
CEO: 200% of salary
COO and CFO: 150% of salary

Malus and clawback provisions apply.

FY24 PSP metrics

To incentivise and reward the achievement of long-term financial and ESG objectives which are aligned to our corporate strategy and our ESG ambitions.



- **70%** Operating profit growth[2]
- **20%** Revenue growth[3]
- **10%** Carbon reduction

NB: Awards will be subject to a diversity underpin.

Shareholding guidelines

Guidelines apply in-post, and extend beyond tenure in-post guidelines
200% of salary.

Post-employment guidelines
100% of in-post shareholding guideline (or actual shareholding if lower) for a period of two years following departure.

1. Operating profit will be based on Group operating profit, but excluding the impact of the deferred consideration charge in relation to the acquisition of Autorama.
2. Compound annual growth rate targets have been set as three-year growth targets with reference to performance for 31 March 2023 as the base year. Operating profit will be based on Group operating profit, but excluding the impact of the deferred consideration charges in relation to the acquisition of Autorama, which are being spread over 2023 and 2024. This approach provides a like-for-like comparison for assessing performance across the three-year performance period.
3. Revenue will be based on Group revenue, but excluding Vehicle & Accessory Sales attributable to Autorama, as this revenue does not generate any profit.

Annual Report on Remuneration

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UKLA's Listing Rules. This report is subject to an advisory shareholder vote at the AGM on 14 September 2023.

Summary of Directors' Remuneration Policy ('Policy') and implementation for 2024
Our Policy was put to shareholders for approval at the AGM on 17 September 2021 and applies to payments made from this date. We consulted with shareholders when designing and implementing this Policy and received a strong level of support with 99.69% of votes cast.

The following provides a summary of the Policy along with details of how the Policy will be implemented during 2024.

For full details of the Policy approved by shareholders please refer to the 2021 Annual Report and Accounts which can be found at plc.autotrader.co.uk/investors.

Element	Overview of operation	Maximum opportunity	Performance assessment	Implementation for 2024
Salary	Salaries are normally reviewed annually with changes effective from 1 July but may be reviewed at other times if considered appropriate.	There is no prescribed maximum salary level or salary increase; however, any base salary increases will normally be in line with the percentage increases awarded to other employees of the Group.	N/A	CEO Nathan Coe: £626,578 (2023: £596,741) COO Catherine Faiers: £347,485 (2023: £330,939) CFO Jamie Warner: £364,032 (2023: £346,698) A 5% increase, below the planned average Company-wide increase of c.6%.
Benefits	Benefits include life assurance, income protection insurance and private medical insurance.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	No change.
Pension	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan), a salary supplement in lieu of pension benefits (or a combination of the above) or similar arrangement.	Maximum contribution in line with other employees in the Group, currently 7% of salary.	N/A	7% of salary, aligned with the pension opportunity available to the wider workforce.
Annual bonus	Based predominantly on achievement of performance over the financial year. Half of any bonus earned is paid in cash with half deferred into shares under the Deferred Annual Bonus Plan ('DABP') subject to continued employment only. Dividend equivalents provision applies to DABP awards. Recovery and withholding provisions apply, described on page 86.	Maximum 150% of salary as determined by the Committee.	Financial measures will normally represent the majority of the bonus, with strategic or operational non-financial targets representing the balance (if any). Not more than 20% of each part of the bonus will be payable for achieving the relevant threshold hurdle. Measures and weightings may change each year to reflect any year-on-year changes to business priorities. The Committee has the discretion to adjust targets for any exceptional events (including acquisitions or disposals) that may occur during the year. The Committee also has the discretion to adjust the bonus outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business over the period.	No changes. The maximum annual bonus opportunity for the CEO will be 150% of base salary and for the COO and CFO will be 130% of base salary. The FY24 award will continue to be based on the following measures: 75% linked to Operating profit (excluding deferred consideration). 25% linked to strategic milestones linked to our digital retailing strategic priorities. Further detail on these measures can be found on page 84.

Element	Overview of operation	Maximum opportunity	Performance assessment	Implementation for 2024
Performance Share Plan ('PSP')	Awards normally vest after three years subject to performance conditions and continued employment. Awards will normally be made annually under the PSP and will take the form of nil-cost options or conditional share awards. Executive Directors are required to retain vested shares delivered under the PSP for at least two years from the point of vesting. Recovery and withholding provisions apply, as described on page 86. A dividend equivalent provision applies.	Normal circumstances: maximum of 200% of salary as determined by the Committee. Exceptional circumstances: maximum of 300% of salary as determined by the Committee.	The metrics and weightings for each award will be set out in the Annual Report on Remuneration. Any strategic measure(s) will account for no more than 25% of the award. No more than 25% of the award vests for achieving threshold performance.	No changes. PSP awards for the CEO will be made at 200% of base salary and for the COO and CFO, 150% of base salary. The 2023 PSP award will be based on the following measures: • 70% linked to Operating profit growth (excluding deferred consideration). • 20% linked to Revenue growth (excluding vehicle and accessory sales). • 10% linked to Carbon reduction. • Awards will be subject to a diversity and inclusion underpin. Further detail on these measures can be found on page 85.
All-employee share plans: SIP & SAYE	The Company operates two all-employee tax-advantaged plans, namely a Save As You Earn ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees. Executive Directors will be eligible to participate on the same basis as other employees.	Maximum permitted based on HMRC limits from time to time.	N/A	No change.
Share ownership guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company. This is expected to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met. Post-cessation: following stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.	The minimum share ownership guideline is 200% of salary for current Executive Directors.	N/A	No change.

Additional information

FY24 Annual bonus

The maximum annual bonus opportunity will continue to be 150% of base salary for the CEO, and 130% of base salary for the COO and CFO. Awards will be subject to the following performance measures and targets:

Measure	Weighting	Basis	Threshold (0% vesting)	Stretch (100% vesting)
Operating profit	75%	Operating profit for the year ended 31 March 2024[1]	£315m	£365m
Strategic targets	25%	Progress made against our digital retailing strategic objectives. In assessing whether the target has been satisfied, the Committee will consider a range of quantitative and qualitative indicators to inform its decision, including the achievement of stretching strategic and operational milestones against our digital retailing strategic priority, and measures relating to the engagement of car buyers and retailer customers.		

1. Operating profit will be based on Group operating profit, but excluding the impact of the deferred consideration charge in relation to the acquisition of Autorama.

2023 PSP awards

PSP awards for the CEO will be made at the level of 200% of base salary and PSP awards for the COO and CFO will be made at the level of 150% of base salary. Awards will be subject to the following performance measures and targets:

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Operating profit	70%	Operating profit compound annual growth rate for the three years ended 31 March 2026.[1]	5.5%	11%
Revenue growth	20%	Revenue compound annual growth rate for the three years ended 31 March 2026.[2]	6%	11%
Carbon reduction	10%	Reduction of carbon emissions by 31 March 2026.[3]	13%	20%
Diversity underpin	N/A	The vesting under any of the performance conditions will be subject to a diversity underpin. The Committee will determine whether there has been acceptable progress made against the key gender and ethnic diversity objectives, including considering the proportion of our staff who are women and who are ethnically diverse as well as the proportion of leadership[4] who are women and who are ethnically diverse. In assessing whether the underpin has been satisfied, the Committee will consider a range of quantitative and qualitative benchmarks to inform its decision, including 'how' performance has been achieved and 'what' performance has been achieved over the performance period. Should the Committee consider that the underpin has not been met, the Committee would consider whether a discretionary reduction in the number of shares vesting was required.		

1. Compound annual growth rate targets have been set as three-year growth targets with reference to performance for 31 March 2023 as the base year. Operating profit will be based on Group operating profit, but excluding the impact of the deferred consideration charges in relation to the acquisition of Autorama, which are being spread over 2023 and 2024. This approach provides a like-for-like comparison for assessing performance across the three-year performance period.
2. Revenue will be based on Group revenue, but excluding Vehicle & Accessory Sales attributable to Autorama, as this revenue does not generate any profit.
3. Carbon emissions are calculated based on the financial consolidation approach as defined in the Greenhouse Gas Protocol, and include emissions from Scopes 1, 2 and 3. Our total carbon emissions for the year to 31 March 2023 (the base year) have been independently verified. Refer to page 34 for further details.
4. Leadership is defined as the Operational Leadership Team ('OLT') and their direct reports ('OLT-1').

The Committee set these targets taking into account internal and external expectations of performance and organic growth of the business. The Committee believes that these targets are appropriately stretching. For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting for performance below the threshold target.

As noted on page 34, our carbon emissions for 2023 were impacted by the acquisition of Autorama, as we are required to account for the projected life time carbon emissions of vehicles purchased and held temporarily on the balance sheet. To the extent that our approach to the purchase of vehicles changes during the performance period, which would impact our disclosed carbon emissions, the Committee would review the targets set to ensure that they remain stretching. The carbon reduction targets set are consistent with our original commitment set in 2022 to reduce our carbon emissions by 90% by 2040.

Each element will be assessed independently of the other at the end of the performance period. In line with best practice and shareholder expectations the Committee will then consider the wider context and retains the discretion to adjust the payout from the PSP if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

UK Corporate Governance Code

The Directors' Remuneration Policy has been developed taking into account the following principles as recommended in the revised 2018 UK Corporate Governance Code:

- **Clarity:** The Policy is designed to allow our remuneration arrangements to be structured such that they clearly support, in a sustainable way, the financial and strategic objectives of the Company. The Committee remains committed to reporting on its remuneration practices in a transparent, balanced and understandable way.
- **Simplicity:** The Policy consists of three main elements: fixed pay (salary, benefits and pension), an annual bonus and a long-term incentive award. The metrics used in our incentive plans directly link back to our key strategic ambitions and values and provide a clear link to the shareholder experience. The Committee may change measures for future years to ensure they continue to be aligned with our strategy.
- **Risk:** The Policy is in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce pay outcomes where these are not considered to represent overall Company performance or the shareholder experience. Furthermore, our bonus deferral, post-cessation shareholding requirement and PSP holding period ensure that Executive Directors are motivated to deliver sustainable performance.
- **Predictability:** The Committee considers the impact of various performance outcomes on incentive levels when determining quantum. These can be seen as part of the Directors' Remuneration Policy in the 2021 Annual Report and Financial Statements.
- **Proportionality:** A substantial portion of the package comprises performance-based reward, which is linked to our strategic priorities and underpinned by a robust target-setting process. We are mindful of the alignment with our workforce, the shareholder experience and our values and culture when considering the right and proportional approach to pay.
- **Alignment to culture:** When developing our Policy, the Committee reviewed our approach to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of the wider workforce. The themes considered include workforce demographics, engagement levels and diversity to ensure that executive remuneration is appropriate from a cultural perspective. Our 2024 PSP award includes carbon reduction objectives with the vesting of the award subject to a diversity underpin.

Recovery and withholding provisions

Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment of a cash bonus, the grant date of an award under the DABP or the vesting date of PSP awards:

- a material misstatement of, or restatement to, the audited financial statements or other data;
- an error in calculation leading to over-payment of bonus;
- individual gross misconduct;
- serious reputational damage;
- corporate failure; or
- any other circumstance which the Committee considers is similar in nature or effect.

Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the net bonus or PSP vesting and seeking a cash repayment.

Service contracts and policy for payments on loss of office

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary and pension. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.

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

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office or on request from ir@autotrader.co.uk. The CEO's service contract date is 1 April 2017, the CFO's service contract date is 1 March 2020, and the COO's service contract date is 1 May 2019.

Remuneration Policy for the Chair and Non-Executive Directors

Element	Overview of operation	Implementation for 2024
Fees	Both the Chair and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits. The Chair receives a single fee covering all of his duties. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit, Remuneration and Corporate Responsibility Committees and for performing the Senior Independent Director role.	Fees were reviewed and will be increased by 5% with effect from 1 July 2023 as follows: **Base fees** • Chair: £206,931 (2023: £197,078) • Non-Executive Directors: £63,904 (2023: £60,861) **Additional fees** • SID: £10,954 (2023: £10,433) • Audit Committee Chair: £10,954 (2023: £10,433) • Remuneration Committee Chair: £10,954 (2023: £10,433) • Corporate Responsibility Committee Chair: £10,954 (2023: £10,433) There is no additional fee payable to the Chair of the Nomination Committee as the Chair of the Board is currently Chair of the Nomination Committee. As set out on page 92, the fees for the Chair role and for the additional fees have been reviewed and will be increased as the succession plan is implemented.

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

	Start of current term	Expiry of current term
Ed Williams	6 March 2021	5 March 2024
David Keens	1 May 2021	30 April 2024
Jill Easterbrook	1 July 2021	30 June 2024
Jeni Mundy	1 March 2022	28 February 2025
Sigga Sigurdardottir	1 November 2022	31 October 2025
Jasvinder Gakhal	1 January 2022	31 December 2024

Single figure of remuneration for the year ended 31 March 2023 (audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2023.

£'000	Salary and fees	Benefits	Other	Annual bonus[1]	Long-term incentives[2]	Pension	Total fixed remuneration	Total variable remuneration	Total
Executive									
Nathan Coe	**592**	**1**	**–**	**648**	**–**	**40**	**633**	**648**	**1,281**
Catherine Faiers[3]	**329**	**1**	**–**	**311**	**–**	**21**	**351**	**311**	**662**
Jamie Warner	**344**	**1**	**2**[4]	**326**	**–**	**22**	**369**	**326**	**695**
Non-Executive									
Ed Williams	**195**	**–**	**–**	**–**	**–**	**–**	**195**	**–**	**195**
David Keens	**81**	**–**	**–**	**–**	**–**	**–**	**81**	**–**	**81**
Jill Easterbrook	**70**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
Jeni Mundy	**70**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
Sigga Sigurdardottir	**60**	**–**	**–**	**–**	**–**	**–**	**60**	**–**	**60**
Jasvinder Gakhal	**60**	**–**	**–**	**–**	**–**	**–**	**60**	**–**	**60**
Total	**1,801**	**3**	**2**	**1,285**	**–**	**83**	**1,889**	**1,285**	**3,174**

1. Performance against annual bonus targets resulted in an overall outcome of 72.4% of maximum.
2. 0% of PSP awards granted in 2020 will vest in 2023 for performance over the three-year period to 31 March 2023. The award was based 100% on Relative Total Shareholder Return ('TSR') compared to the FTSE 350 (excluding investment trusts). These awards were granted during the COVID-19 pandemic and due to the uncertainty at the time it was considered very challenging to set robust and fair financial targets for the PSP and therefore the awards were based solely on TSR to ensure our focus on long-term recovery rather than short to medium-term performance.
3. Catherine Faiers works a 4.5 day working week and her salary has been pro-rated accordingly.
4. Jamie Warner was granted 1,341 shares under the Company's Save As You Earn scheme, at a discount of 20% to the market price. The total value of the discount was £1,529 and has been included in the 'Other' column above.

Single figure of remuneration for the year ended 31 March 2022 (audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2022.

£'000	Salary and fees	Benefits	Other	Annual bonus	Long-term incentives[2]	Pension	Total fixed remuneration	Total variable remuneration	Total
Executive									
Nathan Coe	577	1	–	652	403	40	618	1,055	1,673
Catherine Faiers[1]	320	1	–	313	280	21	342	593	935
Jamie Warner	335	1	1[3]	328	96[4]	23	360	424	784
Non-Executive									
Ed Williams	187	–	–	–	–	–	187	–	187
David Keens	77	–	–	–	–	–	77	–	77
Jill Easterbrook	68	–	–	–	–	–	68	–	68
Jeni Mundy	68	–	–	–	–	–	68	–	68
Sigga Sigurdardottir	58	–	–	–	–	–	58	–	58
Jasvinder Gakhal[5]	14	–	–	–	–	–	14	–	14
Total	**1,704**	**3**	**1**	**1,293**	**779**	**84**	**1,792**	**2,072**	**3,864**

1. Catherine Faiers works a 4.5 day working week and her salary has been pro-rated accordingly.
2. 50.1% of PSP awards granted in 2019 vested in 2022 for performance over the three-year period to 31 March 2022. In last year's report, for the purpose of the single figure the vested shares were valued based on the three-month average share price to 31 March 2022 of 663.06p, giving a value of £457k for Nathan Coe, £318k for Catherine Faiers, and £109k for Jamie Warner including dividend equivalents. The amounts in the table above have been revalued based on the share price on the date of vesting of 584.24p. 4% of the vested value is due to share price appreciation since the date of award.
3. Jamie Warner was granted 1,009 shares under the Company's Save As You Earn scheme, at a discount of 20% to the market price. The total value of the discount was £1,484 and has been included in the 'Other' column above.
4. Jamie Warner's long-term incentive vesting in the year was granted before he joined the plc Board.
5. Jasvinder Gakhal was appointed to the Board on 1 January 2022.

Additional information to support the single figure

Benefits

Benefits included in the single figure relate to private healthcare. Directors also receive life assurance and income protection insurance, the cost of which is not disclosed above as these are non-taxable benefits.

Pension

Employer's pension contributions of between 5% and 7% of salary were paid in respect of Executive Directors in line with those received for the wider UK employee population. Once Executive Directors have reached their annual pension limit, a salary supplement of 7% is paid in lieu of pension benefits.

Annual bonus for the year ended 31 March 2023 (audited)

The performance measures, targets and performance outcomes for the annual bonus for the year ended 31 March 2023 are shown in the following table:

Performance measures		Weighting	Threshold	Stretch	Actual performance	Payout (as a % of maximum)
Financial	Operating profit for year ending 31 March 2023[1]	**75%**	**Below or equal to £300m**	**Equal to or above £340m**	**£332.9m**	**61.7%**
	Addition to reflect Webzone Limited disposal[2]				**£0.6m**	**1.1%**
	Reduction to reflect Autorama performance[3]				**(£4.2m)**	**(7.9%)**
Financial element						**54.9%**
Strategic targets	Milestones linked to our digital retailing strategy	**25%**	**0%**	**100%**	**70%**	**17.5%**
Total payout						**72.4 %**

1. To allow for comparison with the original targets set the Committee excluded the impact of the acquisition of Autorama during the year and therefore has used the Auto Trader segmental Operating profit.
2. The Committee has added back an element to reflect the expected performance of Webzone Limited, as included in the target, had the disposal not occurred.
3. Whilst the performance of Autorama has been excluded from the performance calculation to ensure like-for-like performance with the targets set, in order to recognise the performance of Autorama, an operating loss of £11.2m compared to initial expectations (at the bottom of the range) of a loss of £7m, the Committee has reduced the bonus outcome by 7.9%.

Operating profit is a key performance indicator of the business and the Board believes continuing to deliver Operating profit performance will generate long-term value for shareholders. Adjustments were made by the Committee to allow like-for-like comparison with the targets set, as set out in the table above. The Committee also exercised its discretion to reflect Autorama's performance.

In 2022, the Committee decided that 25% of the annual bonus would be determined based on progress relating to our digital retailing strategy which would involve consideration of a range of quantitative and qualitative indicators, the achievement of stretching strategic and operational milestones against our digital retailing pillar and measures relating to engagement of car buyers and retailer customers. These milestones have been assessed based on the Committee's holistic assessment of progress made. In reviewing performance in FY23, the Committee considered that during the year, the business successfully executed the completion of Deal Builder, one of the largest and most complex product development projects in the Company's history, enabling our car retailer customers to provide a complete transactional service to car buyers on the Auto Trader platform. The product was launched in summer 2022 as a trial with selected retailers. This has now started to scale, and so by the end of the financial year there were over 50 retailers live and over 200 deals submitted in the year, with encouraging conversion rates and positive feedback from both consumers and retailers. Overall, the Committee concluded that the operational development and delivery of the software build had been exceptional, and satisfactory progress was being made towards commercialisation. Based on these achievements, the Committee assessed performance under the digital retailing strategy milestones to be at a level that results in an award of 17.5% out of the possible 25% of the overall maximum bonus.

The overall bonus payout is therefore 72.4%.

Performance Share Plan vesting for year ended 31 March 2023 (audited)

The PSP award granted in 2020 was based on performance to 31 March 2023. The performance conditions this award was based on and the targets and performance delivered are set out in the table below:

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance	Payout (as a % of maximum)
Relative total shareholder return compared to FTSE 350 (excluding investment trusts)	100%	**Equal to Index TSR (23%)**	**Equal to Index TSR plus 25% or above (48%)**	**14.39%**	**0%**
Total vesting					**0%**

When reviewing the PSP outcome the Committee recognised that management has performed extraordinarily well over the last three years, and for much of the performance period this award was tracking to achieve some level of vesting. However, relative TSR performance is measured versus the general FTSE 350 market and Auto Trader has recently suffered with the cross-sector impact on share prices in the tech sector which meant TSR performance fell below median at the end of the performance period. The Committee reviewed performance relative to our TSR tech sector peers, which would have resulted in some vesting of the award. However, given shareholder sensitivity we have decided not to apply positive discretion in this case.

