



Embargoed until 7.00am, 8 November 2018

AUTO TRADER GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces half year results for the six months ended 30 September 2018.

Financial highlights¹

- Revenue up 7% to £176.8 million (H1 2018: £165.0 million)
- Average Revenue Per Retailer forecourt ('ARPR') per month² up £152 to £1,826 (H1 2018: £1,674), driven by product and price growth
- Operating profit up 10% to £120.6 million (H1 2018 restated: £109.9 million) resulting in Operating profit margin of 68% (H1 2018 restated: 67%)
- Profit before tax up 9% to £114.5 million (H1 2018 restated: £105.3 million)
- Basic EPS up 12% to 9.78p per share (H1 2018 restated: 8.71p)
- Cash generated from operations³ up 12% to £129.0 million (H1 2018 restated: £115.1 million)
- Net external debt⁴ down to £319.4 million (March 2018: £338.7 million) with leverage⁵ at 1.31x (March 2018: 1.46x)
- Returned £80.8 million to shareholders through £42.9 million of share buy-backs (H1 2018: £36.3 million) and dividends paid of £37.9 million (H1 2018: £34.0 million)
- Interim dividend of 2.1p per share (H1 2018: 1.9p per share)

The Group adopted the new accounting standard for Leases ('IFRS 16') from 1 April 2018 using the fully retrospective approach. The comparative period ended 30 September 2017 has therefore been restated.

Operational highlights

- Record growth from both new and existing retailer products. We successfully monetised our Dealer Finance product in April, along with increasing penetration of Advanced and Premium packages and 'Managing' products
- Our new car advertising proposition, and in particular our InSearch product is gaining traction following its launch last year. In what has been a tough market, InSearch has attracted incremental spend from manufacturers and their agencies, due to its ability to offer a highly targeted way to influence in-market car buyers at scale
- As predicted, physical car stock⁶ on site is down 3% to 437,000 cars (H1 2018: 451,000). Retailer forecourts² were stable at an average of 13,153 (H1 2018: 13,213)
- Cross platform visits⁷ were nearly four times larger than that of our nearest competitor (H1 2018: 3x larger). Full page advert views increased 1% to 247 million per month^{2,8} (H1 2018: 245 million). Users spent an average of 585 million minutes a month^{2,7} on our marketplace, which whilst a 2% decrease on prior year (H1 2018: 594 million) actually represented an increase in market share

- In August the Group entered into a joint venture agreement with Cox Automotive UK Limited to provide an innovative digital marketplace for wholesale vehicles, which is currently subject to approval from the Competition and Markets Authority

Trevor Mather, Chief Executive Officer of Auto Trader Group plc, said:

“We have had a great first half of the year driven by strong adoption of new products and advertising packages by both retailers and manufacturers.

“We strengthened our market leading position with our audience of car buyers, by continuing to focus on providing the best car buying and selling experience in the UK. We do this by providing the best choice of cars, free valuations, extensive reviews and most recently showing finance options, so that car buyers can understand the monthly cost of owning their next vehicle.

“Despite a more challenging automotive market, we see many examples of our customers achieving strong results in their used car businesses by using Auto Trader services which help them to select, price and most effectively advertise their vehicles.”

Outlook

The strong first half means revenue growth for the full year is likely to exceed previous guidance.

ARPR growth to date has outperformed our expectations despite the anticipated stock headwind. Product will continue to be the largest contributor to growth in ARPR, with growth for the full year lower than that of the first half due to a strong second half comparative.

We expect retailer forecourt numbers to remain broadly stable.

Manufacturer & Agency has performed significantly ahead of our expectations helped by the strong uptake of InSearch, our new car advertising proposition. We expect growth to be tempered in the second half due to the broader uncertainties facing manufacturers.

Consumer services growth is expected to improve slightly, partly as a result of being compared to a relatively weak second half last year.

We continue to anticipate our total operating costs for the year to increase at a rate of low to mid-single digit.

The form of any Brexit deal is likely to affect Auto Trader only as much as it impacts on both general levels of consumer confidence and the supply of new cars into the UK market. We do not foresee any issues with Brexit affecting our ability to provide our services, or to materially change our cost base.

The Board remains confident of delivering its growth expectations for the remainder of the year.

Analyst presentation

A presentation for analysts will be held at the offices of Numis Securities at 9.30am, Thursday 8 November 2018. If you wish to attend, please contact Powerscourt on the details below. Alternatively, you can listen to the presentation via audio webcast at the following link: <https://edge.media-server.com/m6/p/3ozsroed>

For media enquiries

Please contact the team at Powerscourt on +44 (0)20 7250 1446 or email autotrader@powerscourt-group.com

About Auto Trader

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is a member of the FTSE 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 55 million monthly cross platform visits each month, with over 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing around 450,000 cars each day). Over 80% of UK automotive retailers advertise on [autotrader.co.uk](https://plc.autotrader.co.uk/).

For more information, please visit <https://plc.autotrader.co.uk/>

Cautionary statement

This announcement of half-yearly results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Auto Trader Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward looking statements are subject to risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result, you are cautioned not to place reliance on such forward-looking statements, which are not guarantees of future performance. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

Summary financial performance

	Units	H1 2019	H1 2018 ¹ (restated)	Change
Income statement				
Trade	£m	150.1	139.4	8%
Consumer services	£m	15.2	16.6	(8%)
Manufacturer & Agency	£m	11.5	9.0	28%
Revenue	£m	176.8	165.0	7%
Operating profit	£m	120.6	109.9	10%
Operating profit margin	%	68%	67%	1%pts
Profit before tax	£m	114.5	105.3	9%
Basic earnings per share	Pence	9.78	8.71	12%
Dividend per share	Pence	2.1	1.9	11%
Cash flow				
Cash generated from operations ³	£m	129.0	115.1	12%
Net external debt ⁴ at period end/March 2018	£m	319.4	338.7	
Leverage ⁵ at period end/March 2018	Times	1.31x	1.46x	
Key performance indicators				
Average Revenue Per Retailer forecourt ²	£ per month	1,826	1,674	9%
Physical stock on site ⁶	number	437,000	451,000	(3%)
Number of retailer forecourts ²	number	13,153	13,213	(0%)
Cross platform minutes ^{2,7}	million per month	585	594	(2%)
Full page advert views ^{2,8}	million per month	247	245	1%
Full-time equivalent employees and contractors ² (FTEs)	number	802	818	(2%)

1. The Group adopted the new accounting standard for Leases ('IFRS 16') from 1 April 2018. The Group has applied the fully retrospective approach with a date of initial application therefore being 1 April 2017. The comparative period ended 30 September 2017 has therefore been restated to show all figures on a like-for-like basis.
2. Average during the period.
3. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
4. Net external debt is gross external indebtedness, less cash.
5. Leverage is Net external debt as a multiple of adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI and exceptional items).
6. Average physical car stock during the period, excluding virtual stock.
7. Comscore MMX® Multi-Platform (Total Audience, Custom-defined list includes: Auto Trader, Gumtree – Motors Pistonheads, Parkers, AutoExpress, What Car?, CarGurus, Motors.co.uk, TopGear, Carwow, Exchange and Mart, RAC Cars, Carsnip, eBay Motors UK, Trusted Dealers, VCar, April 2017 through September 2017 and April 2018 through September 2018, UK)
8. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.

Summary of operating performance

Our purpose is to lead the digital future of the automotive marketplace through improving the car buying and selling process, evolving the UK automotive ecosystem to become more digital and by creating a business that is admired for its culture, performance and contribution to broader society.

The pursuit of this strategy has resulted in a good financial performance with total revenue growing 7% to £176.8m (H1 2018: £165.0m) and costs increasing just 2% to £56.2m (H1 2018 restated: £55.1m). This translates to Operating profit increasing by 10% to £120.6m (H1 2018 restated: £109.9m), and Operating profit margin growing to 68% (H1 2018 restated: 67%).

We have retained our position as the UK's largest automotive marketplace for new and used cars. The volume of visits from our audience has grown and is now nearly four times larger than that of our nearest competitor. Our share of cross platform visits was on average 55%¹, an increase when compared to prior periods. Consumers spent an average of 585 million minutes each month on our marketplace¹, which whilst a decrease of 2% on H1 2018 (594 million) represented an increase in overall market share. Full page advert views increased by 1% to 247 million per month² (H1 2018: 245 million) – an average of 94 adverts seen every second of every day.

