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AUTO TRADER GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019.

Financial highlights

- Revenue up 6% to £186.7 million (H1 2019: £176.8 million)
- Operating profit up 9% to £131.4 million (H1 2019: £120.6 million) with Operating profit margin increasing to 70% (H1 2019: 68%)
- Profit before tax up 12% to £127.7 million (H1 2019: £114.5 million)
- Basic EPS up 14% to 11.13 pence (H1 2019: 9.78 pence)
- Cash generated from operations¹ up 3% to £132.7 million (H1 2019: £129.0 million). Cash conversion² was at 98% (H1 2019: 101%)
- £69.8 million returned to shareholders (H1 2019: £80.8 million) through £27.2 million of share buy-backs (H1 2019: £42.9 million) plus dividends paid of £42.6 million (H1 2019: £37.9 million)
- Interim dividend of 2.4 pence per share (H1 2019: 2.1 pence per share)

Operational highlights

- Cross platform visits^{3,4} per month increased by 4% to 51.2 million (H1 2019: 49.3 million) and share of minutes amongst our full competitor set⁵ has grown to over 75% (H1 2019: 72%). Full page advert views per month^{3,6} decreased by 6% to 233 million per month (H1 2019: 247 million)
- Retailer forecourts³ up 1% to 13,316 (H1 2019: 13,153)
- Average Revenue Per Retailer³ (ARPR) per month up £125 or 7% to £1,951 (H1 2019: £1,826) with growth from product and price offsetting a small, but expected, decline in paid retailer stock
- Product growth from existing and new retailer products through monetisation of Vehicle Check and Text Chat in April, along with continued upsell across advertising packages
- Physical car stock^{3,7} on site up 10% to 481,000 cars (H1 2019: 437,000 cars). Used physical car stock³ up 3% to 448,000 (H1 2019: 434,000)
- New car was a driver of physical car stock growth with an average of 33,000 (H1 2019: 3,000) new cars advertised across the period. In September alone 1.6 million unique users viewed a new car on Auto Trader
- In October 2019 Auto Trader acquired KeeResources, a trusted provider of software, data, and digital solutions to the automotive industry; securing the vehicle data which underpins much of our core platform

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

“We have had a good first half and have seen an even greater number of car retailers opting to partner with Auto Trader to access our growing consumer audience.

“We continue to be the clear market leader in used cars and have extended this into new cars, with over 30,000 brand new cars on Auto Trader being viewed by 1.6 million people in September alone.

“Despite ongoing market uncertainty, the Board is confident of meeting its growth expectations for the year.”

Outlook

In the first half, we have seen stronger than expected revenue growth from retailers, underpinned by product innovation. We expect good ARPR growth to continue, albeit with a slightly increased headwind from stock.

We anticipate the average number of retailer forecourts to see modest year-on-year growth, largely through the acquisition of smaller retailers.

Consumer services growth is expected to moderate slightly as we lap a tougher comparative.

Manufacturer and Agency revenue, which is 5% of total revenue, has been weak due to challenges facing these customers and we anticipate the rate of decline will accelerate.

With KeeResources included, we anticipate total operating costs for the year to increase at low to mid-single digit percentage.

The Board is confident of meeting its growth expectations for the year.

Analyst presentation

A presentation for analysts will be held at the offices of Bank of America at 9.30am, Thursday 7 November 2019. 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/mmc/p/hrfxkpo>

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 now a member of the FTSE 100 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 50 million monthly cross platform visits each month, with around 80% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing around 450,000 cars each day). Around 80% of UK automotive retailers advertise on autotrader.co.uk.

For more information, please visit <http://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, businesses or assets described in it in any jurisdiction nor is it an inducement or invitation 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 or legal, tax, regulatory, or financial or accounting advice. 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). "Forward looking statements" are sometimes identified by the use of forward-looking terminology, including the terms "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "shall", "risk", "targets", "forecasts", "should", "guidance", "continues", "assumes" or "positioned" or, in each case, their negative or other variations or comparable terminology. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward looking statements are subject to known and unknown risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result, you are cautioned not to place reliance on such forward-looking statements, which are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward looking statements set out in this announcement. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

To the extent available, the industry and market data contained in this announcement has come from third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain of the industry and market data contained in this announcement come from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this announcement.

Summary financial performance

	Units	H1 2020	H1 2019	Change
Income statement				
Trade	£m	161.8	150.1	8%
Consumer services	£m	15.9	15.2	5%
Manufacturer & Agency	£m	9.0	11.5	(22%)
Revenue	£m	186.7	176.8	6%
Operating profit	£m	131.4	120.6	9%
Operating profit margin	%	70%	68%	2% pts
Profit before tax	£m	127.7	114.5	12%
Basic earnings per share	Pence	11.13	9.78	14%
Dividend per share	Pence	2.4	2.1	14%
Cash flow				
Cash generated from operations ¹	£m	132.7	129.0	3%
Cash conversion ²	%	98%	101%	(3% pts)
Gross external bank debt ⁸ at period end/March 2019	£m	328.5	313.0	
Leverage ⁹ at period end/March 2019	Times	1.1x	1.2x	
Key performance indicators				
Average Revenue Per Retailer forecourt ³	£ per month	1,951	1,826	7%
Physical car stock on site ^{3,7}	Number	481,000	437,000	10%
Number of retailer forecourts ³	Number	13,316	13,153	1%
Cross platform visits ^{3,4}	million per month	51.2	49.3	4%
Full page advert views ^{3,6}	million per month	233	247	(6%)
Full-time equivalent employees and contractors ³ (FTEs)	Number	798	802	(0%)

- Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
- Cash conversion is Cash generated from operations as a percentage of adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profits from joint ventures and exceptional items which includes profit on disposal of subsidiaries).
- Average during the period.
- Cross platform visits measured by Google analytics.
- Share of minutes is a custom metric based on Comscore minutes (MM) and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. Comscore MMX® Multi-Platform, Total Audience, Custom-defined list includes: Auto Trader, Gumtree.com - Motors, eBay Motors UK Pistonheads sites, Motors.co.uk, CarGurus, Auto Express.co.uk, Topgear.com, Parkers.co.uk, Whatcar.com, Carwow.com, Exchange&Mart, Vcars, RAC cars, Trusteddealers.co.uk, Carsnip.co.uk April 2017 through September 2019, UK.
- Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace.
- Physical car stock advertised on autotrader.co.uk.
- Gross external bank debt is Borrowings before unamortised debt issue costs.
- Leverage is external bank debt less cash as a multiple of adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profits from joint ventures and exceptional items which includes profit on disposal of subsidiaries).