Overall, the Committee considers that the Remuneration Policy has operated as it was intended during 2022/23. The performance-driven focus of our total remuneration directly supports the sustainable long-term success of the business.

Scheme interests awarded during the year (audited)

Awards granted in the year under the PSP are shown below. Awards are granted as nil-cost options.

Executive Director	Number of shares awarded	Multiple of salary	Face value of awards[2]	% award vesting at threshold (% maximum)	Performance period
PSP awards[1]					
Nathan Coe	194,795	200%	£1,158,720	25%	1 April 2022 to 31 March 2025
Catherine Faiers	81,021	150%	£481,950	25%	1 April 2022 to 31 March 2025
Jamie Warner	84,879	150%	£504,900	25%	1 April 2022 to 31 March 2025

1. PSP awards will normally be eligible to vest three years from grant (23 June 2022) based on performance over the three years to 31 March 2025 and continued employment. The net value of the vested awards is subject to a two-year holding period.
2. As disclosed last year, face value was calculated based on the three-month average share price to the day before grant date (23 June 2022) of 594.8p. This approach has been used to smooth out share price volatility and ensure that the number of shares awarded is not overly impacted by short-term changes in the share price.

The performance conditions applying to the 2022 PSP awards shown in the table on the previous page are set out below:

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Operating profit	70%	Operating profit compound annual growth rate for the three years ended 31 March 2025.[1]	5.5%	10.5%
Revenue growth	20%	Revenue compound annual growth rate for the three years ended 31 March 2025.[1]	5.5%	10.5%
Carbon reduction	10%	Reduction of carbon emissions over the three years to 31 March 2025.	23%	36%
Diversity underpin	N/A	The vesting under any of the performance conditions will be subject to a diversity underpin. The Committee will determine whether there has been acceptable progress made against the key gender and ethnic diversity objectives, including considering the proportion of our staff who are women and who are ethnically diverse as well as the proportion of leadership who are women and who are ethnically diverse. In assessing whether the underpin has been satisfied, the Committee will consider a range of quantitative and qualitative benchmarks to inform its decision, including 'how' performance has been achieved and 'what' performance has been achieved over the performance period. Should the Committee consider that the underpin has not been met, it would consider whether a discretionary reduction in the number of shares vesting was required.	N/A	N/A

1. Operating profit and Revenue growth measures will be assessed excluding Autorama, Group central costs and with Webzone Limited removed from the base year, being the year ended 31 March 2022. This approach provides a like-for-like comparison for assessing performance across the three-year performance period.

When determining vesting the Committee will consider the overall experience of shareholders and wider stakeholders over the performance period.

Directors' shareholding and share interests (audited)

Executive Directors are required to maintain a shareholding in the Company equivalent in value to 200% of salary. If an Executive Director does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company's discretionary share-based employee incentive schemes until the guideline is met. Non-Executive Directors do not have shareholding guidelines.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31 March 2023. There have been no changes in these interests up until 1 June 2023.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance	Number of awards held under the DABP conditional on continued employment	Number of unvested Sharesave options and Share Incentive Plan shares	Number of vested but unexercised nil cost options	Number of vested Sharesave options and Share Incentive Plan shares	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 31 March 2023[2]
Executive Directors								
Nathan Coe	**3,186,555**	**662,975**	**54,786**	–	–	–	**200%**	**3,290%**
Catherine Faiers	**76,106**	**329,672**	**26,332**	–	–	–	**200%**	**142%**
Jamie Warner	**39,666**	**327,989**	**27,586**	**3,695**	–	**1,392**	**200%**	**70%**
Non-Executive Directors								
Ed Williams	**5,375,444**	–	–	–	–	–	**N/A**	**N/A**
David Keens	**50,000**	–	–	–	–	–	**N/A**	**N/A**
Jill Easterbrook	–	–	–	–	–	–	**N/A**	**N/A**
Jeni Mundy	–	–	–	–	–	–	**N/A**	**N/A**
Sigga Sigurdardottir	–	–	–	–	–	–	**N/A**	**N/A**
Jasvinder Gakhal	–	–	–	–	–	–	**N/A**	**N/A**

1. Includes shares owned by connected persons. Only beneficially owned shares count towards the shareholding guideline.
2. Based on the Director's salary and the mid-market price at close of business on 31 March 2023 of 616.2p. Includes net (after tax) of options vested but not exercised.

Gains on exercise of share options (audited)

During the year, Directors exercised share options in relation to long-term incentive plans, resulting in an aggregate gain of £1,406,993.

Payments to former Directors (audited)

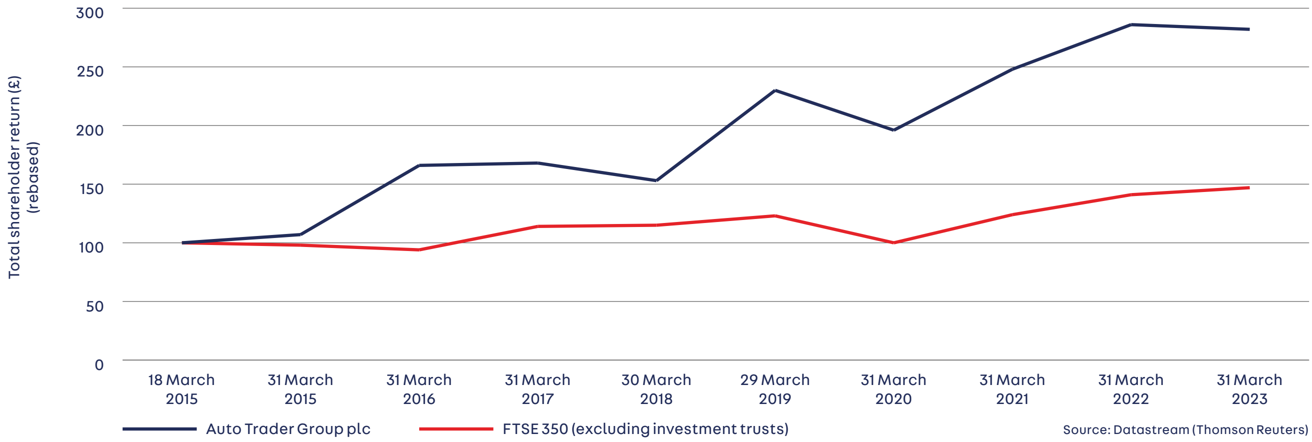
There were no payments made to former Directors during the year.

Payments for loss of office (audited)

There were no payments for loss of office during the year.

Performance graph and CEO remuneration table

The graph below illustrates the Company's TSR performance relative to the FTSE 350 Index (excluding investment trusts) from the start of conditional share dealing on 18 March 2015. This index has been selected as it is a broad all-sector group of which the Company is a constituent. The graph shows the performance over that period of a hypothetical £100 invested.



CEO remuneration

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

	2023	2022	2021	2020[1]	2019[1]	2018[1]	2017[1]	2016[1]	2015[1,2]
CEO total remuneration (£'000)	**1,281**	1,673[3]	523	1,659	2,052	2,929	980	1,339	20
Annual bonus (% of maximum)	**72.40%**	75.00%	N/A[4]	N/A[5]	76.75%	50.30%	51.80%	100.00%	N/A[6]
PSP vesting (% of maximum)	**0.00%**[7]	50.10%	0.00%[8]	73.60%	51.20%	100.00%	N/A[9]	N/A[9]	N/A[9]

1. 2015 to 2019 figures reflect Trevor Mather's service as CEO. The 2020 figures reflect Trevor Mather's service as CEO to 29 February 2020, and Nathan Coe's service as CEO from 1 March 2020.
2. From the date of Admission in March 2015.
3. The 2022 CEO total remuneration has been updated to reflect the value of the PSP based on the share price on the date of vesting of 584.24p rather than the three-month average share price to 31 March 2022 of 663.06p.
4. No bonus plan operated in 2020/21.
5. The CEO elected to waive his bonus in respect of 2019/20.
6. Private company when bonus plan implemented in 2015.
7. PSP award vesting in 2023 was based solely on Relative Total Shareholder Return ('TSR') compared to the FTSE 350 (excluding investment trusts) due to the impact of COVID-19 on our business. As threshold was not met this award will lapse.
8. PSP awards lapsed in 2020/21 as performance conditions were not met.
9. No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

CEO pay ratio

The table below shows the ratio between the CEO's total single figure (as calculated on the previous page) and the median, lower and upper quartile total remuneration for our UK-based workforce. Our median all-employee to CEO pay ratio is 26.9.

A significant proportion of the CEO's pay is in the form of variable pay through the annual bonus and the PSP. CEO pay will therefore vary year on year based on Company and share price performance. The CEO to all-employee pay ratio will therefore also fluctuate taking this into account.

It should be noted that the pay ratio when comparing 2022 to 2023 has reduced, due to the fact the CEO's single figure of remuneration in 2022 included an annual bonus and a PSP award vesting. However, in 2023, only the annual bonus paid out, as the PSP award vested at 0%. In 2023 our figures also included Autorama UK Limited employees. As part of the integration into Auto Trader, we are working on the alignment of benefits to ensure a consistent offering.

The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression, and is appropriate for the Company's size and structure.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY23	**A**	**36.6:1**	**26.9:1**	**18.2:1**
FY22	A	46.6:1	33.5:1	23.7:1
FY21	A	15.9:1	10.9:1	7.8:1
FY20	A	50.4:1	34.2:1	24.8:1

- Method A has been used to determine the relevant employees on the basis that this approach is in line with the approach used to calculate the single total figure for the CEO and therefore is the most robust.
- For 2023, Autorama UK Limited employees have been included in the figures.
- For 2023, the salary for the P25 employee was £29,736 and total remuneration was £34,995. The salary for the P50 employee was £42,250 and total remuneration was £47,649. The salary for the P75 employee was £61,625 and total remuneration was £70,227.
- The P25, P50 and P75 employees were determined as at 31 March 2023 based on full-time equivalent remuneration. Only employees who were employed as at the end of the financial year were included; salaries were annualised, taking account of mid-year increases. The total remuneration includes salary, allowances, taxable benefits, pension contributions, bonus, commission and share-based payments. Taxable benefits are based on the previous tax year (2021–2022) for company cars and the latest tax year (2022–2023) for healthcare benefits. Options under the SAYE scheme are included as at the date of grant, based on the difference between the market value at grant date and the exercise price. Options under discretionary plans (PSP and Single Incentive Plan Award) are based on the date that the performance conditions were achieved, and valued using the three-month average share price to 31 March 2023 of 588.34p.
- For 2020, the CEO single figure reflects amounts to Trevor Mather (stepped down 29 February 2020) and Nathan Coe (appointed CEO 1 March 2020) for their respective time in service.
- The 2022 CEO pay ratio figures have been updated to reflect the change to the CEO total single figure of remuneration for the year ended 31 March 2022, following the revalued PSP award based on share price on date of vesting.

Year-on-year change in pay for Directors compared to the average employee

In accordance with the requirement under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the increase in each Director's pay (salary, benefits and bonus) between 2020 to 2021, 2021 to 2022, and 2022 to 2023, compared to the average increase for the employees of the Group.

	2023–2022			2022–2021			2021–2020		
	Base salary/fees	Benefits	Annual bonus	Base salary/fees	Benefits	Annual bonus	Base salary/fees	Benefits	Annual bonus
Executive Directors									
Nathan Coe[1,2]	**3%**	**(8%)**	**(1%)**	16%	(7%)	100%[8]	26%	31%	(100%)
Catherine Faiers[1,3]	**3%**	**(8%)**	**(1%)**	12%	(7%)	100%[8]	(11%)	43%	(100%)
Jamie Warner[1,4]	**3%**	**(8%)**	**(1%)**	16%	(7%)	100%[8]	932%	1,477%	(100%)
Non-Executive Directors									
Ed Williams[1]	**4%**	**–**	**–**	36%	–	–	(25%)	–	–
David Keens[1]	**4%**	**–**	**–**	35%	–	–	(25%)	–	–
Jill Easterbrook[1]	**4%**	**–**	**–**	17%	–	–	(13%)	–	–
Jeni Mundy[1,5]	**4%**	**–**	**–**	31%	–	–	(9%)	–	–
Sigga Sigurdardottir[1,6]	**4%**	**–**	**–**	16%	–	–	108%	–	–
Jasvinder Gakhal[1,7]	**315%**	**–**	**–**	N/A	N/A	N/A	N/A	N/A	N/A
Average employee	**6.4%**	**(8%)[10]**	**–[9]**	5.5%	37%	–	0%	27%	–

1. Ed Williams and David Keens voluntarily waived their entire fees from 1 April 2020 to 30 June 2020. The remaining Board members voluntarily waived 50% of their salaries and fees from 1 April 2020 to 30 June 2020.
2. Nathan Coe was appointed as CEO on 1 March 2020 and his base salary increased on that date from £377,000 to £568,000.
3. Catherine Faiers was appointed to the Board on 1 May 2020 and therefore her reported salary for 2020 represents only 11 months. Further, Catherine became part-time from 1 September 2020 and therefore her salary was pro-rated from that date to reflect her 4.5 day working week.
4. Jamie Warner was appointed to the Board on 1 March 2020 and therefore his reported salary for 2020 represents only one month.
5. Jeni Mundy was appointed Chair of the Corporate Responsibility Committee from 1 January 2021 and received an additional fee of £9,742 per annum from that date.
6. Sigga Sigurdardottir was appointed to the Board on 1 November 2019 and therefore her reported fee for 2020 represents only five months.
7. Jasvinder Gakhal was appointed to the Board on 1 January 2022.
8. 100% value shown as no bonus was paid for 2021.
9. For the purpose of the annual bonus this relates to performance related schemes only and therefore figures exclude any cost of living payments made to all employees during the year.
10. The decrease in benefits relates to a reduction in our private medical insurance premiums.

Relative importance of the spend on pay

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

	2023 £m	2022 £m	% change
Employee costs (see note 7 to the Consolidated financial statements)	**84.5**	69.8	21%
Average number of employees (see note 7 to the Consolidated financial statements)	**1,160**	960	21%
Revenue (see Consolidated income statement)	**500.2**	432.7	16%
Operating profit	**277.6**	303.6	(9%)
Share buybacks and Dividends paid (see notes 26 and 28 to the Consolidated financial statements)	**225.0**	237.1	(5%)

Fees for the Chair and Non-Executive Directors

Fees for the Chair and Non-Executive Directors were reviewed in early 2023 and will be increased by 5% with effect from 1 July 2023.

As set out in the Nomination Committee report, the Board is in the process of implementing the succession plan for the Chair and the NEDs that were on the Board at IPO. The fee for the Chair role was set at IPO reflecting the size and complexity of the business at that time and the Chair's equity stake in the business; it has not been increased significantly during his tenure. Since IPO the Company has grown significantly and the complexity of its operations has increased, such that the current Chair's fee is significantly behind market practice. Therefore the Remuneration Committee has reviewed the fee and has approved that the fee for the incoming Chair will be set at £325,000. Furthermore, the Board has reviewed the current NED fees, and has concluded that whilst the base fees are deemed to be appropriate, the additional SID and Committee Chair fees are similarly positioned towards the lower end of market practice. Therefore the Board has decided that when the next new Non-Executive Director is appointed, the Committee Chair fees will be increased to £18,500, and the SID fee will be increased to £12,500 at the same time.

The following table sets out the new fees in financial year 2024 compared to those which applied in financial year 2023, and the new fees to be applied to new appointees during the year:

Base fees	2023	Percentage change	2024	Fees to be applied post succession plan
Chair	£197,078	5%	**£206,931**	£325,000
Non-Executive Director	£60,861	5%	**£63,904**	£63,904
Additional fees				
Senior Independent Director	£10,433	5%	**£10,954**	£12,500
Audit Committee Chair	£10,433	5%	**£10,954**	£18,500
Remuneration Committee Chair	£10,433	5%	**£10,954**	£18,500
Corporate Responsibility Committee Chair	£10,433	5%	**£10,954**	£18,500

Funding of equity awards
Share awards may be funded by a combination of newly issued shares, treasury shares and shares purchased in the market. Where shares are newly issued or from treasury, the Company complies with Investment Association dilution guidelines on their issue. The current dilution usage of all share plans is c. 1.14% of shares in issue.

Where shares are purchased in the market, these will be held by a trust, in which case the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 31 March 2023, the trust held 340,196 shares in respect of the Share Incentive Plan.

External directorships
Auto Trader recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Auto Trader. Following the year end, Catherine Faiers has been appointed as a Non-Executive Director of Allegro.eu Group. The Board approved the directorship in advance to ensure that there was no conflict of interest, and the Remuneration Committee approved that Catherine will retain the remuneration from the appointment.

Membership of the Committee
Jill Easterbrook is the Committee Chair, and its other members are David Keens, Jeni Mundy, Sigga Sigurdardottir and Jasvinder Gakhal. Refer to pages 64 and 80 for further details of the membership of the Committee, the Terms of Reference, the meetings held and activities during the year.

External advisors
During the year the Committee received advice from Deloitte who were appointed in October 2017 following a competitive tender process. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in their dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the members of the Deloitte team that provide remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Fees are charged on a time and materials basis. During the year Deloitte was paid £37,600 excluding VAT for advice provided to the Committee. Deloitte provided additional services to the Company in relation to internal audit, debt advisory and tax services.

Statement of shareholder voting
Shareholder voting in relation to recent AGM resolutions is as follows:

	Votes for	% of votes cast for	Votes against	% of votes cast against	Abstentions
2022 AGM: Annual Report on Remuneration (advisory)	748,248,450	98.19%	13,814,962	1.81%	44,988
2021 AGM: Remuneration Policy (binding)	758,040,974	99.69%	2,355,178	0.31%	7,406,699

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

Signed on behalf of the Board of Directors.

Jill Easterbrook
Chair of the Remuneration Committee
1 June 2023

The Directors have pleasure in submitting their report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 31 March 2023.

STATUTORY INFORMATION

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

Section of Annual Report	Page reference
Employee involvement	Strategic report: Being a responsible business (page 26)
Employees with disabilities	Strategic report: Being a responsible business (page 26)
Financial instruments	Financial statements: Note 32 to the Consolidated financial statements (page 150)
Future developments of the business	Strategic report: Our purpose-driven strategy (page 10)
Greenhouse gas emissions	Strategic report: Being a responsible business (page 26)
Non-financial reporting	Strategic report: Non-financial information statement (page 21)

INFORMATION REQUIRED BY LR 9.8

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

Section of Annual Report	Page reference
Allotment of shares during the year	Financial statements: Note 26 to the Consolidated financial statements (page 142)
Directors' interests	Governance: Directors' remuneration report (page 80)
Significant shareholders	Governance: Directors' report (page 94)
Going Concern and Viability	Strategic report: Principal risks and uncertainties (page 50)
Long-term incentive schemes	Governance: Directors' remuneration report (page 80)
Powers for the Company to buyback its shares	Governance: Directors' report (page 94)
Significant contracts	Governance: Directors' report (page 94)
Significant related party agreements	Governance: Directors' report (page 94)
Corporate Governance Code Compliance	Governance: Governance overview (page 58)
Directors' Service Contracts	Governance: Directors' remuneration report (page 80)
TCFD Disclosures	Strategic report: Being a responsible business (page 26)
Gender and ethnicity targets	Strategic report: Being a responsible business (page 26)

Management report

This Directors' report, on pages 94 to 97, together with the Strategic report on pages 2 to 57, form the Management Report for the purposes of DTR 4.1.5R.

Strategic report

The Strategic report, which can be found on pages 2 to 57, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial, operating and cultural key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee, the Report of the Corporate Responsibility Committee and the Directors' remuneration report and policy report on pages 62 to 93; all of which form part of this Directors' report and are incorporated into it by reference.

2023 Annual General Meeting

The 2023 AGM will take place at 10:00am on Thursday 14 September 2023 at the Company's registered office: 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. We intend to hold the AGM as a physical meeting.

We encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@autotrader.co.uk.

The AGM Notice sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the whole of the financial year ending 31 March 2023, and to the date of approving this report unless otherwise stated:

- Ed Williams.
- Nathan Coe.
- Catherine Faiers.
- Jamie Warner.
- David Keens.
- Jill Easterbrook.
- Jeni Mundy.
- Sigga Sigurdardottir.
- Jasvinder Gakhal.

The Board has approved the appointment of Matt Davies as Chair Designate with effect from 1 July 2023, to succeed Ed Williams as Chair at the conclusion of the 2023 AGM. Therefore, Ed Williams will not stand for re-election at the 2023 AGM. All other Directors will stand for election or re-election at the 2023 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

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

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 98 to 162.

The Company declared an interim dividend on 10 November 2022 of 2.8 pence per share which was paid on 27 January 2023.

The Directors recommend payment of a final dividend of 5.6 pence per share (2022: 5.5 pence) to be paid on 22 September 2023 to shareholders on the register of members at the close of business on 25 August 2023, subject to approval at the 2023 AGM.

