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AUTO TRADER GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2020

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces full year results for the year ended 31 March 2020

What we have done since the COVID-19 outbreak (principally relating to the period after 31 March 2020)

- Our priority has been the physical and mental wellbeing of our people, and providing support to them through the crisis
- We supported our retailer customers by providing free advertising during April and May when they were closed, followed by a 25% discount in June
- In the first three weeks of June we have seen record levels of audience, with cross platform visits up 28% on the same period last year
- In April and May, while we were loss making and our customers remained closed, we utilised the Government's Coronavirus Job Retention Scheme for a short amount of time. All furloughed employees returned to working from 21 May 2020
- When the crisis passes, we will return all money received to date under the furlough programme
- On 1 April 2020, we announced the placing of approximately 46m shares, raising gross proceeds of £186m, which strengthened our balance sheet and liquidity position. This equity raise gave us the flexibility to act in the best interests of all of our stakeholders

Financial highlights for the year ended March 2020

- Revenue up 4% to £368.9 million (2019: £355.1 million)
- Operating profit up 6% to £258.9 million (2019: £243.7 million) with Operating profit margin increasing to 70% (2019: 69%)
- Profit before tax up 4% to £251.5 million (2019: £242.2 million). The prior year included a one-off £8.7 million profit recognised on disposal of Smart Buying to our joint venture, Dealer Auction
- Basic EPS up 6% to 22.19p per share (2019: 21.00p)
- Cash generated from operations¹ up 3% to £265.5 million (2019: £258.5 million)
- £126.4 million of cash returned to shareholders (2019: £151.1 million) through £61.7 million of share buy-backs (2019: £93.5 million) plus dividends paid of £64.7 million (2019: £57.6 million)
- Net bank debt² reduced by £31.7 million to £275.4 million (2019: £307.1 million) with leverage³ at 1.0x (2019: 1.2x)
- As anticipated, no final dividend proposed given the current uncertainties surrounding the COVID-19 pandemic (2019: 4.6 pence per share). Total dividend for the year is therefore 2.4 pence per share (2019: 6.7 pence per share), being the interim dividend which was paid in January 2020. We are hopeful for an early return to our previous capital return policy

Operational highlights for the year ended March 2020

- Audience engagement remains strong: cross platform visits^{4,5} per month up 3% to 50.8 million (2019: 49.1 million); share of time spent by consumers on automotive platforms^{4,6} up to over 75%, now 9x larger than our

nearest competitor (2019: 5x larger) and the highest level since our IPO. Full page advert views per month^{4,7} decreased 2% to 235 million (2019: 239 million)

- Average Revenue Per Retailer forecourt⁴ ('ARPR') per month up 6% or £105 to £1,949 (2019: £1,844), with growth from product and price offsetting the expected reduction in stock
- Retailer forecourts⁴ growth of 1%, increasing to 13,345 (2019: 13,240)
- Physical car stock on site^{4,8} up 4% to 478,000 cars (2019: 461,000). Our new car listings product contributed over 31,000 to that average (2019: 12,000)

Strategic highlights for the year ended March 2020

- Successfully monetised our new car proposition with over 1,000 retailers paying to advertise new cars on our marketplace by the end of the financial year. Through the year there was an average of over 31,000 physical new cars advertised on our platforms
- As part of our April 2019 pricing event we launched two new products to retailers: Text Chat and our Vehicle Check product that we run in partnership with Experian. These products provide benefit for both consumers and retailers, helping to build trust between the two
- We are pleased to see that stock penetration of our Advanced and Premium packages⁹ continues to increase, reaching 23% (2019: 19%), as retailers continue to see the benefits of paying more to appear with a greater level of prominence on our site
- We acquired KeeResources, a trusted data and systems provider to the automotive industry. This has secured the vehicle data which underpins much of our core platform
- Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020. Moving on to Auto Trader's platform sets the business up to leverage the scale of both Auto Trader and Cox Automotive

Nathan Coe, Chief Executive Officer of Auto Trader Group plc, said:

"We are pleased with our achievements in the past financial year, however we recognise these have been well and truly surpassed by the events of the past few months. Through this time, we have been absolutely committed to supporting our people and customers in the face of the most challenging conditions ever experienced by our company or industry.

"Since the early stages of the pandemic we have endeavoured to act decisively and responsibly to ensure we and our customers could emerge in as strong a position as possible when the crisis passes. We've been encouraged by the strong initial bounce back in used car demand, and whilst the short-term outlook remains uncertain, we believe the case for moving more of the car buying process online is stronger than ever. We are looking forward to making this a reality with our customers in the years ahead.

"We would like to take this opportunity to thank our people for their unwavering commitment and support, and our customers for their trust in us through these most trying of times."

Outlook

April to June 2020 trading

Since 1 June, when retailers were able to re-open their showrooms, both visitors and enquiries have rebounded strongly and are now at record levels. With high levels of demand in the market, used car pricing has remained strong.

Despite an increased number of vehicles on our platforms, the number of retailers has declined by 3%. Whilst we retained more retailers than during the same period last year, this was not offset by the normal levels of new business.

We have been seeing a higher than average pipeline of customers exercising their 30-day notice period to leave the platform. Up until now, this has not translated into increased levels of cancellations.

The table below gives clarity on KPIs and financial performance through April, May and most of June 2020:

	March 2020	YoY %	April 2020	YoY %	May 2020	YoY %	1– 21 June	YoY %
Average retailers	13,298	(0%)	13,146	(1%)	12,921	(3%)	12,920	(3%)
Live car stock ('000)	487	1%	546	12%	534	10%	487	(0%)
Daily cross platform visits (m)	1.5	(13%)	1.2	(32%)	1.6	(7%)	2.1	28%

	April 2020	May 2020	June* (Estimated) 2020	June (Estimated) YoY%	Q1 (Estimated) 2020
Retailer	0.4	0.5	17.0	(34%)	17.9
Home trader	0.1	0.2	0.5	(38%)	0.8
Other trade	0.3	0.4	0.5	150%	1.2
Trade	0.8	1.1	18.0	(33%)	19.9
Consumer Services	0.6	1.4	2.3	(12%)	4.3
Manufacturer & agency	0.2	0.4	0.6	(65%)	1.2
Revenue	1.6	2.9	20.9	(33%)	25.4
Costs	(8.0)	(7.7)	(9.3)	7%	(25.0)
Share of profit from joint ventures	(0.2)	-	0.2	(33%)	-
Operating (loss)/ profit	(6.6)	(4.8)	11.8	(45%)	0.4

* June revenue was impacted by a 25% discount for retailer customers in England and a combination of discounts (100% and 25%) for other UK countries according to when restrictions were lifted. These discounts were applied to FY21 rates which took effect from 1 April.

At the end of May the Group had net bank debt of £80m and leverage of 0.4x.

July 2020 onwards

Following a period of reduced revenue through which we supported our customers, we will return to full rates from 1 July 2020. Based on current trends we would expect July retailer revenue to be down by mid-single digits on the same month last year.