Summary of operating performance

We are focused on leading the future of the digital automotive marketplace. Our strategy is centred on improving car buying and selling in the UK, evolving the wider automotive ecosystem and continuing to focus on building a culture that enables us to realise this opportunity.

Revenue grew by 6% to £186.7 million (H1 2019: £176.8 million) underpinned by a good performance in our core business over the last six months as retailers and consumers continue to see the value of using our marketplace and products. Operating profit grew 9% to £131.4 million (H1 2019: £120.6 million) and operating profit margin grew to 70% (H1 2019: 68%).

Our position as the UK's largest automotive marketplace for new and used cars has been strengthened. Average monthly cross platform visits increased by 4% to 51.2 million per month (H1 2019: 49.3 million) and we have grown our share of minutes amongst our full competitor set to over 75%. Full page advert views decreased by 6% to 233 million per month (H1 2019: 247 million) following changes we have made to the site as we seek to improve the car buying experience.

Average stock increased by 10% to 481,000 (H1 2019: 437,000), with new car stock accounting for 33,000 of the average number for the period (H1 2019: 3,000) and contributing much of the growth. The average number of retailer forecourts increased 1% to 13,316 (H1 2019: 13,153), largely through the gain of small customers.

We saw a decline in revenue from manufacturers and their media agencies (a customer base which represents 5% of total revenue), although this was largely in line with the market as reported by third parties¹. Manufacturers are under pressure as tougher economic and regulatory conditions, including continually low exchange rates and new emissions regulations, have impacted their marketing and advertising budgets in the UK.

The UK car market

Over the last six months the new and used car markets have continued to be affected by the ongoing Brexit negotiations as consumers delay big-ticket purchases. Other industry-specific issues, such as the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) and Real Driving Emissions Test (RDE) measures, have also posed challenges as both have adversely affected supply of some vehicles and therefore sales.

According to the Society of Motor Manufacturers and Traders (SMMT), new car registrations declined in the period April – September by 2.6% with a total of 1.2 million cars registered². Used car transactions fell 2.9% in the period April – June³, with the decline coming in cars aged under 2 years old and over 10 years old. However, there are pockets of growth as demand for alternative fuelled vehicles (AFVs), specifically electric vehicles, is growing, with AFV new car registrations up 29% in the period April – September and on Auto Trader we saw the share of fuel-related searches increase to 7% for AFVs.

The Auto Trader Retail Price Index, which tracks the average trade retail price of a used car on a like-for-like basis stripping out the impact of changes in the mix of cars being sold, shows that prices have decreased by 0.6% in the six months to September 2019 – the average price of a used car was £12,851. Uncertainty around trade valuations and volatility in the supply of vehicles has impacted auction markets, which has started to feed into the retail market.

Key product developments

In April we introduced Text Chat within all of our advertising packages, which gives buyers the ability to live chat with retailers using text messages activated from an advert. This tool gives car buyers a quick and easy way to contact a retailer.

¹ Nielson data July 2019

² Society of Motor Manufacturers and Traders (SMMT) new car registration data

³ DVLA used car transaction data

We also launched a Vehicle Check product, in partnership with Experian, which allows retailers to check the provenance of vehicles they might be looking to source. The checks also provide consumers with a greater level of transparency when searching on Auto Trader. 80% of our independent customers opted to pay for this product from April.

We had an average of 33,000 new cars advertised over the period (H1 2019: 3,000). In September alone we had 1.6 million unique users viewing a new car full page advert. In the six month period April – September, new car stock on Auto Trader generated 19 million advert views for our franchise customers. This year we ran an advertising campaign to highlight to consumers that they can search for a brand new car on Auto Trader, which reached over 80% of UK adults.

Penetration of our Managing products has increased in the period, with the number of retailers now subscribing to either Retail Accelerator (formerly i-Control) or Retail Check reaching 3,600 – up from 3,200 in March 2019. This growth has largely been driven by an increase in the usage of our entry level product, Retail Check, which gives retailers the most accurate view of the live retail market to help ensure that they buy the right stock at the right price and sell it profitably.

Acquisition of KeeResources

In October 2019, we acquired KeeResources, a trusted provider of software, data, and digital solutions to the automotive industry, including a detailed vehicle dataset for new and used cars which Auto Trader uses to power its platform. KeeResources has been an integral supplier to Auto Trader, as its unique vehicle data underpins much of our core platform. Strategically we believe it is important to own such a valuable data source.

People and culture

We continue to work hard to foster a culture that is truly values-led, principles-driven and agile, and strive to make Auto Trader an inclusive employer where a diverse range of people can enjoy fulfilling careers and make a positive contribution to the communities in which we operate.

Our dedicated Diversity and Inclusion working group has been committed for the past three years to designing and delivering a comprehensive strategy concentrating on all diversity strands, with a focus on: LGBT+; gender equality; disability and neurodiversity; and BAME. As part of this focus, we were pleased to be named a Disability Confident Leader in July, the highest level of accreditation given by the Department for Work and Pensions, which runs the scheme.

The Board

In October, we were pleased to announce the appointment of Sigga Sigurdardottir, a digital transformation expert, to our Board as an Independent Non-Executive Director, with effect from 1 November 2019. Our Board now comprises four Independent Non-Executive Directors, three Executive Directors, and a Non-Executive Chairman. We believe we are one of three FTSE 100 companies to have a 50/50 gender balanced Board.