As anticipated, we saw a 3% decline in the average number of cars on our marketplace to 437,000 (H1 2018: 451,000), due to lower supply in younger vehicles affecting retailers specifically and older vehicles flowing through Private and Home Trader. The number of retailer forecourts using our marketplace however has remained broadly flat at 13,153 over the period (H1 2018: 13,213).

Finally, through delivering increased value to our retailer customers, we were able to increase prices and concurrently monetise our Dealer Finance product in the first quarter of the financial year. Uptake of our Advanced and Premium level advertising packages has increased throughout the period, with 15% of retailer stock currently on one of these packages (H1 2018: 8%).

The UK car market

The new car market continues to have its challenges, with some knock on into the used car market. Exchange rates have impacted new car sales; uncertainties remain over Brexit; the new Worldwide Harmonised Light Vehicle Test Procedure ('WLTP') has affected new car supply; and the fuel debate has had a profoundly negative effect on new diesel sales.

Uncertainties have resulted in new car registrations declining 4.4% for the period from April to September 2018³, according to the Society of Motor Manufacturer and Traders ('SMMT'). As expected, used car transactions dipped by a moderate 1.2% for the period from April to September 2018⁴ due to reduced supply.

Sales of new diesel cars decreased by 30% year-on-year in the six months to September 2018³ but retailers are not having the same problem with their second-hand equivalents, with the sale of used diesels remaining flat year-on-year over the same period⁴. That same level of resilience was reflected in the Auto Trader Retail Price Index⁵, which tracks the prices of used cars, recording a 4% year-on-year price increase for diesels in September 2018. In terms of all used car prices, our Retail Price Index, shows that the average price for a used car has risen by 6% in the period from April to September 2018⁵.

Key product developments

As consumers seek to perform more of the car buying journey online, we continue to innovate and make improvements to our marketplace. In December 2017 we launched a new way for consumers to search for cars – by monthly finance payment. This functionality not only gives consumers a new way to find cars based on their budgets, but also allows retailers to promote their finance deals right at the start of a consumer's search journey. At the end of September 2018 we had over 5,000 car retailers displaying their own finance offers and more than 3,000 retailers showing finance provided by a third party. We also have around 300 van retailers displaying their own finance offers on a trial basis.

We provide a range of data driven products to retailers, including our 'Managing' products which help retailers to source the right vehicles, price them correctly, optimise stock turn and improve profit. We have upgraded Retail Check, the entry level product, with richer valuation and new desirability metrics so retailers have a more accurate picture of how their stock will perform on the live retail market. The tool is now on a new mobile friendly platform that offers an easier to use view of a retailer's forecourt. By the end of the period 3,300 retailer forecourts (H1 2018: 2,700), representing 25% of customers, used a 'Managing' product.

InSearch, our digital advertising product, continues to gain traction due to its ability to target buyers of new cars, at scale, across all stages of their car buying journey. Not only have existing manufacturer and agency customers increased the level of spend with the product, but new manufacturers and agencies have adopted the product due to its relevance to media plans and its cost effectiveness.

People and culture

Most importantly, we are proud of our people and remain passionate about becoming a business that is admired not only for its performance, but for its contribution and example to business and society more broadly. We are pleased to report that 92% of employees are proud to work at Auto Trader⁶, which in no small part driven by our relentless focus on striving for greater diversity and inclusion despite the acute challenge of securing and retaining talent in the technology industry.

Investor calendar

The Group's full year results for the year ending 31 March 2019 will be announced on 6 June 2019.

1. Comscore MMX® Multi-Platform (Total Audience, Custom-defined list includes: Auto Trader, Gumtree – Motors Pistonheads, Parkers, AutoExpress, What Car?, CarGurus, Motors.co.uk, TopGear, Carwow, Exchange and Mart, RAC Cars, Carsnip, eBay Motors UK, Trusted Dealers, VCar, April 2017 through September 2017 and April 2018 through September 2018, UK)
2. Auto Trader internal market data
3. Society of Motor Manufacturers and Traders ('SMMT')
4. DVLA transaction data
5. Auto Trader analysis based on all adverts provided by Trade customers
6. Employee Engagement Survey, September 2018

Financial review

Revenue

Revenue grew to £176.8m (H1 2018: £165.0m), up 7% on the previous period.

	H1 2019 £m	H1 2018 £m	Change
Retailer	144.1	132.7	9%
Home Trader	5.4	6.2	(13%)
Other	0.6	0.5	20%
Trade	150.1	139.4	8%
Consumer services	15.2	16.6	(8%)
Manufacturer & Agency	11.5	9.0	28%
Total	176.8	165.0	7%

Trade revenue which comprises revenue from Retailers, Home Traders and logistics customers, increased by 8% to £150.1m (H1 2018: £139.4m).

Retailer revenue grew by 9% to £144.1m (H1 2018: £132.7m) underpinned by the launch of new products and further penetration of higher yielding advertising packages, whilst the average number of retailer forecourts remained stable at 13,153 (H1 2018: 13,213). ARPR grew by 9% in the period to £1,826 per month (H1 2018: £1,674) with the £152 increase coming from product and price growth, which was slightly offset by an anticipated decline in stock:

- Price: Price contributed £55 (H1 2018: £55) to ARPR growth as we executed our annual packaging event for all customers on 1 April which included a like-for-like price increase.
- Stock: A reduction in the number of new cars registered and some consumer uncertainty led to a lack of supply in the market during the first half of the year. As retailers found it more difficult to locate and purchase stock, the number of cars advertised on autotrader.co.uk each month decreased on average by 3% to 437,000 (H1 2018: 451,000), which contributed towards a decline in the stock lever of £45 (H1 2018: growth of £48).
- Product: The largest contributor to ARPR growth in the period was revenue generated from additional product, which added £142 to ARPR (H1 2018: £45). Our Dealer Finance product was monetised at the start of the year with over 5,000 retailers opting to pay for the opportunity to advertise their finance offers on each of their full-page advert views, representing 70% of all eligible retailers. In addition to this, retailers continue to see the value of greater prominence within search and so the penetration of our higher yielding Advanced and Premium advertising packages continued to grow through the period. At the end of September 15% of cars advertised were on one of these levels (September 2017: 8%).

Home Trader has had a challenging first half, with revenue declining by 13% to £5.4m (H1 2018: £6.2m) as a softer market, particularly in older, less expensive vehicles that are often trade through this segment, impacted volumes. Other revenue comprises logistics revenue from Motor Trade Delivery which grew to £0.6m in the period (H1 2018: £0.5m).

Consumer services revenue decreased 8% in the period to £15.2m (H1 2018: £16.6m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Group's website, declined to £11.0m (H1 2018: £12.6m). This was driven by a lack of supply in older vehicles, a greater propensity to part-exchange, which is likely influenced by the transparency we have enabled for part-exchange values, and more competition. Motoring services revenue increased by 5% to £4.2m (H1 2018: £4.0m) with growth coming from our finance partner, following the implementation of monthly prices in October 2017.

Our Manufacturer & Agency revenue stream grew by 28% to £11.5m (H1 2018: £9.0m). The high level of growth was underpinned by our InSearch product which allows manufacturers to advertise new cars directly within our main search. The number of impressions served through this highly targeted form of marketing increased by more than three times from the previous year and is now used by more than 30 car manufacturers.

Costs

Total costs increased by 2% on a like-for-like basis to £56.2m (H1 2018: £55.1m). The Group has adopted IFRS 16 'Leases' in the period, which impacts other costs and depreciation and amortisation within Operating profit. Property and vehicle rental charges are no longer included in other costs, and depreciation now includes depreciation on the additional lease assets. Prior period comparatives have been restated to reflect these changes as the fully retrospective approach was used.

	H1 2019	H1 2018 (restated)	Change
	£m	£m	
People costs (inc. Share-based payments)	28.4	27.1	5%
Marketing	9.2	8.8	5%
Other costs	14.1	14.6	(3%)
Depreciation & amortisation	4.5	4.6	(2%)
Total administrative expenses	56.2	55.1	2%

People costs, which comprise all staff costs and third-party contractor costs increased by 5% to £28.4m (H1 2018: £27.1m). Share-based payments including applicable national insurance costs of £3.2m (H1 2018: £1.8m), have been included within people costs following the Group's decision to restructure the incentive scheme in place for senior management to settle a greater proportion in shares.