Share capital and control

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

During the year, 12,893 additional shares were allotted for a consideration of £3.49 per share in relation to the exercise of share options under the Company's SAYE scheme.

The issued share capital of the Company as at 31 March 2023 comprised 923,074,657 shares of £0.01 each, and 4,371,505 shares were held in treasury. As at 1 June 2023, the issued share capital of the Company comprises 919,118,475 shares of £0.01 each, and 4,306,497 shares held in treasury.

Further information regarding the Company's issued share capital and details of the movements in issued share capital during the year are provided in note 26 to the Group's financial statements. All the information detailed in note 26 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 30 to the Group financial statements.

Authority to allot shares

Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. At the 2022 AGM, special resolution 16 conferred upon Directors the authority to allot ordinary shares up to a maximum nominal amount of £471,574 (47,157,400 shares), for cash, on a non-pre-emptive basis.

In the Notice of the 2023 AGM (the 'AGM Notice'), ordinary resolution 15 seeks a new authority to allow the Directors to allot ordinary shares representing approximately two thirds of the Company's existing share capital as at the date of the AGM Notice, of which approximately one third of the Company's issued ordinary share capital can only be allotted pursuant to a rights issue. In accordance with the revised Statement of Principles from the Pre-emption Group, special resolutions 16 and 17 seek a new authority to allow the Directors to allot ordinary shares on a non-pre-emptive basis up to a maximum of approximately 10% of the Company's existing share capital and special resolutions 16 and 17 seek a new authority to allow the Directors to allot ordinary shares on a non-pre-emptive basis in connection with an acquisition or specified capital investment, up to a further maximum of approximately 10% of the Company's existing share capital at the date of the AGM Notice.

Authority to purchase own shares

As described on page 25, the Company intends to continue its share buyback programme, under the authority passed at the 2022 AGM under which the Company is authorised to make market purchases of up to a maximum of 10% (94,314,767 shares) of its own ordinary shares (excluding shares held in treasury), subject to minimum and maximum price restrictions, either to be cancelled or retained as treasury shares. The Directors will seek to renew this authority at the forthcoming AGM.

Rights attaching to shares

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

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

Voting rights

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

Restrictions on transfer of securities

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

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

Significant contracts
The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the revolving credit facility agreement, which contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Transactions with related parties
Compensation paid to Directors and Key Management is as disclosed in note 8 to the Group financial statements.

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

Indemnities and insurance
The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2023. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of Section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental
Information on the Group's greenhouse gas emissions is set out in the Being a responsible business section on page 34 and forms part of this report by reference.

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

Autorama UK Limited
As set out in note 31, on 22 June 2022, the Group acquired the entire share capital of Autorama UK Limited ('Autorama') for initial consideration of £150.0m, with an additional £50.0m which will be deferred until 22 June 2023 and settled in shares to the value of £50.0m, subject to employment and customary performance conditions.

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

Financial instruments
Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk, are given in note 32 to the Consolidated financial statements.

Disclosure of information to auditor
Each of the Directors has confirmed that:

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

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

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements
The Directors are responsible for preparing the Annual Report and Financial Statements and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company 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 and applicable law and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

	At 31 March 2023		At 1 June 2023	
Shareholder	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each
BlackRock Inc.	112,522,416	12.22%	112,522,416	12.22%
Kayne Anderson Rudnick Investment Management LLC.	56,107,221	5.95%	56,107,221	5.95%
Baillie Gifford & Co.	47,482,549	5.01%	47,482,549	5.01%

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation and EU ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

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

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

We confirm, to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report/Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- we consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approval of the Annual Report

The Strategic report and the Corporate governance report were approved by the Board on 1 June 2023.

Approved by the Board and signed on its behalf:

Claire Baty
Company Secretary
1 June 2023

1. Our opinion is unmodified

In our opinion:

- The financial statements of Auto Trader Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023, and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers
We have audited the Group and Parent Company financial statements of Auto Trader Group plc ('the Company') for the year ended 31 March 2023 ('FY23') included in the Annual Report and Financial Statements, which comprise:

Group (Auto Trader Group plc)	Parent Company (Auto Trader Group plc)
Consolidated income statement	Company balance sheet
Consolidated statement of comprehensive income	Company statement of changes in equity
Consolidated balance sheet	Notes 1 to 12 to the Parent Company financial statements, including the accounting policies in note 1.
Consolidated statement of changes in equity	
Consolidated statement of cash flows	
Notes 1 to 35 to the Group financial statements, including the accounting policies in note 2.	

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ('AC').

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks
On 22 June 2022 the Company acquired Autorama UK Limited. The identification and valuation of acquired intangible assets is a new significant audit risk of error and a key audit matter. This is due to the material values associated with the acquisition and the nature of the judgements and estimates which the Group is required to make to identify and fair value the intangible assets acquired.

We have identified a key audit matter relating to revenue recognition over Trade revenue. This is the main driver of the Group's results and its size is reflected in the allocation of our resources in planning and executing the audit. Consistent with the prior year, we do not consider this to be a significant audit risk of material misstatement, as based on our cumulative audit experience, we have concluded that there is not a material judgement or estimation in Trade revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions.

We have identified a key audit matter over the recoverability of the parent company's two investments in subsidiaries (2022: one investment). The recoverability of the investments is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is the area that had the greatest effect on our overall Parent Company audit.

Key audit matters	Vs prior year	Item
Identification and valuation of acquired intangible assets	+	4.1
Revenue recognition (Trade revenue)	◀▶	4.2
Parent Company: Recoverability of parent company's investments in subsidiaries	↑	4.3

Audit Committee interaction
During the year, the Audit Committee met 4 times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each key audit matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each.

The matters included in the Audit Committee Chair's report on page 70 are materially consistent with our observations of those meetings.

Our independence
We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 March 2017. The period of total uninterrupted engagement is for the seven financial years ended 31 March 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by David Derbyshire, he will be required to rotate off after the FY25 audit.

The Group engagement partner is also responsible for component audits as set out in section 7 and has had a tenure of three years.

Total audit fee	£502,000
Audit related fees (including interim review)	£48,000
Other services	£nil
Non-audit fee (excluding interim review) as a percentage of total audit and audit-related fee percentage	0%
Date first appointed	22 September 2016
Uninterrupted audit tenure	7 years
Next financial period which requires a tender	2027
Tenure of Group engagement partner	3 years
Tenure of component signing partner	3 years

2. Overview of our audit continued

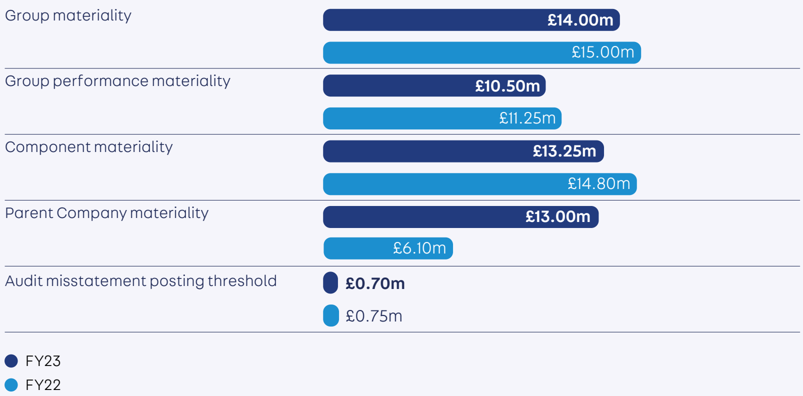
Materiality
(Item 6)
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £14.0m (FY22: £15.0m).

Consistent with FY22, we determined that profit before tax remains the benchmark for the Group. As such, we based our Group materiality on profit before tax of which it represents 4.8% (FY22: 5.0%).

Materiality for the parent company financial statements as a whole was set at £13.0m (2022: £6.1m), determined with reference to a benchmark of total assets, limited to be less than materiality for group materiality as a whole. It represents 0.75% (2022: 0.5%) of the stated benchmark.

Materiality levels used in our audit



Group scope
(Item 7)
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components.

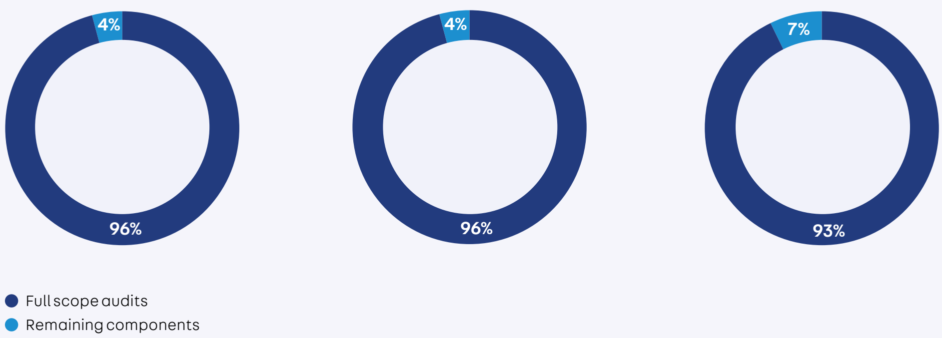
Of the Group's 6 (FY22: 5) reporting components, we subjected 1 (FY22: 3) to a full scope audit for Group purposes. The audit of this component and the audit of the parent company was performed by the Group team.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

Profit before tax **Total assets** **Revenue**



The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its Financial Statements. The Group has set out its commitments under the Paris Agreement to achieve net zero carbon emissions by 2040. Further information is provided in the Group's Task Force on Climate-related Financial Disclosures ('TCFD') recommended disclosures on pages 30 to 37.

As a part of our audit we have performed a risk assessment, including making enquiries of management, reading board meeting minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's Financial Statements. Taking into account the nature of the business and the limited impact of climate change on the assumptions in impairment testing, we have not assessed climate related risk to be significant to our audit this year. There was no impact on our key audit matters.

We have read the Group's TCFD in the front half of the annual report and considered consistency with the Financial Statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures set out on pages 30 to 37 in the Annual Report.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that, the Group's and the Parent 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 their 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').

Going concern
We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were lower than forecast revenues arising from reduced customer demand in the automotive market. We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the Group's liquidity or covenant compliance in the going concern period by assessing the degree of downside assumptions that, individually and collectively, could result in a liquidity shortfall, taking into account the Group's current and projected cash and borrowing facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the Group and Parent Company to be acceptable. 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 Group or the Parent Company will continue in operation.

Our conclusions
- 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 Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 57 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability
Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation within the viability statement on page 57 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The principal risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- The Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 57 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting
We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- The overall audit strategy;
- The allocation of resources in the audit; and
- Directing the efforts of the engagement team.

We include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Identification and valuation of acquired intangible assets (Group)

Financial statement elements		Our assessment of risk	Our results
	FY23	+ This is a new risk in FY23 as a result of the Group's acquisition of Autorama UK Limited on 22 June 2022.	**FY23: Acceptable**
Acquired intangibles	**£66.5m**		

Description of the key audit matter

Subjective estimate

On 22 June 2022 Auto Trader Group plc acquired Autorama UK Limited.

The complete identification and valuation of acquired intangible assets is a new significant audit risk of error and a key audit matter. This is due to the material values associated with the business combination: the judgements relating to the complete identification of intangible assets acquired separate from goodwill; and the estimates which the Group is required to make to assess the fair value of those intangible assets which are separately identified.

Estimation is required in making assumptions relating to the fair value of each intangible asset, including: useful economic life; the discount rate, and, for the brand intangible asset, the rate of obsolescence and the transaction volumes used in forecasting future revenue.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the fair value of separate intangible assets acquired of £66.5m had a high degree of judgement and estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

In conducting our final audit work, we concluded that reasonably possible changes to the fair value of the brand intangible asset only had a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The financial statements (note 31) disclose sensitivity factors estimated by the Group.

Our response to the risk

Due to the nature of the balance, we expect to obtain audit evidence primarily through the procedures described below, rather than seeking to rely on any of the Group's controls.

Our procedures to address the risk included:

- Our sector experience: with the assistance of our valuation specialists, assessing the completeness of intangible assets identified, based on our experience of similar acquisitions, including whether separate intangible assets arose from supplier relationships (original equipment manufacturers and funders).
- Methodology choice: with the assistance of our valuation specialists, assessing that the valuation methodologies used were in accordance with relevant accounting standards and acceptable valuation practice.
- Benchmarking assumptions: with the assistance of our valuation specialists, challenging the key valuation assumptions, such as the brand useful economic life, the brand obsolescence rate and the discount rate, by comparing them to externally derived data and comparable transactions.
- Benchmarking assumptions: comparing the transaction volumes used in the brand valuation revenue assumption to market forecasts relating to growth in motor vehicle leasing and electric vehicle adoption.
- Test of detail: We compared the cost data used in the technology asset valuation to the related historic accounting records.
- Sensitivity analysis: performing sensitivity analysis on the key assumptions noted above.
- Assessing transparency: assessing the sufficiency of the Group's disclosures in respect of the critical accounting judgment over identification of intangible assets acquired and the critical accounting estimates relating to the valuation of separately identifiable intangible assets and the residual goodwill.

Communications with Auto Trader Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Whether supplier relationships (original equipment manufacturers and funders) represent a separately identifiable intangible asset.
- Our approach and conclusion on the appropriateness of valuation methodology; the key assumptions used in the valuation; and the adequacy of financial statement disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Determination of whether supplier relationships (OEMs, funders and insurers) represent a separately identifiable intangible asset.
- Evaluation of reasonably possible changes to the fair value of the brand intangible asset which had a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our results

We found the Group's complete identification and fair valuation of intangible assets acquired in Autorama UK Limited to be acceptable.

Further information in the Annual Report and Accounts: See the Report of the Audit Committee on page 70 for details on how the Audit Committee considered acquisition accounting as an area of significant attention, page 120 for the accounting policy on Business Combinations, and note 31 for the financial disclosures on page 148.

4.2 Revenue recognition (Trade revenue) (Group)

Financial statement elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Trade revenue	**£427.4m**	£388.3m	Our assessment is that the risk is similar to FY22, reflecting how the majority of the Group's revenue processing is performed and recognised on a consistent basis in both years.	**FY23: Acceptable** FY22: Acceptable

Description of the key audit matter

Data processing error

Trade revenue primarily consists of fees for advertising on the Group's website and related data and access services. There are a high volume of transactions, no significant concentration of customers and a variety of set packages. Retailers have the ability to select the combination of products they receive.

Based on our cumulative audit experience, we have concluded that there is not a material judgement or estimation in Trade revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions.

We continue to consider Trade revenue recognition to be a key audit matter as it is the main driver of the Group's results and its size is reflected in the allocation of our resources in planning and executing the audit.

Our response to the risk

We performed the tests below rather than seeking to rely significantly on the Group's controls, other than bank reconciliations, because the nature of the Group's Trade revenue is such that we were able to obtain sufficient audit evidence through substantive audit procedures.

Our procedures to address the risk included:

- Control design and operation: testing the design, implementation and operating effectiveness of bank reconciliation controls, to provide evidence over reliability of cash data used in our tests of detail.
- Accounting analysis: inspecting contractual terms, including modifications agreed in the year, to identify performance obligations and determine the timing of revenue recognition.
- Data comparisons: using computer assisted audit techniques to match sales information from the billing system to the accounting records.
- Tests of detail: using computer assisted audit techniques to match the entire population of Trade sales transactions recorded in the accounts to the billing system and from the billing system to cash received and Trade receivables (including accrued income) outstanding at the year end.
- Tests of detail: inspecting the level of credit notes raised during the year and after the year end to assess the adequacy of the credit note provision and to confirm that Trade revenue recognised in the year is not reversed subsequent to year end.
- Tests of detail: using sampling techniques and substantive analytical procedures to test that Trade revenue accrued income (being uninvoiced Trade receivables) has been earned in the year and is accurately and completely recorded.

Communications with Auto Trader Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Reporting of the findings from our computer assisted audit techniques, which matched sales transactions between the accounts, the billing system, and cash received and trade receivables outstanding at year end.

Areas of particular auditor judgement

We identified no areas of particular auditor judgement.

Our results

We considered the amount of Trade revenue recognised in the year to be acceptable (2022: acceptable).

Further information in the Annual Report and Accounts: See the Report of the Audit Committee on page 70 for details on how the Audit Committee considered revenue recognition as an area of significant attention, pages 115 to 117 for the accounting policy on Revenue, and note 5 for the financial disclosures on page 124.

4. Key audit matters continued

4.3 Recoverability of parent company's investment in subsidiaries (parent company)

Financial statement elements			Our assessment of risk	Our results
	FY23	FY22	↑ Our assessment is that the risk is increased on FY22 as a result of the additional investment in the year in Autorama UK Limited.	**FY23: Acceptable** FY22: Acceptable
Investment in Auto Trader Holding Limited	**£1,228.4m**	£1,224.9m		
Investment in Autorama UK Limited	**£198.8m**	£nil		

Description of the key audit matter

Low risk, high value

The carrying amount of the Parent Company's investments in subsidiaries represents 81% (FY22: 71%) of the Parent Company's total assets. The increase in the balance since 31 March 2022 reflects a new investment of £198.8m in Autorama UK Limited which has been made in the current financial year. The balance of £1,228.4m relates to the core Auto Trader Holding Limited subsidiary.

The recoverability of the investments is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- Assessing methodology: Assessing the Group's identification of whether there are any qualitative or quantitative impairment indicators in respect of the investments held.
- Compare valuations: Comparing the aggregate carrying amount of the investments to the market capitalisation of the Group, as a test for an indication of impairment.
- Tests of detail: Comparing the carrying amount of each investment with the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset value, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessing whether the subsidiary has historically been profit-making
- Our sector experience: Evaluating the current level of trading, including identifying any indications of a change in expected activity, by examining the post year end management accounts and considering our knowledge of the Group and the market.
- Benchmarking assumptions: For the investments where the carrying amount exceeded the net asset value, comparing the assumptions used in the investment's budgeted cash flows with our knowledge of the subsidiary and the markets in which the subsidiaries operate.

Communications with Auto Trader Group plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Discussion of growth assumptions within the forecast cash flows relating to Autorama UK Limited.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- We identified no areas of particular auditor judgement.

Our results

We found the carrying amount of the investment in subsidiaries to be acceptable (2022: acceptable).

5. Our ability to detect irregularities, and our response

Fraud: identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	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, the Audit Committee, internal audit and the company secretary and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the outsourced internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud; • Reading Board and other committee meeting minutes; • Considering remuneration incentive schemes and performance targets for management and directors, including the Group's share based incentive schemes; • Using analytical procedures to identify any unusual or unexpected relationships; and • Consultation with our own forensic professional regarding our fraud risk assessment and the identified fraud risk.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards 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 Group 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 no material judgement or estimation in revenue recognition and no significant opportunity for fraudulent material misstatement, given the low value and high volume of individual transactions. We did not identify any additional fraud risks.
Procedures to address fraud risks	We performed procedures including: • Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts and those posted with unusual descriptions. • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations: identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	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 and 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. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions legislation in respect of defined benefit pension schemes and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/ regulation areas	Secondly, the Group 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: General Data Protection Regulation, FCA compliance, competition law, employment law, anti-bribery and anti-corruption, money laundering legislation and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. 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

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.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

Materiality for the Group financial statements as a whole: £14.0m (FY22: £15.0m)
What we mean
A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied
Materiality for the Group financial statements as a whole was set at £14.0m (FY22: £15.0m). This was determined with reference to a benchmark of profit before tax.

Consistent with FY22, we determined that profit before tax remains the main benchmark for the Group as it is the metric in the primary statements which best reflects the focus of the financial statements' users.

Our Group materiality of £14.0m was determined by applying a percentage to profit before tax. When using a benchmark of profit before tax to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 3% – 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.8% (FY22: 5.0%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £13.0m (FY22: £6.1m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.75% (FY22: 0.5%). We increased Parent Company materiality during our final audit from £7.0m set at planning to £13.0m to better reflect the risk profile of this entity, whilst still limiting materiality to be less than that for Group materiality as a whole.

Performance materiality: £10.5m (FY22: £11.3m)
What we mean
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied
We have considered performance materiality at a level of 75% (FY22: 75%) of materiality for Auto Trader Group plc's financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £9.8m (FY22: £4.6m), which equates to 75% (FY22: 75%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

Audit misstatement posting threshold: £0.7m (FY22: £0.8m)
What we mean
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to Auto Trader Group plc's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied
We set our audit misstatement posting threshold at 5% (FY22: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £14.0m (FY22: £15.0m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group profit before tax		Total Group assets	
	FY23	FY22	FY23	FY22	FY23	FY22
Financial statement caption	**£500.2m**	£432.7m	**£293.6m**	£301.0m	**£662.7m**	£542.9m
Group materiality as % of caption	**2.8%**	3.5%	**4.8%**	5.0%	**2.1%**	2.8%

7. The scope of our audit

Group scope
What we mean
How the Group audit team determined the procedures to be performed across the Group.

