Committed to high standards of corporate governance

Dear shareholders,

I am pleased to introduce our corporate governance report for 2016, which includes a review of the corporate governance arrangements in place, and reports from each of our Board Committees.

Compliance with Corporate Governance Code

I can confirm that the Company is now in full compliance with all provisions of the UK Corporate Governance Code 2014 (the 'Code').

As I reported in 2015, the Company was listed immediately before the end of the last financial year. At that time, the Company did not comply with all of the Code's provisions. We committed to take the necessary steps in order to fully comply within 12 months of joining the FTSE 250 Index, and we have achieved that goal, although we were not in compliance with the provisions surrounding the composition of the Board and its Committees for the whole of the year under review.

Directors

As already outlined in my Chairman's statement on page 4, we appointed three new Independent Non-Executive Directors during the year. There was a rigorous process for the appointments as described in the report of the Nomination Committee on pages 52 to 53. The new Directors bring with them significant financial and commercial experience and I am confident they will support the executive team in their implementation of the Group's strategy.

Following the departure of Tom Hall, Nick Hartman and Chip Perry, our Board is now at the minimum number of Directors required to comply with the Code. We believe that the Board is an appropriate size for the Group, which is relatively lacking in complexity. However, we will keep this under continual review.

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

Board evaluation

As well as ensuring that the Board includes the appropriate balance between Executive and Independent Non-Executive Directors, we also recognise the need to be effective as a Board. We carried out a thorough internal evaluation process during the year, which is described on page 51.

External audit tender

The report of the Audit Committee is set out on pages 54 to 59. This includes a detailed description of the formal audit tender process that was carried out by the Committee during the year, leading to our recommendation to shareholders that KPMG LLP should be appointed as auditors at the next AGM, succeeding PwC.

Annual General Meeting

Our Annual General Meeting will be held at 10.00am on 22 September 2016 at 1 Tony Wilson Place, Fourth Floor, Manchester, M15 4FN. We expect that all Directors will be in attendance.

Ed Williams
Chairman
9 June 2016

Board responsibilities

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

Board activities in 2016 included:

- Appointment of three new Independent Non-Executive Directors
- Investor relations strategy
- Simplification of the corporate structure
- Approval of dividend policy and capital structure
- Appointment of new auditors
- Approval of strategy, operating priorities and 2017 budget
- Robust review of risks and approval of viability statement
- Internal Board evaluation

Committees of the Board

The Board has delegated authority to its Committees to carry out certain tasks on its behalf, allowing the Board to operate efficiently and to give the right level of attention and consideration to relevant matters. A summary of the terms of reference of each Committee is set out in the table below and the full terms of reference for each Committee are available on the Company's website at about-us.autotrader.co.uk/investors.

	Nomination Committee	Audit Committee	Remuneration Committee
Members	– Ed Williams (Chairman) – David Keens – Jill Easterbrook – Jeni Mundy	– David Keens (Chairman) – Jill Easterbrook – Jeni Mundy	– Jill Easterbrook (Chairman) – David Keens – Jeni Mundy
Role and terms of reference	– Reviews the structure, size and composition of the Board and its Committees. – Makes appropriate recommendations to the Board.	– Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditors.	– Responsible for all elements of the remuneration of the Executive Directors and the Chairman, and senior employees.
Activities in 2016	– Selection process and recommendation to the Board to appoint three new Non-Executive Directors. – Oversaw the first internal Board evaluation. – Reviewed succession planning for the Board, Executive Directors and the Senior Management team.	– Review of Annual Report and first PLC reporting cycle. – Appointment of internal auditors and approval of risk based programme. – External audit tender process and appointment of new auditors.	– Targets and structure of first PSP awards and bonus scheme targets. – Considering executive pay environment and confirming current remuneration policy. – Design of first Company-wide share schemes ('SIP' and 'SAYE').
	Read more on page 52	Read more on page 54	Read more on page 60

Board of Directors

David Keens
Senior Independent Non-Executive Director

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

Appointed to Board: May 2015.

Independent: Yes.

External appointments: J Sainsbury plc.

Committee memberships:
Audit (Chairman), Nomination, Remuneration.

Jill Easterbrook
Independent Non-Executive Director

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

Appointed to Board: July 2015.

Independent: Yes.

External appointments: None.

Committee memberships:
Remuneration (Chairman), Nomination, Audit.

Trevor Mather
Chief Executive

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

Appointed to Board: June 2013.

Independent: N/A.

External appointments: None.

Committee memberships: N/A.

Jeni Mundy

Independent Non-Executive Director

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

Appointed to Board: March 2016.

Independent: Yes.

External appointments: None.

Committee memberships:
Remuneration, Nomination, Audit.

Sean Glithero

Finance Director and Company Secretary

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

Appointed to Board: September 2012.

Independent: N/A.

External appointments: None.

Committee memberships: N/A.

Ed Williams

Chairman

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

Appointed to Board: November 2010.

Independent on appointment: Yes.

External appointments: Idealista S.A.

Committee memberships:
Nomination (Chairman).

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

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

Introduction

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

Compliance with the 2014 Code

As at the date of this report, the Company is in full compliance with the provisions of the 2014 Corporate Governance Code. However, the Company did not comply with all the provisions for the whole period as explained below.

The Board is satisfied that, despite the non-compliance with these provisions for part of the period, no individual dominated its decision-taking, no undue reliance was placed on particular individuals, there was sufficient challenge of executive management in meetings of the Board or relevant Committee, and the Board and relevant Committees operated effectively throughout the whole period.

Code provision	Detail	Explanation of non-compliance
B.1.2	Until 1 March 2016, less than half of the Board, excluding the Chairman, were Independent Non-Executive Directors.	For FTSE 350 Index companies, at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. The Company became a member of the FTSE 350 Index during the reporting period. The Company appointed three additional Independent Non-Executive Directors during the period on 1 May 2015 (David Keens), 1 July 2015 (Jill Easterbrook) and 1 March 2016 (Jeni Mundy), bringing the Board into full compliance with this provision from that date. Furthermore, the two Non-Executive Directors who were not considered to be independent (Tom Hall and Nick Hartman) resigned from the Board on 7 March 2016.
C.3.1	Until 1 July 2015, the Audit Committee did not comprise three Independent Non-Executive Directors.	Until 1 May 2015, the Audit Committee was chaired by Tom Hall (Non-Executive Director) and its members were Ed Williams (Chairman) and Chip Perry (Independent Non-Executive Director). On 1 May 2015, David Keens was appointed as Audit Committee Chairman, Tom Hall became a Committee Member and Ed Williams stepped down as a member of the Committee. Jill Easterbrook joined the Committee on 1 July 2015, and Tom Hall stepped down as a member of the Committee, and so with effect from that date, the composition of the Audit Committee was in full compliance with the Code.
D.2.1.	Until 1 July 2015, the Remuneration Committee did not comprise three Independent Non-Executive Directors.	Until 1 July 2015, the Remuneration Committee was chaired by Ed Williams (Chairman) and its other member was Chip Perry (Independent Non-Executive Director). David Keens joined the Remuneration Committee on his appointment on 1 May 2015. On 1 July 2015, Jill Easterbrook was appointed as an Independent Non-Executive Director and Remuneration Committee Chairman, and Ed Williams stepped down from the Remuneration Committee, and so with effect from that date, the composition of the Remuneration Committee was in full compliance with the Code.

Board and Committee meetings and attendance

Board meetings are scheduled to coincide with key events in the corporate calendar including the interim and final results and the Annual General Meeting ('AGM').