The increase in people costs was driven primarily by underlying salary costs which increased due to strong competition for digital talent which we do not see abating. In addition to this, the H1 2018 comparator included a £0.7m release relating to lapsed share options from leavers. The number of full-time equivalent employees (including contractors) reduced to an average of 802 (H1 2018: 818).

Marketing spend increased by 5% to £9.2m (H1 2018: £8.8m) as we commissioned a number of disruptive campaigns including the 'Auto Trader Goals' competition which ran alongside the Football World Cup, and an advertising campaign supporting our search by monthly payment functionality. Cost for the full year will be weighted towards the first half.

Other costs, which include data services, property related costs and other overheads, remain well controlled and decreased by 3% on a like-for-like basis to £14.1m (H1 2018 restated: £14.6m). Depreciation and amortisation remained relatively flat at £4.5m (H1 2018 restated: £4.6m). Within this is depreciation of £1.0m in relation to lease assets (H1 2018 restated: £1.0m).

Operating profit

During the period Operating profit grew 10% to £120.6m (H1 2018 restated: £109.9m). Operating profit margin increased by 1 percentage point to 68% (H1 2018 restated: 67%).

Interest and debt

In June 2018, the Group signed a new £400m Syndicated revolving credit facility (the 'Syndicated RCF') to replace the Syndicated Term Loan and the former revolving credit facility. Refinancing the facility allows the Group greater flexibility to manage cash flows and allows for further reduction on margin payable as the Group's leverage decreases further. At 30 September 2018 the Group had drawn £323.0m of the facility (31 March 2018: £343.0m borrowed under the former Syndicated Term Loan).

Net external debt reduced to £319.4m (March 2018: £338.7m). Leverage, defined as the ratio of net external debt to adjusted EBITDA, decreased to 1.31x (March 2018: 1.46x).

Finance costs increased £1.5m to £6.1m (H1 2018 restated: £4.6m). Interest costs on the new RCF, the Syndicated Term Loan and the former revolving credit facility were £3.2m (H1 2018: £3.2m) reflecting the reduced drawn level offset by a small increase in both LIBOR and the margin payable given the increased level of debt flexibility. Debt issue costs of £2.4m (H1 2018: £1.0m) included £2.2m of accelerated costs relating to the previous facility following the decision to refinance before the termination date of March 2020. Following the adoption of IFRS 16, finance costs relating to leases were £0.5m (H1 2018 restated: £0.4m).

Profit before taxation

Profit before taxation increased by 9% to £114.5m (H1 2018 restated: £105.3m). The Group tax charge of £21.9m (H1 2018 restated: £20.7m) represents an effective tax rate of 19.1% (H1 2018: 19.6%) in line with the average standard UK rate.

Earnings per share

Basic earnings per share rose by 12% to 9.78 pence (H1 2018 restated: 8.71 pence) based on a weighted average number of ordinary shares in issue of 946,569,892 (H1 2018: 971,801,424). Diluted earnings per share of 9.75 pence (H1 2018 restated: 8.68 pence) increased by 12%, based on 949,881,273 shares (H1 2018: 975,062,081) which takes into account the dilutive impact of outstanding share awards.

Cash flow

Cash generated from operations increased to £129.0m (H1 2018 restated: £115.1m) and was achieved as a result of Operating profit growth and a particularly strong performance in terms of customer payments and collections translating into low working capital requirements for the period and therefore a high level of cash conversion. Corporation tax payments totalled £19.8m (H1 2018: £18.6m). Cash generated from operating activities was £109.2m (H1 2018 restated: £96.5m).

Joint Venture with Cox Automotive UK Limited

In August 2018, the Group entered into an agreement to create a joint venture with Cox Automotive UK Limited to provide a leading digital marketplace for wholesale vehicles. The agreement is conditional upon clearance from the Competition and Markets authority in the UK. The Group will transfer Smart Buying (formally known as Autotrade-mail), its retailer-to-retailer platform, to the joint venture and will pay Cox Automotive UK Limited £19.7m to hold 49% of the new entity.

Contingent liability

The Group previously reported a contingent liability in respect of the rate of VAT applicable to our insurance intermediary revenue within Consumer services, dating back from 2013 onwards. In July 2018 HMRC confirmed the Group's treatment of insurance intermediary revenue for VAT purposes was appropriate. The Group did not incur any liability and the enquiry in respect of this matter is now closed.

Capital structure and dividends

The Group's capital allocation policy remains unchanged with the priorities being to invest in the business enabling it grow, whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buy-back programme and to steadily reduce gross indebtedness.

During the period, a total of 9.6 million shares (H1 2018: 9.9 million) were repurchased for a total consideration of £42.9m (H1 2018: £36.3m) before transaction costs of £0.2m (H1 2018: £0.2m). The final dividend for the year ended 31 March 2018 of 4.0 pence per share (H1 2018: 3.5 pence) was paid on 28 September 2018, totalling £37.9m (H1 2018: £34.0m). Total cash returned to shareholders in the period was £80.8m (H1 2018: £70.3m).

For H1 2019, the Board has declared an interim dividend of 2.1 pence per share. The interim dividend will be paid on 25 January 2019 to members on the register on 4 January 2019.

Going Concern

On the basis of the current financial projections and facilities available, the Directors have concluded that it is appropriate to prepare the condensed interim financial statements on a going concern basis.

Trevor Mather
Chief Executive Officer
8 November 2018

Nathan Coe
Chief Financial Officer & Chief Operating Officer
8 November 2018

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Trevor Mather
Chief Executive Officer
8 November 2018

Nathan Coe
Chief Financial Officer & Chief Operating Officer
8 November 2018

Condensed Consolidated interim income statement

For the six months ended 30 September 2018

	Note	6 months to September 2018 £m	6 months to September 2017 (restated) £m	Year to March 2018 (restated) £m
Revenue	3	176.8	165.0	330.1
Administrative expenses		(56.2)	(55.1)	(108.8)
Operating profit	3	120.6	109.9	221.3
Finance costs	4	(6.1)	(4.6)	(10.6)
Profit before taxation		114.5	105.3	210.7
Taxation	5	(21.9)	(20.7)	(39.6)
Profit for the period attributable to equity holders of the parent		92.6	84.6	171.1
Earnings per share:				
Basic EPS (pence)	6	9.78	8.71	17.74
Diluted EPS (pence)	6	9.75	8.68	17.68

The six months to September 2017 and the year to March 2018 have been restated for the impact of IFRS 16 'Leases'. For further information on the impact of the change in accounting policies, see note 2 of these condensed consolidated interim financial statements.

Condensed Consolidated interim statement of comprehensive income

For the six months ended 30 September 2018

	6 months to September 2018 £m	6 months to September 2017 (restated) £m	Year to March 2018 (restated) £m
Profit for the period	92.6	84.6	171.1
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	0.1	0.2	0.2
Other comprehensive income for the period, net of tax	0.1	0.2	0.2
Total comprehensive income for the period attributable to equity holders of the parent	92.7	84.8	171.3

The six months to September 2017 and the year to March 2018 have been restated for the impact of IFRS 16 'Leases'. For further information on the impact of the change in accounting policies, see note 2 of these condensed consolidated interim financial statements.