Total Group costs are likely to decline at a rate of low-mid single digits as cost saving measures were taken in response to COVID-19. This was largely through reduced marketing and other smaller discretionary spend.

Given the situation, it is difficult sensibly to provide guidance on what the number of retailer forecourts or the level of stock might be over the coming months.

The reduction in stock levels and the stability in used car prices are a sign of industry health, which although negative for our stock on site at the moment, is positive for our customer base. The COVID-19 outbreak is likely to result in an increase in the level of exclusive use vehicle ownership. We believe the current environment will only accelerate the shift towards greater digitalisation of the car buying process. The Board therefore remains confident in Auto Trader's long-term growth prospects.

Analyst presentation

A presentation for analysts will be held via audio webcast and conference call at 9.30am, Thursday 25 June 2020. Details below.

Audio webcast: <https://edge.media-server.com/mmc/p/fimkcdqz>

Conference call details:

Location	Purpose	Phone Type	Number
United Kingdom, London	Participant	Local	+44 (0) 2071 928338
United Kingdom	Participant	Tollfree / Freephone	08002796619
United States, New York	Participant	Local	+16467413167
United States	Participant	Tollfree / Freephone	18778709135

Passcode: 9567728

Please note: Questions will only be taken from the conference call. Participants on the conference call who also plan on following the slides via the webcast should switch the webcast to *Phone mode* using the cogwheel icon located on the bottom right corner of the webcast screen to ensure the slides are synced to the phone audio rather than the webcast audio.

If you have any trouble registering or accessing either the conference call or webcast, please contact Powerscourt on the details below.

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.

For more information, please visit <http://about-us.autotrader.co.uk>

Cautionary statement

This announcement of annual 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	2020	2019	Change
Income statement				
Trade	£m	324.3	304.6	6%
Consumer services	£m	28.3	28.0	1%
Manufacturer & Agency	£m	16.3	22.5	(28%)
Revenue	£m	368.9	355.1	4%
Operating profit	£m	258.9	243.7	6%
Operating profit margin	%	70%	69%	1% pt
Profit before tax	£m	251.5	242.2	4%
Basic earnings per share	pence	22.19	21.00	6%
Dividend per share	pence	2.4	6.7	(64%)
Cash flow				
Cash generated from operations ¹	£m	265.5	258.5	3%
Net bank debt ²	£m	275.4	307.1	
Leverage ³ at March	times	1.0x	1.2x	
Key performance indicators				
Average Revenue Per Retailer forecourt ⁴	£ per month	1,949	1,844	6%
Physical car stock on site ^{4,8}	number	478,000	461,000	4%
Number of retailer forecourts ⁴	number	13,345	13,240	1%
Cross platform visits ^{4,5}	million per month	50.8	49.1	3%
Full page advert views ^{4,7}	million per month	235	239	(2%)
Full-time equivalent employees and contractors ⁴ (FTEs)	number	853	804	6%

1. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
2. Net bank debt is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements.
3. Leverage is Net bank debt as a multiple of EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, exceptional items which includes profit on disposal of subsidiaries and the share of profit from joint ventures).
4. Average during the year.
5. Cross platform visits measured by Google analytics.
6. Share of minutes is a custom metric based on comScore minutes (m) and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. The custom-defined list includes: Auto Trader, Gumtree motors, Pistonheads, Motors.co.uk & CarGurus.
7. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace.
8. Physical car stock advertised on autotrader.co.uk.
9. Average stock volume for retailers on Advanced and Premium car packages in March.

Our response to the COVID-19 crisis

Since the beginning of the global pandemic our priorities have been to: protect our people; support our customers; ensure we are able to emerge from lockdown quickly; and continue to make progress against our long-term strategic goals. Much to the credit of our people, we have continued to operate all aspects of our business to a high standard and believe we are well placed to prosper coming out of the other side of the pandemic.

Supporting our customers

Between 24 March 2020 and various points in June depending on location, our customers, who are predominantly vehicle retailers, were required to close their showrooms. Those customers ranged from large multi-site groups through to small independent retailers and sole traders. Our platforms are also used by private sellers, for whom selling a car is likely to have fallen lower in their priorities and manufacturers who have lowered their advertising spend due to distribution channels being closed.

During this time, we took the decision to stop charging our customers for an advertising service from which they could not immediately benefit, as their showrooms were required to close. We therefore went 'free' for all retailers from 1 April throughout the period which they were unable to open. At the time of taking this decision, ahead of Government announcements, it seemed simple, clear and appropriate given our intention to support our customers, many of whom run small businesses, and to be where the UK public looks to find their next car for the next 40 years, just as we have for the last 40 years.

In addition to not charging our retailer customers during the lockdown, we also extended payment terms for March services by 60 days. This ensured Auto Trader would not be a cash burden on its customers' businesses during this time.

On top of this financial support, just prior to the lockdown taking place, we implemented a stock offer so that retailers could advertise more of their vehicles on our platform at no additional cost. This resulted in up to 80,000 more cars on Auto Trader. We also gave retailers access to our new Market Insight product earlier than anticipated and created ways for retailers to advertise their vehicles even more effectively through the crisis with the creation of home delivery and live video flags. Finally, from 25 March 2020 we have hosted weekly webinars, with over 3,000 unique attendees engaging, to update the industry on what we are seeing on our platforms and hearing from industry bodies to help guide them through this turbulent period.

Home Trader customers and private individuals who advertise their vehicles on the Group's platforms were also impacted by the lockdown restrictions. To support these customers, we extended the tenure of all adverts that were live on 23 March 2020 to run through the lockdown period for free.

We do not believe that any other online advertising service, of any significance, has responded more promptly, clearly and definitively to the crisis. Our measures were well received by customers and we hope it will help us further deepen our relationships in the months and years ahead.

On 25 May 2020 the UK Government announced a lessening of the lockdown restrictions in England, allowing retailer forecourts to re-open from 1 June 2020. We announced on 27 May 2020 that we would provide those customers with support as they resume trading by implementing a 25% discount for the month of June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020.

Looking after our people

Since 17 March 2020 our employees have been working from home. The transition to working remotely has been almost seamless and is a testament to the can-do attitude of our employees.

We do acknowledge though that for many, working from home will have brought additional strains and stresses. The health and wellbeing of our employees and their families is always front of mind, and so, we offered increased support to our people through this difficult time. Whether it be through our counselling and employee support services, AT active fitness classes, all company webinars or offering increased flexibility for those who need it – we have been finding ways in which

to help the mental and physical wellbeing of staff and keep morale high. Whilst our customers were closed through the lockdown period, there were still requests to be processed and reassurance to be given, albeit at reduced levels, all of which were met by our customer-facing teams. Our systems, interfaces and data processing have also been maintained to a high standard and have faced higher demands due to the increased volume of stock on our platform.

Our product and technology teams have been working throughout the lockdown period to continually develop and innovate products alongside our partners. Whilst we are strong believers that software is best built in an environment when people are together and able to effortlessly collaborate, our product and technology teams continue to deliver around 640 releases a week; only marginally lower than those levels achieved in pre-COVID-19 times, which is a huge credit to the teams involved.