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at the meetings. There is also a monthly financial update call at which the Board discusses results with operational management. A two-day strategy meeting is also held each year.

	Board	Audit	Remuneration	Nomination
Number of scheduled meetings held	9	3	4	4
Director				
Ed Williams	9/9	n/a	2/2	4/4
Trevor Mather	9/9	n/a	n/a	n/a
Sean Glithero	9/9	n/a	n/a	n/a
Tom Hall[1]	7/8	1/1	n/a	3/3
Nick Hartman[2]	8/8	n/a	n/a	n/a
Victor (Chip) Perry[2]	8/8	3/3	3/3	3/3
David Keens[3]	8/8	3/3	3/3	3/3
Jill Easterbrook[4]	6/6	2/2	2/2	2/2
Jeni Mundy[5]	1/1	0/0	1/1	1/1

1 Stepped down from the Audit Committee on 1 July 2015 and resigned from the Board on 7 March 2016.
2 Resigned on 7 March 2016.
3 Appointed on 1 May 2015.
4 Appointed on 1 July 2015.
5 Appointed on 1 March 2016.

Board roles

The positions of Chairman and Chief Executive are not exercised by the same person, ensuring a clear division of responsibility at the head of the Company. The division of roles and responsibilities between the Chairman, Ed Williams, and the Chief Executive, Trevor Mather, have been agreed by the Board and are set out in writing.

David Keens replaced Chip Perry as the Senior Independent Director on joining the Board on 1 May 2015.

All Directors have access to the advice and services of the Company Secretary, Sean Glithero, who is also the Finance Director.

Board composition

At the date of this report, the Board consists of the Non-Executive Chairman, three Independent Non-Executive Directors and two Executive Directors. Biographies of all members of the Board appear on pages 46 and 47.

In accordance with main principle B.1 of the Code, 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.

Chairman	– Leadership and governance of the Board. – Ensuring its effectiveness by creating and managing constructive relationships between the Executive and Non-Executive Directors. – Ensuring ongoing and effective communication between the Board and its key shareholders. – Setting the Board's agenda and ensuring that adequate time is available for discussions. – Ensuring the Board receives sufficient, pertinent, timely and clear information.
Chief Executive	– Responsible for the day-to-day operations and results of the Group. – Developing the Group's objectives and strategy and, following Board approval, the successful execution of strategy. – Responsible for the effective and ongoing communication with shareholders. – Delegates authority for the day-to-day management of the business to the Operational Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business.
Non-Executive Directors	– Scrutinise and monitor the performance of management. – Constructively challenge the Executive Directors. – Monitor the integrity of financial information, financial controls and systems of risk management.
Senior Independent Director	– Acts as a sounding board for the Chairman. – Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive or other Directors have failed to resolve. – Meets with the other Non-Executive Directors without Executive Directors present. – Leads the annual evaluation of the Chairman's performance.
Company Secretary	– Available to all Directors to provide advice and assistance. – Responsible for providing governance advice. – Ensures compliance with the Board's procedures, and with applicable rules and regulations. – Acts as secretary to the Board and all Committees.

Board balance and independence
At 27 March 2016 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. The Company became compliant with this provision on 1 March 2016 with Jeni Mundy's appointment to the Board.

All of the current Non-Executive Directors (David Keens, Jill Easterbrook and Jeni Mundy), are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. Chip Perry, who resigned from the Board on 7 March 2016, was also considered to be independent for the same reasons. Ed Williams was considered to be independent on appointment.

The Chairman's fees and the Non-Executive Directors' fees are disclosed on page 62, and they received no additional remuneration from the Company during the year.

Until 7 March 2016, the Company had a relationship agreement (the 'Relationship Agreement') in place with its principal shareholders, funds advised by Apax (the 'Apax Shareholders'). While the Relationship Agreement was in force, the Apax Shareholders were entitled to appoint two Non-Executive Directors, providing they (and any of their respective associates, when taken together) held voting rights over 20% or more of the Company's issued share capital, and one Non-Executive Director providing they (and any of their respective associates, when taken together) held voting rights over 10% or more of the Company's issued share capital. The two Non-Executive Directors appointed by, and representing the Apax Shareholders were Tom Hall and Nick Hartman, and they were therefore not considered to be independent.

On 26 February 2016, the Apax Shareholders disposed of shares such that their combined holding fell below 10% of the Company's issued share capital. Tom Hall and Nick Hartman subsequently resigned from the Board with effect from 7 March 2016, and therefore the Relationship Agreement was terminated from that date.

Appointments to the Board
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. Refer to the Report of the Nomination Committee on page 52 for more information on the appointment process.

External directorships
Any external appointments or other significant commitments of the Directors require the prior approval of the Board. Neither of the Executive Directors have any external directorships as at the date of this report. During the year, Ed Williams was appointed as a Non-Executive Director of Idealista S.A. The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

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

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

Induction and development
All newly appointed Directors receive an induction briefing on their duties and responsibilities as Directors of a publicly quoted company, and meet with key members of senior management in order to familiarise themselves with the Group and its activities. 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. The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate.

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

During 2015/16 the Board learned more about:

- audience and brand;
- competitive position;
- regulatory environment;
- technology;
- business continuity planning;
- cyber security;
- display advertising market;
- network effects and pricing in two-sided markets;
- new product development; and
- our customers' viewpoint.

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 business progress reports, provided to Directors in a timely manner in advance of meetings.

All 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.

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

Board evaluation and effectiveness

A formal internal evaluation of the Board, Committees and individual Directors has taken place during the year. This included the completion of a detailed questionnaire by each of the Board Directors, covering the Board's role, knowledge and skills, Board meetings and information flows, Board composition, succession planning, risk management, relations with shareholders and each of the Board Committees. The results were reviewed by the Chairman and the principal findings were fed back to the Board in March 2016. In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually.

Areas of focus for the coming year include:

- reviewing the level of information presented in Board papers;
- increasing exposure between Board members and operational management outside Board meetings;
- formalising the induction process and setting in place formal Board training and development plans; and
- continuing to increase the Board's understanding of the views of major shareholders.

Risk management

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in a separate section on pages 33 to 34.

Internal control framework

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

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of internal controls during the year ended 27 March 2016 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.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood and that it remains accountable to shareholders.

The Company formally updates the market on its financial performance at least twice a year, at the half year and full year in November and June respectively. These updates are posted on the Group's website and are available to all shareholders. These are accompanied by formal investor roadshows in the UK and overseas. There is also an ongoing programme of meetings with institutional investors, fund managers and analysts and conferences, covering a wide range of issues within the constraints of publicly available information, including strategy, performance and governance.

The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time, in accordance with the Financial Conduct Authority requirements. Questions from individual shareholders are generally dealt with by the Executive Directors.

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

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

The Senior Independent Director, David Keens, and other Non-Executive Directors are available to meet with shareholders and are offered the opportunity to attend meetings with major shareholders. Arrangements can be made to meet with them through the Company Secretary.

Annual General Meeting

The AGM of the Company will take place at 10.00 am on Thursday 22 September 2016 at the Company's registered office at 1 Tony Wilson Place, Fourth Floor, Manchester, M15 4FN. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM.

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

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

Ed Williams
Chairman of the Nomination Committee

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

Four meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Current members		
Ed Williams (Chairman)	4/4	100%
David Keens (joined 1 May 2015)	3/3	100%
Jill Easterbrook (joined 1 July 2015)	2/2	100%
Jeni Mundy (joined 1 March 2016)	1/1	100%
Previous members		
Tom Hall (left 7 March 2016)	3/3	100%
Victor 'Chip' Perry (left 7 March 2016)	3/3	100%

Dear shareholders,

I am pleased to introduce the report of the Nomination Committee for 2016.