Of the Group's 6 (FY22: 5) reporting components, we subjected 1 (FY22: 3) to a full scope audit for Group purposes. The audit of this component and the audit of the parent company was performed by the Group team.

Scope	Number of components	Materiality applied
Full scope audit	1	£13.3m

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. 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.

All other information
Our responsibility
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.

Our reporting
Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report
Our responsibility and reporting
Based solely on our work on the other information described above we report to you as follows:

- We have not identified material misstatements in the strategic report and the directors' report;
- In our opinion the information given in those reports 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.

Directors' remuneration report
Our responsibility
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures
Our responsibility
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- The directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- The section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- The section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting
Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

8. Other information in the Annual Report continued

Other matters on which we are required to report by exception

Our responsibility

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the financial statements including 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 Group and Parent 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 Group or the Parent 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 frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. 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
1 St Peter's Square
Manchester
M2 3AE
1 June 2023

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Revenue	5	**500.2**	432.7
Operating costs	4	**(225.1)**	(132.0)
Share of profit from joint ventures, net of tax	16	**2.5**	2.9
Operating profit	6	**277.6**	303.6
Net finance costs	9	**(3.1)**	(2.6)
Profit on disposal of subsidiary	10	**19.1**	–
Profit before taxation		**293.6**	301.0
Taxation	11	**(59.7)**	(56.3)
Profit for the year attributable to equity holders of the parent		**233.9**	244.7
Basic earnings per share (pence)	12	**25.01**	25.61
Diluted earnings per share (pence)	12	**24.77**	25.56

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Profit for the year		**233.9**	244.7
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.3)**	0.2
Realisation of cumulative currency translation differences		**0.4**	–
		0.1	0.2
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax	25	**(0.4)**	0.2
Other comprehensive income for the year, net of tax		**(0.3)**	0.4
Total comprehensive income for the year attributable to equity holders of the parent		**233.6**	245.1

At 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	13	**501.0**	355.6
Property, plant and equipment	14	**15.9**	14.7
Deferred taxation assets	24	**–**	1.4
Retirement benefit surplus	25	**0.5**	3.7
Net investments in joint ventures	16	**49.3**	49.7
Other investments	17	**2.3**	–
		569.0	425.1
Current assets			
Inventory	19	**3.6**	–
Trade and other receivables	18	**72.9**	65.9
Current income tax assets		**0.6**	0.6
Cash and cash equivalents	20	**16.6**	51.3
		93.7	117.8
Total assets		**662.7**	542.9
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	26	**9.3**	9.5
Share premium		**182.6**	182.6
Retained earnings		**1,390.3**	1,332.4
Own shares held	27	**(26.0)**	(22.4)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Capital redemption reserve		**1.2**	1.0
Other reserves		**30.7**	30.2
Total equity		**527.3**	472.5
Liabilities			
Non-current liabilities			
Borrowings	22	**57.5**	–
Provisions	23	**1.3**	1.3
Lease liabilities	15	**4.6**	6.5
Deferred income	5	**8.3**	8.9
Deferred taxation liabilities	24	**5.8**	–
		77.5	16.7
Current liabilities			
Trade and other payables	21	**53.6**	42.0
Provisions	23	**0.7**	0.7
Lease liabilities	15	**2.5**	3.0
Borrowings	22	**1.1**	–
Deferred consideration		**–**	8.0
		57.9	53.7
Total liabilities		**135.4**	70.4
Total equity and liabilities		**662.7**	542.9

The financial statements were approved by the Board of Directors on 1 June 2023 and authorised for issue:

Jamie Warner
Chief Financial Officer
Auto Trader Group plc
Registered number: 09439967
1 June 2023

For the year ended 31 March 2023

	Note	Share capital £m	Share premium £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at 31 March 2021		**9.7**	**182.4**	**1,307.3**	**(10.7)**	**(1,060.8)**	**0.8**	**30.0**	**458.7**
Profit for the year		–	–	244.7	–	–	–	–	244.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations, net of tax	25	–	–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	–	244.9	–	–	–	0.2	245.1
Transactions with owners									
Employee share schemes – value of employee services	30	–	–	5.1	–	–	–	–	5.1
Exercise of employee share schemes		–	–	(4.8)	6.0	–	–	–	1.2
Transfer of shares from ESOT	27	–	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	–	0.1	–	–	–	–	0.1
Purchase of own shares for treasury		–	–	–	(17.8)	–	–	–	(17.8)
Purchase of own shares for cancellation		(0.2)	–	(146.5)	–	–	0.2	–	(146.5)
Issue of ordinary shares	26	–	0.2	–	–	–	–	–	0.2
Dividends paid		–	–	(73.6)	–	–	–	–	(73.6)
Total transactions with owners, recognised directly in equity		(0.2)	0.2	(219.8)	(11.7)	–	0.2	–	(231.3)
Balance at 31 March 2022		**9.5**	**182.6**	**1,332.4**	**(22.4)**	**(1,060.8)**	**1.0**	**30.2**	**472.5**
Profit for the year		–	–	233.9	–	–	–	–	233.9
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	(0.3)	(0.3)
Realisation of cumulative currency translation differences		–	–	–	–	–	–	0.4	0.4
Remeasurements of post-employment benefit obligations, net of tax	25	–	–	(0.4)	–	–	–	–	(0.4)
Total comprehensive income, net of tax		–	–	233.5	–	–	–	0.1	233.6
Transactions with owners									
Employee share schemes – value of employee services	30	–	–	44.6	–	–	–	–	44.6
Exercise of employee share schemes		–	–	(3.6)	5.1	–	–	0.4	1.9
Tax impact of employee share schemes		–	–	0.4	–	–	–	–	0.4
Purchase of own shares for treasury		–	–	–	(8.7)	–	–	–	(8.7)
Purchase of own shares for cancellation		(0.2)	–	(139.3)	–	–	0.2	–	(139.3)
Dividends paid		–	–	(77.7)	–	–	–	–	(77.7)
Total transactions with owners, recognised directly in equity		(0.2)	–	(175.6)	(3.6)	–	0.2	0.4	(178.8)
Balance at 31 March 2023		**9.3**	**182.6**	**1,390.3**	**(26.0)**	**(1,060.8)**	**1.2**	**30.7**	**527.3**

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	29	**327.4**	328.1
Income taxes paid		**(60.5)**	(56.2)
Net cash generated from operating activities		**266.9**	271.9
Cash flows from investing activities			
Purchases of intangible assets		**(1.0)**	–
Purchases of property, plant and equipment		**(2.4)**	(2.8)
Proceeds from sale of property, plant and equipment		**1.8**	–
Dividends received from joint ventures	16	**2.9**	7.8
Payment for acquisition of subsidiary, net of cash acquired	31	**(144.2)**	–
Payment of deferred consideration for acquisition of subsidiary	31	**(8.1)**	–
Payment for acquisition of shares in investment entities		**(1.3)**	–
Proceeds on disposal of subsidiary, net of cash disposed	10	**25.6**	–
Net cash used in investing activities		**(126.7)**	5.0
Cash flows from financing activities			
Dividends paid to Company's shareholders	28	**(77.7)**	(73.6)
Drawdown of Syndicated revolving credit facility	22	**110.0**	–
Repayment of Syndicated revolving credit facility	22	**(50.0)**	(30.0)
Repayment of other debt	33	**(4.0)**	–
Proceeds from loan	33	**1.1**	–
Payment of refinancing fees	22	**(1.4)**	–
Payment of interest on borrowings	33	**(3.0)**	(1.5)
Payment of lease liabilities	15	**(2.9)**	(3.2)
Purchase of own shares for cancellation	26	**(138.6)**	(145.8)
Purchase of own shares for treasury	27	**(8.7)**	(17.7)
Payment of fees on purchase of own shares		**(0.7)**	(0.8)
Contributions to defined benefit pension scheme	25	**(1.0)**	(0.1)
Proceeds from exercise of share-based incentives		**2.0**	1.4
Net cash used in financing activities		**(174.9)**	(271.3)
Net (decrease)/increase in cash and cash equivalents		**(34.7)**	5.6
Cash and cash equivalents at beginning of year	20	**51.3**	45.7
Cash and cash equivalents at end of year	20	**16.6**	51.3

1. General information

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Consolidated financial statements of the Company as at and for the year ended 31 March 2023 comprise the Company and its interest in subsidiaries (together referred to as 'the Group'). The Group's principal business is the operation of the Auto Trader platforms which form the UK's largest automotive marketplace.

The Consolidated financial statements of the Group as at and for the year ended 31 March 2023 are available upon request to the Company Secretary from the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN or are available on the corporate website at plc.autotrader.co.uk.

Basis of preparation
The Consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards.

The Consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, except for equity investments which are carried at fair value.

Functional and presentation currency
The Consolidated financial statements are presented in sterling (£), which is the Group's presentation currency, and rounded to the nearest hundred thousand (£0.1m) except when otherwise indicated.

Basis of consolidation
Subsidiaries are all entities over which the Group has control. Control exists when the Group has existing rights that give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

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

When the Group disposes of a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in the income statement.

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

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as: joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

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

Going concern
During the year ended 31 March 2023 the Group has continued to generate significant cash from operations. The Group has an overall positive net asset position and had cash balances of £16.6m at 31 March 2023 (2022: £51.3m). During the year £225.0m was returned to shareholders through share buybacks and dividends (2022: £237.1m).

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). At 31 March 2023 the Group had £60.0m (2022: nil) drawn of its £200.0m Syndicated RCF. The £200.0m Syndicated RCF is committed through to maturity in February 2028.

Cash flow projections for a period of not less than 12 months from the date of this report have been prepared. Stress case scenarios have been modelled to make the assessment of going concern, taking into account severe but plausible potential impacts of a severe economic downturn and a data breach within the next 12 months. The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, the Group would be able to withstand the impact and remain cash generative. Subsequent to the year end, the Group has generated cash flows in line with its forecast and there are no events that have adversely impacted the Group's liquidity.

The Directors, after making enquiries and on the basis of current financial projections and facilities available, believe that the Group has adequate financial resources to continue in operation for a period not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Management believe that the estimates and assumptions listed below were significant in the preparation of the Consolidated balance sheet at the financial year end.

Acquisition accounting (judgement and estimate)
The Group acquired Autorama UK Limited ('Autorama') in the year. Business combination accounting has been adopted in line with the accounting policy in note 2. Judgement was required to determine the acquired intangible assets to be separately identified, as described in note 31. In particular, it was concluded that supplier relationships with funders and car manufacturers did not meet the criteria for recognition as separate intangible assets and their value would form part of the goodwill arising on acquisition. For those acquired intangible assets which are separately identified, principally the Vanarama brand, estimation was then required to determine the appropriate methodology, assumptions and data to measure their fair value at the acquisition date.

As also disclosed in note 31, the purchase of Autorama gave rise to a deferred payment in shares of £50.0m, with payment contingent on post-acquisition employment and service conditions. This element of consideration payable has been determined to be a post-acquisition income statement expense over the period of service, in accordance with IFRS 3. There is no significant estimate relating to the contingency, which expires in June 2023.

There are no accounting estimates or judgements at the financial year end which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other accounting estimates and judgements include:

Carrying values of goodwill (judgement and estimate)
The Group tests annually whether goodwill, held by the Group or its joint venture, has suffered any impairment in accordance with the accounting policy stated within note 2. Judgement is required in the identification and allocation of goodwill to cash-generating units and the recoverable amounts of cash-generating units require the use of estimates (note 13).

2. Significant accounting policies

Changes in significant accounting policies
New and amended standards adopted by the Group
The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The adoption of these amendments has had no material effect on the Group's Consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective
There are a number of amendments to IFRS that have been issued by the IASB that, when endorsed in the UK, will become effective in a subsequent accounting period including:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group has evaluated these changes and none are expected to have a material impact on the Consolidated financial statements.

Existing significant accounting policies
The following accounting policies applied by the Group have been applied consistently to all periods presented in the Consolidated financial statements.

Revenue
Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. Revenue is stated net of discounts, rebates, refunds and value-added tax.

2. Significant accounting policies continued

Revenue principally represents the amounts receivable from customers for advertising on the Group's platforms but also includes non-advertising services such as vehicle leasing transactions and 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 revenue

Trade revenue comprises fees from retailers, Home Traders and logistics customers for advertising on the Group's platforms and utilising the Group's services.

Retailer revenue

Retailer customers pay a monthly subscription fee to advertise their stock on the Group'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 group level and are ongoing subject to a 30-day notice period. Revenue 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. Revenue 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 Group also generates revenue 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 Group'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 Group's right to consideration is only conditional on the passage of time.

Home Trader revenue

Home Trader customers pay a fee in advance to advertise a vehicle on the Group's platform for a specified period of time. Revenue 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 revenue

Logistics customers pay a monthly subscription fee for access to the Group's Motor Trade Delivery 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 Group's marketplace. Revenue is recognised at the point in time when the vehicle move has been completed. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

Data revenue

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.

AutoConvert revenue

AutoConvert customers pay a monthly subscription fee to access the AutoConvert platform. Control is transferred to customers across the life of the contract where customers have continuous access to the platform and revenue is recognised across this period. Ancillary AutoConvert revenues are charged on a per transaction basis and revenue is recognised at the point in time that these services are provided.

(ii) Consumer Services revenue

Consumer Services comprises fees from private sellers for vehicle advertisements on the Group'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 Group'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 revenue is recognised over this time. Revenue is also generated from third-party partners who utilise the Group'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. Revenue is also generated through Instant Offer, providing consumers with a guaranteed price for their vehicle offered by a third-party buyer. The Group's fee is recognised as revenue when the consumer's vehicle is collected by the third-party buyer.

(iii) Manufacturer and Agency revenue

Revenue is generated from manufacturers and their advertising agencies for placing display advertising for their brand or vehicle on the Group'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 revenue to be recognised. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

(iv) Autorama revenue
Autorama revenue comprises consideration received from the sale of new vehicles and accessories as well as commission received for facilitating the lease of new vehicles.

Vehicle & Accessory sales revenue
Vehicle & Accessory sales revenue is generated from new vehicles which are purchased from an original equipment manufacturer ('OEM') or retailer and then sold to a lease funder. Control is obtained by the funder at a point in time when the vehicle is delivered and revenue is only recognised at this point. Additional accessories can be added to vehicles at extra cost upon the request of the funder, and control is once again obtained by the funder at a point in time when the vehicle is delivered. Where the Group obtains control of vehicles or accessories in advance of selling those goods to a funder, including holding inventory risk, then the Group is acting as principal and revenue and cost of sales are reported on a gross basis. Where the Group does not obtain control of vehicles, revenue is recorded as the value of the related commission and recognised as described below.

Commission & Ancillary revenue
Commission & Ancillary revenue is generated from commission received from lease funders for facilitating the lease of new vehicles via advertisement on the Autorama online marketplace. Control is obtained by the funder at a point in time when the lease is live and revenue is only recognised at this point. Ancillary Autorama revenues are charged on a per transaction basis and revenue is recognised at the point in time that these services are provided.

Rebates are present in the contractual arrangements with funders and are awarded in cash based upon the quarterly number of vehicles provided. Similarly, rebates are present in the contractual arrangements with OEMs and are awarded in cash based upon the quarterly number of vehicles purchased. Revenue is recognised as volume targets are met, when Autorama's right to consideration is only conditional on the passage of time.

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

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

b) Defined benefit scheme
The Group operates one defined benefit pension scheme that is closed to new members. The asset or liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the Scheme's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating those of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Any Scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet. Contributions paid to the Scheme by the Group have been classified as financing activities in the Consolidated statement of cash flows as there are no remaining active members within the Scheme.

c) Share-based payments
Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period. Fair value of the awards is measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity. Cash-settled awards are revalued at each reporting date with the fair value of the award charged to the profit and loss account over the vesting period and the credit side of the entry recognised as a liability.

Research and development
Research and development expenditure is charged against profits in the year in which it is incurred, unless it is development that meets the criteria for capitalisation set out in IAS 38, Intangible Assets.

Operating profit
Operating profit is the profit of the Group (including the Group's share of profit from joint ventures) before finance income, finance costs, profit on disposal of subsidiaries which do not meet the definition of a discontinued operation, and taxation.

Finance income and costs
Finance income is earned on bank deposits and finance costs are incurred on bank borrowings. Both are recognised in the income statement in the period in which they are incurred.

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

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

2. Significant accounting policies continued

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts are included in the Consolidated financial statements. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Leases

At inception of a contract, the Group 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 Group 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 Group'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 Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

The Group 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.

Financial instruments

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Under IFRS 9, trade receivables including 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 Group recognises lifetime expected credit losses ('ECLs') for trade receivables and accrued income. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for any macro-economic factors. At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023.

The Group assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as at fair value through profit and loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition and measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities, including trade payables, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intangible assets

a) Goodwill

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

b) Trademarks, trade names, technology, non-compete agreements, customer relationships, franchise buybacks, 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, franchise buybacks, brands and databases acquired in a business combination are recognised at fair value at the acquisition date and subsequently amortised.

c) Software

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

d) Software and website development costs and financial systems

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

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

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs. Other development expenditures that do not meet these criteria, as well as ongoing maintenance and costs associated with routine upgrades and enhancements, are recognised as an expense as incurred. Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding 10 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 Group income statement, unless the Group 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.

Property, plant and equipment

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

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

Land, buildings and leasehold improvements:

• 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.

Impairment of non-financial assets

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

2. Significant accounting policies continued

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

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

Business combinations
The Group accounts for business combinations using the acquisition method under IFRS 3. See note 1 for further details.

Interests in joint ventures
Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Auto Trader Group plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, movements in other comprehensive income and dividends received.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and short-term deposits held on call with banks.

Inventories
Inventory is measured at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

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

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

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

Vehicle financing
A vehicle stocking loan is a financing arrangement which is used to purchase new and used vehicles prior to re-sale. This financing arrangement can only be used for this purpose, typically has a maturity of 180 days or less and is repayable on the earliest of the vehicle delivery date or the maturity date. Based on these factors, the Group recognises these arrangements as financial liabilities within trade and other payables.

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

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

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

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

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

Share premium
The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

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

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

Other reserves
Other reserves include the currency translation reserve on the consolidation of entities whose functional currency is other than sterling, and other amounts which arose on the initial common control transaction that formed the Group.

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

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Leadership Team that makes strategic decisions (note 4).

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

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

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

These foreign currency differences are recognised in other comprehensive income and the translation reserve within other reserves.

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

Fair value measurement
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable outputs and minimise the use of unobservable outputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

3. Risk and capital management

Overview
In the course of its business the Group is exposed to market risk, credit risk and liquidity risk from its use of financial instruments. This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated financial statements.

The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

Market risk
i. Foreign exchange risk
The Group has no significant foreign exchange risk as 99% of the Group's revenue and 99% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

During the year the Group sold one of its subsidiaries, Webzone Limited, which traded in the Republic of Ireland under the Carzone brand. Following the sale of Webzone Limited, all of the Group's revenue and costs are sterling-denominated.

ii. Interest rate risk
The Group's interest rate risk arises from long-term borrowings under the Syndicated RCF with floating rates of interest linked to SONIA. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk. The variation of 100 basis points in the interest rate of floating rate financial liabilities (with all other variables held constant) will increase or decrease post-tax profit for the year by £0.4m (2022: £0.0m).

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or banking institution fails to meet its contractual obligations.

i. Trade receivables
Credit risk relating to trade receivables is managed centrally and the credit risk for new Auto Trader customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that Auto Trader's existing customers have an appropriate credit history and a significant number of balances are collected via direct debit. In March, more than 87.4% (2022: 87.4%) of Auto Trader's retailer customers paid via monthly direct debit, minimising the risk of non-payment. Sales to private individuals using Auto Trader are primarily settled in advance using major debit or credit cards which removes the risk in this area.

Autorama's main customers are funders who do not change regularly, so the risk in this area is also minimal.

The Group establishes an expected credit loss that represents its estimate of losses in respect of trade and other receivables. Further details of these are given in note 32.

Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the fragmented nature of the customer base and the robust nature of the used car market.

ii. Cash and cash equivalents
As at 31 March 2023, the Group held cash and cash equivalents of £16.6m (2022: £51.3m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Group's treasury policy is to monitor cash, and when applicable deposit balances, on a daily basis and to manage counterparty risk, whilst also ensuring efficient management of the Group's Syndicated RCF.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow forecasting is performed centrally by the Director of Group Finance. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. The Group's revenue model is largely subscription-based, which results in a regular level of cash conversion allowing it to service working capital requirements.

The Group has access to a Syndicated RCF which has total commitments of £200.0m. The £200.0m Syndicated RCF is committed through to maturity in February 2028. The facility allows the Group access to cash at one working day's notice. At 31 March 2023, £60.0m was drawn under the Syndicated RCF (2022: £nil).