Investor calendar

The Group's full year results for the year ending 31 March 2020 will be announced on 4 June 2020.

Financial review

Revenue

Revenue grew to £186.7m (H1 2019: £176.8m), up 6% on the previous period.

	H1 2020 £m	H1 2019 £m	Change
Retailer	155.9	144.1	8%
Home Trader	4.9	5.4	(9%)
Other	1.0	0.6	67%
Trade	161.8	150.1	8%
Consumer services	15.9	15.2	5%
Manufacturer & Agency	9.0	11.5	(22%)
Total	186.7	176.8	6%

Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 8% to £161.8m (H1 2019: £150.1m).

Retailer revenue grew by 8% to £155.9m (H1 2019: £144.1m) driven by the launch of new products, our annual pricing event and continued upsell across our advertising packages. The average number of retailer forecourts grew 1% to 13,316 (H1 2019: 13,153), although much of the growth came through smaller retailers. This slightly diluted ARPR growth, which increased by £125 to £1,951 (H1 2019: £1,826). The 7% increase came from both product and price growth, which was slightly offset by an expected small decline in paid stock:

- Price: price contributed £50 (H1 2019: £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 relatively slow auction market, brought about by a lack of confidence in trade valuations and dented consumer confidence, has at times led to lower levels of inventory being held by some of our customers. The number of cars advertised on autotrader.co.uk increased by 10% to 481,000 (H1 2019: 437,000). However, excluding new car, Private and Home Trader listings, the stock lever declined by a marginal £5 (H1 2019: decline of £45).
- Product: the largest contributor to ARPR growth in the period was revenue generated from product upsell, which added £80 to ARPR (H1 2019: £142). Penetration of our higher yielding Advanced and Premium packages continues to grow, reaching 21% by September 2019 (September 2018: 15%) as retailers continue to see the advantage of investing in greater levels of prominence for their adverts. In April 2019, we monetised a Vehicle Check product, in partnership with Experian, which allows retailers to check vehicles they might be looking to source and creates a more transparent consumer experience on the Auto Trader full page advert. There was a small headwind to product growth as we passed revenue across into our joint venture, Dealer Auction, as part of the transaction completed in January 2019.

Home Trader revenue declined by 9% to £4.9m (H1 2019: £5.4m), as we have seen some migration to our subscription packages with revenue appearing within Retailer. A reduced number of transactions of older vehicles has also had some impact in this area. Other revenue increased to £1.0m (H1 2019: £0.6m).

Consumer services revenue increased 5% in the period to £15.9m (H1 2019: £15.2m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, increased to £11.8m (H1 2019: £11.0m). This represents growth of 7% in the period driven by an increase in advert yield, with the launch of a top-level package with longer duration. Motoring services revenue decreased by 2% to £4.1m (H1 2019: £4.2m).

Revenue from Manufacturer & Agency customers declined by 22% to £9.0m (H1 2019: £11.5m) as market pressures through Brexit uncertainty and regulatory changes have resulted in lower marketing spend through the first half.

Costs

Total costs increased by 2% to £57.1m (H1 2019: £56.2m).

	H1 2020 £m	H1 2019 £m	Change
People costs (inc. share-based payments)	(28.1)	(28.4)	1%
Marketing	(10.1)	(9.2)	(10%)
Other costs	(15.6)	(14.1)	(11%)
Depreciation & amortisation	(3.3)	(4.5)	27%
Total administrative expenses	(57.1)	(56.2)	(2%)

People costs, which comprise all staff costs and third-party contractor costs, decreased by 1% to £28.1m (H1 2019: £28.4m). The decrease in people costs was partially driven by a reduction in the average number of full-time equivalent employees (including contractors) to 798 (H1 2019: 802), as a result of the transfer of 15 employees to Dealer Auction, our joint venture with Cox Automotive UK.

Marketing spend increased by 10% in the first half to £10.1m (H1 2019: £9.2m) as we launched an advertising campaign to promote our new car proposition. We expect marketing to be 5% of revenue for the full financial year.

Other costs, which include data services, property related costs and other overheads, increased by 11% to £15.6m (H1 2019: £14.1m). The increase comes largely as a result of the Group's ongoing migration to cloud-based services which increases the level of resilience, security and speed of releasing software whilst over time reducing the need for capital expenditure in physical on-site assets. There were also costs linked to our Retail Accelerator product and Experian costs associated to our new Vehicle Check product.

Depreciation and amortisation declined to £3.3m (H1 2019: £4.5m) with the reduction coming from the Group's self-developed billing system assets becoming fully amortised.

Share of profit from joint ventures

The Group's profit from its share in joint ventures totalled £1.8m (H1 2019: £nil) in the period following its formation in January 2019.

Operating profit

During the period Operating profit grew 9% to £131.4m (H1 2019: £120.6m). Operating profit margin increased by two percentage points to 70% (H1 2019: 68%).

	H1 2020 £m	H1 2019 £m	Change
Revenue	186.7	176.8	6%
Administrative expenses	(57.1)	(56.2)	(2%)
Share of profit from joint ventures	1.8	–	–
Operating profit	131.4	120.6	9%

Finance costs

Finance costs decreased to £3.7m (H1 2019: £6.1m). Interest costs on the Group's Syndicated revolving credit facility ('Syndicated RCF') totalled £3.1m (H1 2019: interest on the RCF and former Syndicated Facilities Agreement totalled £3.2m). The decrease reflects a reduced average drawn level through the period. At 30 September 2019 the Group had drawn £328.5m of the facility (30 September 2018: £323.0m). Amortisation of debt costs amounted to £0.3m (H1 2019: £2.4m), a decrease year on year as the H1 2019 charge included £2.2m of accelerated costs relating to our previous facility. Interest costs relating to leases totalled £0.3m (H1 2019: £0.5m).