Role of the Committee

The Committee has responsibility for identifying and nominating candidates for appointment as Directors for approval by the Board.

The Committee will also make recommendations to the Board concerning the reappointment of any Non-Executive Director as he or she reaches the end of the period of their initial appointment (three years), and on the annual election and re-election of any Director by shareholders after evaluating the balance of skills, knowledge and experience of each Director.

Activities during the year

In our first full year as a listed Company and a member of the FTSE 250, the Committee successfully identified and nominated three candidates to be appointed as Independent Non-Executive Directors, bringing our Board composition and Committee membership into line with the provisions of the 2014 UK Corporate Governance Code.

The process for identifying candidates was led by the Committee.

- Comprehensive candidate search briefs were agreed, including the required industry and public company skills, knowledge and experience required for new Non-Executive Directors.
- An external executive recruitment consultant, JCA Partners LLP, was engaged, with whom the Group has no other relationship.
- The shortlisted candidates each met with members of the Board on a one-on-one basis before the Committee made its recommendation of the preferred candidates to the Board.

A formal internal evaluation of the Board, Committees and individual Directors took place during the year, led by the Committee. The process and the outcomes of this are summarised in the Corporate Governance statement on page 51.

Our progress in 2016

- Selection process and recommendation to the Board to appoint three new Non-Executive Directors.
- Oversaw the first internal Board evaluation.
- Reviewed succession planning for the Board, Executive Directors and the senior management team.

Our 2017 priorities

- Follow up on Board evaluation actions.
- Focus on diversity at senior management level and deeper into the organisation.
- Keep the Board and Committee membership under review to maintain an appropriate mix of skills and experience.

The Committee also carried out an extensive succession planning review, covering the Chairman, members of the Board, Executive Directors and the Senior Management team, and various actions are being taken to ensure that robust plans are in place.

Policy on appointments to the Board

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

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

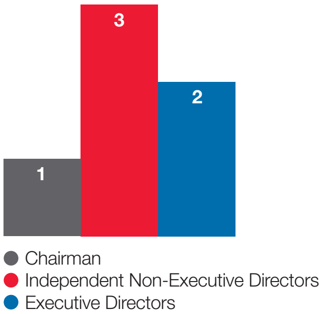
Auto Trader endeavours to achieve appropriate diversity, including gender diversity, throughout the Company and concurs with the recommendations of Lord Davies' review. We have adopted the recommended target of female representation on our Board of 25%, and we have met this target, as two of our six Board members are female. These appointments were made based on merit, against objective criteria, to ensure we appointed the best individual for each role.

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

Ed Williams
Chairman of the Nomination Committee
9 June 2016

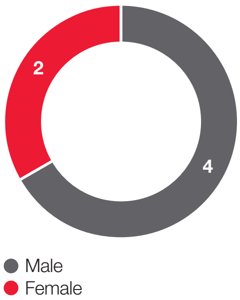
Board composition

As at 27 March 2016



Board diversity

As at 27 March 2016



David Keens
Chairman of the Audit Committee

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

Three meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Current members		
David Keens (Chairman) (joined 1 May 2015)	3/3	100%
Jill Easterbrook (joined 1 July 2015)	2/2	100%
Jeni Mundy (joined 1 March 2016)	0/0	n/a
Previous members		
Tom Hall (left 1 July 2015)	1/1	100%
Victor 'Chip' Perry (left 7 March 2016)	3/3	100%

Dear shareholders,

I am pleased to introduce the Audit Committee report for 2016.

This has been our first full year as a listed company. With the appointment of two further Independent Non-Executive Directors to the Committee, and the departure of Tom Hall, who was one of the Directors nominated by Apax Shareholders, I can report that the composition of the Audit Committee is now compliant with the UK Corporate Governance Code.

With the assistance of management and the external auditors, the Committee has considered the main financial reporting issues, estimates and judgements, and we believe that the information in this Annual Report is fair, balanced, understandable and clearly explains progress against our strategic and operating objectives.

We believe that rigorous internal controls and robust risk management processes are an essential part of delivering shareholder value. The Committee has assisted the Board in performing a review of effectiveness of the processes and systems in place. This includes the appointment of Deloitte LLP as our outsourced internal audit function, who are delivering a programme of work focusing on the key areas of risk.

One of the major decisions we took during the year, following a formal tender process, was the recommendation to appoint KPMG LLP as our external auditors with effect from the March 2017 audit (subject to shareholder approval). On behalf of the Committee and the Board, I would like to record our thanks to PwC, which has been Auto Trader's auditor since 2004, and has provided valuable assistance, support and advice to the Committee during their tenure. The transition process has already begun and we look forward to working with KPMG in the future.

David Keens
Chairman of the Audit Committee
9 June 2016

Our progress in 2016

- Annual Report and first PLC reporting cycle.
- Internal audit function and approved a risk-based programme.
- External audit tender process and recommendation of appointment of KPMG.

Our 2017 priorities

- Transition from PwC to new external auditor.
- Continued focus on key areas of judgement, risk and controls.
- Review of effectiveness of external auditors and internal audit function.

Financial reporting

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

The Committee assessed the quality and appropriateness of the accounting principles and policies adopted, and whether management had made appropriate underlying estimates and judgements. In doing so, the Committee reviewed management reports in respect of the main financial reporting issues and judgements made, together with reports prepared by the external auditor on the 2016 half-year statement and Annual Report 2016.

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

Description of focus area	Audit Committee action
Adjusted profit metric	
The Group highlights non-underlying items in the income statement to show the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. Adjusted underlying EBITDA was previously used as it reflected both the impact of non-underlying items and the change in accounting for technology development that was implemented in 2013. This resulted in more of the Group's expenditure on internal development salaries being expensed as they did not meet the requirements for capitalisation. In order to provide comparability of results from period to period, and with listed peer companies, the Directors now consider Underlying operating profit to be a more appropriate indicator of the performance of the business. Underlying operating profit for the year (and the comparative year) is defined to be operating profit before exceptional items, share-based payments and management incentive plans. In its first year as a listed company, the Board has implemented new employee share schemes. As the Directors intend to make grants on an annual basis, the share-based payment charge is likely to increase significantly year-on-year until the third anniversary. Therefore, the Directors consider it appropriate to identify IFRS 2 charges and the associated national insurance costs separately until 2018.	The Committee considered management's paper explaining the change in Adjusted profit metric and reviewed the timeline over which the transition from Adjusted underlying EBITDA to Underlying operating profit would be implemented. The Committee discussed with management the items considered to be 'non-underlying', particularly the inclusion of share-based payment charges. The Committee considered PwC's view of the adjusted profit measure and consistency with other disclosures in the Annual Report. The Committee was satisfied that the disclosure was appropriate.
Share-based payments	
During the year the Company has implemented its first employee share schemes. In April 2015, employees were invited to become shareholders by joining the all-employee Share Incentive Plan ('SIP'). In June 2015, the Group implemented its first Performance Share Plan ('PSP') for senior management and selected other individuals. In September 2015 the Sharesave scheme ('SAYE') was implemented. The first grants under the Deferred Annual Bonus Plan ('DABP'), relating to the FY16 Annual Bonus, will be made in July 2016. All such share-based payment arrangements are accounted for as equity-settled share-based payment transactions. The IFRS 2 charge has been determined using widely accepted pricing models.	The Committee reviewed the assumptions made by management and assessed the adequacy of the models themselves for pricing such equity instruments. The Committee reviewed management forecasts for the number of options that were likely to vest under each scheme. The Committee discussed with management the consistency of assumptions used throughout the financial statements in determining the IFRS 2 charge, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP and DABP. The Committee reviewed PwC's report into the adequacy of the charge and satisfied itself that the share-based payment accounting is appropriate and in accordance with accounting standards.