The Group has access to a vehicle stocking loan, with a limit of £12.0m. This financing arrangement can only be used to fund the purchase of new and used vehicles prior to re-sale and has a maturity of 180 days or less. The loan is repayable on the earliest of the vehicle delivery date or the maturity date. At 31 March 2023, £3.0m was recognised in the Consolidated balance sheet (2022: £nil).

Capital management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total bank debt, other loans, vehicle stocking loans and lease financing, less cash and cash equivalents as shown in note 20. Total equity is as shown in the Consolidated balance sheet.

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

	2023 £m	2022 £m
Total net debt/(cash)	**52.4**	(41.7)
Total equity	**527.3**	472.5
Total capital	**579.7**	430.8

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient cost of capital structure. To maintain or adjust the capital structure, the Group may pay dividends, return capital through share buybacks, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

As at 31 March 2023, the Group had borrowings of £60.0m (2022: £nil) through its Syndicated RCF. Interest is payable on this facility at a rate of SONIA plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries, which is calculated and reviewed on a biannual basis. The Group remains in compliance with its banking covenants.

4. Segmental information

IFRS 8 'Operating segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are two operating segments (2022: one operating segment). The acquisition of Autorama in June 2022 has led to Autorama being reported as a separate segment during the period. The Group's reportable operating segments have therefore been identified as follows:

- Auto Trader: includes the results of Auto Trader, AutoConvert and Webzone in respect of online classified advertising of motor vehicles and other related products and services in the digital automotive marketplace including share of profit from the Dealer Auction joint venture.
- Autorama: the results of Autorama in respect of a marketplace for leasing new vehicles and other related products and services.

Management has determined that there are two operating segments in line with the nature in which the Group is managed. The reports reviewed by the Operational Leadership Team ('OLT'), which is the chief operating decision-maker ('CODM') for both segments, split out operating performance by segment. The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group. Revenue and cost streams for each operating segment are largely independent in the reporting period.

The OLT primarily uses the measures of Revenue and Operating profit to assess the performance of each operating segment. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement. There are no inter-segment revenues in the current or comparative periods.

Analysis of the Group's revenue and results for both reportable segments, with a reconciliation to Group profit before tax, is shown below:

Year to 31 March 2023	Auto Trader segment £m	Autorama segment £m	Group central costs £m	Group £m
Total segment revenue	**473.0**	**27.2**	**–**	**500.2**
People costs	**(74.0)**	**(10.5)**	**(38.8)**	**(123.3)**
Marketing	**(22.3)**	**(4.7)**	**–**	**(27.0)**
Costs of goods sold	**–**	**(15.7)**	**–**	**(15.7)**
Other costs	**(39.6)**	**(5.4)**	**–**	**(45.0)**
Depreciation & amortisation	**(6.7)**	**(2.1)**	**(5.3)**	**(14.1)**
Total segment costs	**(142.6)**	**(38.4)**	**(44.1)**	**(225.1)**
Share of profit from joint ventures	**2.5**	**–**	**–**	**2.5**
Total segment operating profit/(loss)	**332.9**	**(11.2)**	**(44.1)**	**277.6**
Profit on disposal of subsidiary				**19.1**
Finance costs – net				**(3.1)**
Profit before tax				**293.6**

4. Segmental information continued

Group central costs which are not allocated within either of the segment operating profit/(loss) reported to the CODM comprise:

(i) People costs: a £38.8m charge for the expense of Group shares expected to be issued to settle the Autorama deferred consideration (note 31).

(ii) Depreciation & amortisation: £5.3m of amortisation expense relating to the fair value of intangible brand, technology and other assets acquired in the Group's business combination of Autorama.

Year to 31 March 2022	Auto Trader segment £m	Autorama segment £m	Group central costs £m	Group £m
Total segment revenue	432.7	–	–	432.7
People costs	(69.8)	–	–	(69.8)
Marketing	(20.5)	–	–	(20.5)
Other costs	(34.5)	–	–	(34.5)
Depreciation & amortisation	(7.2)	–	–	(7.2)
Total segment costs	(132.0)	–	–	(132.0)
Share of profit from joint ventures	2.9	–	–	2.9
Total segment operating profit	303.6	–	–	303.6
Finance costs – net				(2.6)
Profit before tax				301.0

In the current year, the Group has classified expenditure by nature (2022: by function). The change, which is presented consistently for the current and prior year in this note, has been adopted to provide more meaningful information about the Group's expenditure following the Autorama acquisition. In the prior year, all expenditure was classified by function as administrative expenses.

5. Revenue

The Group's operations and main revenue streams are those described in these annual financial statements. The Group's revenue is derived from contracts with customers.

Other than disclosed in note 10, all revenues were earned from activities and customers in the United Kingdom.

In the following table, the Group's revenue is detailed by customer type. This level of detail is consistent with that used by management to assist in the analysis of the Group's revenue-generating trends.

Revenue	2023 £m	2022 £m
Retailer	**406.8**	370.4
Home Trader	**10.1**	8.8
Other	**10.5**	9.1
Trade	**427.4**	388.3
Consumer Services	**34.5**	33.3
Manufacturer and Agency	**11.1**	11.1
Autorama	**27.2**	–
Total revenue	**500.2**	432.7

Revenue is largely recognised over time, other than Autorama revenue which is recognised at a point in time when related sales commission or fees are earned. The Group has no major customers to disclose in either the current or prior year.

Contract balances

The following table provides information about receivables and contract assets and liabilities from contracts with customers.

	2023 £m	2022 £m
Receivables, which are included in trade and other receivables	**31.5**	28.2
Accrued income	**40.2**	35.8
Deferred income	**(14.0)**	(11.9)

Accrued income relates to the Group's unconditional rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to trade receivables when invoiced.

Deferred income relates to advanced consideration received for which revenue is recognised as or when services are provided. £5.7m (2022: £3.0m) of the deferred income balance is classified as a current liability within trade and other payables (note 21). Included within deferred income is £8.9m (2022: £9.5m) relating to consideration received from Dealer Auction Limited (joint venture) for the provision of data services to Dealer Auction (note 16). Revenue relating to this service is recognised on a straight-line basis over a period of 20 years to 31 December 2038; given this time period the liability has been split between current and non-current liabilities. Revenue of £0.6m was recognised in the year (2022: £0.6m).

6. Operating profit

Operating profit is after (charging)/crediting the following:

	Note	2023 £m	2022 £m
Staff costs	7	**(84.1)**	(69.8)
Contractor costs		**(0.4)**	–
Depreciation of property, plant and equipment	14	**(4.9)**	(4.6)
Amortisation of intangible assets	13	**(9.2)**	(2.6)
Profit on sale of property, plant and equipment		**0.7**	–

Services provided by the Company's auditor

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

	2023 £m	2022 £m
Fees payable for the audit of the Company and Consolidated financial statements	**0.2**	0.1
Fees payable for other services		
The audit of the subsidiary undertakings pursuant to legislation	**0.3**	0.3
Total	**0.5**	0.4

Fees payable for audit-related assurance services in the year were £48,000 (2022: £43,841). Fees payable for other non-audit services in the year were £nil (2022: £nil).

7. Employee numbers and costs

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

	2023 Number	2022 Number
Customer operations	**566**	422
Product and technology	**403**	384
Corporate	**191**	154
Total	**1,160**	960

The aggregate payroll costs of these persons were as follows:

	Note	2023 £m	2022 £m
Wages and salaries		**66.7**	54.8
Social security costs		**7.3**	5.7
Defined contribution pension costs	25	**3.5**	3.2
		77.5	63.7
Share-based payments and associated NI	30	**6.6**	6.1
Total		**84.1**	69.8

Wages and salaries include £27.7m (2022: £25.2m) relating to the product and technology teams; these teams spend a significant proportion of their time on innovation of our product proposition and incremental enhancements to the Group's platforms.

In addition to the share-based payments disclosed above, a share-based payment charge of £38.8m (2022: £nil) has been recorded in the income statement for the year, relating to deferred consideration for the acquisition of Autorama, which is payable in shares and contingent on post-acquisition employment and service conditions (note 31).

8. Directors and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' remuneration report on pages 80 to 93:

Key Management compensation
During the year to 31 March 2023, Key Management comprised the members of the OLT (who are defined in note 4) and the Non-Executive Directors (2022: OLT and the Non-Executive Directors). The remuneration of all Key Management (including all Directors) was as follows:

	2023 £m	2022 £m
Short-term employee benefits	**4.2**	4.1
Share-based payments	**2.1**	3.6
Pension contributions	**0.2**	0.2
Total	**6.5**	7.9

9. Net finance costs

	2023 £m	2022 £m
On bank loans and overdrafts	**2.5**	1.4
Amortisation of debt issue costs	**0.5**	1.0
Interest unwind on lease liabilities	**0.2**	0.2
Interest on vehicle stocking loan	**0.1**	–
Interest charged on deferred consideration	**–**	0.1
Interest receivable on cash and cash equivalents	**(0.2)**	(0.1)
Total	**3.1**	2.6

10. Disposal of a subsidiary

Sale of Webzone Limited
On 24 October 2022, the Group announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. The business was sold to Mediahuis Ireland for a consideration of €30.0m.

Revenue generated from Webzone Limited in the period to 24 October 2022 was £2.9m (year ended 31 March 2022: £4.9m). The disposal of Webzone Limited does not represent a discontinued operation under IFRS 5 as the entity was neither a separate major line of business or a material geographical area of operation.

A profit on disposal has been recognised in the Group's Consolidated income statement:

	24 October 2022 £m
Goodwill	5.7
Property, plant and equipment	0.6
Deferred taxation assets	0.1
Trade and other receivables	0.9
Cash and cash equivalents	0.8
Lease liabilities	(0.7)
Trade and other payables	(0.5)
Net identifiable assets/(liabilities) disposed of	6.9

Cash consideration received	26.4
Net identifiable assets disposed of	(6.9)
Realisation of cumulative currency translation difference	(0.4)
Gain on disposal of subsidiary	19.1

11. Taxation

	2023 £m	2022 £m
Current taxation		
UK corporation taxation	**61.2**	56.5
Foreign taxation	**0.1**	0.2
Adjustments in respect of prior years	**(0.2)**	(0.4)
Total current taxation	**61.1**	56.3
Deferred taxation		
Origination and reversal of temporary differences	**(1.3)**	0.3
Effect of rate changes on opening balance	**–**	0.2
Adjustments in respect of prior years	**(0.1)**	(0.5)
Total deferred taxation	**(1.4)**	–
Total taxation charge	**59.7**	56.3

The taxation charge for the year is higher than (2022: lower than) the effective rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Profit before taxation	**293.6**	301.0
Tax on profit at the standard UK corporation tax rate of 19% (2022: 19%)	**55.8**	57.2
Expenses not deductible for taxation purposes	**8.5**	0.8
Income not taxable – gain on disposal of subsidiary	**(3.6)**	–
Share of joint venture taxation	**(0.5)**	(0.6)
Adjustments in respect of foreign taxation rates	**(0.1)**	(0.1)
Effect of rate change on deferred taxation	**–**	0.1
Adjustments in respect of OCI group relief	**(0.1)**	(0.2)
Adjustments in respect of prior years	**(0.3)**	(0.9)
Total taxation charge	**59.7**	56.3

Expenses non-deductible for taxation purposes in the current year principally includes the share-based payment expense relating to the deferred consideration and amortisation of intangible assets arising on acquisition of Autorama (note 4).

Taxation on items taken directly to equity was a credit of £0.4m (2022: £0.1m) relating to tax on share-based payments.

Taxation recorded in equity within the Consolidated statement of comprehensive income was a release of £0.4m (2022: charge of £0.2m) relating to post-employment benefit obligations.

The taxation charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2022: 19%).

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

On 10 June 2021, Royal Assent to the Finance Act was given to increase 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 25% being used to measure all deferred tax balances as at 31 March 2023 (2022: 20%).

With revenue exceeding £500.0m for the first time, the Group is potentially within scope of the UK's digital services tax ('DST'), however certain revenue streams, such as vehicle and accessory sales, would be exempt, meaning we do not meet the threshold in financial year 2023. It is HMRC's intention that the current UK DST will be repealed during financial year 2024 and replaced with an OECD model for which the Group would not be in scope.

12. Earnings per share

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held in treasury and by the Employee Share Option Trust ('ESOT'), based on the profit for the year attributable to shareholders.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2023			
Basic EPS	**935,138,578**	**233.9**	**25.01**
Diluted EPS	**944,144,242**	**233.9**	**24.77**
Year ended 31 March 2022			
Basic EPS	955,532,888	244.7	25.61
Diluted EPS	957,534,145	244.7	25.56

The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

	2023	2022
Issued ordinary shares at 1 April	**946,892,976**	969,024,186
Weighted effect of ordinary shares purchased for cancellation	**(7,112,698)**	(9,573,664)
Weighted effect of ordinary shares held in treasury	**(4,304,401)**	(3,572,833)
Weighted effect of shares held in the ESOT	**(348,989)**	(371,316)
Weighted effect of ordinary shares issued for share-based payments	**11,690**	26,515
Weighted average number of shares for basic EPS	**935,138,578**	955,532,888
Dilutive impact of share options outstanding	**9,005,664**	2,001,257
Weighted average number of shares for diluted EPS	**944,144,242**	957,534,145

For diluted earnings per share, the weighted average number of shares for basic EPS is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees and shares issued as deferred consideration. Options are dilutive under the Sharesave scheme where the exercise price together with the future IFRS 2 charge is less than the average market price of the ordinary shares during the year. Options under the Performance Share Plan, the Single Incentive Plan Award, the Deferred Annual Bonus Plan and the Share Incentive Plan are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions are satisfied.

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

13. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Brand £m	Other £m	Total £m
Cost						
At 31 March 2021	457.9	14.4	13.1	1.2	25.3	**511.9**
At 31 March 2022	457.9	14.4	13.1	1.2	25.3	**511.9**
Acquired through business combinations	92.5	13.7	–	47.6	5.6	**159.4**
Additions	–	1.0	–	–	–	**1.0**
Disposals	(5.7)	(1.8)	–	(0.6)	(1.2)	**(9.3)**
Exchange differences	(0.1)	–	–	–	–	**(0.1)**
At 31 March 2023	**544.6**	**27.3**	**13.1**	**48.2**	**29.7**	**662.9**
Accumulated amortisation and impairments						
At 31 March 2021	117.0	8.3	12.8	0.6	15.0	**153.7**
Amortisation charge	–	0.9	0.3	0.1	1.3	**2.6**
At 31 March 2022	117.0	9.2	13.1	0.7	16.3	**156.3**
Amortisation charge	–	2.5	–	4.2	2.5	**9.2**
Disposals	–	(1.8)	–	(0.6)	(1.2)	**(3.6)**
At 31 March 2023	**117.0**	**9.9**	**13.1**	**4.3**	**17.6**	**161.9**
Net book value at 31 March 2023	**427.6**	**17.4**	**–**	**43.9**	**12.1**	**501.0**
Net book value at 31 March 2022	**340.9**	**5.2**	**–**	**0.5**	**9.0**	**355.6**
Net book value at 31 March 2021	**340.9**	**6.1**	**0.3**	**0.6**	**10.3**	**358.2**

Other intangibles include customer relationships, technology, trade names, trademarks and non-compete agreements. Intangible assets which have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (principally between 3 to 15 years). The longest estimated useful life remaining at 31 March 2023 is 12 years (31 March 2022: 13 years).

For the year to 31 March 2023, the amortisation charge of £9.2m (2022: £2.6m) has been charged to operating costs in the Consolidated income statement. At 31 March 2023, there were no software and website development costs representing assets under construction (2022: £nil).

In accordance with UK-adopted international accounting standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators of impairment. Goodwill is carried at cost less accumulated impairment losses.

13. Intangible assets continued

Impairment test for goodwill
Goodwill is allocated to the appropriate cash-generating unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill. Following the acquisition of Autorama, there are now two CGUs that exist in the Group, being the Digital CGU and the Autorama CGU.

The carrying value of the CGUs is principally the sum of goodwill, property, plant and equipment (including lease assets), intangibles and lease liabilities, as follows:

	2023 £m	2022 £m
Digital	**351.1**	360.8
Autorama	**152.8**	–
Total	**503.9**	360.8

Digital
The recoverable amount of the Digital CGU is determined from value-in-use calculations that use discounted cash flow projections from the latest business plan. The carrying value is forecast to be recovered based on less than two years of forecasted cash flows from this mature operating business.

Income and costs within the budget are derived on a detailed 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed. Income and cost growth forecasts are risk adjusted to reflect specific risks facing the CGU and take into account the market in which it operates. Assumptions, which are not sensitive to change, include revenue growth rates, associated levels of marketing support and directly associated overheads. All assumptions are based on past performance and management's expectation of market development. Cash flows beyond the budgeted period of five years (2022: five years) are extrapolated using the estimated growth rate stated into perpetuity; a rate of 2.0% (2022: 2.0%) has been used. This is lower than the current rate of inflation in the UK but takes account of longer-term considerations.

The pre-tax discount rate used within the recoverable amount calculation is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity. Other than as included in the financial budget, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The key assumptions used for the value-in-use calculation are as follows:

	2023	2022
Terminal value growth rate	**2.0%**	2.0%
Discount rate (pre-tax)	**12.8%**	8.6%

The recoverable amount of goodwill shows significant headroom compared with its carrying value. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. There are no changes to the key assumptions of growth rate or discount rate that are considered by the Directors to be reasonably possible, which give rise to an impairment of goodwill relating to the Digital CGU.

Having completed the 2023 impairment review, no impairment has been recognised in relation to the Digital CGU (2022: no impairment).

Autorama

The Autorama impairment basis is assessed on a fair value basis due to the proximity of the transaction and the pre-integration phase of the business at 31 March 2023.

Goodwill amounting to £92.5m in the Autorama CGU arose on the acquisition of Autorama UK Limited in June 2022.

The acquisition will enable Auto Trader to establish itself as a leading marketplace for leasing new cars which is set to benefit from: the growth of electric cars ahead of the planned future UK ban on the sale of new petrol and diesel cars from 2030; new manufacturers entering the UK market; lower take up of company car schemes; and a shift towards new digital distribution models. Leasing provides consumers a cost-effective way to access a new car with a model that is consistent with any future move towards usership.

The consideration paid was to acquire the Autorama CGU in an arm's length transaction. There have been no significant changes identified in the Directors' assessment of fair value arising from factors since acquisition. On this basis, the Directors consider that, as at 31 March 2023, a fair value less cost to sell measurement provides the most appropriate and relevant evidence of the Autorama CGU's recoverable amount.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, less incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. The valuation viewpoint is from that of a market participant and excludes synergies and matters, including taxation, specific to the current owner. An income based fair valuation approach has been used to determine fair value using discounted cash flows. The fair value measurement was categorised as Level 3 based on the valuation inputs used.

The key assumptions used in the estimation of the CGU's recoverable amount are as follows:

	2023
Forecast period	**2024 – 2032**
Annual revenue growth during the forecast period	**Between 5% and 69% p.a.**
Terminal value growth rate	**2.0%**
Discount rate post tax	**18.0%**

Assessment of the CGU's fair value reflects long-term assumptions around changing distribution models for new car sales, including new electric vehicles, and an increased proportion of vehicles being leased. The key driver of the forecast is the number of new vehicles transacted by Autorama onto lease plans, with revenues, including ancillary sales, consequent on each vehicle lease transaction completed. The forecasts do not assume a larger new car registration market than in 2019, before the disruption to supply that commenced during the COVID-19 pandemic. The key assumption is rather an increase in the current proportion of vehicles which are currently leased through brokers and the share of this market achieved by Autorama. In making these estimates, management have had regard to market data published by SMMT and BVRLA. In the nine months since the acquisition, Autorama has delivered 6,895 vehicles. Both vans and pickups were particularly impacted by supply challenges in the current year.

Revenue growth is spread over the forecast period in line with the new car market outlook. The risk arising from the duration of the forecast period and the risk of growth assumptions over new vehicles transacted in this period not being achieved are reflected in the higher level of post-tax discount rate applied.

Whilst an estimate, the comparison between the CGU's fair value less cost to sell and its book carrying value has headroom at 31 March 2023. This headroom arises because of the accounting requirement to expense £50m of the consideration paid to the former owners of Autorama as an employee share-based payment over the 12-month period after the acquisition to 22 June 2023 (see note 31). £38.8m of this charge has been expensed as at 31 March 2023.