The Board would like to express its great appreciation for the dedication of all our employees during this challenging period. We hope we have been able to provide sufficient support during this difficult time and will continue to focus on doing so.

Controlling costs

Throughout the period that our retailer customers were closed and our core services were free, we made the responsible decision to reduce costs.

Our largest expense relates to our people. The level of activity for some of our teams reduced through the lockdown period and so we used the Coronavirus Job Retention Scheme ('CJRS') and furloughed just over 25% of our employees. For those who were placed on furlough, we supplemented the level of support provided by the Government, such that the large majority remained fully paid.

Towards the end of May 2020, when we had some level of confidence in our ability to return to charging and moving from a position of loss to making profit, our people returned to work and we ended the reliance on this Government support. The Government support was taken at a time when the Group faced great uncertainty. As the crisis passes it is the intention of the Group to repay amounts claimed through the CJRS. We have not made any redundancies as a result of the crisis.

Our Executive Directors have foregone 50% of their salary during this period of uncertainty and have agreed to forego annual bonuses earned in relation to the year ended 31 March 2020. The remainder of the Board have waived its fees by 50% or more for the duration of this crisis. With a return to higher levels of revenue, salaries and fees will return to normal levels in July 2020.

Our discretionary spend, which is primarily for marketing our own brand and products, has been significantly reduced through this period.

Securing finance sources

We entered the crisis with a strong balance sheet. At 31 March 2020, Net bank debt (defined as Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements) was £275.4m. The Group had £37.6m of cash and cash equivalents and £313.0m of gross debt drawn under the Group's revolving credit facility ('RCF'). The RCF has total commitments of £400.0m and is available until at least June 2023.

The RCF has covenants attached to it relating to debt cover and interest cover which are tested twice a year and look at a 12 month rolling period:

- Net bank debt to EBITDA ratio must not exceed 3.5:1. At 31 March 2020 this ratio was 1:1
- EBITDA to Net Interest Payable ratio must not be less than 3:1. At 31 March 2020 this ratio was 41:1.

Equity placing

On 1 April 2020 we raised £183.2m net of fees through an equity placing. The number of shares placed was 46.5 million, compared to the 84.8 million shares bought since we initiated our share buyback program in 2016.

The equity placing has enabled us to run the Group through the crisis in the long-term interests of our shareholders, customers and people and, in the face of huge uncertainty, provides an insurance policy against a protracted lockdown or

series of lockdowns. The raise also ensures that the Group avoids constraints that might otherwise be imposed in the medium term in order to take advantage of strategic opportunities whilst still meeting debt covenants. It should also allow us an early return to our previous capital return policy at a time when many other companies may be labouring under increased levels of indebtedness as a result of the COVID-19 crisis.

Other measures to conserve cash

In order to conserve cash we have taken a number of measures, including:

- Suspending our share buy-back programme (year ended 31 March 2020: £62.0m inclusive of costs)
- No final dividend for financial year 2020 (year ended 31 March 2020: £42.6m)
- Deferring VAT payments (£18.4m as at June 2020)

Impact on the year ended 31 March 2020

On 17 March 2020, social distancing measures relating to COVID-19 came into effect. As a result, some of the Group's revenue lines were adversely affected. Home Trader and Consumer Services revenue suffered a significant drop off in volumes after these measures were implemented, and Manufacturer and Agency display campaigns were also reduced. The impact on Retailer revenue in March 2020 was limited, although a number of half price stock units were converted into free slots as we effectively re-instated our stock offer. Costs remained largely unimpacted, however we took a more prudent approach to the recoverability of receivables which resulted in an increased bad debt charge. We also reduced marketing spend in March. We estimate that the net effect was to reduce profit for the month of March by approximately £3m.

Summary of FY20 operating performance

The last 12 months have been a challenging period for our customers with significant uncertainty in the automotive market. Some of this uncertainty has arisen from Brexit factors, some from regulation and some from the initial impact of what we believe will be significant environmental and technology-driven changes to the automotive industry.

Despite this, Revenue increased 4% year-on-year, with the main driver of growth being Retailer revenue, supported by growth in Consumer Services through both Private and Motoring Services. This was slightly offset by a decrease in Manufacturer and Agency & Home Trader. Operating profit grew 6% and our Operating profit margin improved to 70%.

Auto Trader continues to be the primary place where consumers go to buy and sell cars and we have more listings than any other classified site, which when combined with our significant audience means we are by some way the UK's largest and most engaged digital automotive marketplace.

Audience performance has been strong over the year, with cross platform visits up 3%, at an average of 50.8 million per month (2019: 49.1 million). Our competitive position has strengthened with over 75% of all minutes spent on automotive marketplaces now spent on Auto Trader (2019: 73%). This is in part due to the strong organic audience that we enjoy, with 91% of our traffic coming either direct or through organic search.

This increase in audience in turn boosted the volume of searches consumers conducted on Auto Trader; we now see an average volume of 145m searches per month looking for a new or used car (2019: 139m). However, the number of full-page advert views decreased slightly in the year by 2% to an average of 234.8m per month (2019: 238.8m).

The level of live stock on our site increased by 4% in the year, as the average number of cars on our marketplace rose to 478,000 (2019: 461,000). The growth was driven by our recently launched New Car product, offset by a slight decline in used car volumes, which were impacted by supply side constraints. The average number of retailer forecourts using our marketplace increased slightly to 13,345 (2019: 13,240).

The UK car market

The total number of transactions for the 12 months ended March 2020 declined by 4.3% to 9.8m (2019: 10.2m).

New car registrations declined 10.9% to 2.1m in the 12 months to March 2020, although a large proportion of this decline was due to retailer showrooms closing in March 2020. March is usually the highest month for new car registrations and in 2020 it saw a decline of 44.4% on the previous year. In the 11 months to February 2020 new car registrations declined 2.8% on the previous year and used car transactions increased 0.5% on the previous year. Scrapage rates remain stable at 1.8m transactions meaning the total number of cars in the UK increased to 35.2m (2019: 34.9m).

There were 7.7m used car transactions in the 12 months to March 2020, a decrease of 2.3% on the year before. The number of used car sales is less volatile than new car registrations, as a growing car parc underpins the number of possible transactions. The average length of ownership marginally increased to 3.5 years.

The average price of a used car advertised on Auto Trader for the 12 months ending March 2020 was £13,045. The Auto Trader Retail Price Index tracks the average 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. It showed that prices declined across the market, decreasing over the 12-month period to March 2020 by 0.5%. Petrol and alternatively fuelled vehicles increased by 0.1% and 3.8% respectively, and diesel decreased by 1.4%. Uncertainty around trade valuations and volatility in the supply of vehicles has impacted auction markets, which has fed into the retail market.

Brexit negotiations

The UK left the EU on 31 January 2020 and is now operating under a transitional agreement. That agreement ends on 31 December 2020 and so a new trade deal between the UK and the EU is currently being negotiated.