Condensed Consolidated interim balance sheet

As at 30 September 2018

	Note	September 2018 £m	September 2017 (restated) £m	March 2018 (restated) £m
Assets				
Non-current assets				
Intangible assets		328.1	331.5	329.8
Property, plant and equipment	2,7	18.1	21.4	19.7
Deferred taxation assets		5.9	5.2	5.3
		352.1	358.1	354.8
Current assets				
Trade and other receivables	8	57.0	52.5	54.9
Cash and cash equivalents		3.6	5.8	4.3
		60.6	58.3	59.2
Total assets		412.7	416.4	414.0
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	14	9.4	9.7	9.5
Retained earnings	2	1,057.3	1,032.7	1,042.7
Capital reorganisation reserve		(1,060.8)	(1,060.8)	(1,060.8)
Own shares held	15	(17.0)	(16.9)	(16.9)
Capital redemption reserve		0.6	0.3	0.5
Other reserves		30.7	30.6	30.6
Total equity		20.2	(4.4)	5.6
Liabilities				
Non-current liabilities				
Borrowings	12	320.0	348.7	340.8
Deferred taxation liabilities		0.6	0.8	0.7
Lease liabilities	7	15.1	16.7	16.0
Retirement benefit obligations	11	–	–	–
		335.7	366.2	357.5
Current liabilities				
Trade and other payables	9	32.0	30.8	28.5
Current income tax liabilities		22.4	21.7	19.9
Lease liabilities	7	2.1	2.1	2.2
Provisions for other liabilities and charges		0.3	–	0.3
		56.8	54.6	50.9
Total liabilities		392.5	420.8	408.4
Total equity and liabilities		412.7	416.4	414.0

September 2017 and March 2018 have been restated for the impact of IFRS 16 'Leases'. For further information on the impact of change in accounting policies, see note 2 of these condensed consolidated interim financial statements.

Condensed Consolidated interim statement of changes in shareholders' equity

For the six months ended 30 September 2018

	Share capital £m	Retained earnings £m	Own shares held £m	Capital reorg reserve £m	Capital redem reserve £m	Other reserves £m	Total equity £m
Balance at March 2017 as previously reported	9.8	1,015.9	(16.9)	(1,060.8)	0.2	30.4	(21.4)
Impact of change in accounting policy	–	1.2	–	–	–	–	1.2
Restated balance at March 2017	9.8	1,017.1	(16.9)	(1,060.8)	0.2	30.4	(20.2)
Profit for the period (restated)	–	84.6	–	–	–	–	84.6
Other comprehensive income (restated):							
Currency translation differences	–	–	–	–	–	0.2	0.2
Total comprehensive income net of tax (restated)	–	84.6	–	–	–	0.2	84.8
Transactions with owners:							
Share-based payments	–	1.6	–	–	–	–	1.6
Deferred tax on share-based payments	–	(0.1)	–	–	–	–	(0.1)
Repurchase of own shares for treasury	(0.1)	(36.5)	–	–	0.1	–	(36.5)
Cancellation of shares	–	(34.0)	–	–	–	–	(34.0)
Total transactions with owners, recognised directly in equity	(0.1)	(69.0)	–	–	0.1	–	(69.0)
Restated balance at September 2017	9.7	1,032.7	(16.9)	(1,060.8)	0.3	30.6	(4.4)
Profit for the period (restated)	–	86.5	–	–	–	–	86.5
Other comprehensive income (restated):(restated):							
Currency translation differences	–	–	–	–	–	–	–
Total comprehensive income, net of tax (restated)	–	86.5	–	–	–	–	86.5
Transactions with owners:							
Share-based payments	–	1.7	–	–	–	–	1.7
Deferred tax on share-based payments	–	0.2	–	–	–	–	0.2
Cancellation of shares	(0.2)	(60.2)	–	–	0.2	–	(60.2)
Dividends paid	–	(18.2)	–	–	–	–	(18.2)
Total transactions with owners, recognised directly in equity	(0.2)	(76.5)	–	–	0.2	–	(76.5)
Restated balance at March 2018	9.5	1,042.7	(16.9)	(1,060.8)	0.5	30.6	5.6
Profit for the period	–	92.6	–	–	–	–	92.6
Other comprehensive income:							
Currency translation differences	–	–	–	–	–	0.1	0.1
Total comprehensive income, net of tax	–	92.6	–	–	–	0.1	92.7
Transactions with owners:							
Share-based payments (note 17)	–	2.6	–	–	–	–	2.6
Deferred tax on share-based payments	–	0.2	–	–	–	–	0.2
Tax credit in respect of share-based payments	–	0.1	–	–	–	–	0.1
Cancellation of shares (note 14)	(0.1)	(40.3)	–	–	0.1	–	(40.3)
Repurchase of own shares for treasury (note 15)	–	–	(2.8)	–	–	–	(2.8)
Exercise of share-based incentives (note 17)	–	(2.2)	2.2	–	–	–	–
Transfer of shares from ESOT	–	(0.5)	0.5	–	–	–	–
Dividends paid (note 10)	–	(37.9)	–	–	–	–	(37.9)
Total transactions with owners, recognised directly in equity	(0.1)	(78.0)	(0.1)	–	0.1	–	(78.1)
Balance at September 2018	9.4	1,057.3	(17.0)	(1,060.8)	0.6	30.7	20.2

The six months to September 2017 and the year to March 2018 have been restated for the impact of IFRS 16 'Leases'. For further information on the impact of the change in accounting policies, see note 2 of these condensed consolidated interim financial statements.

Condensed Consolidated interim statement of cash flows

For the six months ended 30 September 2018

	Note	6 months to September 2018 £m	6 months to September 2017 (restated) £m	Year to March 2018 (restated) £m
Cash flows from operating activities				
Cash generated from operations	13	129.0	115.1	228.4
Tax paid		(19.8)	(18.6)	(39.4)
Net cash generated from operating activities		109.2	96.5	189.0
Cash flows from investing activities				
Purchases of intangible assets – financial systems		(0.3)	(0.4)	(0.3)
Purchases of intangible assets – other		–	–	(0.3)
Purchases of property, plant and equipment		(0.5)	(1.8)	(2.3)
Net cash outflow on acquisition of subsidiary	16	–	(11.9)	(11.9)
Payment of lease liabilities		(1.6)	(0.9)	(2.3)
Net cash used in investing activities		(2.4)	(15.0)	(17.1)
Cash flows from financing activities				
Dividends paid to Company's shareholders	10	(37.9)	(34.0)	(52.2)
Repayment of Syndicated Term Loan	12	(343.0)	(10.0)	(20.0)
Drawdown of Syndicated revolving credit facility	12	371.1	–	–
Repayment of Syndicated revolving credit facility	12	(48.1)	–	–
Payment of refinancing fees	12	(3.3)	–	–
Payment of interest on borrowings		(3.3)	(3.2)	(6.7)
Purchase of own shares for cancellation	14	(40.1)	(36.3)	(96.2)
Purchase of own shares for treasury	15	(2.8)	–	–
Payment of fees on repurchase of own shares	14	(0.2)	(0.2)	(0.5)
Proceeds from exercise of share-based incentives		0.1	–	–
Net cash used in financing activities		(107.5)	(83.7)	(175.6)
Net decrease in cash and cash equivalents		(0.7)	(2.2)	(3.7)
Cash and cash equivalents at beginning of period		4.3	8.0	8.0
Cash and cash equivalents at end of period		3.6	5.8	4.3

The six months to September 2017 and the year to March 2018 have been restated for the impact of IFRS 16 'Leases'. For further information on the impact of the change in accounting policies, see note 2 of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated interim financial statements

1 Basis of preparation

Auto Trader Group plc ('the Company') is a company incorporated in the United Kingdom and its registered office is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.

These condensed consolidated interim financial statements have been prepared as at, and for the six months ended 30 September 2018. The comparative financial information presented has been prepared as at, and for the six months ended 30 September 2017.

The condensed consolidated interim financial information presented as at, and for the six months ended, 30 September 2018 comprise the Company and its subsidiaries (together referred to as the Group). The consolidated financial statements of the Group as at, and for the year ended, 31 March 2018 are available on request from the Company's registered office and via the Company's website.

These condensed consolidated interim financial statements, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS - IC).

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the 'Act'). The statutory accounts for the year ended 31 March 2018 have been reported on by the Company's auditors and were delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Act.

Judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

Going concern

The Group has continued to generate significant cash from operating activities and had cash balances of £3.6 million as at 30 September 2018 (March 2018: £4.3 million). After making enquiries, the Board of Directors has a reasonable expectation that the Group and the Company have adequate resources and banking facilities to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

2 Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2018. Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss.

The Group has adopted IFRS 9 '*Financial Instruments*', IFRS 15 '*Revenue from Contracts with Customers*', and IFRS 16 '*Leases*' from 1 April 2018.

IFRS 9 '*Financial instruments*'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and simplifies the classification of financial assets for measurement purposes.