This headroom results in no impairment charge under the following sensitivity scenarios, all of which reflect the key sources of estimation uncertainty in the calculation of fair value:

Lower number of vehicle transactions: The growth in vehicle transactions executed by Autorama, and therefore earnings before interest and tax, is at risk of growing at a level lower than the forecast. This sensitivity reduces volumes by 20% for financial year 2024 and financial year 2025 to reflect the impact of the risk of lower new vehicle supply caused by manufacturing delays; and

Delay in timing: The timing of growth in vehicle transactions may take longer to realise than the base case forecast due to a slower take up of electric vehicles and lease financing; continued disruption to new car supply; and/or a delay in the phasing out timetable of new petrol and diesel cars which is currently scheduled for 2030. This sensitivity assumes growth is deferred by one year from financial year 2024; and

Change in discount rate: The post-tax discount rate could increase to a maximum of 21% before the carrying value of the Autorama CGU exceeded its recoverable amount.

14. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2021	16.5	13.0	1.9	**31.4**
Additions	6.6	1.3	0.2	**8.1**
Disposals and modifications	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	23.1	13.9	1.6	**38.6**
Acquired through business combinations	4.0	0.3	1.0	**5.3**
Additions	2.2	2.0	0.3	**4.5**
Disposals	(7.6)	(3.0)	(0.9)	**(11.5)**
At 31 March 2023	**21.7**	**13.2**	**2.0**	**36.9**
Accumulated depreciation				
At 31 March 2021	8.2	10.6	1.4	**20.2**
Charge for the year	3.3	0.9	0.4	**4.6**
Disposals	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	11.5	11.1	1.3	**23.9**
Charge for the year	3.3	1.1	0.5	**4.9**
Disposals	(4.4)	(2.8)	(0.6)	**(7.8)**
At 31 March 2023	**10.4**	**9.4**	**1.2**	**21.0**
Net book value at 31 March 2023	**11.3**	**3.8**	**0.8**	**15.9**
Net book value at 31 March 2022	**11.6**	**2.8**	**0.3**	**14.7**
Net book value at 31 March 2021	**8.3**	**2.4**	**0.5**	**11.2**

Included within property, plant and equipment are £6.5m (2022: £8.3m) of assets recognised as leases under IFRS 16. Further details of these leases are disclosed in note 15. The depreciation expense of £4.9m for the year to 31 March 2023 (2022: £4.6m) has been recorded in operating costs. During the year, £2.6m (2022: £0.4m) worth of property, plant and equipment with £nil net book value was disposed of.

15. Leases

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

	2023 £m	2022 £m
Net book value of property, plant and equipment owned	**9.4**	6.4
Net book value of right of use assets	**6.5**	8.3
	15.9	14.7

Net book value of right of use assets	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Balance at 31 March 2021	4.9	0.1	0.6	5.6
Additions	5.1	–	0.2	5.3
Depreciation charge	(2.2)	–	(0.4)	(2.6)
Balance at 31 March 2022	7.8	0.1	0.4	8.3
Acquired through business combination	0.1	–	0.3	0.4
Additions	1.5	0.1	0.3	1.9
Disposals	(1.4)	–	(0.1)	(1.5)
Depreciation charge	(2.2)	–	(0.4)	(2.6)
At 31 March 2023	**5.8**	**0.2**	**0.5**	**6.5**

Lease liabilities in the balance sheet at 31 March	2023 £m	2022 £m
Current	**2.5**	3.0
Non-current	**4.6**	6.5
Total	**7.1**	9.5

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 32. The term recognised for certain leases has assumed lease break options are exercised. Certain lease rentals are subject to periodic market rental reviews.

During the year, the Group relocated its London office to a new premises and exited its existing lease. In accordance with IFRS 16, the difference between the carrying value of the right of use asset and the lease liability at the date of the lease termination (£0.1m) was recognised in the Consolidated income statement as a gain on disposal.

In the prior year, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The 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	2023 £m	2022 £m
Depreciation charge of right of use assets	**2.6**	2.6
Interest on lease liabilities	**0.2**	0.2
Gain on disposal of right of use assets	**(0.1)**	–
Total amounts charged in the income statement	**2.7**	2.8

Cash outflow	2023 £m	2022 £m
Total cash outflow for leases	**2.9**	3.2

16. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited). The basis of the Group's joint control is through a shareholder agreement and an assessment of the substantive rights of each shareholder, including operational barriers or incentives that would prevent or deter rights being exercised.

Net investments in joint ventures at the reporting date include the Group's equity investment in joint ventures and the Group's share of the joint ventures' post acquisition net assets. The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Equity investments in joint ventures £m	Share of post acquisition net assets £m	Net investments in joint ventures £m
Carrying value			
As at 31 March 2021	48.1	6.5	54.6
Share of result for the year taken to the income statement	–	2.9	2.9
Dividends received in the year	(7.8)	–	(7.8)
As at 31 March 2022	40.3	9.4	49.7
Share of result for the year taken to the income statement	–	2.5	2.5
Dividends received in the year	(2.9)	–	(2.9)
As at 31 March 2023	**37.4**	**11.9**	**49.3**

Set out below is the summarised financial information for the joint venture, adjusted for differences in accounting policies between the Group and the joint venture. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture.

	2023 £m	2022 £m
Non-current assets	**95.6**	96.8
Current assets		
Cash and cash equivalents	**6.4**	1.1
Other current assets	**1.3**	8.2
Total assets	**103.3**	106.1
Liabilities		
Current liabilities	**2.0**	4.0
Total liabilities	**2.0**	4.0
Net assets	**101.3**	102.1
Group's share of net assets	**49.3**	49.7

	2023 £m	2022 £m
Revenues	**10.5**	12.0
Profit for the year	**5.2**	6.0
Total comprehensive income	**5.2**	6.0
Group's share of comprehensive income	**2.5**	2.9
Dividends received by the Group	**2.9**	7.8

Non-current assets principally comprise goodwill and other intangible assets. The carrying value is assessed annually using a methodology consistent with the Auto Trader cash-generating unit disclosed in note 13.

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest, is given in note 35.

17. Other investments

Shares in other undertakings

	2023 £m	2022 £m
Investment in iAUTOS Company Limited	**–**	–
Investment in protected insurance cell (Advent Insurance PCC Limited)	**1.1**	–
Investment in protected insurance cell (Atlas Insurance PCC Limited)	**1.2**	–
Total comprehensive income	**2.3**	–

The Group designated the investment in iAUTOS Company Limited as an equity security at FVOCI as the Group intends to hold the shares for long-term purposes. iAUTOS Company Limited is an intermediate holding company through which trading companies incorporated in the People's Republic of China are held. The fair value of the investment has been valued at £nil since 2014 as the Chinese trading companies are marginally loss-making with forecast future cash outflows.

As at 31 March 2023, the Group's wholly owned subsidiary, Autorama Holding (Malta) Limited, had an interest in two protected insurance cells. During the year, the Group entered into a new arrangement with Atlas Insurance PCC Limited, with the intention of closing the existing cell with Advent Insurance PCC Limited once the portfolio transfer had been made to the new cell. This process was not fully complete by 31 March 2023, therefore two investments have been recognised. It has designated its investments as equity securities at FVOCI as the Group intends to hold the investment in the protected insurance cell for long-term purposes.

The protected insurance cell writes insurance business which relates to Guaranteed Asset Protection insurance and business equipment in transit. The interest in the protected insurance cell is not consolidated in these financial statements as a silo, as the cell company has retained residual obligations in respect of the cell's liabilities. Autorama UK Limited is listed as a guarantor to an agreement between the cell company and Autorama Holding (Malta) Limited.

18. Trade and other receivables

	2023 £m	2022 £m
Trade receivables (invoiced)	**28.5**	25.7
Net accrued income	**38.7**	34.6
Trade receivables (total)	**67.2**	60.3
Prepayments	**5.4**	5.5
Other receivables	**0.3**	0.1
Total	**72.9**	65.9

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and has been invoiced at the reporting date. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Included within trade receivables (invoiced) is a provision for the impairment of financial assets of £3.0m (2022: £2.5m).

Accrued income relates to the Group's rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to receivables when invoiced. Included within net accrued income is provision for the impairment of financial assets of £1.5m (2022: £1.2m).

Exposure to credit risk and expected credit losses relating to trade and other receivables are disclosed in note 32.

19. Inventories

In Autorama, the Group temporarily takes a small proportion of new vehicle deliveries on balance sheet as principal, which are held within inventory.

	2023 £m	2022 £m
Finished goods	**3.6**	–
Inventories	**3.6**	–

20. Cash and cash equivalents

Cash at bank and in hand is denominated in the following currencies:

	2023 £m	2022 £m
Sterling	**16.6**	51.0
Euro	**–**	0.3
Cash at bank and in hand	**16.6**	51.3

Cash balances with an original maturity of less than three months were held in current accounts during the year and attracted interest at a weighted average rate of 0.7% (2022: 0.2%).

21. Trade and other payables

	2023 £m	2022 £m
Trade payables	**8.0**	2.7
Accruals	**15.8**	14.4
Other taxes and social security	**16.9**	21.3
Deferred income	**5.7**	3.0
Vehicle stocking loan	**3.0**	–
Other payables	**3.9**	0.5
Accrued interest payable	**0.3**	0.1
Total	**53.6**	42.0

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

22. Borrowings

Non-current	2023 £m	2022 £m
Syndicated RCF gross of unamortised debt issue costs	**60.0**	–
Unamortised debt issue costs on Syndicated RCF	**(2.5)**	(1.4)
Total	**57.5**	(1.4)

Current	2023 £m	2022 £m
Loan from other investment	**1.1**	–
Total	**1.1**	–

Total borrowings	**58.6**	(1.4)

Unamortised debt issue costs on the Syndicated RCF increased to £2.5m in the year (2022: £1.4m) following the amendment and restatement of the Group's Syndicated RCF facility. At 31 March 2022, unamortised debt issue costs were within Prepayments.

Borrowings are repayable as follows:

	2023 £m	2022 £m
Less than one year	**1.1**	–
Two to five years	**60.0**	–
Total	**61.1**	–

The carrying amounts of borrowings approximates to their fair values.

Syndicated revolving credit facility ('Syndicated RCF')

The Group has access to an unsecured Syndicated revolving credit facility (the 'Syndicated RCF'). Associated debt transaction costs total £5.9m, with £3.3m being incurred at initiation and £2.6m of additional costs associated with extension requests.

With effect from 1 February 2023 the Group entered into an Amendment and Restatement Agreement to extend the term of the facility for five years from the date of signing and to reduce the capacity of the facility to £200.0m. There is no requirement to settle all or part of the facility before the termination date of February 2028.The associated debt transaction costs were £1.6m, of which £1.4m was paid in the period to 31 March 2023.

Individual tranches are drawn down, in sterling, for periods of up to six months at the compounded reference rate (being the aggregate of SONIA for that interest period) plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:

- Net bank debt to EBITDA must not exceed 3.5:1.
- EBITDA to net interest payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures and exceptional items.

All financial covenants of the facility have been complied with through the period.

Loan from other investment

During the year, the Group's wholly owned subsidiary, Autorama Holding (Malta) Limited, elected to transfer the insurance portfolio held in a protected insurance cell with Advent Insurance PCC Limited to Atlas Insurance PCC Limited. As part of this process, Advent Insurance PCC Limited issued a loan to Autorama Holding (Malta) Limited to fund the investment in the new protected insurance cell until the portfolio transfer was complete. This process is likely to be completed within the next 12 months. As at 31 March 2023, £1.1m was recognised on the Consolidated balance sheet (2022: £nil).

Exposure to interest rate changes

The exposure of the Group's borrowings (excluding debt issue costs) to SONIA rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2023 £m	2022 £m
One month or less	**60.0**	–
Total	**60.0**	–

23. Provisions

	Dilapidations provision £m	Holiday pay provision £m	Total £m
At 31 March 2022	1.3	0.7	2.0
Charged to the income statement	–	0.7	0.7
Recognised under IFRS 16	0.1	–	0.1
Utilised in the year	(0.1)	(0.7)	(0.8)
At 31 March 2023	**1.3**	**0.7**	**2.0**

	2023 £m	2022 £m
Current	**0.7**	0.7
Non-current	**1.3**	1.3
Total	**2.0**	2.0

24. Deferred taxation

A net deferred tax liability of £5.8m has been recognised in the balance sheet at 31 March 2023. The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2021	2.7	3.0	0.3	**6.0**
Credited to the income statement	0.3	(0.2)	0.5	**0.6**
Debited directly to equity	(0.2)	–	–	**(0.2)**
At 31 March 2022	2.8	2.8	0.8	**6.4**
(Debited)/credited to the income statement	1.1	(0.9)	(0.5)	**(0.3)**
Debited directly to equity	(0.2)	–	–	**(0.2)**
Acquired through business combinations	–	–	6.8	**6.8**
At 31 March 2023	**3.7**	**1.9**	**7.1**	**12.7**

Deferred taxation liabilities	Acquired intangible assets £m	Other temporary differences £m	Total £m
At 31 March 2021	–	4.3	**4.3**
Credited to the income statement	–	0.5	**0.5**
Debited to the statement of comprehensive income	–	0.2	**0.2**
At 31 March 2022	–	5.0	**5.0**
Credited to the income statement	(1.2)	(0.5)	**(1.7)**
Debited to the statement of comprehensive income	–	(1.1)	**(1.1)**
Acquired through business combinations	16.3	–	**16.3**
At 31 March 2023	**15.1**	**3.4**	**18.5**

Net deferred tax asset at 31 March 2022	1.4
Net deferred tax liability at 31 March 2023	**5.8**

The Group has estimated that £1.5m (2022: £0.9m) of the Group's net deferred income tax liability will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

Deferred tax assets acquired through business combinations totalled £6.8m (2022: £nil). This includes £7.7m relating to tax losses offset by a £0.9m deferred tax liability linked to a fair value adjustment on freehold property. Recognition is on the basis that there are sufficient taxable temporary liability differences at the balance sheet date arising from acquired intangibles which are expected to reverse over the same time period that losses are expected to be used.

25. Retirement benefit obligations

(i) Defined contribution scheme

The Group operates a number of defined contribution schemes. In the year to 31 March 2023, the pension contributions to the Group's defined contribution schemes amounted to £3.5m (2022: £3.2m). At 31 March 2023, there were £0.6m (31 March 2022: £0.5m) of pension contributions outstanding relating to the Group's defined contribution schemes.

(ii) Defined benefit scheme

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). The Scheme is administered by a separate board of Trustees, which is legally separate from the Company. The Trustees are composed of representatives of both the Company and members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The Scheme has been closed to future members since 30 April 2006 and there are no remaining active members within the Scheme. No other post-retirement benefits are provided to these employees.

Profile of the Scheme

As at 31 March 2023, approximately 42% of the defined benefit obligation ('DBO') is attributable to former employees who have yet to reach retirement (2022: 57%) and 58% to current pensioners (2022: 43%). The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 16 years (2022: 20 years).

Buy-in

In October 2022, the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4m, 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 the remeasurement date amounted to £13.7m. 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. 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.

Funding requirements
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. The Company paid deficit contributions of £0.1m per annum to 31 January 2022, plus an additional £1.0m in October 2022 in respect of the shortfall versus the buy-in premium. The next funding valuation is due no later than 30 April 2024, although it is anticipated that the Scheme will be bought-out and wound-up before the statutory deadline for this valuation. The Company expects that a further contribution may be required in the year ending 31 March 2024 in respect of the balancing premium, once the data cleansing and benefit rectification is completed. The Company also pays expenses and PPF levies incurred by the Scheme.

Risks associated with the Scheme
The Scheme exposes the Company to some risks, although the purchase of a buy-in policy substantially mitigates these.

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Scheme previously held a significant proportion of gilt and bond assets which limits volatility and risk in the short term. The allocation of assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Inflation risk	A proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Change in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Assumptions used
The results of the latest funding valuation at 30 April 2021 have been adjusted to the new balance sheet date, taking account of experience over the period since 30 April 2021, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	2023 %	2022 %
Discount rate for scheme liabilities	**4.70**	2.75
CPI inflation	**2.85**	3.00
RPI inflation	**3.55**	3.80
Pension increases		
Post 1988 GMP	**2.20**	2.35
Pre 2004 non GMP	**5.00**	5.00
Post 2004	**3.25**	3.55

The financial assumptions reflect the nature and term of the Scheme's liabilities. The weighted average duration of the Scheme liabilities at the year end is 16 years (2022: 20 years). This reduction is due to the discount rate increase which is the principal reason for the decrease in the value of Scheme liabilities compared with the prior year.

The Group has assumed that mortality will be in line with nationally published mortality table SAPS S3 Heavy tables with CMI 2021 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. No adjustment has been made for the possible effects of COVID-19. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2023		2022	
	Men Years	Women Years	Men Years	Women Years
Member aged 65 (current life expectancy)	**86.7**	**89.0**	86.6	88.3
Member aged 45 (life expectancy at age 65)	**88.4**	**90.8**	88.6	90.1

It is assumed that 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement (2022: 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement).

25. Retirement benefit obligations continued

Post-employment benefit obligations disclosures

The amounts charged to the Consolidated income statement are set out below:

	2023 £m	2022 £m
Past service cost	**0.5**	–
Settlement cost	**2.2**	–
Total amounts charged to the Consolidated income statement	**2.7**	–

Past service cost

As part of the data cleansing exercise ahead of the Scheme's buy-in, two items relating to the Barber window in relation to transferred in assets and a slightly later effective date for pension increases were identified. As a result, a £0.5m past service cost has been recognised in the Consolidated income statement (2022: £nil).

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.

Settlement cost

Given the intention is to convert the buy-in policy purchased during the year to a buy-out as soon as possible, a settlement cost of £2.2m has been recognised in the Consolidated income statement for the year ended 31 March 2023. The settlement cost represents the difference between the value of the liabilities under IAS 19 at the remeasurement date, 31 October 2022, (£13.2m) and the price paid to settle the liabilities (£15.4m).

The following amounts have been recognised in the Consolidated statement of comprehensive income:

	2023 £m	2022 £m
Return on Scheme assets (in excess of)/below that recognised in net interest	**5.9**	1.6
Actuarial gains due to changes in assumptions	**(4.8)**	(1.8)
Actuarial losses/(gains) due to liability experience	**0.4**	(0.2)
Effect of the surplus cap	**–**	–
Deferred tax on surplus	**(1.1)**	0.2
Total amounts recognised within the Consolidated statement of comprehensive income	**0.4**	(0.2)

Amounts recognised in the balance sheet are as follows:

	2023 £m	2022 £m
Present value of funded obligations	**13.6**	17.5
Fair value of plan assets	**(14.1)**	(21.2)
Net asset recognised in the Consolidated balance sheet	**(0.5)**	(3.7)

The Trustees of the Scheme sought legal advice which concluded that the Group 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 Group has concluded that IFRIC 14 does not apply, and therefore has recognised the accounting surplus of £0.5m (2022: £3.7m) and an associated deferred tax liability of £0.2m (2022: £1.3m) in the Consolidated balance sheet.

Movements in the fair value of Scheme assets were as follows:

	2023 £m	2022 £m
Fair value of Scheme assets at the beginning of the year	**21.2**	22.8
Interest income on Scheme assets	**0.5**	0.5
Remeasurement losses on Scheme assets	**(5.9)**	(1.6)
Contributions by the employer	**1.0**	0.1
Settlements	**(2.2)**	–
Net benefits paid	**(0.5)**	(0.6)
Fair value of Scheme assets at the end of the year	**14.1**	21.2

Movements in the fair value of Scheme liabilities were as follows:

	2023 £m	2022 £m
Fair value of Scheme liabilities at the beginning of the year	**17.5**	19.6
Past service cost	**0.5**	–
Interest expense	**0.5**	0.5
Actuarial gains on Scheme liabilities arising from changes in assumptions	**(4.8)**	(1.8)
Actuarial losses/(gains) on Scheme liabilities arising from experience	**0.4**	(0.2)
Settlements	**–**	–
Net benefits paid	**(0.5)**	(0.6)
Fair value of Scheme liabilities at the end of the year	**13.6**	17.5

Movements in post-employment benefit net obligations were as follows:

	2023 £m	2022 £m
Opening post-employment benefit surplus	**(3.7)**	(3.2)
Past service cost	**0.5**	–
Settlement cost	**2.2**	–
Contributions by the employer	**(1.0)**	(0.1)
Remeasurement and experience (gains)/losses	**1.5**	(0.4)
Closing post-employment benefit surplus	**(0.5)**	(3.7)

Plan assets are comprised as follows:

	2023		2022	
	£m	%	£m	%
Equities	**–**	**–**	–	–
Gilts	**0.4**	**3.5**	13.7	65.0
Bonds	**–**	**–**	7.2	34.0
Cash	**0.1**	**0.7**	0.3	1.0
Buy-in policy	**13.6**	**95.8**	–	–
Total	**14.1**	**100.0**	21.2	100.0

All plan assets have a quoted market price.

Sensitivity to key assumptions

The key financial assumptions used for IAS 19 are the discount and inflation rates. Given that the Scheme's buy-in policy is valued exactly equal to the DBO, changes in the key assumptions no longer have any impact on the net funded status position.