We do not foresee any issues with Brexit affecting our ability to provide our services, and we do not anticipate that it will materially change our cost base. As we have said previously, the form of any Brexit trade negotiation 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. If the average price of a car increases and consumer confidence levels decrease, there is a potential impact on the number of car transactions. This would likely impact our retailers' profitability and their ability to spend on our marketplace.

Strengthening our competitive position

We continue to improve our onsite experience, which during the year included: improving price indicators which appear on full page adverts with the addition of 'fair' and 'higher' price flags; the introduction of vehicle provenance history checks; a change in the search sort order; a Text Chat functionality; and an increase in the number of dealer reviews onsite, which reached almost one million at the end of the year.

During the year we continued to invest in marketing to keep our brand front of mind with consumers by promoting our products and services. We launched a large-scale advertising campaign in June to promote our new car offering which boosted our prompted brand awareness scores. For new and used cars our score has remained high at 70% and 84% respectively – meaning we are typically the first place consumers turn to when looking for their next car.

Following year-end we removed standard format display advertising from search, making retailer adverts larger. This change was made despite standard format display advertising contributing £4.9m to revenue in 2020. We also altered search on mobile devices, increasing the size of each advert by 40% with imagery being 90% larger than before.

Products to improve customer efficiency

At a time when the industry was facing unprecedented challenges, we chose to launch a powerful new data tool called Market Insight. It is designed to help retailers identify and adapt to market trends as they happen. The tool wasn't scheduled for launch until later in the spring of 2020. However, due to the conditions facing retailers as a result of the COVID-19 pandemic, and our belief that market intelligence can help retailers better navigate these challenges, we made it available to all customers ahead of schedule. The product is included in all retailer customers' advertising packages.

We have seen increased penetration of our Managing products during the year, with the number of retailers now subscribing to either Retail Accelerator (formerly i-Control) or Retail Check in 2020 reaching 3,600 (2019: 3,200) at 31 March 2020. 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. Subsequently, Retail Check was made available to Independent customers as part of their advertising package from 1 April 2020.

Penetration of our Advanced and Premium advertising packages continues to increase with stock penetration now at 23% (2019: 19%). These higher yielding packages allow retailers to pay for greater prominence on our marketplace, driving a higher volume of advert views, enabling those cars to sell faster.

Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020, moving on to Auto Trader's platform setting the business up to leverage the scale of both Auto Trader and Cox Automotive.

Investing in our infrastructure

We have made further changes to our technology infrastructure to ensure our systems and software can effectively support our product development, as well as our core platform. A fundamental change in the year was the decision to start moving our data centres over to the public cloud so we could take advantage of the benefits provided by cloud platforms, including: enhanced security; improved product performance; a quicker product release platform; and cost optimisations. As a result of moving more of our applications over to the cloud, including the main website, we made over 36,000 software releases – over double the number of the previous year.

People and culture

The business and the Board are focused on making Auto Trader a great place to work, a place that reflects the composition of the community in which we work, and a place that offers all our employees the opportunity to realise their full potential.

We care about our people, and our people care about our business, which is shown in our employee engagement survey, where 89% stated that they were proud to work at Auto Trader.

Our business remains committed to become more inclusive in welcoming, and just as importantly retaining, a diverse workforce. We recognise that the gender pay gap has widened in 2019, we will continue to work hard to address the issues we believe are relevant to reduce this gap.

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. It also provides data and services to fleet providers, a growing area of focus for us in the overall ecosystem. Strategically we believe it is important to own such a valuable data source.

The Board

Trevor Mather retired from the Company and stepped down from the Board as CEO on 29 February 2020. Nathan Coe, previously COO and CFO, became CEO on 1 March 2020. Jamie Warner, previously Deputy CFO, joined the Board on 1 March 2020 as CFO. Sigga Sigurdardottir joined the Board on 1 November 2019 as a non-executive director. With Sigga's appointment this year and that of Catherine Faiers, our Chief Operating Officer, in May 2019, half of our Board members are women.

Financial Review

Revenue

In a tough market, we achieved good revenue growth in the year, increasing by 4% to £368.9m (2019: £355.1m).

	2020 £m	2019 £m	Change %
Retailer	312.1	293.0	7%
Home Trader	8.3	10.2	(19%)
Other	3.9	1.4	179%
Trade	324.3	304.6	6%
Consumer Services	28.3	28.0	1%
Manufacturer and Agency	16.3	22.5	(28%)
Total	368.9	355.1	4%

Trade revenue, which comprises Retailer, Home Trader and Other revenue; increased by 6% to £324.3m (2019: £304.6m). Retailer revenue grew 7% to £312.1m (2019: £293.0m), as a result of an increase both in the average number of retailer forecourts, which grew by 1% to 13,345 (2019: 13,240), and the Average Revenue Per Retailer ('ARPR'). ARPR increased by 6% to £1,949 per month (2019: £1,844).

ARPR growth of £105 per month can be broken down into three levers of growth: price, stock and product.

- **Price:** Our price lever contributed £53 (2019: £50) of total ARPR growth. We executed our annual event for the majority of customers on 1 April 2019 which included a like-for-like price increase. This price increase equates to a 2.9% increase on the previous year's ARPR.
- **Stock:** Through the financial year, retailers experienced challenges relating to the supply of stock. A lack of supply in the auction markets combined with a lack of confidence over trade valuations, led to lower volumes of inventory being held by some of our customers. The number of cars advertised on autotrader.co.uk increased by 4% to 478,000 (2019: 461,000). However, excluding new car, Private and Home Trader listings, the stock lever declined by £30 (2019: decline of £22).
- **Product:** Our product lever contributed £82 (2019: £121) of total ARPR growth. Our annual event involved the introduction of two new products which were well received by retailers: Vehicle Check and Text Chat. In addition, there has been growth in our higher yielding Advanced and Premium advertising packages as retailers continue to recognise the value of receiving greater prominence within our search listings. At the end of March 2020, 23% of retailer stock was advertised on Advanced or Premium package levels (March 2019: 19%). During the second half of the year we monetised our new car advertising product following a trial period, and at the end of March 2020 we had over 1,000 paying retailers. 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 declined 19% to £8.3m (2019: £10.2m) as we saw some customers move to take up subscription advertising packages. A reduced number of transactions of older vehicles has also had some impact in this area.

Other revenue increased by £2.5m to £3.9m (2019: £1.4m) mainly through the acquisition of KeeResources which contributed £2.0m to this revenue line.

Consumer Services revenue increased 1% in the year to £28.3m (2019: £28.0m). Private revenue, generated from individual sellers who pay to advertise their vehicle on the Group's platforms was £20.1m (2019: £20.1m). The total volume of private adverts listed continues to decrease year on year as the market remains under structural pressure. However, changes to our product offering, including the introduction of a new higher yielding 'hold until sold' package, has allowed us to upsell customers effectively. Motoring Services revenue increased 4% to £8.2m (2019: £7.9m), with strong growth from our partner finance offering partially offset by a decline in Vehicle Check as a result of the product being included in our retailer packages.