The Group has applied IFRS 9 from 1 April 2018 with the measurement of financial assets, and in particular the provision for trade receivables, being considered. There has been no impact on the income statement or balance sheet following the adoption of IFRS 9.

Accounting policy for Financial Instruments

IFRS 9 eliminates the previous IAS 39 category for financial assets of loans and receivables. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost, fair value through profit or loss or fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Under IFRS 9 trade receivables, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

IFRS 9 introduces an 'expected loss' model ('ECL') for recognising impairment of financial assets held at amortised cost. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group performs the calculation of expected credit losses separately for each customer group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations.

IFRS 15 '*Revenue from Contracts with Customers*'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue and related interpretations*.

The Group has applied IFRS 15 from 1 April 2018 using the cumulative effective method (without practical expedients), with the effect of initially applying this standard being recognised at the date of initial application (1 April 2018). Comparative information has therefore not been restated.

Under IAS 18 revenue was recognised either over time where there was continuing service provided to the customer or at the point in time when the risks and rewards of ownership transferred to the customer. Under IFRS 15 revenue is recognised when performance obligations are satisfied. For the Group the transfer of control under IFRS 15 and satisfaction of performance obligations remains consistent with the transfer of risks and rewards to the customer under IAS18. Consequently, there were no profit or loss impacting adjustments required on application of IFRS 15.

2 Changes in significant accounting policies (continued)

Accounting policy for Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. Revenue is stated net of discounts, rebates, refunds and value-added tax.

Revenue principally represents the amounts receivable from customers for advertising on the Group's platforms but also includes non-advertising services such as data services. The different types of products and services offered to customers along with the nature and timing of satisfaction of performance obligations are set out below:

(i) Trade revenue

Trade revenue comprises fees from Retailers, Home Traders and logistics customers for advertising on the Group's platforms and utilising the Group's services.

- Retailer revenue

Retailer customers pay a monthly subscription fee to advertise their stock on the Group's platforms. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are agreed at a retailer or retailer group level and are ongoing subject to a 30-day notice period.

Retailers have the option to enhance their presence on the platform through additional products, each of which has a distinct performance obligation. For products that provide enhanced exposure across the life of the product, control is passed to the customer over time. Revenue is only recognised at a point in time for additional advertising products where the customer does not receive the benefit until they choose to apply the product.

Additional advertising products are principally billed on a monthly subscription basis in line with their core advertising package, however certain products are billed on an individual charge basis.

The Group also generates revenue from retailers for data and valuation services under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers either across the life of the contract where customers are licensed to use the Group's services or at a point in time when a one-off data service is provided.

Contract modifications occur on a regular basis as customers change their stock levels or add or remove additional advertising products from their contracts. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations.

A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

- Home Trader revenue

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

- Logistics revenue

Logistics customers pay a monthly subscription fee for access to the Group's Motor Trade Delivery platform. Control is obtained by customers across the life of the contract as their access is continuous. Contracts for these services are agreed at a customer level and are ongoing subject to a 30-day notice period.

Logistics customers have the option to bid on vehicle moves advertised by retailers on the platform. The logistics customer pays a fee if they are successful in obtaining business from retailers through the Group's marketplace. Revenue is recognised at the point in time when the vehicle move has been completed.

A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

(ii) Consumer services revenue

Consumer services comprises fees from private sellers for vehicle advertisements on the Group's websites, and third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance.

2 Changes in significant accounting policies (continued)

Private customers pay a fee in advance to advertise a vehicle on the Group's platform for a specified period of time. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are entered into for a period of between two and six weeks.

Revenue is generated from third-party partners who utilise the Group's platforms to advertise their products under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers at a point in time when the service is provided.

(iii) Manufacturer and Agency revenue

Revenue is generated from manufacturers and their advertising agencies for placing display advertising for their brand or vehicle on the Group's websites under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers across the life of the contract as their advertising is displayed on the different platforms.

A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

IFRS 16 'Leases'

IFRS 16 Leases was issued in January 2016 and was endorsed by the EU in 2017. The standard is effective for annual periods beginning on or after 1 January 2019. The Group has decided to early adopt this standard using the fully retrospective approach with a date of initial application to the Group of 1 April 2017. Comparative information has therefore been restated.

As a lessee, the Group previously classified leases as operating or finance leases under IAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets, which comprise of property and motor vehicles, and corresponding lease liabilities for most leases.

Accounting policy for Leases

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

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct cost less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The lease liability is initially measured at the present value of lease payments, discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments made. The lease liability is remeasured when there is a change in scope.

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

The following table summarises the impact of adopting IFRS 16 on the Group's Consolidated interim statement of comprehensive income and Consolidated interim statement of cash flows for the six-month period ended 30 September 2018 and the Consolidated interim balance sheet as at 30 September 2018. The adoption of IFRS 9 and IFRS 15 had no impact on the Consolidated interim statement of comprehensive income, Consolidated interim balance sheet or Consolidated interim statement of cash flows.

2 Changes in significant accounting policies (continued)

Impact of the change in accounting policies on the Condensed Consolidated interim statement of comprehensive income

For the six months ended 30 September 2018	Note	Amounts without adoption of IFRS 16 £m	IFRS 16 adjustments £m	As reported £m
Revenue	3	176.8	–	176.8
Administrative expenses		(56.5)	0.3	(56.2)
Operating profit	3	120.3	0.3	120.6
Finance costs	4	(5.6)	(0.5)	(6.1)
Profit before taxation		114.7	(0.2)	114.5
Taxation	5	(22.0)	0.1	(21.9)
Profit for the period		92.7	(0.1)	92.6
Other comprehensive income for the period, net of tax		0.2	–	0.2
Total comprehensive income for the period attributable to equity holders of the parent		92.9	(0.1)	92.8

2 Changes in significant accounting policies (continued)

Impact of the change in accounting policies on the Condensed Consolidated interim balance sheet

As at 30 September 2018	Note	Amounts without adoption of IFRS 16 £m	IFRS 16 adjustments £m	As reported £m
Assets				
Non-current assets				
Intangible assets		328.1	–	328.1
Property, plant and equipment	7	5.2	12.9	18.1
Deferred taxation assets		5.6	0.3	5.9
		338.9	13.2	352.1
Current assets				
Trade and other receivables	8	57.6	(0.6)	57.0
Cash and cash equivalents		3.6	–	3.6
		61.2	(0.6)	60.6
Total assets		400.1	12.6	412.7
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	14	9.4	–	9.4
Retained earnings		1,056.2	1.1	1,057.3
Capital reorganisation reserve		(1,060.8)	–	(1,060.8)
Own shares held	15	(17.0)	–	(17.0)
Capital redemption reserve		0.6	–	0.6
Other reserves		30.7	–	30.7
Total equity		19.1	1.1	20.2
Liabilities				
Non-current liabilities				
Borrowings	12	320.0	–	320.0
Deferred taxation liabilities		0.6	–	0.6
Lease liabilities	7	–	15.1	15.1
Retirement benefit obligations	11	–	–	–
Provisions for other liabilities and charges		1.1	(1.1)	–
		321.7	14.0	335.7
Current liabilities				
Trade and other payables	9	36.6	(4.6)	32.0
Current income tax liabilities		22.4	–	22.4
Lease liabilities	7	–	2.1	2.1
Provisions for other liabilities and charges		0.3	–	0.3
		59.3	(2.5)	56.8
Total liabilities		381.0	11.5	392.5
Total equity and liabilities		400.1	12.6	412.7

2 Changes in significant accounting policies (continued)

Impact of the change in accounting policies on the Condensed Consolidated interim statement of cash flows