26. Share capital

Share capital	2023 Number '000	2023 Amount £m	2022 Number '000	2022 Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**946,893**	**9.5**	969,024	9.7
Purchase and cancellation of own shares	**(23,831)**	**(0.2)**	(22,198)	(0.2)
Issue of shares	**13**	**0.0**	67	0.0
Total	**923,075**	**9.3**	946,893	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2022 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,678,535 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2023, a total of 25,261,584 ordinary shares of £0.01 were purchased. The average price paid was 582.1p with a total consideration paid (including fees of £0.7m) of £148.0m. Of all shares purchased, 1,430,372 were held in treasury with 23,831,212 being cancelled. In the year ended 31 March 2023, 12,893 ordinary shares were issued for the settlement of share-based payments.

Included within shares in issue at 31 March 2023 are 340,196 (2022: 358,158) shares held by the ESOT and 4,371,505 (2022: 3,826,928) shares held in treasury, as detailed in note 27.

27. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 31 March 2021	(0.5)	(10.2)	(10.7)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(17.8)	(17.8)
Share-based incentives exercised	–	6.0	6.0
Own shares held as at 31 March 2022	(0.4)	(22.0)	(22.4)
Repurchase of own shares for treasury	–	(8.7)	(8.7)
Share-based incentives exercised	–	5.1	5.1
Own shares held as at 31 March 2023	**(0.4)**	**(25.6)**	**(26.0)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total Number of shares
Own shares held as at 31 March 2021	404,653	2,422,659	2,827,312
Transfer of shares from ESOT	(46,495)	–	(46,495)
Repurchase of own shares for treasury	–	2,718,193	2,718,193
Share-based incentives exercised	–	(1,313,924)	(1,313,924)
Own shares held as at 31 March 2022	358,158	3,826,928	4,185,086
Transfer of shares from ESOT	(17,962)	–	(17,962)
Repurchase of own shares for treasury	–	1,430,372	1,430,372
Share-based incentives exercised	–	(885,795)	(885,795)
Own shares held as at 31 March 2023	**340,196**	**4,371,505**	**4,711,701**

28. Dividends

Dividends declared and paid by the Company were as follows:

	2023		2022	
	Pence per share	£m	Pence per share	£m
2022 final dividend paid	**5.5**	**51.7**	5.0	48.0
2023 interim dividend paid	**2.8**	**26.0**	2.7	25.6
	8.3	**77.7**	7.7	73.6

The proposed final dividend for the year ended 31 March 2023 of 5.6p per share, totalling £51.4m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The Directors' policy with regard to future dividends is set out in the Financial review on page 25.

29. Cash generated from operations

	2023 £m	2022 £m
Profit after tax	**233.9**	244.7
Adjustments for:		
Tax charge	**59.7**	56.3
Depreciation	**4.9**	4.6
Amortisation	**9.2**	2.6
Share-based payments charge (excluding associated NI)	**5.8**	5.1
Deferred contingent consideration	**38.8**	–
Share of profit from joint ventures	**(2.5)**	(2.9)
Profit on sale of property, plant and equipment	**(0.7)**	–
Net lease disposals and modifications	**(0.1)**	–
Post employment expenses relating to the defined benefit scheme	**2.7**	–
Finance costs	**3.1**	2.6
R&D expenditure credit	**(0.1)**	(0.1)
Profit on disposal of a subsidiary	**(19.1)**	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(3.6)**	(5.3)
Trade and other payables	**(1.9)**	20.5
Inventory	**(2.7)**	–
Cash generated from operations	**327.4**	328.1

30. Share-based payments

The Group currently operates five share plans: the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus, Single Incentive Plan Award 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. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

The total charge in the period relating to the five schemes was £6.6m (2022: £6.1m). This included associated national insurance ('NI') at the rate at which management expects to be effective when the awards are exercised (13.80%), and apprenticeship levy at 0.5%, based on the share price at the reporting date.

In addition to this charge, the share-based payment charge reported in this period includes £38.8m relating to deferred share-based payment consideration relating to the acquisition of Autorama (see note 31), making a total combined charge of £44.6m (excluding associated NI).

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Share Incentive Plan ('SIP')	**–**	–	**–**	–
Sharesave scheme ('SAYE')	**0.5**	0.7	**–**	–
Performance Share Plan ('PSP')	**1.9**	1.3	**1.9**	1.3
Deferred Annual Bonus and Single Incentive Plan	**3.4**	3.1	**0.4**	0.2
NI and apprenticeship levy on applicable schemes	**0.8**	1.0	**0.3**	0.3
Total charge from ongoing share schemes	**6.6**	6.1	**2.6**	1.8
Share-based payments relating to Autorama acquisition	**38.8**	–	**–**	–
Total charge	**45.4**	**6.1**	**2.6**	**1.8**

During the year, the Directors in office in total had gains of £1.4m (2022: £2.8m) arising on the exercise of share-based incentive awards.

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015.

UK SIP

	2023 Number	2022 Number
Outstanding at 1 April	**116,808**	163,157
Released	**(20,493)**	(46,349)
Outstanding at 31 March	**96,315**	116,808
Vested and outstanding at 31 March	**96,315**	116,808

The weighted average market value per ordinary share for SIP awards released was 578.0p (2022: 622.5p). The SIP shares outstanding at 31 March 2023 have fully vested (2022: fully vested). Shares released prior to the vesting date relate to those attributable to good leavers as defined by the Scheme rules.

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the 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 23 June 2022, the Group awarded 360,695 nil cost options under the PSP scheme. For the 2022 awards, the Group's performance is measured by reference to growth in Operating profit (70% of the award), Revenue (20% of the award) and Carbon reduction (10% of the award) over a three-year period to March 2025.

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, total shareholder return relative to the FTSE 350 share index (2017 and 2020 awards), and diversity progress (2021 awards).

The fair value of the 2022 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.

PSP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the PSP awards are as follows:

Grant date	Condition	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
16 June 2017	TSR dependent	4.00	Nil	31	3.0	0.2	0.0	0.0	2.17
16 June 2017	OP dependent	4.00	Nil	N/A	3.0	0.2	0.0	0.0	4.00
30 August 2017	TSR dependent	3.42	Nil	31	3.0	0.2	0.0	0.0	2.17
30 August 2017	OP dependent	3.42	Nil	N/A	3.0	0.2	0.0	0.0	3.42
17 August 2018	OP dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 August 2018	Revenue dependent	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	OP dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
17 June 2019	Revenue dependent	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	TSR dependent	5.27	Nil	32	3.0	(0.1)	0.0	0.0	2.83
17 June 2021	OP dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
17 June 2021	Revenue dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
17 June 2021	Diversity progress dependent	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
23 June 2022	OP dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31
23 June 2022	Revenue dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31
23 June 2022	Carbon reduction dependent	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31

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

The number of options outstanding and exercisable as at 31 March 2023 was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	**1,401,701**	1,741,829
Options granted in the year	**360,695**	368,361
Dividend shares awarded	**8,319**	2,916
Options forfeited in the year	**(129,684)**	(344,766)
Options exercised in the year	**(241,047)**	(366,639)
Outstanding at 31 March	**1,399,984**	1,401,701
Exercisable at 31 March	**79,348**	181,875

The weighted average market value per ordinary share for PSP options exercised in 2023 was 587.2p (2022: 639.5p). The PSP awards outstanding at 31 March 2023 have a weighted average remaining vesting period of 1.0 years (2022: 1.2 years) and a weighted average contractual life of 7.9 years (2022: 7.9 years).

30. Share-based payments continued

Deferred Annual Bonus and Single Incentive Plan Award

The Group operates the Deferred Annual Bonus and Single Incentive Plan Award for Executive Directors, the Operational Leadership Team and certain key employees. The plan consists of two schemes, the Deferred Annual Bonus Plan ('DABP') and the Single Incentive Plan Award ('SIPA').

Deferred Annual Bonus

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. The extent to which the 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 on the second anniversary of the date the Remuneration Committee determines that the Performance Conditions have been satisfied (the 'Vesting Period'). Awards are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Black-Scholes method where appropriate and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

On 23 June 2022, the Group awarded 108,704 nil cost options under the DABP scheme (2022: nil). DABP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the DABP awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 August 2018	4.48	Nil	2.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	2.0	0.6	1.3	0.0	5.65
23 June 2022	5.31	Nil	2.0	2.0	1.3	0.0	5.31

The number of options outstanding and exercisable as at 31 March was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	–	121,289
Options granted in the year	**108,704**	–
Dividend shares awarded	–	1,211
Options exercised in the year	–	(122,500)
Outstanding at 31 March	**108,704**	–
Exercisable at 31 March	**–**	–

No DABP options were exercised in 2023; the weighted average market value per ordinary share for DABP options exercised in 2022 was 640.7p.

Single Incentive Plan Award

The Group operates a Single Incentive Plan Award ('SIPA') for the Operational Leadership Team and 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.

On 23 June 2022, the Group awarded 681,586 nil cost options under the SIPA scheme. For the 2022 awards, 75% of the award value is dependent on FY23 Operating profit and the remaining 25% is subject to successful implementation of digital retailing related products by 31 March 2023. The fair value of the 2022 award was determined to be £5.31 per option, being the share price at grant date.

The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

The assumptions used in the measurement of the fair value at grant date of the SIPA awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 August 2018	4.48	Nil	N/A	3.0	0.7	1.7	0.0	4.48
17 June 2019	5.65	Nil	N/A	3.0	0.6	1.3	0.0	5.65
8 July 2020	5.27	Nil	N/A	3.0	(0.1)	0.0	0.0	5.27
24 November 2020	5.52	Nil	N/A	3.0	(0.1)	0.0	0.0	5.52
17 June 2021	6.29	Nil	N/A	3.0	0.2	0.9	0.0	6.29
23 June 2022	5.31	Nil	N/A	3.0	2.0	1.3	0.0	5.31

The number of options outstanding and exercisable as at 31 March was as follows:

	2023 Number	2022 Number
Outstanding at 1 April	**1,291,868**	1,012,199
Options granted in the year	**681,586**	718,634
Dividend shares awarded	**5,710**	5,440
Options exercised in the year	**(214,290)**	(429,283)
Options forfeited in the year	**(247,108)**	(15,122)
Outstanding at 31 March	**1,517,766**	1,291,868
Exercisable at 31 March	**412,346**	179,065

The weighted average market value per ordinary share for SIPA options exercised in 2023 was 601.1p (2022: 646.2p). The SIPA awards outstanding at 31 March 2023 have a weighted average remaining vesting period of 1.2 years (2022: 0.8 years) and a weighted average contractual life of 8.2 years (2022: 8.6 years). The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2021 targets.

Sharesave scheme

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

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
14 December 2018	4.48	3.49	29	3.0	0.7	1.7	16	1.29
13 December 2019	5.74	4.32	25	3.0	0.6	1.3	10	1.63
16 December 2020	5.75	4.41	32	3.0	0.0	0.5	10	1.86
16 December 2021	7.13	5.88	32	3.0	0.5	0.5	10	2.05
14 December 2022	5.64	4.56	34	3.0	3.2	1.3	10	1.87

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.

	2023		2022	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,446,582**	**4.72**	1,505,816	3.88
Options granted in the year	**688,115**	**4.56**	482,325	5.88
Options exercised in the year	**(406,060)**	**3.86**	(446,884)	3.21
Options lapsed in the year	**(362,285)**	**5.39**	(94,675)	4.38
Outstanding at 31 March	**1,366,352**	**4.72**	1,446,582	4.72
Exercisable at 31 March	**53,892**	**4.32**	242,707	3.49

The weighted average market value per ordinary share for Sharesave options exercised in 2023 was 597.4p (2022: 646.2p). The Sharesave options outstanding at 31 March 2023 have a weighted average remaining vesting period of 2.0 years (2022: 1.7 years) and a weighted average contractual life of 2.5 years (2022: 2.2 years).

31. Business combinations

Purchase of Autorama UK Limited

On 22 June 2022, the Group acquired the entire share capital of Autorama UK Limited ('Autorama') for initial consideration of £150.0m, with an additional £50.0m deferred until 22 June 2023 and settled in shares to the value of £50.0m, subject to employment and customary performance conditions.

Autorama, one of the UK's largest marketplaces for leasing new vehicles, is a leading end-to-end digital platform, which aggregates leasing deals from multiple funders and OEMs (under its 'Vanarama' brand), enabling buyers to transact online across a wide range of vehicles.

The total consideration of £150.0m excludes acquisition costs of £2.1m which were recognised within costs in the Consolidated income statement. The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows for the period:

	2023 £m
Cash paid for subsidiary	**150.0**
Less: cash acquired	**(5.8)**
Payment for acquisition of subsidiary, net of cash acquired	**144.2**

As the settlement of the deferred £50.0m consideration is subject to a condition for continuing employment to 22 June 2023, the amount is not included in the business combination but is recorded as a post-acquisition income statement expense over the period of service, which extends to the first anniversary of the acquisition. A charge of £38.8m has been recorded in the period from acquisition to 31 March 2023.

From the period of acquisition to 31 March 2023, Autorama contributed revenue of £27.2m, and a loss of £11.2m to the Group's results. Further analysis is within note 2.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and, other than in respect of the intangible assets and related deferred tax, described below, no material adjustments from book value were made to existing assets and liabilities. The goodwill calculation is summarised below:

	Fair value £m
Intangible asset recognised on acquisition	
Brand	47.6
Technology	13.7
Customer relationships	2.9
Order book	2.3
Deferred tax liability arising on intangible assets	(16.3)
	50.2
Other non-current assets	
Investments	1.0
Property, plant and equipment	5.3
Intangible assets	0.4
Deferred tax asset	6.8
	13.5
Current assets	
Cash and cash equivalents	5.8
Trade and other receivables	4.5
Inventory	0.9
Other debtors	0.9
	12.1
Current liabilities	
Trade and other payables	11.6
Deferred income	2.3
	13.9
Non-current liabilities	
Borrowings	4.0
Lease liabilities	0.4
	4.4
Total net assets acquired	57.5
Goodwill on acquisition	92.5
Total assets acquired	150.0
Fair value of cash consideration	150.0

The brand, technology, customer relationships and order book obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. Refer to note 2 for further details on fair value techniques for valuing intangibles.

The business operates under the Vanarama brand name and is one of the UK's longest running e-commerce brands. The asset was valued using the Multi-period Excess Earnings Method and cross-checked using relief from royalty. A useful economic life and obsolescence decline period of 10 years was assumed. Revenue forecasts during this period were consistent with those described for Autorama in note 13, before adjustment for brand obsolescence. A post-tax discount rate of 14% was applied. This discount rate is lower than that for Autorama as a whole at the date of acquisition and reflects factors including the finite brand forecast period, compared to cash flows into perpetuity used to support the goodwill.

The technology is Autorama's propriety technology which helps manage a complex vehicle lease purchasing process into a streamlined online transaction via a customer friendly user interface, which has been developed in-house. The asset was valued using the cost approach specifically replacement costs and crosschecked using relief from royalty. The order book is customer orders not yet delivered, which is expected to unwind.

The goodwill recognised on acquisition principally relates to value arising from intangible assets that are not separately identifiable under IFRS 3. Such assets include the value of the acquired workforce (including technical experience), returning customers, supplier relationships with funders and car manufacturers and future market growth opportunities. Customer lists have not been valued separately on the basis they are inseparable in their own right from the brand. Supplier relationships are not separately valued on the basis that their terms are in line with industry standards of what would be typically agreed with a market participant.

31. Business combinations continued

The valuation of the Vanarama brand name is sensitive to a change in the obsolescence rate assumption. An obsolescence profile has been assumed which is considered to be a representative curve for a consumer asset in the absence of continued marketing spend, showing a slow decline in the early years due to the benefit of historic spend, then decline accelerating in the middle years as consumer brand consciousness falls, before slowing in the final years to reflect a slower drop off of residual awareness. Slowing or accelerating the assumed rate of obsolescence by one year, with all other factors being unchanged, would increase or decrease the valuation of the brand by £14m or £16m respectively. Residual goodwill would be adjusted by an equal and opposite amount, net of taxation. The discount rate used in the brand valuation is less sensitive to change, reflecting the finite useful economic life of 10 years and the lower positive cash flows in the latter years due to the obsolescence decline.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes. A deferred tax liability has been recorded on the fair value of the intangible assets recognised, other than goodwill, measured at the substantively enacted UK rate of corporation tax from April 2023 of 25%. This deferred tax liability has been debited against and increased the value of goodwill recognised.

Settlement of deferred consideration in relation to Blue Owl Network Limited

In addition, in July 2022, the deferred consideration of £8.1m was settled in respect of the acquisition of Blue Owl Network Limited ('Blue Owl'). On 31 July 2020, the Group acquired the entire share capital of Blue Owl for consideration of £18.2m, of which £8.1m was deferred until 31 July 2022.

32. Financial instruments

Financial assets

	Note	2023 £m	2022 £m
Net trade receivables (invoiced)	18	**28.5**	25.7
Net accrued income	18	**38.7**	34.6
Net trade receivables (total)	18	**67.2**	60.3
Other receivables	18	**0.3**	0.1
Cash and cash equivalents	20	**16.6**	51.3
Total		**84.1**	111.7

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2023 was £84.1m (2022: £111.7m). The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by geographic region was:

	2023 £m	2022 £m
UK	**67.2**	59.5
Ireland	**–**	0.8
Total	**67.2**	60.3

The maximum exposure to credit risk for trade receivables and accrued income at the reporting date by type of customer was:

	2023 £m	2022 £m
Retailers	**52.7**	50.6
Manufacturer and Agency	**5.1**	3.7
Other	**5.3**	6.0
Autorama	**4.1**	–
Total	**67.2**	60.3

The Group's most significant customer accounts for £1.2m (2022: £1.2m) of net trade receivables as at 31 March 2023.

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 receivables and accrued income from individual customers as at 31 March 2023.

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	**3.7%**	**40.2**	**(1.5)**	**No**
Current	**2.8%**	**25.4**	**(0.7)**	**No**
Past due 1–30 days	**8.8%**	**3.4**	**(0.3)**	**No**
Past due 31–60 days	**27.8%**	**0.4**	**(0.1)**	**No**
Past due 61–90 days	**83.3%**	**0.1**	**(0.1)**	**No**
More than 91 days past due	**81.1%**	**2.2**	**(1.8)**	**No**
		71.7	**(4.5)**	

At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023. 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 receivables from individual customers as at 31 March 2022 is set out below:

	Expected credit loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Accrued income	3.4%	35.8	(1.2)	No
Current	2.6%	23.4	(0.6)	No
Past due 1–30 days	9.5%	2.1	(0.2)	No
Past due 31–60 days	14.3%	0.7	(0.1)	No
Past due 61–90 days	50.0%	0.2	(0.1)	No
More than 91 days past due	83.3%	1.8	(1.5)	No
		64.0	**(3.7)**	

The Group 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 receivables are used to record impairment losses unless the Group 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 receivables during the year was as follows.

	Note	2023 £m	2022 £m
At 1 April	18	**2.5**	2.9
Charged during the year		**1.0**	0.5
Acquired through business combinations		**0.3**	–
Utilised during the year		**(0.8)**	(0.9)
At 31 March	18	**3.0**	2.5

The movement in the allowance for impairment in respect of accrued income during the year was as follows.

	Note	2023 £m	2022 £m
At 1 April	18	**1.2**	1.3
Charged during the year		**0.5**	0.1
Utilised during the year		**(0.2)**	(0.2)
At 31 March	18	**1.5**	1.2

32. Financial instruments continued

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Directors do not consider deposits at these institutions to be at risk.

Financial liabilities

	2023			2022		
	As per balance sheet £m	Future interest cost £m	Total cash flows £m	As per balance sheet £m	Future interest cost £m	Total cash flows £m
Trade and other payables	**27.9**	**–**	**27.9**	17.7	–	17.7
Vehicle stocking loan	**3.0**	**–**	**3.0**	–	–	–
Borrowings (gross of debt issue costs)	**58.6**	**–**	**58.6**	–	–	–
Deferred consideration	**–**	**–**	**–**	8.0	0.1	8.1
Leases	**7.1**	**0.3**	**7.4**	9.5	0.4	9.9
Total	**96.6**	**0.3**	**96.9**	35.2	0.5	35.7

Trade and other payables are as disclosed within note 21, excluding vehicle stocking loan, other taxation and social security liabilities and deferred income.

IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 22 of these Consolidated financial statements, borrowings are currently drawn under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual future interest cost. Interest is payable on borrowings' drawn amounts at a rate of SONIA prevailing at the time of drawdown plus the applicable margin, which ranges from 1.2% to 2.1%. Interest paid in the year in relation to borrowings amounted to £3.0m (2022: £1.4m).

The Company had no derivative financial liabilities in either year. It is not expected that the cash flows included in the maturity analysis could occur earlier or at significantly different amounts.

Liquidity risk

The maturity of financial liabilities based on contracted cash flows is shown in the table below. This table has been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows. Floating rate interest payments have been calculated using the relevant interest rates prevailing at the year end, where applicable.