Manufacturer and Agency revenue declined 28% to £16.3m (2019: £22.5m). As reported in the first half, market pressures driven by Brexit uncertainty coupled with regulatory changes resulted in lower marketing spend throughout the year.

Administrative expenses

Operating costs continue to be well controlled, with administrative expenses increasing by 1% to £113.2m (2019: £112.3m).

Costs	2020	2019	Change
	£m	£m	%
People costs	55.8	56.4	(1%)
Marketing	17.3	17.6	(2%)
Other costs	33.6	29.4	14%
Depreciation & amortisation	6.5	8.9	(27%)
Total administrative expenses	113.2	112.3	1%

People costs, which comprise all staff costs including third-party contractor costs, decreased by 1% in the year to £55.8m (2019: £56.4m). The average number of full-time equivalent employees ('FTEs') (including contractors) increased by 6% to 853 (2019: 804) as we invested in our people to support the growth of the core business, and as a result of the acquisition of KeeResources on 1 October 2019, which contributed an additional 32 to the total average number.

Although FTEs increased, this cost was offset by a saving in share-based payments, including applicable national insurance costs, which reduced by 39% to £3.6m (2019: £5.9m). Part of this saving resulted from the decision made by the Executive Directors to forego their bonuses earned in relation to FY20 as part of measures to mitigate the impact of COVID-19.

Marketing spend remained consistent year-on-year at £17.3m (2019: £17.6m). We continue to have a market leading audience position in terms of both visits and engagement, as measured by cross platform minutes, and acquire just 9% of our traffic from paid sources.

Other costs, which include data services, property related costs and other overheads, increased by 14% to £33.6m (2019: £29.4m). The increase comes from our Retail Accelerator product and Experian costs associated with our new Vehicle Check product. There were also higher costs as a result of the Group's ongoing migration to cloud-based services which will reduce the need for capital expenditure in physical onsite assets over time. Finally, the uncertainty caused by the COVID-19 outbreak resulted in a £2.1m increase in our expected credit loss provision for receivables.

Depreciation and amortisation significantly decreased by 27% to £6.5m (2019: £8.9m) with the reduction coming primarily from the Group's self-developed billing system assets becoming fully amortised.

Operating profit

Operating profit grew 6% to £258.9m (2019: £243.7m) in the year. Operating profit margin increased by one percentage point to 70% (2019: 69%).

	2019	2019	Change
	£m	£m	%
Revenue	368.9	355.1	4%
Administrative expenses	(113.2)	(112.3)	(1%)
Share of profits from joint ventures	3.2	0.9	256%
Operating profit	258.9	243.7	6%

Our share of the profit generated by Dealer Auction, the Group's joint venture, increased to £3.2m (2019: £0.9m). This was the first full year of trading for the venture following its formation on 1 January 2019.

Profit before taxation

Profit before taxation increased by 4% to £251.5m (2019: £242.2m). This increase results from the Operating profit performance, further increased by a reduction in net finance but offset by the prior year one-off profit on disposal of a subsidiary of £8.7m as we transferred our Smart Buying business to the joint venture, Dealer Auction.

The Group has a £400m Syndicated revolving credit facility which is used to manage cash flows. Interest costs on the Group's RCF totalled £6.3m (2019: £6.5m). The decrease reflects a reduced average drawn level through the period. Amortisation of debt costs amounted to £0.7m (2019: £2.8m) with the prior year impacted by accelerated issue costs relating to our previous facility. Interest costs relating to leases totalled £0.4m (2019: £0.9m).

Taxation

The Group tax charge of £46.4m (2019: £44.5m) represents an effective tax rate of 18% (2019: 18%). After removing the impact of Dealer Auction, which is consolidated post-tax, this is in line with the average standard UK rate.

Our total tax contribution is a measure of the taxes that we pay on all of our activities, as well as the taxes that we collect on behalf of tax authorities. In 2020, our total tax contribution was £153m. Taxes borne by the Group totalled £76m and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £77m and consist mainly of PAYE deductions, employee's NICs and net VAT collected.

Earnings per share

Basic earnings per share rose by 6% to 22.19 pence (2019: 21.00 pence) based on a weighted average number of ordinary shares in issue of 924,499,320 (2019: 941,506,424). Diluted earnings per share of 22.08 pence (2019: 20.94 pence) increased by 5%, based on 929,247,835 shares (2019: 944,254,998), which takes into account the dilutive impact of outstanding share awards.

Cash flow and net debt

Cash generated from operations increased by 3% to £265.5m (2019: £258.5m) and was achieved primarily from Operating profit growth coupled with a strong level of cash conversion. Corporation tax payments totalled £69.8m (2019: £42.2m) with the increase due to the change in timing of tax paid following a change in HMRC's payment profile. Net cash generated from operating activities was £195.7m (2019: £216.3m).

As at 31 March 2020 the Group had net debt of £282.4m (31 March 2019: £321.0m), representing a net reduction of £38.6m. Net bank debt, which is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements, was £275.4m (2019: £307.1m). At the year end, the Group had drawn £313.0m of the Syndicated revolving credit facility (31 March 2019: £313.0m) and held cash and cash equivalents of £37.6m (2019: £5.9m).

Leverage, defined as the ratio of Net bank debt to EBITDA, decreased to 1.0x (2019: 1.2x). Interest paid on these financing arrangements was £6.4m (2019: £6.6m).

Acquisition of KeeResources

On 1 October 2019, the Group acquired KeeResources Limited for consideration, net of cash acquired of £25.3m. The assets and liabilities acquired have been accounted for at fair value in accordance with IFRS 3, with the remaining value of £13.9m being allocated to goodwill.

During the six month period post acquisition, KeeResources contributed £2.4m of revenue and £2.6m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

Capital structure and dividends

During the year, a total of 11.4m shares (2019: 20.2m) were repurchased for a total consideration of £61.7m (2019: £93.5m) before transaction costs of £0.3m (2019: £0.5m). A further £64.7m (2019: £57.6m) was paid in dividends, giving a total of

£126.4m (2019: £151.1m) in cash returned to shareholders.

The Directors are not recommending a final dividend for the year. The total dividend for the year is therefore 2.4p (2019: 6.7p), an interim dividend which was paid in January 2020. The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to 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 buyback programme and over time to reduce debt.

The Group has returned to charging customers but will continue to monitor the ongoing environment around COVID-19. Subject to that monitoring, we are hopeful of an early return to our capital allocation policy with the declaration of an interim dividend in November.

At the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2020 AGM and the Directors intend to seek a similar general authority from shareholders at the 2020 AGM. The share buyback programme will be ongoing, and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

Post balance sheet events

COVID-19

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections across many countries. The conditions that existed at the balance sheet date were that a disease was present in a number of countries globally. The novel coronavirus that had been present in China was spreading rapidly. On 11 March 2020 the World Health Organization declared the virus a global pandemic. On 16 March 2020 the UK Government introduced social distancing measures to safeguard the public alongside a number of fiscal measures that included government backed loans.