For the six months ended 30 September 2018		Amounts without adoption of IFRS 16 £m	IFRS 16 adjustments £m	As reported £m
	Note			
Cash flows from operating activities				
Cash generated from operations	13	127.4	1.6	129.0
Tax paid		(19.8)	–	(19.8)
Net cash generated from operating activities		107.6	1.6	109.2
Cash flows from investing activities				
Purchases of intangible assets – financial systems		(0.3)	–	(0.3)
Purchases of intangible assets – other		–	–	–
Purchases of property, plant and equipment		(0.5)	–	(0.5)
Net cash outflow on acquisition of subsidiary	16	–	–	–
Payment of lease liabilities		–	(1.6)	(1.6)
Net cash used in investing activities		(0.8)	(1.6)	(2.4)
Cash flows from financing activities				
Dividends paid to Company's shareholders	10	(37.9)	–	(37.9)
Repayment of Syndicated Term Loan	12	(343.0)	–	(343.0)
Drawdown of Syndicated revolving credit facility	12	371.1	–	371.1
Repayment of Syndicated revolving credit facility	12	(48.1)	–	(48.1)
Payment of refinancing fees		(3.3)	–	(3.3)
Payment of interest on borrowings		(3.3)	–	(3.3)
Purchase of own shares for cancellation	14	(40.1)	–	(40.1)
Purchase of own shares for treasury	15	(2.8)	–	(2.8)
Payment of fees on repurchase of own shares	14	(0.2)	–	(0.2)
Proceeds from exercise of share-based incentives		0.1	–	0.1
Net cash used in financing activities		(107.5)	–	(107.5)
Net decrease in cash and cash equivalents		(0.7)	–	(0.7)
Cash and cash equivalents at beginning of period		4.3	–	4.3
Cash and cash equivalents at end of period		3.6	–	3.6

3 Segmental information

IFRS 8 operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only. This reflects the nature of the business, where the major cost is to support the IT platforms upon which all of the Group's customers are serviced. These costs are borne centrally and are not attributable to any specific customer type or revenue stream. There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the condensed consolidated interim income statement.

Management has determined that there is one operating and reporting segment, based on reports reviewed by the Operational Leadership Team ('OLT') who is the chief operating decision-maker ('CODM'). The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue from three customer types as detailed below:

- Trade: revenue from Retailer and Home Trader customers advertising their vehicles and utilising the Group's products. This category also includes revenue from logistics firms who use the Motor Trade Delivery platform;
- Consumer services: revenue from private sellers for vehicle advertisements on the Group's websites. This category also includes revenue from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance; and
- Manufacturer & Agency: revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites.

The reporting information provided to the OLT, which presents revenue by customer type, has been voluntarily disclosed below:

	September 2018	September 2017	March 2018
	£m	£m	£m
Trade	150.1	139.4	281.2
Consumer services	15.2	16.6	29.8
Manufacturer & Agency	11.5	9.0	19.1
Total revenue	176.8	165.0	330.1

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

		September 2018	September 2017	March 2018
	Note	£m	(restated) £m	(restated) £m
Total segment Operating profit		120.6	109.9	221.3
Finance costs - net	4	(6.1)	(4.6)	(10.6)
Profit before tax		114.5	105.3	210.7

The OLT reviews the balance sheet information for the one operating segment. The segment's assets and liabilities are presented in a manner consistent with that of these condensed consolidated interim financial statements.

4 Finance costs

	September 2018	September 2017 (restated)	March 2018 (restated)
	£m	£m	£m
On borrowings	3.2	3.2	6.8
Amortised debt issue costs	2.4	1.0	3.0
Interest on lease liabilities	0.5	0.4	0.8
Total finance costs	6.1	4.6	10.6

5 Taxation

	September 2018	September 2017	March 2018
	£m	£m	£m
Total taxation charge	21.9	20.7	39.6

The taxation charge for the year is based on the standard rate of UK corporation tax for the period of 19% (March 2018: 19%). Management's best estimate of the effective tax rate for the six months to September 2018 after tax adjustments was 19.1% (September 2017: 19.6%; March 2018: 18.8%).

6 Earnings per share

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Six months ended September 2018			
Basic EPS	946,569,892	92.6	9.78
Diluted EPS	949,881,273	92.6	9.75
Six months ended September 2017 (restated)			
Basic EPS	971,801,424	84.6	8.71
Diluted EPS	975,062,081	84.6	8.68
Year ended March 2018 (restated)			
Basic EPS	964,516,212	171.1	17.74
Diluted EPS	967,912,689	171.1	17.68

The difference between the basic and diluted weighted average number of shares represents the dilutive impact of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus Plan, Single Incentive Plan Awards and the Sharesave scheme. Shares issued to satisfy the Share Incentive Plan were subsequently purchased by the Employee Share Option Trust ('ESOT') and are entitled to dividends under the scheme rules. The number of shares in issue at the start of the period is reconciled to the basic and diluted weighted average number of shares below:

	6 months ended September 2018
	Number of shares
Issued ordinary shares at 31 March 2018	952,161,444
Less weighted effect of shares held by the ESOT	(701,990)
Less weighted effect of shares held in treasury	(4,048,343)
Less weighted effect of shares repurchased and cancelled	(841,219)
Weighted average number of shares for basic EPS	946,569,892
Dilutive impact of share options outstanding	3,311,381
Weighted average number of shares for diluted EPS	949,881,273

The average market value for the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

7 Leases

As disclosed in note 2, the Group has adopted IFRS 16, effective from 1 April 2017 using the fully retrospective approach and comparative information has therefore been restated. The Group has right-of-use assets which comprise of property and motor vehicles which are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

Analysis of property, plant and equipment between owned and leased assets	September 2018	September 2017	March 2018
	(£m)	(restated) (£m)	(restated) (£m)
Property plant and equipment owned	5.2	7.1	6.0
Right-of-use assets	12.9	14.3	13.7
	18.1	21.4	19.7

Right-of-use assets	Property	Vehicles	Other	Total
	(£m)	(£m)	(£m)	(£m)
Opening balance at 1 April 2017 (restated)	14.1	1.1	0.1	15.3
Additions	–	0.1	–	0.1
Disposals	(0.1)	–	–	(0.1)
Depreciation	(0.7)	(0.3)	–	(1.0)
Closing balance at 30 September 2017 (restated)	13.3	0.9	0.1	14.3
Opening balance at 1 April 2018 (restated)	13.0	0.7	–	13.7
Additions	–	0.1	–	0.1
Modifications	–	–	0.1	0.1
Depreciation	(0.7)	(0.3)	–	(1.0)
Closing balance at 30 September 2018	12.3	0.5	0.1	12.9

Lease liabilities – maturity analysis	September 2018	September 2017	March 2018
	(£m)	(restated) (£m)	(restated) (£m)
No later than one year	2.1	2.1	2.2
Later than one year and no later than five years	9.5	10.0	9.8
Later than five years	5.6	6.7	6.2
Total	17.2	18.8	18.2

Lease liabilities	September 2018	September 2017	March 2018
	(£m)	(restated) (£m)	(restated) (£m)
Current	2.1	2.1	2.2
Non-current	15.1	16.7	16.0
Total	17.2	18.8	18.2

8 Trade and other receivables

	September 2018	September 2017 (restated)	March 2018 (restated)
	£m	£m	£m
Trade receivables (net of provision)	26.6	24.9	25.4
Accrued income	27.4	24.4	26.7
Prepayments	2.9	3.1	2.7
Other receivables	0.1	0.1	0.1
Total	57.0	52.5	54.9

9 Trade and other payables

	September 2018	September 2017 (restated)	March 2018 (restated)
	£m	£m	£m
Trade payables	3.2	3.3	3.7
Accruals	11.4	12.4	9.8
Other taxes and social security	14.0	12.2	11.8
Deferred income	2.1	1.5	1.8
Other payables	0.9	0.9	0.9
Accrued interest payable	0.4	0.5	0.5
Total	32.0	30.8	28.5

10 Dividends

Dividends declared and paid in the period were as follows:

	September 2018		September 2017	
	Pence per share	£m	Pence per share	£m
2018 final dividend paid	4.0	37.9	-	-
2017 final dividend paid	-	-	3.5	34.0
Total	4.0	37.9	3.5	34.0

An interim dividend of 2.1p per share for the six months to September 2018 (September 2017: 1.9p) has been declared by the Directors', totaling £19.7 million (September 2017: £18.3 million) based on the number of shares eligible for the distribution as at 30 September 2018. The interim dividend is payable on 25 January 2019 to shareholders on the register at the close of business on 4 January 2019. No provision has been made for the interim dividend and there are no income tax consequences.

The 2018 final dividend paid on 28 September 2018 was £37.9 million as proposed in the 2018 Annual Report.

11 Retirement benefit obligations

Across the UK and Ireland, the Group operates several pension schemes. All except one are defined contribution schemes. Within the UK, all pension schemes set up prior to 2001 have been closed to new members and only one defined contribution scheme is now open to new employees.