In June 2019, the Group extended the term for £316.5m of the £400.0m Syndicated RCF for an additional year to June 2024, incurring additional associated debt transaction costs of £0.5m.

Profit before taxation

Profit before taxation increased by 12% to £127.7m (H1 2019: £114.5m). The Group tax charge of £24.5m (H1 2019: £21.9m) represents an effective tax rate of 19.2% (H1 2019: 19.1%) in line with the average standard UK rate.

Earnings per share

Basic earnings per share rose by 14% to 11.13 pence (H1 2019: 9.78 pence) based on a weighted average number of ordinary shares in issue of 927,462,164 (H1 2019: 946,569,892). Diluted earnings per share of 11.08 pence (H1 2019: 9.75 pence) increased by 14%, based on 931,641,648 shares (H1 2019: 949,881,273) which takes into account the dilutive impact of outstanding share awards.

Cash flow

Cash generated from operations increased to £132.7m (H1 2019: £129.0m) primarily from Operating profit growth coupled with a strong level of cash conversion. Corporation tax payments increased to £47.3m (H1 2019: £19.8m) as HMRC accelerated the due dates for quarterly instalment payments for companies with accounting periods beginning on or after 1 April 2019. As well as the final two quarterly instalments for tax relating to financial year 2019, the Group was required to make the first two instalments for financial year 2020. Net cash generated from operating activities therefore reduced to £85.4m (H1 2019: £109.2m).

Capital structure and dividends

The Group's capital allocation policy remains unchanged with the priorities being to invest in the business, organically or through acquisitions, 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.

The final dividend for the year ended 31 March 2019 of 4.6 pence per share (H1 2019: 4.0 pence) was paid on 27 September 2019, totaling £42.6m (H1 2019: £37.9m). During the period, a total of 5.1 million shares (H1 2019: 9.6 million) were repurchased for a total consideration of £27.2m (H1 2019: £42.9m) before transaction costs of £0.1m (H1 2019: £0.2m). This decrease in the number of shares repurchased in the period was largely due to a reduction in the level of surplus cash available. Total cash returned to shareholders in the period was £69.8m (H1 2019: £80.8m).

For H1 2020, the Board has declared an interim dividend of 2.4 pence per share. The interim dividend will be paid on 24 January 2020 to members on the register on 3 January 2020.

Going concern

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

Post balance sheet event

Since the end of the reporting period, the Group acquired the entire share capital of KeeResources Limited for consideration net of cash acquired of £25.3 million. KeeResources annual revenue and Operating profit for the financial year ending December 2018 was £5.5 million and £0.8 million respectively. As at the date of this report, we have not yet concluded the accounting for this acquisition.

Trevor Mather
Chief Executive Officer
7 November 2019

Nathan Coe
Chief Financial Officer & Chief Executive Officer-designate
7 November 2019

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
7 November 2019

Nathan Coe
Chief Financial Officer & Chief Executive Officer-designate
7 November 2019

Condensed Consolidated interim income statement

For the six months ended 30 September 2019

	Note	6 months to September 2019 £m	6 months to September 2018 £m	Year to March 2019 £m
Revenue	3	186.7	176.8	355.1
Administrative expenses		(57.1)	(56.2)	(112.3)
Share of profit from joint ventures		1.8	–	0.9
Operating profit	2	131.4	120.6	243.7
Finance costs	4	(3.7)	(6.1)	(10.2)
Profit on the sale of subsidiary		–	–	8.7
Profit before taxation		127.7	114.5	242.2
Taxation	5	(24.5)	(21.9)	(44.5)
Profit for the period attributable to equity holders of the parent		103.2	92.6	197.7
Earnings per share:				
Basic EPS (pence)	6	11.13	9.78	21.00
Diluted EPS (pence)	6	11.08	9.75	20.94

Condensed Consolidated interim statement of comprehensive income

For the six months ended 30 September 2019

	6 months to September 2019 £m	6 months to Septem- ber 2018 £m	Year to March 2019 £m
Profit for the period	103.2	92.6	197.7
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	0.2	0.1	(0.1)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(0.1)	–	0.2
Other comprehensive income for the period, net of tax	0.1	0.1	0.1
Total comprehensive income for the period attributable to equity holders of the parent	103.3	92.7	197.8

Condensed Consolidated interim balance sheet

As at 30 September 2019

	Note	September 2019 £m	September 2018 £m	March 2019 £m
Assets				
Non-current assets				
Intangible assets		316.6	328.1	317.5
Property, plant and equipment	7	11.9	18.1	16.7
Deferred taxation assets		6.5	5.9	6.2
Net investments in joint ventures		50.8	–	49.0
		385.8	352.1	389.4
Current assets				
Trade and other receivables	8	57.9	57.0	56.1
Cash and cash equivalents		31.1	3.6	5.9
		89.0	60.6	62.0
Total assets		474.8	412.7	451.4
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	14	9.3	9.4	9.3
Retained earnings		1,134.8	1,057.3	1,095.8
Capital reorganisation reserve		(1,060.8)	(1,060.8)	(1,060.8)
Own shares held	15	(19.2)	(17.0)	(16.5)
Capital redemption reserve		0.7	0.6	0.7
Other reserves		30.7	30.7	30.5
Total equity		95.5	20.2	59.0
Liabilities				
Non-current liabilities				
Borrowings	13	325.7	320.0	310.3
Deferred taxation liabilities		0.3	0.6	0.5
Lease liabilities	7	7.9	15.1	14.3
Retirement benefit obligations	10	–	–	–
Provisions for other liabilities and charges		1.1	–	1.0
		335.0	335.7	326.1
Current liabilities				
Trade and other payables	9	41.7	32.0	41.8
Current income tax liabilities		–	22.4	22.4
Lease liabilities	7	2.3	2.1	1.8
Provisions for other liabilities and charges		0.3	0.3	0.3
		44.3	56.8	66.3
Total liabilities		379.3	392.5	392.4
Total equity and liabilities		474.8	412.7	451.4