On 23 March 2020 the Government instructed the British public that they must remain at home unless for very limited purposes ('lockdown'). These instructions resulted in retailers closing their forecourts to comply with the new rules with immediate effect. The restrictions came into force on 24 March 2020 and would last indefinitely, with the first review being no earlier than 13 April 2020.

Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

The social distancing measures were extended on 13 April 2020 and 7 May 2020. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. Management have assessed these extensions to the lockdown period as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

Equity placing

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.0 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £183.2m net of fees incurred.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to

receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

RCF extension

On 1 June 2020, 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 facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

Nathan Coe
Chief Executive Officer
25 June 2020

Jamie Warner
Chief Financial Officer
25 June 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Revenue	2	368.9	355.1
Administrative expenses		(113.2)	(112.3)
Share of profit from joint ventures	9	3.2	0.9
Operating profit	3	258.9	243.7
Finance costs	4	(7.4)	(10.2)
Profit on the sale of subsidiary		–	8.7
Profit before taxation		251.5	242.2
Taxation	5	(46.4)	(44.5)
Profit for the year attributable to equity holders of the parent		205.1	197.7
Basic earnings per share (pence)	6	22.19	21.00
Diluted earnings per share (pence)	6	22.08	20.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	2020 £m	2019 £m
Profit for the year	205.1	197.7
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(0.3)	(0.1)
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of tax	0.6	0.2
Other comprehensive income for the year, net of tax	0.3	0.1
Total comprehensive income for the year attributable to equity holders of the parent	205.4	197.8

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	7	341.9	317.5
Property, plant and equipment	8	13.1	16.7
Deferred taxation assets		6.8	6.2
Retirement benefit surplus		0.9	–
Net investments in joint ventures	9	52.2	49.0
		414.9	389.4
Current assets			
Trade and other receivables		56.0	56.1
Current income tax assets		0.4	–
Cash and cash equivalents		37.6	5.9
		94.0	62.0
Total assets		508.9	451.4
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	11	9.2	9.3
Retained earnings		1,180.1	1,095.8
Own shares held	12	(17.9)	(16.5)
Capital reorganisation reserve		(1,060.8)	(1,060.8)
Capital redemption reserve		0.8	0.7
Other reserves		30.2	30.5
Total equity		141.6	59.0
Liabilities			
Non-current liabilities			
Borrowings	10	310.5	310.3
Deferred taxation liabilities		2.9	0.5
Provisions for other liabilities and charges		1.1	1.0
Lease liabilities		7.0	14.3
Deferred income		10.0	10.6
		331.5	336.7
Current liabilities			
Trade and other payables		33.3	31.2
Current income tax liabilities		–	22.4
Provisions for other liabilities and charges		0.4	0.3
Lease liabilities		2.1	1.8
		35.8	55.7
Total liabilities		367.3	392.4
Total equity and liabilities		508.9	451.4

The financial statements were approved by the Board of Directors on 25 June 2020 and authorised for issue:

Jamie Warner

Chief Financial Officer
Auto Trader Group plc
Registered number 09439967

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Share capital £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at 31 March 2018		9.5	1,042.7	(16.9)	(1,060.8)	0.5	30.6	5.6
Profit for the year		–	197.7	–	–	–	–	197.7
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	(0.1)	(0.1)
Remeasurements of post-employment benefit obligations		–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	197.9	–	–	–	(0.1)	197.8
Transactions with owners								
Employee share schemes – value of employee services		–	4.7	–	–	–	–	4.7
Exercise of employee share schemes		–	(3.7)	5.6	–	–	–	1.9
Transfer of shares from ESOT		–	(0.6)	0.6	–	–	–	–
Tax impact of employee share schemes		–	0.6	–	–	–	–	0.6
Cancellation of shares		(0.2)	(88.2)	–	–	0.2	–	(88.2)
Acquisition of treasury shares		–	–	(5.8)	–	–	–	(5.8)
Dividends paid		–	(57.6)	–	–	–	–	(57.6)
Total transactions with owners, recognised directly in equity		(0.2)	(144.8)	0.4	–	0.2	–	(144.4)
Balance at March 2019		9.3	1,095.8	(16.5)	(1,060.8)	0.7	30.5	59.0
Profit for the year		–	205.1	–	–	–	–	205.1
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	(0.3)	(0.3)
Remeasurements of post-employment benefit obligations, net of tax		–	0.6	–	–	–	–	0.6
Total comprehensive income, net of tax		–	205.7	–	–	–	(0.3)	205.4
Transactions with owners								
Employee share schemes – value of employee services		–	3.4	–	–	–	–	3.4
Exercise of employee share schemes		–	(2.7)	2.8	–	–	–	0.1
Transfer of shares from ESOT		–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	0.4	–	–	–	–	0.4
Cancellation of shares	11	(0.1)	(57.7)	–	–	0.1	–	(57.7)
Acquisition of treasury shares	12	–	–	(4.3)	–	–	–	(4.3)
Dividends paid	13	–	(64.7)	–	–	–	–	(64.7)
Total transactions with owners, recognised directly in equity		(0.1)	(121.4)	(1.4)	–	0.1	–	(122.8)
Balance at March 2020		9.2	1,180.1	(17.9)	(1,060.8)	0.8	30.2	141.6

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated from operations	14	265.5	258.5
Income taxes paid		(69.8)	(42.2)
Net cash generated from operating activities		195.7	216.3
Cash flows from investing activities			
Purchases of intangible assets – financial systems		(0.2)	(0.3)
Purchases of intangible assets – other		–	(0.3)
Purchases of property, plant and equipment		(1.3)	(1.7)
Payment for acquisition of shares in joint ventures		–	(19.7)
Payment for acquisition of subsidiary, net of cash acquired	15	(25.3)	–
Net cash used in investing activities		(26.8)	(22.0)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(64.7)	(57.6)
Repayment of Syndicated Term Loan		–	(343.0)
Drawdown of Syndicated revolving credit facility		324.5	447.1
Repayment of Syndicated revolving credit facility		(324.5)	(134.1)
Repayment of other borrowings		(0.7)	–
Payment of refinancing fees		(0.5)	(3.3)
Payment of interest on borrowings		(6.4)	(6.6)
Payment of lease liabilities		(2.9)	(3.1)
Purchase of own shares for cancellation		(57.4)	(87.7)
Purchase of own shares for treasury		(4.3)	(5.8)
Payment of fees on repurchase of own shares		(0.3)	(0.5)
Contributions to defined benefit pension scheme		(0.1)	–
Proceeds from exercise of share-based incentives		0.1	1.9
Net cash used in financing activities		(137.2)	(192.7)
Net increase in cash and cash equivalents		31.7	1.6
Cash and cash equivalents at beginning of year		5.9	4.3
Cash and cash equivalents at end of year		37.6	5.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretation Committee ('IFRS IC'), certain interpretations as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards, and amendments to standards, have been adopted by the Group for the first time for the financial year beginning on 1 April 2019:

- IFRIC 23, Uncertainty over income tax treatments was issued in June 2017. IFRIC 23 sets out how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Prepayments Features with Negative Compensations – Amendments to IFRS 9.