Description of focus area	Audit Committee action
Viability statement and going concern	
The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities, as they fall due. The period over which the Directors have determined is appropriate to assess the prospects of the Group has been defined as three years. In addition, the Directors must consider if the going concern assumption is appropriate. If the financial statements do not appropriately reflect the conclusions on going concern, a significant number of accounts could be affected.	The Committee reviewed management's schedules supporting and explaining the inputs and process underpinning the going concern assessment and viability statements. These included the Group medium-term plan and cash flow forecasts for the period to March 2019. The Committee discussed with management as to whether a three-year period was the most appropriate period to consider. The Committee enquired as to the correlation between the principal risks and uncertainties as defined within the Group's risk register and disclosed on pages 36 and 37. In particular, the feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required. 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.

Fair, balanced and understandable

The Committee has reviewed the content of the 2016 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee was provided with a draft of the Annual Report in order to assess the strategic direction and key messages being communicated. The Committee provided feedback highlighting any areas in which they felt that further clarity or information was required and this was then incorporated into the report provided for Audit Committee approval.

When forming its opinion 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 PwC are planning to 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 2016 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The primary role of the Audit Committee in relation to risk management and internal controls is to review the effectiveness of risk management systems and related internal controls to ensure that any issues that have arisen are properly dealt with, and that going forward the systems are fit for purpose.

The Committee performs its duties by:

- reviewing annually the Group's system of internal control;
- receiving reports from the Group's internal audit function and ensuring any identified weaknesses are acted on by management; and
- reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report on control weaknesses, and ensuring that there is an appropriate response from management.

The Group has in place internal controls and risk management systems in relation to its financial reporting process 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:

Component	Approach	Basis for assurance
Risk management	Risk register is maintained by the Operational Leadership Team ('OLT') and reviewed and approved by the Board.	Updated by the OLT and reviewed and approved by the Board twice annually.
Financial reporting	Consolidated Group reporting is performed on a monthly basis with a month-end pack being produced that includes an income statement, balance sheet and cash flow statement.	Results are reviewed each month by management, the OLT and the Board. Results are compared against expectations and significant variances are explained by management.
Budgeting and reforecasting	The Group produces an annual budget and a half-year reforecast to which monthly results are benchmarked.	Performed using a bottom-up approach with reviews performed by the OLT and the Board.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions and commitments exists.	Reviewed by an independent member of the finance team and approval limits regarding customer discounts have been reviewed by the internal auditor.
Segregation of duties	Procedures are well defined to segregate duties over significant transactions. Key reconciliations are reviewed periodically to ensure accurate reporting.	Reviewed by an independent member of the finance team.

Whistleblowing

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

Internal audit

The Committee appointed Deloitte as the Group's outsourced internal audit function during the year.

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 2016 was approved by the Audit Committee during the year and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas as identified in the Group's risk register. Management actions that are recommended following the audits are tracked to completion and reviewed by the Committee to ensure that identified risks are mitigated appropriately.

External auditors

One of the Committee's roles is to oversee the relationship with the external auditor, PwC, and to evaluate the effectiveness of the service provided. This assessment is achieved through various means, including approving audit plans, discussing materiality assessments in relation to the financial statements, reviewing the auditor's reports and seeking feedback from management on the effectiveness of the audit process.

During the year the Audit Committee reviewed the findings of the external auditor in respect of both the financial statements for the six-month period ending 27 September 2015 and for the year ended 27 March 2016.

The Committee met with representatives from PwC without management present and with management without representatives of PwC present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity. It has therefore reviewed, and is satisfied with, the independence of PwC as the external auditor.

Non-audit services provided by the external auditors

The external auditors are primarily engaged to carry out statutory audit work. There may be other services where the external auditors are considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include PwC, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A formal 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.

Audit-related services directly related to the audit: for example, the review of interim financial statements; compliance certificates and reports to regulators.	Considered to be approved by the Committee to a level of £100,000 for each individual engagement, and to a maximum aggregate of £200,000 for each financial year. Any engagement of the external auditor to provide permitted services over these limits is subject to the specific approval of the Audit Committee.
Acceptable non-audit services: including but not limited to tax compliance and advisory services; work related to mergers, acquisition, disposals, joint ventures, or circulars; benchmarking services; and corporate governance advice.	
Prohibited services: where the auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation – for example, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited.

Refer to about-us.autotrader.co.uk/investors for full details of the policy.

During the year, PwC charged the Group £0.1m (2015: £2.6m, which included matters relating to the listing on the London Stock Exchange) for non-audit services, as outlined in note 4 to the financial statements.

External audit tender process

A formal tender process was undertaken during 2016, in relation to the audit for the year to March 2017. The Committee has a formal policy to tender at least once every 10 years. PwC has been the Group's auditor since 2004. The Committee considered the need to undertake a tender process in 2015 and concluded that, given the short length of time from the IPO, it was appropriate to retain PwC for the 2016 financial year end at least.

The tender process has since been completed, led by the Committee, with a selection panel appointed to undertake much of the detailed work. Three audit firms, including the incumbent auditor, were invited to tender. During the process, the tendering firms met with key personnel within the Group and were provided with detailed information about the Group's operations. The process culminated in written proposals being submitted and presented to the selection panel.

The panel and the Committee assessed the proposals against the following pre-defined selection criteria:

- Skills, experience and commitment.
- Quality of interactions and proposal.
- Cultural fit.
- Industry experience and understanding.
- Service approach and value add.
- Understanding of PLC requirements.
- Fees and pricing.

The Committee's recommendation to the Board that KPMG LLP be appointed as external auditor for the financial year ending March 2017 was accepted, and a resolution to propose the appointment of KPMG LLP as auditors will be put to shareholders at the 2016 AGM.

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

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review, other than in the timing of the audit tender process which was discussed with the Authority at the time of the Company's IPO.

David Keens
Chairman of the Audit Committee
9 June 2016

Annual statement by the Chairman of the Remuneration Committee

Jill Easterbrook
Chairman of the Remuneration Committee

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

Four meetings were held during the year:

	Meetings attended/ Total meetings held	Percentage of meetings attended
Current members		
Jill Easterbrook (Chairman) (joined 1 July 2015)	2/2	100%
David Keens (joined 1 May 2015)	3/3	100%
Jeni Mundy (joined 1 March 2016)	1/1	100%
Previous members		
Ed Williams (left 1 July 2015)	2/2	100%
Victor 'Chip' Perry (left 7 March 2016)	3/3	100%

Dear shareholders,

I am pleased to present, on behalf of the Board, the report of the Remuneration Committee (the 'Committee') in respect of the year ended 27 March 2016, the Company's first full financial year as a listed company.

Objectives of the remuneration policy and link to strategy

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

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

During the year it has proved effective in both retaining and motivating our executive team. The policy supports our strategy through using performance targets for our variable pay schemes that target improvements in our key performance indicators (i.e. Underlying operating profit, audience share, new product initiatives and total shareholder returns). As a consequence no changes are proposed to our policy, or its application, for the current financial year.

The work of the Committee during the year

As reported last year, the Remuneration Committee carried out considerable work prior to Admission in order to develop our new remuneration policy. As a result, this year has been focused on the implementation of the approved policy for our first full year. The key activities of the Committee are detailed in the table below.