Condensed Consolidated interim statement of changes in shareholders' equity

For the six months ended 30 September 2019

	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 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 16)	–	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 16)	–	(2.2)	2.2	–	–	–	–
Transfer of shares from ESOT	–	(0.5)	0.5	–	–	–	–
Dividends paid (note 11)	–	(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
Profit for the period	–	105.1	–	–	–	–	105.1
Other comprehensive income:							
Currency translation differences	–	–	–	–	–	(0.2)	(0.2)
Remeasurements of post-employment benefit obligations	–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax	–	105.3	–	–	–	(0.2)	105.1
Transactions with owners:							
Share-based payments (note 16)	–	2.1	–	–	–	–	2.1
Deferred tax on share-based payments	–	0.1	–	–	–	–	0.1
Tax credit in respect of share-based payments	–	0.2	–	–	–	–	0.2
Cancellation of shares (note 14)	(0.1)	(47.9)	–	–	0.1	–	(47.9)
Repurchase of own shares for treasury (note 15)	–	–	(3.0)	–	–	–	(3.0)
Exercise of share-based incentives	–	(1.5)	3.4	–	–	–	1.9
Transfer of shares from ESOT	–	(0.1)	0.1	–	–	–	–
Dividends paid (note 16)	–	(19.7)	–	–	–	–	(19.7)
Total transactions with owners, recognised directly in equity	(0.1)	(66.8)	0.5	–	0.1	–	(66.3)
Balance at March 2019	9.3	1,095.8	(16.5)	(1,060.8)	0.7	30.5	59.0
Profit for the period	–	103.2	–	–	–	–	103.2
Other comprehensive income:							
Currency translation differences	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations	–	(0.1)	–	–	–	–	(0.1)
Total comprehensive income, net of tax	–	103.1	–	–	–	0.2	103.3
Transactions with owners:							
Share-based payments (note 16)	–	2.7	–	–	–	–	2.7
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)	–	(23.0)	–	–	–	–	(23.0)
Repurchase of own shares for treasury (note 15)	–	–	(4.3)	–	–	–	(4.3)
Exercise of share-based incentives (note 16)	–	(1.5)	1.6	–	–	–	0.1
Dividends paid (note 11)	–	(42.6)	–	–	–	–	(42.6)
Total transactions with owners, recognised directly in equity	–	(64.1)	(2.7)	–	–	–	(66.8)
Balance at September 2019	9.3	1,134.8	(19.2)	(1,060.8)	0.7	30.7	95.5

Condensed Consolidated interim statement of cash flows

For the six months ended 30 September 2019

	Note	6 months to September 2019 £m	6 months to September 2018 £m	Year to March 2019 £m
Cash flows from operating activities				
Cash generated from operations	12	132.7	129.0	258.5
Tax paid		(47.3)	(19.8)	(42.2)
Net cash generated from operating activities		85.4	109.2	216.3
Cash flows from investing activities				
Purchases of intangible assets – financial systems		(0.1)	(0.3)	(0.3)
Purchases of intangible assets – other		(0.1)	–	(0.3)
Purchases of property, plant and equipment		(0.7)	(0.5)	(1.7)
Payment for acquisition of shares in joint ventures		–	–	(19.7)
Net cash used in investing activities		(0.9)	(0.8)	(22.0)
Cash flows from financing activities				
Dividends paid to Company's shareholders	11	(42.6)	(37.9)	(57.6)
Drawdown/(Repayment) of borrowings	13	15.5	(20.0)	(30.0)
Payment of lease liabilities		(1.3)	(1.6)	(3.1)
Payment of refinancing fees		(0.5)	(3.3)	(3.3)
Payment of interest on borrowings		(3.1)	(3.3)	(6.6)
Purchase of own shares for cancellation		(22.9)	(40.1)	(87.7)
Purchase of own shares for treasury	15	(4.3)	(2.8)	(5.8)
Payment of fees on repurchase of own shares	14	(0.1)	(0.2)	(0.5)
Proceeds from exercise of share-based incentives		0.1	0.1	1.9
Contributions to defined benefit pension scheme		(0.1)	–	–
Net cash used in financing activities		(59.3)	(109.1)	(192.7)
Net increase/ (decrease) in cash and cash equivalents		25.2	(0.7)	1.6
Cash and cash equivalents at beginning of period		5.9	4.3	4.3
Cash and cash equivalents at end of period		31.1	3.6	5.9

Notes to the Condensed Consolidated interim financial statements

1 General information

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 2019. The comparative financial information presented has been prepared as at, and for the six months ended 30 September 2018.

The condensed consolidated interim financial information presented as at, and for the six months ended, 30 September 2019 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 2019 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 2019 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 2019 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 2019.

Going concern

The Group has continued to generate significant cash from operating activities. 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.

Changes in accounting policies

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 2019. 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.

2 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 consolidated income statement.

Management has determined that there is one operating and reporting segment based on the reports reviewed by the Operational Leadership Team ('OLT') which 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.

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the one operating segment. To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue at a disaggregated level as detailed within note 3. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

A reconciliation of the one segment's Operating profit to Profit before tax is shown below.

	Note	September 2019 £m	September 2018 £m	March 2019 £m
Total segment operating profit		131.4	120.6	243.7
Finance costs - net	4	(3.7)	(6.1)	(10.2)
Profit on the sale of subsidiary		–	–	8.7
Profit before tax		127.7	114.5	242.2

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.

3 Revenue

In the following table the Group's revenue is disaggregated by customer type. This level of disaggregation is consistent with that used by the OLT to assist in the analysis of the Group's revenue-generating trends.