In the period the pension contributions to the Group defined contribution scheme amounted to £0.9 million (September 2017: £0.9 million; March 2018: £1.9 million). At 30 September 2018, there were £0.3 million (September 2017: £0.1 million; March 2018: £0.3 million) of pension contributions outstanding relating to the Group's defined contribution scheme.

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 30 September 2018 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	September 2018	September 2017	March 2018
	£m	£m	£m
Present value of funded obligations	18.8	20.7	19.7
Fair value of plan assets	(21.9)	(21.6)	(21.0)
Effect of surplus cap	3.1	0.9	1.3
Net liability recognised in the balance sheet	-	-	-

The surplus of £3.1 million as at September 2018, £0.9 million as at September 2017 and £1.3 million as at March 2018 were not recognised as assets as they were not deemed to be recoverable by the Group.

The net retirement benefit income before taxation recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	September 2018	September 2017	March 2018
	£m	£m	£m
Interest income on net defined benefit obligation	-	-	-
Administration expenses paid by the scheme	-	-	-
Net retirement benefit income before taxation	-	-	-

The amounts recognised in the statement of other comprehensive income are as follows:

	September 2018	September 2017	March 2018
	£m	£m	£m
Remeasurement gains/(losses) recognised in the year (before tax)	1.8	0.5	0.9
Deferred tax on loss recognised in year	-	-	-
Effect of surplus cap	(1.8)	(0.5)	(0.9)
Net retirement benefit loss after taxation	-	-	-

Movements during the period in the defined benefit obligations are set out as below:

	September 2018	September 2017	March 2018
	£m	£m	£m
At beginning of period	-	-	-
Expense recognised in the income statement	-	-	-
Contributions paid to scheme	-	-	-
Remeasurement (gains)/losses	(1.8)	(0.5)	(0.9)
Effect of surplus cap	1.8	0.5	0.9
Deficit at period end	-	-	-

12 Borrowings

	September 2018	September 2017	March 2018
	£m	£m	£m
Non-current			
Syndicated RCF gross of unamortised debt issue cost	323.0	-	-
Unamortised debt issue costs on Syndicated RCF	(3.0)	-	-
Former Syndicated Term Loan gross of unamortised debt issue cost	-	353.0	343.0
Unamortised debt issue costs on former Syndicated Term Loan	-	(4.3)	(2.2)
Total borrowings	320.0	348.7	340.8

The Syndicated RCF and former Syndicated Term Loan are repayable as follows:

	September 2018	September 2017	March 2018
	£m	£m	£m
Within one to two years	-	-	343.0
Within two to five years	323.0	353.0	-
Total	323.0	353.0	343.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility ('Syndicated RCF')

On 6 June 2018, the Company and a subsidiary undertaking, Auto Trader Holding Limited, signed into a new Syndicated revolving credit facility (the 'Syndicated RCF') to replace the former Syndicated Term Loan and former revolving credit facility. The Syndicated RCF, which is unsecured, has total commitments of £400.0m and a termination date of June 2023. The associated debt transaction costs were £3.3m.

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group.

A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The first utilisation was made on 8 June 2018 when £303.1m was drawn.

Senior Facilities Agreement ('former Syndicated Term Loan' and 'Former revolving credit facility')

On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement. Interest on the former Syndicated Term Loan was charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group.

Under the agreement, the lenders had also made available to the Group a £30.0m revolving credit facility. Cash drawings under the RCF incurred interest at LIBOR plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group. A commitment fee of 35% of the margin applicable to the former revolving credit facility was payable quarterly in arrears on the unutilised amounts of the former revolving credit facility.

On 6 June 2018, the Group refinanced the Senior Facilities Agreement which included the former Syndicated Term Loan and Former revolving credit facility. On 8 June 2018 the Group repaid the full £343.0m, together with accrued interest and other costs payable under the terms of the Senior Facilities Agreement.

13 Cash generated from operations

	6 months to September 2018 £m	6 months to September 2017 (restated) £m	Year to March 2018 (restated) £m
Profit before taxation	114.5	105.3	210.7
Adjustments for:			
Depreciation	2.5	2.5	4.9
Amortisation	2.0	2.1	4.1
Share-based payments charge (excluding associated NI)	2.6	1.6	3.3
Finance costs	6.1	4.6	10.6
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Trade and other receivables	(2.4)	(0.7)	(2.9)
Trade and other payables	3.7	(0.3)	(2.3)
Provisions	-	-	-
Cash generated from operations	129.0	115.1	228.4

14 Share capital

	As at 30 September		As at 30 September 2017		As at 31 March 2018	
	Number '000	Amount £m	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each						
At beginning of period	952,161	9.5	978,971	9.8	978,971	9.8
Purchase and cancellation of own shares	(9,045)	(0.1)	(9,880)	(0.1)	(26,810)	(0.3)
Total	943,116	9.4	969,091	9.7	952,161	9.5

In June 2016 the Company commenced a share buy-back programme. By resolutions passed at the 2017 AGM and the 2018 AGM, the Company was authorised to make market purchases of its ordinary shares, subject to minimum and maximum price restrictions and maximum limits of up to 10% of ordinary share capital.

During the period to September 2018, a total of 9,639,891 shares were purchased, of which 595,000 were purchased to be held in treasury with the remainder being cancelled (September 2017: 9,880,130 shares were purchased and cancelled, March 2018: 26,809,702 shares were purchased and cancelled). The average price paid per share was 445.0p (September 2017: 366.9p; March 2018: 358.5p), with a total consideration paid, inclusive of all costs, of £43.1 million (September 2017: £36.5 million; March 2018: £96.7 million).

Included within shares in issue at 30 September 2018 are 616,752 (September 2017: 943,322; March 2018: 932,761) shares held by the ESOT and 4,200,807 (September 2017: 4,197,194; March 2018: 4,194,989) shares held in treasury, as detailed in note 15.

15 Own shares held

	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held – £ million			
Own shares held as at 31 March 2017	(1.4)	(15.5)	(16.9)
Own shares held as at 30 September 2017	(1.4)	(15.5)	(16.9)
Own shares held as at 1 October 2017	(1.4)	(15.5)	(16.9)
Own shares held as at 31 March 2018	(1.4)	(15.5)	(16.9)
Own shares held as at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.5	-	0.5
Repurchase of own shares for treasury	-	(2.8)	(2.8)
Share-based incentives exercised in the period	-	2.2	2.2
Own shares held as at 30 September 2018	(0.9)	(16.1)	(17.0)

	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of shares
Own shares held - number			
Own shares held as at 31 March 2017	948,924	4,203,277	5,152,201
Share-based incentives exercised in the period	(5,602)	(6,083)	(11,685)
Own shares held as at 30 September 2017	943,322	4,197,194	5,140,516
Own shares held as at 1 October 2017	943,322	4,197,194	5,140,516
Transfer of shares from ESOT	(10,561)	-	(10,561)
Share-based incentives exercised in the period	-	(2,205)	(2,205)
Own shares held as at 31 March 2018	932,761	4,194,989	5,127,750
Own shares held as at 1 April 2018	932,761	4,194,989	5,127,750
Transfer of shares from ESOT	(316,009)	-	(316,009)
Repurchase of own shares for treasury	-	595,000	595,000
Share-based incentives exercised in the period	-	(589,182)	(589,182)
Own shares held as at 30 September 2018	616,752	4,200,807	4,817,559

16 Acquisition of a subsidiary

On 25 April 2017, Auto Trader Limited, a subsidiary of Auto Trader Group plc, acquired the entire share capital of Motor Trade Delivery Limited ("MTD"), an online real-time marketplace for the trade delivery of vehicles across the UK. Through the platform, car dealerships and rental companies list 'jobs' – vehicles that need moving to another retailer site or a customer – and logistics providers bid for the jobs via a live auction process. This acquisition is an extension of Auto Trader's overall strategy of using digital technology to improve efficiencies for retailer customers.

The total cash consideration paid of £12.2 million excludes acquisition costs of £0.2 million, £0.1 million of which was recognised as an expense in the year ended 31 March 2017. The remainder has been recognised in the current period within administrative expenses in the condensed consolidated interim income statement.