Our activities in 2016

- Confirming the performance targets to apply to the 2016 Performance Share Plan ('PSP') awards and granting the awards.
- Considering the executive pay environment and confirming the current remuneration policy remains appropriate for 2017.
- Reviewing the choice of performance metrics for 2017 variable pay schemes.
- Consideration of the approach to equity participation across the workforce including design of first Company-wide share schemes ('SIP' and 'SAYE').
- Considering the impact of changes to pension tax rules.
- Considering the approach to reporting on the current financial year.

Our 2017 priorities

- Confirming targets for and granting the 2017 PSP awards.
- Considering the ongoing appropriateness of the structure and design of the existing long-term incentive plans.
- Continuing to monitor the executive pay environment and considering the ongoing appropriateness of the existing policy.

Performance and reward in 2016

Our first full year as a listed company has been very successful.

We achieved year-on-year revenue growth of 10% to £281.6m (2015: £255.9m) with growth across all of our revenue streams. Underlying operating profit increased by 19% to £171.3m (2015: £144.1m) with Underlying operating profit margin improving by 5 percentage points to 61% (2015: 56%). Operating cash flows from continuing operations were 30% higher at £177.0m, a conversion rate of 97%, allowing £147.0m of debt to be repaid during the year. Overall, the results were our best ever.

In terms of non-financial performance we continued to achieve our objective of being the market leader in what we do (measured based on our audience share using customer minutes on our site versus our competitor set) and successfully executed our strategy of growing the number of Managing Pillar products.

The level of performance achieved resulted in the maximum bonus targets set at the start of the year being exceeded both for financial and non-financial targets. Further information on the actual targets set, and our performance against them is provided on page 63.

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

Approach for 2017

The Committee will continue to operate within the remuneration policy approved by shareholders in September 2015. The key highlights of how we intend to apply this for 2016/17 are:

- with effect from 1 April 2016, the salaries of the Executive Directors were increased by 2% which is below the average increase across the wider workforce;
- the annual bonus plan will operate similarly to last year, with 75% being based on Underlying operating profit performance and the remaining 25% being based on strategic metrics; and
- awards will be made in July 2016 under the PSP at 200% of salary for Trevor Mather and 150% for Sean Glithero. Awards will also be made to other senior colleagues at this time. The performance conditions applying to these awards will continue to be based on the Company's Cumulative Underlying operating profit (relevant to 75% of awards) and Total Shareholder Return ('TSR') (relevant to 25% of awards).

Feedback from shareholders

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

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

Jill Easterbrook
Chairman of the Remuneration Committee
9 June 2016

This report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid in the year ended 27 March 2016.

This Remuneration Report is in three parts. The Annual Statement by the Chairman of the Remuneration Committee sets out an overview of the year just ended. This is followed by the Annual Report on Remuneration (set out on pages 62 to 69), which provides greater detail on the amounts paid and the implementation of the policy in 2016 and also includes a high level summary of how the remuneration policy is intended to be implemented in the 2017 financial year. Finally, as an Appendix, a summary version of the remuneration policy, which was approved by shareholders at the AGM on 17 September 2015, is set out on pages 70 to 73. The full policy can be viewed on our website at about-us.autotrader.co.uk/investors.

The Annual Statement by the Chairman, together with the Annual Report on Remuneration, will be subject to an advisory vote at the AGM on 22 September 2016.

Annual report on remuneration

Single figure of remuneration for the year ended 27 March 2016 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 27 March 2016.

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

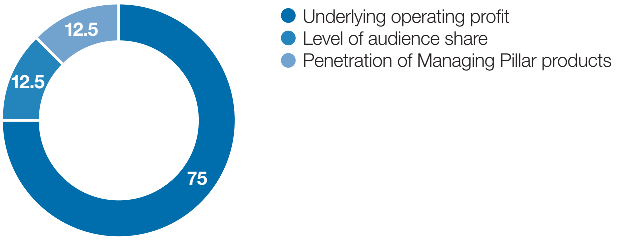
The following table shows the aggregate emoluments from the date of Admission to 29 March 2015.

£'000	Salary & fees	Benefits[1]	Annual bonus	Long-term incentives[2]	Pension[3]	Total
Executive						
Trevor Mather	9	–	10	–	1	**20**
Sean Glithero	5	–	2	–	–	**7**
Non-Executive						
Ed Williams	2	–	–	–	–	**2**
Victor A. Perry III	1	–	–	–	–	**1**
Tom Hall[8]	–	–	–	–	–	**–**
Nick Hartman[8]	–	–	–	–	–	**–**

1 Benefits include: private healthcare, life assurance and income protection insurance.
2 There were no long-term incentives eligible to vest in the year under review.
3 Employer's pension contributions of 5% of salary were paid in respect of Executive Directors. No Directors have a beneficial interest in a defined benefit scheme.
4 Appointed 1 May 2015.
5 Appointed 1 July 2015.
6 Appointed 1 March 2016.
7 Resigned 7 March 2016.
8 Waived entitlement to receive a fee.

Annual bonus for the year ended 27 March 2016

The targets applying to the annual bonus for the year ended 27 March 2016 were as follows:



The bonus targets for the financial year, as set by the Committee at the start of the year, together with performance against these, and resulting pay-outs are set out in detail below.

Underlying operating profit (75% of total bonus)

Level of achievement	Required/actual result (£m)	Percentage payout under that element
Threshold requirement	£156m	20%
Target requirement	£164m	50%
Stretch requirement	£169m	100%
Actual achieved	**£171.3m**	**100%**

Level of audience share (12.5% of total bonus)

Audience share targets were set based on the number of months in the year under review that the Company's audience share (based on the share of minutes amongst car buyers using car portals) was in excess of 80% (representing the Company's targeted level).

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

Number of months where average audience share of minutes is more than 80% for that month	Pay-out of audience share element
Threshold requirement: Less than 6 months	0% (of the 12.5%)
Stretch requirement: 10 months or above	100% (of the 12.5%)
Actual achieved: 12 out of 12 months more than 80%	**100%**

The level of market share was verified by comScore MMX.

Penetration of Managing Pillar products (12.5% of total bonus)

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

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

Number of retailer forecourts introducing Managing Pillar	Pay-out of Managing Pillar element
Threshold requirement: Less than 1,250	0% (of the 12.5%)
Stretch requirement: 1,751 or more	100% (of the 12.5%)
Actual achieved – over 1,900	**100%**

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

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

Performance Share Plan (Audited)

The first awards under the PSP were granted as Nil Cost options on 19 June 2015 and will normally be eligible to vest in three years from grant based on performance over the three years to 31 March 2018 and continuous employment. The awards were as follows:

Executive Director	Number of PSP shares awarded	Multiple of salary	Face/maximum value of awards at grant date[1]	% award vesting at threshold (% maximum)	Performance period[2]
Trevor Mather	446,808	200%	£1,050,000	25%	Concludes 31 March 2018
Sean Glithero	185,106	150%	£435,000	25%	

1 Face value/maximum was calculated based on the Offer Price of £2.35 in connection with the Company's Admission to the Official List as detailed in the Company's Admission Prospectus.
2 The performance period for the Cumulative Underlying operating profit target runs for three years from 1 April 2015, with the performance period for the TSR target running from the Admission date to 31 March 2018.