	September 2019 £m	September 2018 £m	March 2019 £m
Trade	161.8	150.1	304.6
Consumer services	15.9	15.2	28.0
Manufacturer & Agency	9.0	11.5	22.5
Total revenue	186.7	176.8	355.1

4 Finance costs

	September 2019	September 2018	March 2019
	£m	£m	£m
On borrowings	3.1	3.2	6.5
Amortised debt issue costs	0.3	2.4	2.8
Interest on lease liabilities	0.3	0.5	0.9
Total finance costs	3.7	6.1	10.2

5 Taxation

	September 2019	September 2018	March 2019
	£m	£m	£m
Total taxation charge	24.5	21.9	44.5

The taxation charge for the year is based on the standard rate of UK corporation tax for the period of 19% (March 2019: 19%). Management's best estimate of the effective tax rate for the six months to September 2019 after tax adjustments was 19.2% (September 2018: 19.1%).

6 Earnings per share

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Six months ended September 2019			
Basic EPS	927,462,164	103.2	11.13
Diluted EPS	931,641,648	103.2	11.08
Six months ended September 2018			
Basic EPS	946,569,892	92.6	9.78
Diluted EPS	949,881,273	92.6	9.75
Year ended March 2019			
Basic EPS	941,506,424	197.7	21.00
Diluted EPS	944,254,998	197.7	20.94

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 and Single Incentive Plan 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 year is reconciled to the basic and diluted weighted average number of shares below:

	6 months ended September 2019
	Number of shares
Issued ordinary shares at 31 March 2019	933,197,563
Less weighted effect of shares held by the ESOT	(549,372)
Less weighted effect of shares held in treasury	(4,171,914)
Less weighted effect of shares repurchased and cancelled	(1,014,113)
Weighted average number of shares for basic EPS	927,462,164
Dilutive impact of share options outstanding	4,179,484
Weighted average number of shares for diluted EPS	931,641,648

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 and property, plant and equipment

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 2019	September 2018	March 2019
	£m	£m	£m
Property plant and equipment owned	4.4	5.2	4.8
Right-of-use assets	7.5	12.9	11.9
	11.9	18.1	16.7

Right-of-use assets	Property	Vehicles	Other	Total
	£m	£m	£m	£m
Opening balance at 1 April 2018	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
Opening balance at 1 April 2019	11.5	0.3	0.1	11.9
Disposals	(1.4)	–	–	(1.4)
Modifications	(2.2)	–	–	(2.2)
Depreciation	(0.7)	(0.1)	–	(0.8)
Closing balance at 30 September 2019	7.2	0.2	0.1	7.5

Lease liabilities	September 2019	September 2018	March 2019
	£m	£m	£m
Current	2.3	2.1	1.8
Non-current	7.9	15.1	14.3
Total	10.2	17.2	16.1

8 Trade and other receivables

	September 2019	September 2018	March 2019
	£m	£m	£m
Trade receivables (net of provision)	25.1	26.6	24.9
Accrued income	29.4	27.4	28.0
Prepayments	3.2	2.9	2.9
Other receivables	0.2	0.1	0.3
Total	57.9	57.0	56.1

9 Trade and other payables

	September 2019	September 2018	March 2019
	£m	£m	£m
Trade payables	3.3	3.2	4.3
Accruals	10.3	11.4	10.5
Other taxes and social security	14.5	14.0	13.0
Deferred income	13.0	2.1	13.2
Other payables	0.2	0.9	0.3
Accrued interest payable	0.4	0.4	0.5
Total	41.7	32.0	41.8

10 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.

Defined contribution scheme

In the period the pension contributions to the Group defined contribution scheme amounted to £0.9m (September 2018: £0.9m; March 2019: £2.2m). At 30 September 2019, there were £0.3m (September 2018: £0.3m; March 2019: £0.3m) of pension contributions outstanding relating to the Group's defined contribution scheme.

Defined benefit 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 2019 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	September 2019	September 2018	March 2019
	£m	£m	£m
Present value of funded obligations	21.8	18.8	20.0
Fair value of plan assets	(23.8)	(21.9)	(22.2)
Effect of surplus cap	2.0	3.1	2.2
Net liability recognised in the balance sheet	-	-	-

The surplus of £2.0m as at September 2019, £3.1m as at September 2018 and £2.2m as at March 2019 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 2019	September 2018	March 2019
	£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 2019	September 2018	March 2019
	£m	£m	£m
Return on Scheme assets (in excess of) / below that recognised in net interest	(1.7)	0.8	(0.9)
Actuarial losses/(gains) due to changes in assumptions	2.1	1.0	0.3
Actuarial (gains)/losses due to liability experience	(0.1)	-	(0.5)
Effect of surplus cap	(0.2)	(1.8)	0.9
Total amounts recognised in the statement of other comprehensive income	0.1	-	(0.2)

10 Retirement benefit obligations (continued)

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

	September 2019	September 2018	March 2019
	£m	£m	£m
At beginning of period	-	-	-
Expense recognised in the income statement	-	-	0.4
Contributions paid to scheme	(0.1)	-	(0.1)
Remeasurement and experience (gains)/losses	0.3	(1.8)	(1.2)
Effect of surplus cap	(0.2)	1.8	0.9
Closing post retirement benefit obligation	-	-	-

11 Dividends

Dividends declared and paid in the period were as follows:

	September 2019		September 2018	
	Pence per share	£m	Pence per share	£m
2019 final dividend paid	4.6	42.6	-	-
2018 final dividend paid	-	-	4.0	37.9
Total	4.6	42.6	4.0	37.9

An interim dividend of 2.4p per share for the six months to September 2019 (September 2018: 2.1p) has been declared by the Directors', totaling £22.2m (September 2018: £19.7m) based on the number of shares eligible for the distribution as at 30 September 2019. The interim dividend is payable on 24 January 2020 to shareholders on the register at the close of business on 3 January 2020. No provision has been made for the interim dividend and there are no income tax consequences.

The 2019 final dividend paid on 24 September 2019 was £42.6m.