The following table provides a reconciliation of the amounts included in the condensed consolidated interim statement of cash flows:

	Six months ended 30 September 2017 £m
Cash paid for subsidiary	12.2
Less: Cash acquired	(0.3)
Net cash outflow	11.9

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The following table represents the net assets acquired at the date of acquisition:

	Fair value £m
Current assets	
Trade and other receivables	0.7
Cash and cash equivalents	0.3
	1.0
Current liabilities	(0.8)
Total net assets acquired	0.2
Intangible assets recognised on acquisition:	
Customer relationships	3.2
Non-compete agreement	0.6
Website	0.4
Deferred tax liability arising on intangible assets	(0.7)
Goodwill on acquisition	8.5
	12.2
Cash consideration	12.2

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. This represents synergies expected to arise from combining with the existing business of Auto Trader Limited.

In addition to the goodwill recognised, the customer relationships, non-compete agreement and website obtained through the acquisition met the requirements to be separately identifiable under IFRS 3.

17 Share-based payments

The Group currently operates three discretionary share schemes: the Performance Share Plan; Deferred Annual Share Bonus Scheme; and the new Single Incentive Plan Awards; and two all-employee schemes: Share Incentive Plan and the Sharesave scheme. The total charge in the period relating to the five schemes was £3.2 million (September 2017: £1.8 million; March 2018: £3.7 million). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.4%, based on the share price at the reporting date.

	September 2018	September 2017	March 2018
	£m	£m	£m
Share Incentive Plan ('SIP')	-	0.4	0.8
Sharesave scheme ('SAYE')	0.3	0.1	0.3
Performance Share Plan ('PSP')	1.1	0.9	1.8
Deferred Annual Bonus Plan ('DABP')	0.2	0.2	0.4
Single Incentive Plan Awards ('SIPA')	1.0	-	-
Total share-based payment charge	2.6	1.6	3.3
NI and apprenticeship levy on applicable schemes	0.6	0.2	0.4
Total charge	3.2	1.8	3.7

Share Incentive Plan

The Group operates a Share Incentive Plan ('SIP') scheme that was made available to all eligible employees following admission to the London Stock Exchange in March 2015. On 20 April 2015 (the 'Award Date'), all eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 based on the share price at the time of Admission. The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured using the Black-Scholes model.

UK SIP	September 2018	September 2017	March 2018
	Number	Number	Number
Outstanding at beginning of period	690,791	776,045	776,045
Dividend shares award in the period	-	-	9,778
Exercised in the period	(311,469)	-	-
Forfeited in the period	(9,275)	(35,795)	(75,986)
Released in the period	-	(4,255)	(19,046)
Outstanding at period ending	370,047	735,995	690,791

Irish SIP	September 2018	September 2017	March 2018
	Number	Number	Number
Outstanding at beginning of period	35,922	44,431	44,431
Dividend shares award in the period	-	-	788
Exercised in the period	(30,506)	-	-
Forfeited in the period	-	-	(7,950)
Released in the period	-	-	(1,347)
Outstanding at period ending	5,416	44,431	35,922

17 Share-based payments (continued)

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operating Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. For the 2018 awards, the Group's performance is measured by reference to the growth in Operating profit and growth in revenue. For previous awards, the Group's performance is measured by reference to the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE 250 share index. The fair value of the award is determined using Black-Scholes and Monte Carlo option pricing models.

	September 2018 Number	September 2017 Number	March 2018 Number
Outstanding at beginning of period	3,104,563	2,682,738	2,682,738
Options granted in the period	452,695	1,188,149	1,188,149
Dividend shares awarded	9,749	-	-
Options exercised in the period	(307,769)	-	-
Options forfeited in the period	(5,980)	(412,395)	(766,324)
Outstanding at period ending	3,253,258	3,458,492	3,104,563

Single Incentive Plan Awards

During the period, the Group introduced a new Single Incentive Plan Award ('SIPA') for the Operating Leadership Team and certain key employees. The scheme replaces the Performance Share Plan and the annual cash bonus scheme for all new awards for those individuals. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions"). The awards will vest in tranches, with the first tranche vesting on the date on which the Remuneration Committee determines that the Performance Conditions have been satisfied, and subsequent tranches vesting on the first and second anniversary of this date, subject to continuing employment.

	September 2018 Number	September 2017 Number	March 2018 Number
Outstanding at beginning of period	-	-	-
Options granted in the period	974,106	-	-
Outstanding at period ending	974,106	-	-

Deferred Annual Bonus Plan

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors and certain key senior executives. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Monte Carlo model and the resulting share-based payment charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

	September 2018 Number	September 2017 Number	March 2018 Number
Outstanding at beginning of period	303,880	248,263	248,263
Options granted in the period	71,552	127,691	127,691
Dividend shares awarded	3,343	-	1,306
Options exercised in the period	(229,378)	-	-
Options forfeited in the period	-	(73,380)	(73,380)
Outstanding at period ending	149,397	302,574	303,880

17 Share-based payments (continued)

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees. Options are granted and are linked to a savings contract with a term of three years. Options are forfeited if the employee leaves the Group for any reason outside of the scheme rules during the contract term. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the Vesting Period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model according to the relevant measures of performance.

	September 2018 Number	September 2017 Number	March 2018 Number
Outstanding at beginning of period	1,530,852	919,281	919,281
Options granted in the period	-	-	728,520
Options exercised in the period	(21,529)	(6,083)	(6,941)
Options lapsed in the period	(98,914)	(43,756)	(110,008)
Outstanding at period ending	1,410,409	869,442	1,530,852

18 Related party transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24.

During the period there were no transactions, and at the period end there were no outstanding balances, relating to key management personnel and entities over which they have control or significant influence, other than the share plan awards outlined in note 17 above.

19 Contingent liability

The Group previously reported a contingent liability in respect of the rate of VAT applicable to our insurance intermediary revenue within Consumer services, dating back from 2013 onwards. In July 2018 HMRC confirmed the Group's treatment of insurance intermediary revenue for VAT purposes was appropriate. The Group did not incur any liability and the enquiry in respect of this matter is now closed.

20 Forward looking statements

This report includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring after the date of this report.

21 Principal risks and uncertainties

Principal risk	Impact
1. Economy, market and business environment	<p>A contraction in the number of new or used car transactions could lead to a consolidation of retailers and a reduction of retailer's advertising spend. It could also lead to a reduction in manufacturers spend on digital display advertising.</p> <p>There are concerns about the implications surrounding the UK's departure from the EU. If a suitable deal is not reached between the EU and the UK then adverse changes to consumer confidence, exchange rates or trade tariffs could impact both the demand and supply of new cars to the UK, and also potentially impact the used car market. In terms of the Group's input costs we see no real impact as a result of Brexit.</p>
2. Brand	<p>Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK, with nearly 10 times more consumers claiming to trust Auto Trader over our nearest competitor.</p> <p>Failure to maintain and protect our brand, or any negative publicity that affects our reputation (for example, a data breach) could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.</p>
3. Increased competition	<p>There are a number of online competitors in the motor classified market, and alternative routes for consumers to sell cars, such as auctions or part-exchange.</p> <p>Competitors could develop superior consumer experiences or retailer products that we are unable to replicate or change focus to try to expand their range of stock and disrupt our market position.</p> <p>This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.</p>
4. Failure to innovate: disruptive technologies and changing consumer behaviours	<p>Failure to innovate and develop new products or technologies, to execute new product launches or to adapt to changing consumer behaviour towards car buying or ownership could have an adverse impact. For example, this could lead to an over-reliance on price to drive revenue growth in an unsustainable way, or could result in missed opportunities as we fail to be at the front of industry developments.</p>
5. IT systems and Cyber Security	<p>As a digital business, we are reliant on our IT infrastructure to continue to operate.</p> <p>Any significant downtime of our systems would result in an interruption to the services we provide.</p> <p>A significant data breach, whether as a result of our own failures or a malicious cyber-attack, would lead to a loss in confidence by our retailers, advertisers and consumers.</p> <p>This could result in loss of audience, loss of revenue, reputational damage and potential financial losses in the form of penalties.</p>
6. Employees	<p>Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.</p>

INDEPENDENT REVIEW REPORT TO AUTO TRADER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mick Davies
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
8 November 2018