The performance conditions applying to the 2015 PSP awards were summarised in the Admission Prospectus and last year's Directors' remuneration report and are set out below. Each element will be assessed independently of the other:

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

Cumulative Underlying operating profit

Cumulative Underlying operating profit is defined as the sum of the Group's Underlying operating profit result over the three consecutive financial years ending on 31 March 2018. The actual range of Cumulative Underlying operating profit targets for the three years ended 31 March 2018 that are applicable to the awards are as follows:

Cumulative Underlying operating profit performance achieved	Proportion of awards subject to Cumulative Underlying operating profit that vest
Below £510m	0%
Equal to £510m (threshold target)	25%
Equal to or above £550m (stretch target)	100%
Pro-rata between the threshold and stretch performance targets	

Relative Total Shareholder Return

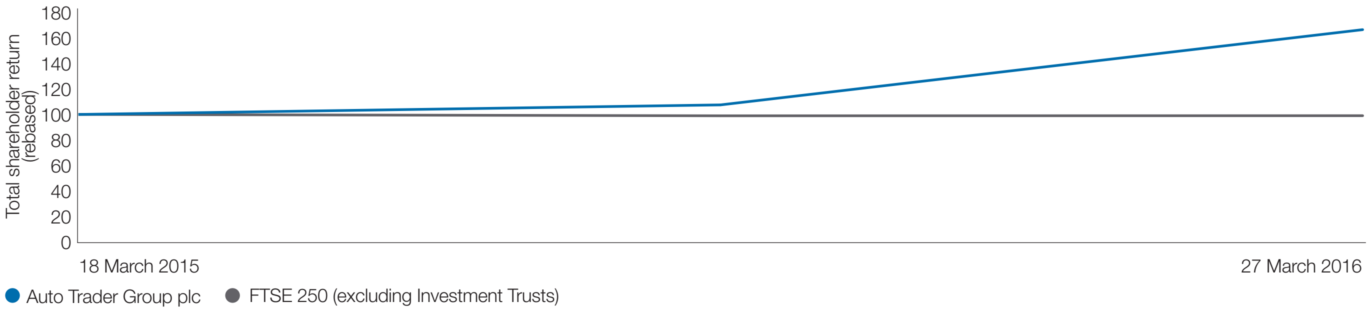
Performance is measured for three years from Admission and the Company's TSR performance is measured from the Offer Price (as detailed in Admission Prospectus). The TSR of the Company will be compared to that of the FTSE 250 Index (excluding Investment Trusts) over the performance period, and will vest according to the following schedule:

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

Performance graph and CEO remuneration table

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

Total shareholder return



Source: Datastream (Thomson Reuters).

CEO remuneration

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

	2016	2015[1]
CEO total remuneration (£'000)	1.339	20
Annual bonus (% of maximum)	100%	n/a[2]
Share award vesting (% of maximum)	n/a[3]	n/a[3]

1 From the date of Admission in March 2015.
2 Private Company when bonus plan implemented in 2015.
3 No awards were eligible to vest in respect of long-term performance ending in 2015 or 2016.

Percentage increase in the remuneration of the Chief Executive

The table shows the average increase in each component between the Chief Executive and the average employee in the Company from 2015 to 2016.

	Change in remuneration levels:	
Component	Chief Executive	Average employee
Salary	0%[1]	+3%
Benefits	0%	-7%
Bonus	n/a[2]	+47%

1 The Chief Executive's salary was set at Admission in March 2015 and has remained unchanged throughout 2016. Refer to page 66 for the salary increase effective 1 April 2016.
2 Private Company when bonus plan implemented in 2015.

Relative importance on the spend on pay

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

	2016 £m	2015 £m	% change
Employee costs (see note 5 to the consolidated financial statements)	51.1	50.3	1.6%
Average number of employees (see note 5 to the consolidated financial statements)	854	898	(4.9%)
Revenue (see Consolidated income statement on page 84)	281.6	255.9	10.0%
Underlying operating profit (see page 30 for definition and reconciliation)	171.3	144.1	18.9%
Dividends paid and proposed (see note 25 to the consolidated financial statements)	15.0	–	n/a

Implementation of the remuneration policy for the year ending 31 March 2017

This section sets out how the Committee intends to implement the remuneration policy in the year ending 31 March 2017.

Base salary

The Executive Directors' salaries were reviewed in early 2016 with the changes becoming effective from 1 April 2016, and will next be reviewed in early 2017, with any changes becoming effective from 1 April 2017. The following table sets out the new salaries effective 1 April 2016 (financial year 2017) compared to those which applied in financial year 2016:

	2017	2016	Percentage change
Trevor Mather	£535,500	£525,000	+2%
Sean Glithero	£295,800	£290,000	+2%

For context, the increase in the salary budget for 2017 for the overall employee group was set at 4% (inclusive of merit and promotional increases).

Pension and benefits

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

Annual bonus

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

The metrics and their weightings for the year ending 31 March 2017 are:

Metric	Percentage of total bonus
Underlying operating profit	75%
Strategic objectives	25%

In relation to the financial target, a challenging graduated scale will operate set around the 2017 business plan. For achievement of the threshold target, 20% of this part of the bonus opportunity becomes payable with the maximum becoming payable for outperforming the 2017 business plan.

The strategic targets relate to two key performance objectives for 2017. These are, as per 2016, the level of audience share we achieve versus our competitors during the year which will determine up to 12.5% of the total bonus opportunity and new product initiatives (the adoption of Managing Pillar products in the current financial year) which will also determine up to 12.5% of the total bonus opportunity. A financial underpin will apply to the strategic targets, such that no bonus will be payable if Underlying operating profit does not exceed the £171.3m achieved in 2016.

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

Performance Share Plan ('PSP')

The Committee's policy is to award Executive Directors annual PSP awards. The Committee intends to grant awards in the current financial year to Trevor Mather and Sean Glithero, at a level of 200% of salary and 150% of salary respectively. The performance metrics and their weightings for the award remain unchanged and are set out below:

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

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

Cumulative Underlying operating profit

Cumulative Underlying operating profit will be defined as the sum of the Group's Underlying operating profit result over the three consecutive financial years ending on 31 March 2019.

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

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

Relative TSR

The performance condition applying to one quarter of PSP awards will be based on TSR performance over the three financial years ending 31 March 2019.

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

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

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

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

Fees for the Chairman and Non-Executive Directors

The fee structure and levels were set on Admission. The fees were reviewed in early 2016 and were increased by 2% with effect from 1 April 2016. The Chairman and Non-Executive Directors' fees will next be reviewed in early 2017, with any increase becoming effective from 1 April 2017.

A summary of current fees is shown below:

Base fees	2017	2016	Percentage change
Chairman	£173,400	£170,000	+2%
Non-Executive Director	£53,550	£52,500	+2%
Additional fees			
Senior Independent Director	£9,180	£9,000	+2%
Audit Committee Chairman	£9,180	£9,000	+2%
Remuneration Committee Chairman	£9,180	£9,000	+2%

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

Directors' shareholding and share interests (Audited)

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

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 27 March 2016.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance[2]	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 27 March 2016[3]
Executive Directors				
Trevor Mather	19,134,581	446,808	200%	1,421,062%
Sean Glithero	5,197,581	185,106	150%	698,806%
Non-Executive Directors				
Ed Williams	6,875,444	–	N/A	N/A
Jill Easterbrook	–	–	N/A	N/A
David Keens	–	–	N/A	N/A
Jeni Mundy	–	–	N/A	N/A

1 Includes shares owned by connected persons. Only beneficially owned shares count towards the shareholding guideline.
2 The first PSP awards were granted in June 2015 following the announcement of results.
3 Based on mid-market price at close of business on 27 March 2016.