12 Cash generated from operations

	6 months to September 2019	6 months to September 2018	Year to March 2019
	£m	£m	£m
Profit before taxation	127.7	114.5	242.2
Adjustments for:			
Depreciation	2.0	2.5	4.9
Amortisation	1.3	2.0	4.0
Share-based payments charge (excluding associated NI)	2.7	2.6	4.7
Loss on sale of property, plant and equipment	-	-	0.1
Difference between pension charge and cash contributions	-	-	0.3
Share of profit in joint ventures	(1.8)	-	(0.9)
Lease disposals and modifications	(0.3)	-	-
Finance costs	3.7	6.1	10.2
Profit on sale of subsidiary	-	-	(8.7)
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Trade and other receivables	(1.8)	(2.4)	(1.5)
Trade and other payables	0.1	3.7	2.2
Provisions	(0.9)	-	1.0
Cash generated from operations	132.7	129.0	258.5

13 Borrowings

	September 2019	September 2018	March 2019
	£m	£m	£m
Non-current			
Syndicated revolving credit facility gross of unamortised debt issue cost	328.5	323.0	313.0
Unamortised debt issue costs on Syndicated revolving credit facility	(2.8)	(3.0)	(2.7)
Total borrowings	325.7	320.0	310.3

The Syndicated revolving credit facility is repayable as follows:

	September 2019	September 2018	March 2019
	£m	£m	£m
Within two to five years	328.5	323.0	313.0
Total	328.5	323.0	313.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). The Syndicated RCF, which is unsecured, has total commitments of £400.0m and the associated debt transaction costs at initiation were £3.3m.

On 5 June 2019, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The Syndicated RCF will now terminate in two tranches:

- £316.5m will mature in June 2024; and
- £83.5m will mature at the original termination date of June 2023.

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.

14 Share capital

	As at 30 September 2019		As at 30 September 2018		As at 31 March 2019	
	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	933,198	9.3	952,161	9.5	952,161	9.5
Purchase and cancellation of own	(4,342)	-	(9,045)	(0.1)	(18,963)	(0.2)
Total	928,856	9.3	943,116	9.4	933,198	9.3

In June 2016 the Company commenced a share buy-back programme. By resolutions passed at the 2018 AGM and the 2019 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 2019, a total of 5,116,418 shares were purchased (September 2018: 9,639,891; March 2019: 20,229,881), of which 774,734 were purchased to be held in treasury with the remaining 4,341,684 shares being cancelled (September 2018: 9,044,891 shares were purchased and cancelled, March 2019: 18,963,881 shares were purchased and cancelled). The average price paid per share was 531.8p (September 2018: 445.0p; March 2019: 461.5p), with a total consideration paid, inclusive of all costs, of £27.3m (September 2018: £43.1m; March 2019: £94.0m).

Included within shares in issue at 30 September 2019 are 538,452 (September 2018: 616,752; March 2019: 565,555) shares held by the ESOT and 4,370,787 (September 2018: 4,200,807; March 2019: 3,996,041) 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 £m			
Own shares held as at 31 March 2018	(1.4)	(15.5)	(16.9)
Own shares held as at 30 September 2018	(0.9)	(16.1)	(17.0)
Own shares held as at 1 October 2018	(0.9)	(16.1)	(17.0)
Own shares held as at 31 March 2019	(0.8)	(15.7)	(16.5)
Own shares held as at 1 April 2019	(0.8)	(15.7)	(16.5)
Repurchase of own shares for treasury	-	(4.3)	(4.3)
Share-based incentives exercised in the period	-	1.6	1.6
Own shares held as at 30 September 2019	(0.8)	(18.4)	(19.2)

	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of shares
Own shares held - number			
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
Own shares held as at 1 October 2018	616,752	4,200,807	4,817,559
Transfer of shares from ESOT	(51,197)	-	(51,197)
Repurchase of own shares for treasury	-	671,000	671,000
Share-based incentives exercised in the period	-	(875,766)	(875,766)
Own shares held as at 31 March 2019	565,555	3,996,041	4,561,596
Own shares held as at 1 April 2019	565,555	3,996,041	4,561,596
Transfer of shares from ESOT	(27,103)	-	(27,103)
Repurchase of own shares for treasury	-	774,734	774,734
Share-based incentives exercised in the period	-	(399,988)	(399,988)
Own shares held as at 30 September 2019	538,452	4,370,787	4,909,239

16 Share-based payments

The Group currently operates four share plans: the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus and Single Incentive Plan and the Sharesave scheme.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme.

The total charge in the period relating to the five schemes was £3.1m (September 2018: £3.2m; March 2019: £5.9m). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

16 Share-based payments (continued)

	September 2019	September 2018	March 2019
	£m	£m	£m
Share Incentive Plan	-	-	-
Sharesave scheme	0.2	0.3	0.3
Performance Share Plan	0.9	1.1	2.1
Deferred Annual Bonus and Single Incentive Plan	1.6	1.2	2.3
Total share-based payment charge	2.7	2.6	4.7
NI and apprenticeship levy on applicable schemes	0.4	0.6	1.2
Total charge	3.1	3.2	5.9

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015, subject to a three-year service period ('Vesting Period'). The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured to be £2.72 using the Black-Scholes model. The resulting share-based payments charge is being spread evenly over the Vesting Period.

UK SIP	September 2019	September 2018	March 2019
	Number	Number	Number
Outstanding at beginning of period	320,872	690,791	690,791
Dividend shares award in the period	-	-	4,518
Forfeited in the period	(2,650)	(9,275)	(9,275)
Released in the period	(22,952)	(311,469)	(365,162)
Outstanding at period ending	295,270	370,047	320,872

Irish SIP	September 2019	September 2018	March 2019
	Number	Number	Number
Outstanding at beginning of period	5,416	35,922	35,922
Exercised in the period	(2,708)	(30,506)	(30,506)
Outstanding at period ending	2,708	5,416	5,416

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. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 17 June 2019, the Group awarded 259,885 nil cost options under the PSP scheme. For the 2019 awards, in line with the 2018 awards, the Group's performance is measured by reference to the growth in Operating profit (75% of the award) and growth in Revenue (25% of the award) over the three-year period April 2019 – March 2022 (2018 awards: April 2018 – March 2021).