The adoption of these standards and amendments has had no material effect on the Group's consolidated financial statements.

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including: Amendments to References to Conceptual Framework in IFRS Standards, Definitions of a Business – Amendments to IFRS 3 and Definition of Material – Amendments to IAS 1 and IAS 8. The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention.

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 31 March 2020 or 31 March 2019 but is derived from the 2020 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2020 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

Going concern

Financial projections for the period of 12 months from the date of this report have been impacted by the COVID-19 global pandemic. The Group implemented measures to support customers by allowing vehicles to be advertised for free throughout the period in which government enforced lockdown restrictions resulted in the temporary closure of retailers.

In order to strengthen the Group's balance sheet and liquidity position and increase certainty around meeting future covenant tests despite the impact of the virus, the Group completed the placing of 46,468,300 new ordinary shares for net proceeds of £183.2m on 1 April 2020.

Stress case scenarios have been modelled to make the assessment of viability, taking into account severe but plausible potential impacts of the pandemic or a data breach. The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, it would be able to withstand the impact and remain cash generative.

The Directors, after making enquiries and on the basis of current financial projections and facilities available, believe that the Group has adequate financial resources to continue in operation for a period not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position.

The accounting estimates and judgments believed to require the most subjectivity or complexity are as follows:

The impact of customer offers on revenue recognition

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.

Judgement was made in assessing if the communication of the free period for April represents a contract modification under IFRS 15. Management have determined that as our services were free for April, this represents a change in price of the contract and therefore should be accounted for as a contract modification. The impact of the modification has been considered and revenue recognised in line with IFRS 15.

Home Trader and Private 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.

In March 2020 all Home Trader and Private advert customers with an advert live on 19 March 2020 were notified that their adverts would be extended until the end of April 2020. This represents a modification of the contract under IFRS 15 and this modification has been reflected in the financial statements.

The impact of COVID-19 on the recoverability of financial assets

IFRS 9 prescribes that historical expected credit losses should be adjusted for forward looking information to reflect macro-economic and market conditions. The closure of retailer forecourts from 24 March 2020 would be expected to have an adverse effect on the cash flows of retailers and credit risk is therefore likely to be increased over this period.

Adjustments were made to the expected credit losses on financial assets to reflect this. The 'lockdown' event and subsequent closure of dealer forecourts was pre-year end, and estimates were made for the impact of this at the balance sheet date. The events post year end, being the extension of the 'lockdown' and subsequent closure of dealer forecourts, provided additional evidence of conditions that already existed at the balance sheet date. These events were deemed to be adjusting post balance sheet events (note 16) and have been reflected in the estimates made.

Carrying values of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates.

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest.

2. Revenue

The Group's operations and main revenue streams are those described in these annual financial statements. The Group's revenue is derived from contracts with customers.

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

Revenue	2020 £m	2019 £m
Retailer	312.1	293.0
Home Trader	8.3	10.2
Other	3.9	1.4
Trade	324.3	304.6
Consumer Services	28.3	28.0
Manufacturer and Agency	16.3	22.5
Total revenue	368.9	355.1

3. Operating profit

Operating profit is after charging the following:

	Note	2020 £m	2019 £m
Staff costs		(55.3)	(56.0)
Contractor costs		(0.5)	(0.4)
Depreciation of property, plant and equipment	8	(3.9)	(4.9)
Amortisation of intangible assets	9	(2.6)	(4.0)
Profit on sale of property, plant and equipment		0.3	0.1

4. Finance costs

	2020 £m	2019 £m
On bank loans and overdrafts	6.3	6.5
Amortisation of debt issue costs	0.7	2.8
Interest unwind on lease liabilities	0.4	0.9
Total	7.4	10.2

5. Taxation

	2020 £m	2019 £m
Current taxation		
UK corporation taxation	47.1	44.9
Foreign taxation	0.2	0.2
Adjustments in respect of prior years	(0.1)	(0.1)
Total current taxation	47.2	45.0
Deferred taxation		
Origination and reversal of temporary differences	–	(0.6)
Effect of rate changes on opening balance	(0.8)	–
Adjustments in respect of prior years	–	0.1
Total deferred taxation	(0.8)	(0.5)
Total taxation charge	46.4	44.5

The taxation charge for the year is lower than (2019: lower than) the effective rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	251.5	242.2
Tax on profit on ordinary activities at the standard UK corporation tax rate of 19% (2019: 19%)	47.8	46.0
Expenses not deductible for taxation purposes	0.2	0.3
Income not taxable	(0.6)	(1.7)
Adjustments in respect of foreign tax rates	(0.1)	(0.1)
Effect of rate changed on deferred tax	(0.8)	–
Adjustments in respect of prior years	(0.1)	–
Total taxation charge	46.4	44.5

Taxation on items taken directly to equity was a credit of £0.4m (2019: £0.6m) relating to tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2019: 19%). Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 19% being used to measure all deferred tax balances as at 31 March 2020 (2019: 17%).

6. Earnings per share

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Share Option Trust ('ESOT'), based on the profit for the year attributable to shareholders.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2020			
Basic EPS	924,499,320	205.1	22.19
Diluted EPS	929,247,835	205.1	22.08
Year ended 31 March 2019			
Basic EPS	941,506,424	197.7	21.00
Diluted EPS	944,254,998	197.7	20.94

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:

	Weighted average number of shares
Year ended 31 March 2020	
Issued ordinary shares at 31 March 2019	933,197,563
Weighted effect of ordinary shares purchased for cancellation	(3,974,149)
Weighted effect of ordinary shares held in treasury	(4,184,444)
Weighted effect of shares held by the ESOT	(539,650)
Weighted average number of shares for basic EPS	924,499,320
Dilutive impact of share options outstanding	4,748,515
Weighted average number of shares for diluted EPS	929,247,835

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees. Options are dilutive under the Sharesave scheme where the exercise price together with the future IFRS 2 charge is less than the average market price of the ordinary shares during the year. Options under the Performance Share Plan, Single Incentive Plan Award, the Deferred Annual Bonus Plan and the Share Incentive Plan are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions are satisfied.