On 6 April 2016, Trevor Mather disposed of 7,134,581 shares and Sean Glithero disposed of 1,600,000 shares at a price of £3.70 per share each. Following the disposal, as at the date of this report Trevor Mather (and his connected persons) beneficially own 12,000,000 shares and Sean Glithero beneficially owns 3,597,581 shares, representing 891,200% and 483,689% of salary respectively.

External directorships

Neither of the Executive Directors holds any external directorships.

Membership of the Committee

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

External advisors

New Bridge Street ('NBS'), part of Aon plc, provides independent advice to, and was appointed by, the Committee. NBS were selected by the Committee due to their extensive experience of advising listed companies with respect to remuneration. The Committee seeks advice relating to the remuneration of Executive Directors, the wider senior management population and Non-Executive Directors' fees from NBS. Neither NBS nor Aon provide any other services to the Company.

The Committee is satisfied that the advice received by NBS in relation to executive remuneration matters during the year was objective and independent. Terms of engagement are available on request from the Company Secretary. NBS is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees payable to NBS for providing advice in relation to executive remuneration over the financial year under review were charged on a time-spent basis, and were approximately £57,000.

Statement of shareholder voting

At the AGM in September 2015, we sought shareholder approval for two remuneration related resolutions. Firstly, binding approval was sought for the Remuneration Policy Report, and secondly an advisory approval for the Annual Report on Remuneration.

The voting outcomes were as follows:

Remuneration policy (binding)

	Number of votes cast	% of votes cast
Votes for	797,281,130	98.20
Votes against	14,637,737	1.80
Total votes cast (excluding abstentions)	811,918,867	
Abstentions	7,139,212	
Total votes (including abstentions)	819,058,079	

Annual Report on Remuneration (advisory)

	Number of votes cast	% of votes cast
Votes for	799,463,071	97.63
Votes against	19,423,817	2.37
Total votes cast (excluding abstentions)	818,886,888	
Abstentions	171,192	
Total votes (including abstentions)	819,058,080	

Approval

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

Signed on behalf of the Board of Directors.

Jill Easterbrook
Chairman of the Remuneration Committee
9 June 2016

Appendix: Summary remuneration policy

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

For the full report, please refer to the 2015 Directors' remuneration report.

Policy overview

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

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

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

The remuneration policy for Executive Directors

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

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

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Annual bonus[1,2,3]	To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.	The annual bonus is based predominantly on stretching financial and operational objectives as set at the beginning of the year and assessed by the Committee following the year end. Half of any bonus earned is subject to deferral in shares under the Deferred Annual Bonus Plan ('DABP'), typically for a period of two years. The deferred shares will vest subject to continued employment, but there are no further performance targets. A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis. Recovery and withholding provisions apply as described in note 1. These provisions apply in the event of material misstatement of results, an error in the calculation of bonus outcome or in instances of individual gross misconduct. Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.	The Chief Executive's bonus is capped at 150% of salary and the Finance Director's is capped at 130% of salary annually.	Financial measures will normally represent the majority of bonus, with clearly defined non-financial targets representing the balance (if any). With regards to financial targets, not more than 20% of this part of the bonus will be payable for achieving the relevant threshold hurdle. Where non-financial targets operate, it may not always be practicable to set targets on a graduated scale, where these operate not more than 33% will be payable for achieving the threshold target. Measures and weightings may change each year to reflect any year-on-year changes to business priorities.
Performance Share Plan ('PSP')[1,2,4]	To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executives with those of shareholders.	Awards will normally be made annually under the PSP, and will take the form of nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the policy. Awards normally vest after three years subject to the extent to which the performance conditions specified for the awards are satisfied, and continued service. Recovery and withholding provisions apply as described in note 1. These provisions apply in the event of material misstatement of results, an error in the calculation of a vesting result or in instances of individual gross misconduct. As a minimum, Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting.[5] A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.	Normal maximum of 200% of salary. Exceptional circumstances maximum of 300% of salary.	A blend of performance metrics, including financial and total shareholder return, will be used. Financial metrics will comprise a majority of the awards. The metrics and weightings for each award will be set out in the Annual Report on Remuneration. The actual targets will be set out unless they are considered to be commercially sensitive. No more than 25% of the award vests for achieving threshold performance. 100% of the award vests for achieving maximum performance.
All-employee Share Plans: SIP & SAYE[6]	To encourage Group-wide equity ownership across all employees, and create a culture of ownership.	The Company has adopted two all-employee tax advantaged plans, namely a savings related share option scheme ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees. The operation of these plans will be at the discretion of the Committee and Executive Directors will be eligible to participate on a consistent basis to other employees.	Maximum permitted savings based on HMRC limits from time to time.	N/A
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are required to build and maintain a holding of shares in the Company. This is to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.	At least 200% of salary for the Chief Executive and at least 150% of salary for the Finance Director, or such higher level as the Committee may determine from time to time.	N/A

1. Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment date: a material misstatement or restatement to the audited financial statements or other data; an error in the calculation leading to over-payment of bonus; or individual gross misconduct. Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the next bonus or PSP vesting and seeking a cash repayment.
2. In order to ensure that the remuneration policy is capable of achieving its intended aims, the Committee retains certain discretions over the operation of the variable pay policy. These include the ability to vary the operation of the plans in certain circumstances (such as a change of control, rights issue, corporate restructuring events or special dividend) including the timing and determination of pay-outs/vesting, and making appropriate adjustments to performance targets as necessary to ensure that performance conditions remain appropriate. However, it should be noted that in the event that the measures or targets are varied for outstanding awards in the light of a corporate event, the revised targets may not be materially less difficult to satisfy. Should these discretions be used, they would be explained in the Annual Report on Remuneration and may be subject to consultation with shareholders as appropriate.
3. Annual bonus performance measures are selected annually to reflect the Group's key strategic initiatives for the year and reflect both financial and non-financial objectives. A majority weighting is placed on financial performance, including a significant element being based on profit-based metrics, ensuring that pay-outs are closely linked to Company growth.
4. The use of a combination of internal financial performance and total shareholder return measures within the PSP is designed to ensure that rewards are linked to long-term shareholder value creation. The financial metrics chosen will be the measure or measures considered by the Committee at the time of each grant to be most likely to support the Company's long-term growth strategy. The use of TSR aligns with the Company's focus on shareholder value creation and rewards management for outperformance of sector peers.
5. In exceptional circumstances, the Committee may in its discretion allow participants to sell, transfer, assign or dispose of some or all of these shares before the end of the holding period.
6. Although eligible, the Executive Directors opted out of the offer of Free Shares made to all employees in April 2015.
7. A description of how the Company intends to implement the policy set out in this table for 2017 is set out in the Annual Report on Remuneration.

Service contracts and policy for payments on loss of office

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

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

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

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

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

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

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

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

Annual bonus on termination

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

PSP on termination

Share-based awards are outside of service contracts.

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

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

(i) the extent to which the performance conditions have been satisfied at the relevant time; and

(ii) the pro-rating of the award determined by the period of time served in employment during the vesting period.

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

Approach to recruitment and promotions

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

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

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

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

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

Policy on external appointments

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

The remuneration policy for the Chairman and Non-Executive Directors

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

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

Letters of appointment

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

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

Approach to recruitment

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

The Directors have pleasure in submitting their Report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 27 March 2016.