For other previous awards, the Group's performance had been 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.

16 Share-based payments (continued)

	September 2019 Number	September 2018 Number	March 2019 Number
Outstanding at beginning of period	2,978,478	3,104,563	3,104,563
Options granted in the period	259,885	452,695	452,695
Dividend shares awarded	8,570	9,749	9,749
Options exercised in the period	(105,411)	(307,769)	(483,316)
Options forfeited in the period	(435,551)	(5,980)	(105,213)
Outstanding at period ending	2,705,971	3,253,258	2,978,478

Deferred Annual Bonus and Single Incentive Plan

The Group operates the Deferred Annual Bonus and Single Incentive Plan for the Operational Leadership Team and certain key employees. The Plan consists of two schemes, the Deferred Annual Bonus ('DAB') and the Single Incentive Plan Award ('SIPA').

Deferred Annual Bonus

The Group operates a Deferred Annual scheme 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 DAB awards have been valued using the Black-Scholes method and the resulting share-based payments charge is being spread evenly over the combined performance period and Vesting Period of the shares, being three years.

	September 2019 Number	September 2018 Number	March 2019 Number
Outstanding at beginning of period	149,397	303,880	303,880
Options granted in the period	95,062	71,552	71,552
Dividend shares awarded	2,261	3,343	3,343
Options exercised in the period	(80,106)	(229,378)	(229,378)
Outstanding at period ending	166,614	149,397	149,397

Single Incentive Plan

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

On 17 June 2019, the Group awarded 699,024 nil cost options under the SIPA scheme. For the 2019 awards, the Group's performance is measured by reference to Operating profit (75% of the award), live car stock advertised on autotrader.co.uk (12.5% of the award) and the number of retailers paying for the new car product as at 31 March 2020 (12.5% of the award), as well as separate individual performance conditions for some OLT members and key employees. The fair value of the 2019 award was determined to be £5.65 per option using a Black-Scholes pricing model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

16 Share-based payments (continued)

	September 2019 Number	September 2018 Number	March 2019 Number
Outstanding at beginning of period	923,052	-	-
Options granted in the period	699,024	974,106	974,106
Dividend shares awarded	4,109	-	-
Options forfeited in the year	(169,167)	-	(51,054)
Options exercised in the year	(235,118)	-	-
Outstanding at period ending	1,221,900	974,106	923,052

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options.

Fair value is measured by use of a Black-Scholes model and the resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

	September 2019 Number	September 2018 Number	March 2019 Number
Outstanding at beginning of period	1,347,698	1,530,852	1,530,852
Options granted in the period	-	-	699,528
Options exercised in the period	(42,596)	(21,529)	(721,748)
Options lapsed in the period	(89,982)	(98,914)	(160,934)
Outstanding at period ending	1,215,120	1,410,409	1,347,698

17 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.

Dealer Auction (Holdings) Limited

The Group transacted the following related party transactions with its joint venture, Dealer Auction (Holdings) Limited and its subsidiaries (together 'Dealer Auction'), during the period.

The Group provided data services to Dealer Auction under a license agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.3m and has been recognised within revenue. At 30 September 2019, deferred income outstanding in relation to the license agreement was £10.9m.

The Group provided services to Dealer Auction as per the Transitional Services Agreement entered into on its formation. The Group also seconded an employee from the 8 April 2019 for the remainder of the period. The Group did not charge Dealer Auction for the provision of these services, the total value of which are estimated to be £0.1m.

The Group also provided invoicing and collection services for Dealer Auction's Smart Buying product. Cash is collected by the Group and passed through to Dealer Auction. The total amount invoiced on behalf of Dealer Auction during the period was £0.7m.

During the period Dealer Auction provided data services to the Group amounting to £0.6m. Services were provided to the Group on an arms length basis and recorded as administrative expenses within the Consolidated income statement.

The Group had a creditor of £0.2m of outstanding with Dealer Auction as at 30 September 2019.

17 Related party transactions (continued)

Key management personnel

Key management personnel share plan awards have been outlined in note 16 above.

18 Post balance sheet event

On 1 October 2019, Auto Trader Limited, a subsidiary of Auto Trader Group plc, acquired the entire share capital of KeeResources Limited and its subsidiary undertakings for consideration, net of cash acquired of £25.3m.

KeeResources is a trusted provider of software, data, and digital solutions to the auto-motive industry, including a detailed vehicle dataset for new and used cars which Auto Trader uses to power its platform. KeeResources has been an integral supplier to Auto Trader, as its unique vehicle data underpins much of the Auto Trader core platform. Annual revenue and Operating profit of KeeResources Limited for the financial year ending December 2018 was £5.5m and £0.8m respectively.

As at the date of this report, we have not yet concluded the accounting for this acquisition.

19 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.

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 reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturers' spend on digital display advertising.</p> <p>There continues to be uncertainty surrounding the nature and timing of the UK's departure from the EU and the outcome of the upcoming general election. Economic conditions, currency volatility and consumer confidence levels could all be adversely affected, with the impact likely to be greater in a no-deal scenario. If the prices of cars increase, as tariffs are introduced, and consumer confidence levels decrease, manufacturers' appetite to supply cars to the UK market reduces, this could have an adverse impact on our business.</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.</p> <p>Failure to maintain and protect our brand, or 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 several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services 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 develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront 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 the public, car retailers and advertisers.</p>

Principal risk	Impact
6. Employees	<p>This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.</p> <p>Our continued success requires us to attract, recruit, motivate and retain 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>
7. Reliance on third parties	<p>We continue to rely on third parties, particularly with regard to financing and vehicle checks, however we have now secured our access to taxonomy through our acquisition of KeeResources. It is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from dealer customers and a loss of audience due to impaired consumer experience.</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 2019 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 2019 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
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7 November 2019