As at 31 March 2023	Trade and other payables £m	Vehicle stocking loan £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	**27.9**	**3.0**	**1.1**	**–**	**2.5**	**34.5**
Due within one to two years	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Due within two to five years	**–**	**–**	**57.5**	**–**	**2.5**	**60.0**
Due after more than five years	**–**	**–**	**–**	**–**	**–**	**–**
Total	**27.9**	**3.0**	**58.6**	**–**	**7.4**	**96.9**

As at 31 March 2022	Trade and other payables £m	Vehicle stocking loan £m	Borrowings £m	Deferred consideration £m	Leases £m	Total £m
Due within one year	17.7	–	–	8.1	3.0	28.8
Due within one to two years	–	–	–	–	2.8	2.8
Due within two to five years	–	–	–	–	2.1	2.1
Due after more than five years	–	–	–	–	2.0	2.0
Total	17.7	–	–	8.1	9.9	35.7

Fair values

The fair values of all financial instruments in both years approximate to their carrying values.

33. Net debt

Analysis of net debt

Net debt is calculated as total borrowings, vehicle stocking loan and lease liabilities, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, acquisition of debt and new leases entered into during the year.

March 2023	At 1 April 2022 £m	Cash flow £m	Non-cash changes £m	At 31 March 2023 £m
Debt due within one year	**–**	**1.1**	**–**	**1.1**
Debt due after more than one year	**–**	**54.6**	**2.9**	**57.5**
Vehicle stocking loan	**–**	**–**	**3.0**	**3.0**
Accrued interest	**0.1**	**(3.0)**	**3.2**	**0.3**
Lease liabilities	**9.5**	**(2.9)**	**0.5**	**7.1**
Total debt and lease financing	**9.6**	**49.8**	**9.6**	**69.0**
Cash and cash equivalents	**(51.3)**	**34.7**	**–**	**(16.6)**
Net debt/(cash)	**(41.7)**	**84.5**	**9.6**	**52.4**

Non-cash changes on debt due after more than one year include borrowings of £4.0m which were acquired as part of the Autorama business combination, and were subsequently repaid in July 2022.

March 2022	At 1 April 2021 £m	Cash flow £m	Non-cash changes £m	At 31 March 2022 £m
Debt due after more than one year	27.6	(30.0)	2.4	–
Accrued interest	0.3	(1.5)	1.3	0.1
Lease liabilities	7.5	(3.2)	5.2	9.5
Total debt and lease financing	35.4	(34.7)	8.9	9.6
Cash and cash equivalents	(45.7)	(5.6)	–	(51.3)
Net debt/(cash)	(10.3)	(40.3)	8.9	(41.7)

Reconciliation of movements in liabilities to cash flows arising from financing activities

	Liabilities/(Assets)			Equity				
	Borrowings and accrued interest	Vehicle stocking loan	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2022	**(1.2)**	**–**	**9.5**	**9.5**	**1,332.4**	**(22.4)**	**(847.0)**	**480.8**
Changes from financing cash flows								
Dividends paid to Company shareholders	–	–	–	–	(77.7)	–	–	(77.7)
Drawdown of Syndicated RCF	110.0	–	–	–	–	–	–	110.0
Repayment of Syndicated RCF	(50.0)	–	–	–	–	–	–	(50.0)
Repayment of other debt	(4.0)	–	–	–	–	–	–	(4.0)
Proceeds from loan	1.1	–	–	–	–	–	–	1.1
Payment of refinancing fees	(1.4)	–	–	–	–	–	–	(1.4)
Payment of interest on borrowings	(3.0)	–	–	–	–	–	–	(3.0)
Payment of lease liabilities	–	–	(2.9)	–	–	–	–	(2.9)
Purchase of own shares for cancellation	–	–	–	(0.2)	(138.6)	–	0.2	(138.6)
Purchase of own shares for treasury	–	–	–	–	–	(8.7)	–	(8.7)
Fees on repurchase of own shares	–	–	–	–	(0.7)	–	–	(0.7)
Proceeds from exercise of share-based incentives	–	–	–	–	2.0	–	–	2.0
Total changes from financing cash flows	52.7	–	(2.9)	(0.2)	(215.0)	(8.7)	0.2	(173.9)
Other changes – liability related								
Interest expense	3.1	–	0.2	–	–	–	–	3.3
Other	4.3	3.0	0.3	–	–	–	–	7.6
Total liability-related other changes	7.4	3.0	0.5	–	–	–	–	10.9
Total equity-related other changes	–	–	–	–	272.9	5.1	0.5	278.5
Balance as of 31 March 2023	**58.9**	**3.0**	**7.1**	**9.3**	**1,390.3**	**(26.0)**	**(846.3)**	**596.3**

33. Net debt continued

	Liabilities/(Assets)		Equity				
	Borrowings and accrued interest	Lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2021	**27.9**	**7.5**	**9.7**	**1,307.3**	**(10.7)**	**(847.6)**	**494.1**
Changes from financing cash flows							
Dividends paid to Company shareholders	–	–	–	(73.6)	–	–	(73.6)
Repayment of Syndicated RCF	(30.0)	–	–	–	–	–	(30.0)
Payment of interest on borrowings	(1.5)	–	–	–	–	–	(1.5)
Payment of lease liabilities	–	(3.2)	–	–	–	–	(3.2)
Purchase of own shares for cancellation	–	–	(0.2)	(145.8)	–	0.2	(145.8)
Purchase of own shares for treasury	–	–	–	–	(17.7)	–	(17.7)
Fees on repurchase of own shares	–	–	–	(0.8)	(0.1)	–	(0.9)
Issue of ordinary shares	–	–	–	–	–	0.2	0.2
Proceeds from exercise of share-based incentives	–	–	–	1.4	–	–	1.4
Total changes from financing cash flows	(31.5)	(3.2)	(0.2)	(218.8)	(17.8)	0.4	(271.1)
Other changes – liability related							
Interest expense	2.4	0.2	–	–	–	–	2.6
Other	–	5.0	–	–	–	–	5.0
Total liability-related other changes	2.4	5.2	–	–	–	–	7.6
Total equity-related other changes	–	–	–	243.9	6.1	0.2	250.2
Balance as of 31 March 2022	**(1.2)**	**9.5**	**9.5**	**1,332.4**	**(22.4)**	**(847.0)**	**480.8**

34. Related party transactions

Dealer Auction Limited

The Group transacted the following related party transactions with its joint venture, Dealer Auction Limited, during the period.

The Group 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 (2022: £0.6m) and has been recognised within revenue. At 31 March 2023, deferred income outstanding in relation to the licence agreement was £8.9m (2022: £9.5m).

Other related party transactions

Key Management personnel compensation has been disclosed in note 8.

The Group sponsors a funded defined benefit pension scheme. Details of transactions with the Wiltshire (Bristol) Limited Retirement Benefits Scheme are set out in note 25.

35. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2023 the Group's subsidiaries were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited[1]	England and Wales	Intermediary holding company	Ordinary	100%	100%
Auto Trader Limited[1]	England and Wales	Online marketplace	Ordinary	–	100%
Trader Licensing Limited[1]	England and Wales	Dormant company	Ordinary	–	100%
Autorama UK Limited[2]	England and Wales	Online marketplace	Ordinary	100%	100%
Vanarama Limited[2]	England and Wales	Dormant company	Ordinary	–	100%
Autorama Holding (Malta) Limited[3]	Malta	Investment company for a protected cell company	Ordinary	–	100%
Vanarama USA Inc[4]	United States of America	Dormant company	Ordinary	–	100%
Blue Owl Network Limited[1]	England and Wales	Finance platform	Ordinary	–	100%

1. Registered office address is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.
2. Registered office address is Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE.
3. Registered office address is The Landmark, Level 2, Suite 1, Triq L-Iljun, Qormi, Malta.
4. Registered office address is 800 Battery Ave SE, Suite 100, Atlanta, GA, 30339-5107, United States.

During the year, the Group disposed of Webzone Limited and liquidated KeeResources Limited.

All subsidiaries have a year end of 31 March, apart from Vanarama Limited, which has a year end of 30 November, and Autorama Holding (Malta) Limited and Vanarama USA Inc, which have a year end of 31 December.

Joint ventures

At 31 March 2023 the Group's interests in joint ventures were:

Joint ventures	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Dealer Auction Limited[1]	England and Wales	Online marketplace	Ordinary	–	49%
Dealer Auction (Operations) Limited[1]	England and Wales	Dormant company	Ordinary	–	49%
Auto Trader Autostock Limited[1]	England and Wales	Dormant company	Ordinary	–	49%
Dealer Auction Services Limited[1]	England and Wales	Dormant company	Ordinary	–	49%

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

All joint ventures have a year end of 31 December.

At 31 March 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	3	**1,427.2**	1,224.9
		1,427.2	1,224.9
Current assets			
Debtors	4	**338.1**	487.6
Cash and cash equivalents	5	**0.3**	0.2
		338.4	487.8
Creditors: amounts falling due within one year	6	**(905.5)**	(664.2)
Net current assets		**(567.1)**	(176.4)
Net assets		**860.1**	1,048.5
Capital and reserves			
Called-up share capital	9	**9.3**	9.5
Share premium		**182.6**	182.6
Own shares held	10	**(26.0)**	(22.4)
Capital redemption reserve		**1.2**	1.0
Retained earnings		**693.0**	877.8
Total equity		**860.1**	1,048.5

The loss for the year of the Company was £9.0m (2022: loss £3.2m). The financial statements were approved by the Board of Directors on 1 June 2023 and authorised for issue:

Jamie Warner
Chief Financial Officer
Auto Trader Group plc
Registered number: 09439967
1 June 2023

For the year ended 31 March 2023

	Share capital £m	Share premium £m	Own shares held £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2021	**9.7**	**182.4**	**(10.7)**	**0.8**	**1,100.8**	**1,283.0**
Loss for the year	–	–	–	–	(3.2)	(3.2)
Total comprehensive expense, net of tax	–	–	–	–	(3.2)	(3.2)
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(146.5)	(146.5)
Dividends paid	–	–	–	–	(73.6)	(73.6)
Share-based payments	–	–	–	–	5.1	5.1
Exercise of employee share schemes	–	–	6.0	–	(4.8)	1.2
Transfer of shares from ESOT	–	–	0.1	–	(0.1)	–
Acquisition of treasury shares	–	–	(17.8)	–	–	(17.8)
Issue of ordinary shares	–	0.2	–	–	–	0.2
Tax on share-based payments	–	–	–	–	0.1	0.1
Total transactions with owners recognised directly in equity	(0.2)	0.2	(11.7)	0.2	(219.8)	(231.3)
Balance at 31 March 2022	**9.5**	**182.6**	**(22.4)**	**1.0**	**877.8**	**1,048.5**
Loss for the year	–	–	–	–	(9.0)	(9.0)
Total comprehensive expense, net of tax	–	–	–	–	(9.0)	(9.0)
Transactions with owners:						
Purchase and cancellation of own shares	(0.2)	–	–	0.2	(139.3)	(139.3)
Dividends paid	–	–	–	–	(77.7)	(77.7)
Share-based payments	–	–	–	–	44.6	44.6
Exercise of employee share schemes	–	–	5.1	–	(3.6)	1.5
Acquisition of treasury shares	–	–	(8.7)	–	–	(8.7)
Tax on share-based payments	–	–	–	–	0.2	0.2
Total transactions with owners recognised directly in equity	(0.2)	–	(3.6)	0.2	(175.8)	(179.4)
Balance at 31 March 2023	**9.3**	**182.6**	**(26.0)**	**1.2**	**693.0**	**860.1**

1. Accounting policies

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

Statement of compliance and basis of preparation
The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' applicable in the United Kingdom and the Republic of Ireland ('FRS 101') and the Companies Act 2006.

In preparing these financial statements, the Company applies recognition, measurement and disclosure requirements of UK-adopted international accounting standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- no separate parent company cash flow statement with related notes has been included;
- no separate parent company statement of comprehensive income with related notes has been included; and
- Key Management personnel compensation has not been included a second time.

As the Group financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 2 Share-Based Payments in respect of group settled share-based payments, IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The Company financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is at and for the year ended 31 March 2023. The comparative financial information presented is at and for the year ended 31 March 2022.

The Company's accounting policies are the same as those set out in note 1 to the Consolidated financial statements.

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

The Company financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company, and have been rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published Consolidated financial statements of Auto Trader Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £9.0m (2022: loss of £3.2m).

Amounts paid to the Company's auditor in respect of the statutory audit were £200,000 (2022: £77,000). The charge was borne by a subsidiary company and not recharged.

Estimation techniques
The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, is the carrying value of investments.

The Group considers annually whether there is an indicator that the carrying value of investments may have suffered an impairment, in accordance with the accounting policy stated. Where an indicator is identified, the recoverable amounts of investments are determined based on value-in-use calculations, which require the use of estimates.

Share-based payments
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 to the Consolidated financial statements. 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 these models. Estimation also arises over the number of share awards that are expected to vest, which is based on whether non-market conditions are expected to be met (see note 30 to the Consolidated financial statements).

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

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

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

Shares held by the Employee Share Option Trust
Shares in the Company held by the Employee Share Option Trust ('ESOT') are included in the balance sheet at cost as a deduction from equity.

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

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

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

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

Financial instruments
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Under IFRS 9, trade receivables including 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 lifetime expected credit losses ('ECLs') for trade receivables and accrued income. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for any macro-economic factors. At 31 March 2022, ECLs were adjusted for the macro-economic uncertainty around retailer profitability driven by used car price volatility. A consistent level of ECLs has been recorded at 31 March 2023.

The Company assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as at fair value through profit and loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition and measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities, including trade payables, are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 80 to 93.

3. Investments in subsidiaries

	2023 £m	2022 £m
At beginning of the period	**1,224.9**	1,221.2
Additions – acquisition of subsidiary	**150.0**	–
Additions – investment in subsidiary	**10.0**	–
Additions – share-based payments relating to acquisition	**38.8**	–
Additions – share-based payments	**3.5**	3.7
At end of the period	**1,427.2**	1,224.9

Subsidiary undertakings are disclosed within note 35 to the Consolidated financial statements. The Company directly owns shares in two subsidiaries, Auto Trader Holding Limited and Autorama UK Limited.

The additions in the year relating to the acquisition of a subsidiary principally relate to the purchase of 100% of the share capital of Autorama UK Limited ('Autorama') of £150.0m, and a further investment of £10.0m. The remaining additions in the current and prior year relate to equity-settled share-based payments granted to the employees of subsidiary companies.

The recoverable amount of the investment in Autorama has been determined using the methodology and assumptions disclosed in note 13 to the Consolidated financial statements. There is limited headroom between the recoverable amount and the carrying value of the Autorama investment in the parent company due to the requirement to capitalise the £38.8m share-based payment charge relating to deferred consideration in the parent company.

No impairment indicators were identified for the investment in Auto Trader Holding Limited.

4. Debtors

	2023 £m	2022 £m
Amounts owed by Group undertakings	**336.8**	486.6
Other receivables	**0.2**	0.2
Deferred tax asset	**1.1**	0.8
Total	**338.1**	487.6

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment. These amounts are not expected to be settled in the next 12 months.

5. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**0.3**	0.2

6. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to Group undertakings	**903.3**	660.5
Accruals and deferred income	**2.2**	3.7
Total	**905.5**	664.2

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

7. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2023 and the year ended 31 March 2022 may be analysed as follows:

Financial assets	2023 £m	2022 £m
Financial assets measured at amortised cost	**337.0**	486.8

Financial liabilities	2023 £m	2022 £m
Financial liabilities measured at amortised cost	**905.5**	664.2

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

8. Dividends

Dividends declared and paid by the Company were as follows:

	2023		2022	
	Pence per share	£m	Pence per share	£m
2022 final dividend paid	**5.5**	**51.7**	5.0	48.0
2023 interim dividend paid	**2.8**	**26.0**	2.7	25.6
	8.3	**77.7**	7.7	73.6

The proposed final dividend for the year ended 31 March 2023 of 5.6p per share, totalling £51.4m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The 2022 final dividend paid on 23 September 2022 was £51.7m. The 2023 interim dividend paid on 27 January 2023 was £26.0m.

The Directors' policy with regard to future dividends is set out in the Financial review on page 25.

9. Called-up share capital

	2023		2022	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**946,893**	**9.5**	969,024	9.7
Purchase and cancellation of own shares	**(23,831)**	**(0.2)**	(22,198)	(0.2)
Issue of shares	**13**	**–**	67	–
Total	**923,075**	**9.3**	946,893	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2021 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,678,535 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2023, a total of 25,261,584 ordinary shares of £0.01 were purchased. The average price paid was 582.1p with a total consideration paid (inclusive of fees of £0.7m) of £148.0m. Of all shares purchased, 1,430,372 were held in treasury with 23,831,212 being cancelled. In the year ended 31 March 2023, 12,893 ordinary shares were issued for the settlement of share-based payments.

Included within shares in issue at 31 March 2023 are 340,196 (2022: 358,158) shares held by the ESOT and 4,371,505 (2022: 3,826,928) shares held in treasury, as detailed in note 27.

10. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 31 March 2021	(0.5)	(10.2)	(10.7)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(17.8)	(17.8)
Share-based incentives	–	6.0	6.0
Own shares held as at 31 March 2022	(0.4)	(22.0)	(22.4)
Repurchase of own shares for treasury	–	(8.7)	(8.7)
Share-based incentives	–	5.1	5.1
Own shares held as at 31 March 2023	**(0.4)**	**(25.6)**	**(26.0)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 31 March 2021	404,653	2,422,659	2,827,312
Transfer of shares from ESOT	(46,495)	–	(46,495)
Repurchase of own shares for treasury	–	2,718,193	2,718,193
Share-based incentives exercised in the year	–	(1,313,924)	(1,313,924)
Own shares held as at 31 March 2022	358,158	3,826,928	4,185,086
Transfer of shares from ESOT	(17,962)	–	(17,962)
Repurchase of own shares for treasury	–	1,430,372	1,430,372
Share-based incentives exercised in the year	–	(885,795)	(885,795)
Own shares held as at 31 March 2023	**340,196**	**4,371,505**	**4,711,701**

11. Related parties

During the year, a management charge of £5.9m (2022: £4.9m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £336.8m and £903.3m respectively for debtors and creditors (2022: £486.6m and £660.5m) as set out in notes 4 and 6.

12. Contingent liability – financial guarantee

During the year, the Company became a financial guarantor for the arrangement between Autorama UK Limited and its vehicle stocking loan provider, Lombard North Central PLC. As at 31 March 2023, the maximum amount the Company would be required to pay if called upon is £3.6m, plus interest.

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Trade	**427.4**	388.3	225.2	324.3	304.6
Consumer Services	**34.5**	33.3	26.6	28.3	28.0
Manufacturer and Agency	**11.1**	11.1	11.0	16.3	22.5
Autorama	**27.2**	–	–	–	–
Revenue	**500.2**	432.7	262.8	368.9	355.1
Operating costs	**(225.1)**	(132.0)	(104.0)	(113.2)	(112.3)
Share of profit from joint ventures	**2.5**	2.9	2.4	3.2	0.9
Operating profit	**277.6**	303.6	161.2	258.9	243.7
Net interest expense	**(3.1)**	(2.6)	(3.8)	(7.4)	(10.2)
Profit on disposal of subsidiary	**19.1**	–	–	–	8.7
Profit before taxation	**293.6**	301.0	157.4	251.5	242.2
Taxation	**(59.7)**	(56.3)	(29.6)	(46.4)	(44.5)
Profit after taxation	**233.9**	244.7	127.8	205.1	197.7
Net assets/(liabilities)	**527.3**	472.5	458.7	141.6	59.0
Net bank debt/(cash) (gross bank debt less cash)	**43.4**	(51.3)	(15.7)	275.4	307.1
Cash generated from operations	**327.4**	328.1	152.9	265.5	258.5
Basic EPS (pence)	**25.0**	25.6	13.2	22.2	21.0
Diluted EPS (pence)	**24.8**	25.6	13.2	22.1	20.9
Dividends declared per share (pence)	**8.4**	8.2	5.0	2.4	6.7

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Financial calendar 2023–2024

Annual General Meeting	14 September 2023
2024 half-year results	9 November 2023
2024 full-year results	June 2024

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

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

Cautionary note regarding forward-looking statements
Certain statements in this announcement constitute forward-looking statements (including beliefs or opinions). 'Forward-looking statements' are sometimes identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'aims', 'anticipates', 'expects', 'intends', 'plans', 'predicts', 'may', 'will', 'could', 'shall', 'risk', 'targets', 'forecasts', 'should', 'guidance', 'continues', 'assumes' or 'positioned' or, in each case, their negative or other variations or comparable terminology. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to known and unknown risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result, you are cautioned not to place reliance on such forward looking statements, which are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements set out in this announcement. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

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