Statutory information

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

Section of Annual Report	Page reference
Employee involvement	Strategic report; corporate social responsibility (page 40)
Employees with disabilities	Strategic report; corporate social responsibility (page 41)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 2 to 43)
Greenhouse gas emissions	Corporate social responsibility (page 43)

Information required by LR 9.8.4 (R)

Information required to be included in the Annual Financial Report by LR 9.8.4 (R) can be found in this document as indicated in the table below:

Section of Annual Report	Page reference
Allotment of shares during the year	Directors' report (page 75) and note 23 to the consolidated financial statements
Directors' interests	Remuneration report (page 68)
Significant shareholders	Directors' report (page 76)
Going concern	Strategic report (page 35)
Long-term incentive schemes	Directors' remuneration report (pages 60 to 73)
Powers for the Company to buy back its shares	Directors' report (page 75)
Significant contracts	Directors' report (page 76)
Significant related party agreements	Directors' report (page 76) and note 30 to the consolidated financial statements
Statement of corporate governance	Corporate governance statement (pages 44 to 73)

Management report

This Directors' report, on pages 74 to 78, together with the Strategic report on pages 2 to 43, form the Management Report for the purposes of DTR 4.1.5R.

The Strategic report

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

UK corporate governance code

The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee and the Directors' remuneration report on pages 44 to 73, all of which form part of this Directors' report and are incorporated into it by reference.

2016 Annual General Meeting

The Annual General Meeting ('AGM') will be held at 10.00 am on 22 September 2016 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the whole of the financial year ending 27 March 2016, and to the date of approving this report unless otherwise stated:

- Ed Williams
- Trevor Mather
- Sean Glithero
- David Keens (appointed on 1 May 2015)
- Jill Easterbrook (appointed on 1 July 2015)
- Jeni Mundy (appointed on 1 March 2016)
- Victor Perry III (resigned on 7 March 2016)
- Tom Hall (resigned on 7 March 2016)
- Nick Hartman (resigned on 7 March 2016)

All Directors will stand for election or re-election at the 2016 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

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

Until 7 March 2016, the Company had a Relationship Agreement with Crystal A Holdco S.à.r.l. and Crystal B Holdco S.à.r.l., funds advised by Apax (the 'Apax Shareholders'), that it may appoint and remove two Non-Executive Directors to the Board for so long as the Apax Shareholders (and/or any of its associates, when taken together) hold 20% or more of the voting rights over the Company's shares, and one Non-Executive Director to the Board for so long as it (and/or any of its associates, when taken together) holds 10% or more but less than 20% of the voting rights over the Company's ordinary shares. On 26 February 2016, the Apax Shareholders disposed of shares such that their combined holding fell below 10% of the Company's issued share capital. Subsequently, the Apax Non-Executive Directors (Tom Hall and Nick Hartman) resigned from the Board with effect from 7 March 2016, and therefore the Relationship Agreement was terminated from that date.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 84 to 133

The Company declared an interim dividend on 13 November 2015 of 0.5 pence per share which was paid on 29 January 2016.

The Directors recommend payment of a final dividend of 1.0 pence per share (2015: £Nil) to be paid on 30 September 2016 to shareholders on the register of members at 2 September 2016, subject to approval at the 2016 AGM.

Amendment of the Articles

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

Authority to allot shares

Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. The authority conferred on the Directors at the 2015 AGM under section 551 of the 2006 Act expires on the date of the forthcoming AGM, and ordinary resolution 11 seeks a new authority to allow the Directors to allot ordinary shares up to a maximum nominal amount of £6,674,012 (667,401,167 shares, representing approximately two thirds of the Company's existing share capital at 9 June 2016), of which 333,650,531 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The Directors have no present intention of exercising this authority which will expire at the conclusion of the AGM in 2017 or 21 December 2017 if earlier.

Authority to purchase own shares

As described in the Financial review on page 32, the Directors intend to commence a share buyback programme in the near future. By resolutions passed at the 2015 AGM the Company was authorised to make market purchases of up to 100,105,169 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the forthcoming AGM. As at the date of this report, the Company has not exercised any powers to purchase the Company's ordinary shares. The Directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase, in the market, up to a maximum of 100,105,169 of its own ordinary shares either to be cancelled or retained as treasury shares.

Share capital and control

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

The issued share capital of the Company as at 27 March 2016 and 9 June 2016, comprises 1,001,051,699 of £0.01 each. 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 23 to the Group's financial statements. All the information detailed in note 23 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 27 to the financial statements.

Capital reduction

During the year, the Company completed a reduction of share capital whereby the entire amount standing to the credit of the Company's share premium account, being £144,431,628, was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The reduction of capital was necessary in order to provide the Company with the distributable reserves required to support the dividend policy.

The capital reduction was approved by a special resolution passed at a general meeting of the Company on 18 March 2015, and was formally approved by the High Court of Justice, Chancery Division, on 29 July 2015. Following registration of the order of the High Court with Companies House, the Capital Reduction became effective on 29 July 2015.

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 overleaf. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

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

Voting rights

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

Restrictions on transfer of securities

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

On 18 March 2015, the Company entered into an underwriting agreement (the 'Underwriting Agreement') with the Directors, the Apax Shareholders, Merrill Lynch International and Deutsche Bank AG London Branch (the 'Joint Global Coordinators') and Merrill Lynch International, Deutsche Bank AG London Branch, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Numis Securities Limited (the 'Underwriters'), in accordance with which the Apax Shareholders agreed not to dispose of any ordinary shares in the Company for a period of 360 days following Admission without the prior written consent of the Joint Global Coordinators; and each of the Directors agreed not to dispose of any ordinary shares for a period of 360 days following Admission without the prior written consent of the Joint Global Coordinators. Each member of the Operational Leadership Team also agreed with the Company not to dispose of any ordinary shares in the Company for a period of 360 days following Admission without the prior written consent of the Company. These agreements expired on 18 March 2016. All of the above arrangements are or were subject to certain customary exceptions.

Following the disposal of part of their shareholding in the Company on 6 April 2016, Trevor Mather and Sean Glithero each entered into a deed whereby they agreed not to dispose of any ordinary shares for a period of 90 days without the prior written consent of the Company, subject to certain customary exceptions.

Change of control

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

Significant contracts

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

Interests in voting rights

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

	At 27 March 2016		At 9 June 2016	
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.	109,081,617	10.89%	119,863,385	11.97%

Transactions with related parties

Refer to note 30 of the consolidated financial statements for details of related party transactions in the year. The only material transactions with related parties during the year were:

- **Relationship Agreement:** The Relationship Agreement was entered into on 19 March 2015 between the Apax Shareholders and the Company, and its principal purpose was to ensure that the Company was capable at all times of carrying on its business independently of the Apax Shareholders. Subject to a certain minimum shareholding, the Relationship Agreement detailed the rights the Apax Shareholders had: to representation on the Board and Nomination Committee; to appoint observers to the Remuneration and Audit Committees; and to certain anti-dilution rights. The Company had also undertaken to cooperate with the Apax Shareholders in the event of a sale of the shares by either of the Apax Shareholders at any time following the IPO. This agreement was terminated on 7 March 2016 following the disposal of shares by the Apax Shareholders and the subsequent resignation of the Apax Non-Executive Directors from the Board.

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 27 Mach 2016. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental
Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on page 43 and forms part of this report by reference.

Political donations
During the year, no political donations were made.

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

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

Disclosure of information to auditors
Each of the Directors has confirmed that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) 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.

Directors' responsibilities statement
The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and applicable law). 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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors 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 Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 74, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report contained on pages 2 to 43 and the Directors' report contained on pages 74 to 78 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approval of Annual Report

The Strategic report and the Corporate governance report were approved by the Board on 9 June 2016.

Approved by the Board and signed on its behalf.

Sean Glithero
Company Secretary
9 June 2016