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

7. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Database £m	Other £m	Total £m
Cost						
At 31 March 2018	442.8	55.3	12.6	–	17.1	527.8
Additions	–	0.3	0.3	–	–	0.6
Disposals	(12.4)	(42.4)	–	–	(1.3)	(56.1)
Exchange differences	(0.1)	–	–	–	–	(0.1)
At 31 March 2019	430.3	13.2	12.9	–	15.8	472.2
Acquired through business combinations	13.9	1.9	–	8.5	2.2	26.5
Additions	–	–	0.2	–	–	0.2
Disposals	–	(5.8)	–	–	–	(5.8)
Exchange differences	0.3	–	–	–	0.1	0.4
At 31 March 2020	444.5	9.3	13.1	8.5	18.1	493.5
Accumulated amortisation and impairments						
At 31 March 2018	120.8	54.4	8.9	–	13.9	198.0
Amortisation charge	–	0.6	2.4	–	1.0	4.0
Disposals	(3.9)	(42.2)	–	–	(1.3)	(47.4)
Exchange differences	0.1	–	–	–	–	0.1
At 31 March 2019	117.0	12.8	11.3	–	13.6	154.7
Amortisation charge	–	0.4	0.9	0.3	1.0	2.6
Disposals	–	(5.8)	–	–	–	(5.8)
Exchange differences	–	0.1	–	–	–	0.1
At 31 March 2020	117.0	7.5	12.2	0.3	14.6	151.6
Net book value at 31 March 2020	327.5	1.8	0.9	8.2	3.5	341.9
Net book value at 31 March 2019	313.3	0.4	1.6	–	2.2	317.5
Net book value at 31 March 2018	322.0	0.9	3.7	–	3.2	329.8

Other intangibles include customer relationships, technology, trade names, trademarks, non-compete agreements and brand assets. Intangible assets which have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (three to 15 years). The longest estimated useful life remaining at 31 March 2020 is 15 years (31 March 2019: five years).

For the year to 31 March 2020, the amortisation charge of £2.6m (2019: £4.0m) has been charged to administrative expenses in the income statement. At 31 March 2020, £0.1m (2019: £0.1m) of software and website development costs represented assets under construction. Amortisation of these assets will commence when they are brought into use.

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

8. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2018	18.3	16.8	1.1	36.2
Additions	0.8	0.9	0.2	1.9
Disposals	(1.3)	(3.7)	(0.1)	(5.1)
At 31 March 2019	17.8	14.0	1.2	33.0
Acquired through business combinations	2.2	0.1	0.1	2.4
Additions	0.1	1.1	0.1	1.3
Disposals and modifications	(3.6)	(0.1)	(0.1)	(3.8)
At 31 March 2020	16.5	15.1	1.3	32.9
Accumulated depreciation				
At 31 March 2018	3.1	12.9	0.5	16.5
Charge for the year	2.5	1.9	0.5	4.9
Disposals	(1.3)	(3.7)	(0.1)	(5.1)
At 31 March 2019	4.3	11.1	0.9	16.3
Charge for the year	2.1	1.5	0.3	3.9
Disposals	(0.2)	(0.1)	(0.1)	(0.4)
At 31 March 2020	6.2	12.5	1.1	19.8
Net book value at 31 March 2020	10.3	2.6	0.2	13.1
Net book value at 31 March 2019	13.5	2.9	0.3	16.7
Net book value at 31 March 2018	15.2	3.9	0.6	19.7

Included within property, plant and equipment are £6.8m (2019: £11.9m) of assets recognised as leases under IFRS 16. The depreciation expense of £3.9m for the year to 31 March 2020 (2019: £4.9m) has been recorded in administrative expenses.

During the year, £0.4m (2019: £5.1m) worth of property, plant and equipment with £nil net book values were disposed of.

9. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited).

Net investments in joint ventures at the reporting date include the Group's equity investment in joint ventures and the Group's share of the joint ventures' post acquisition net assets. The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Equity investment in joint ventures £m	Group's share of net assets £m	Net investments in joint ventures £m
Carrying value			
As at 1 April 2018	–	–	–
Investment in joint venture	48.1	–	48.1
Share of result for the year taken to the income statement	–	0.9	0.9
As at 31 March 2019	48.1	0.9	49.0
Share of result for the year taken to the income statement	–	3.2	3.2
As at 31 March 2020	48.1	4.1	52.2

Set out below is the summarised financial information for the joint venture:

	2020 £m	2019 £m
Revenue	13.0	3.5
Profit for the year	6.4	1.8
Total comprehensive income	6.4	1.8

The above information reflects the amounts presented in the Financial Statements of the joint venture and not the Group's share of those amounts. They have been amended for differences in accounting policies between the Group and the joint venture.

10. Borrowings

	2020 £m	2019 £m
Non-current		
Syndicated RCF gross of unamortised debt issue costs	313.0	313.0
Unamortised debt issue costs on Syndicated RCF	(2.5)	(2.7)
Total	310.5	310.3

The Syndicated RCF is repayable as follows:

	2020 £m	2019 £m
Two to five years	313.0	313.0
Total	313.0	313.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility ('Syndicated RCF')

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.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:

- Net bank debt to EBITDA must not exceed 3.5:1.
- EBITDA to Net Interest Payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures, exceptional items and adjusting for the adoption of IFRS 16.

All financial covenants of the facility have been complied with through the year.

Exposure to interest rate changes

The exposure of the Group's borrowings (excluding debt issue costs) to LIBOR rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2020 £m	2019 £m
One month or less	313.0	313.0
Total	313.0	313.0

11. Share capital

Share capital	2020		2019	
	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	933,198	9.3	952,161	9.5
Purchase and cancellation of own shares	(10,657)	(0.1)	(18,963)	(0.2)
Total	922,541	9.2	933,198	9.3

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 11,431,823 ordinary shares of £0.01 were purchased in the year (2019: 20,229,881). The average price paid per share was 539.7p (2019: 461.5p), with a total consideration paid (inclusive of all costs) of £62.0m (2019: £94.0m). 774,734 shares were purchased to be held in treasury (2019: 1,266,000 shares), with 10,657,089 being cancelled. Included within shares in issue at 31 March 2020 are 523,955 (2019: 565,555) shares held by the ESOT and 4,090,996 (2019: 3,996,041) shares held in treasury, as detailed in note 12.

12. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.6	–	0.6
Repurchase of own shares for treasury	–	(5.8)	(5.8)
Share-based incentives exercised	–	5.6	5.6
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)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(4.3)	(4.3)
Share-based incentives exercised	–	2.8	2.8
Own shares held as at 31 March 2020	(0.7)	(17.2)	(17.9)

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2018	932,761	4,194,989	5,127,750
Transfer of shares from ESOT	(367,206)	–	(367,206)
Repurchase of own shares for treasury	–	1,266,000	1,266,000
Share-based incentives exercised	–	(1,464,948)	(1,464,948)
Own shares held as at 31 March 2019	565,555	3,996,041	4,561,596

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2019	565,555	3,996,041	4,561,596
Transfer of shares from ESOT	(41,600)	–	(41,600)
Repurchase of own shares for treasury	–	774,734	774,734
Share-based incentives exercised	–	(679,779)	(679,779)
Own shares held as at 31 March 2020	523,955	4,090,996	4,614,951

13. Dividends

Dividends declared and paid by the Company were as follows:

	2020		2019	
	Pence per share	£m	Pence per share	£m
2018 final dividend paid	–	–	4.0	37.9
2019 interim dividend paid	–	–	2.1	19.7
2019 final dividend paid	4.6	42.6	–	–
2020 interim dividend paid	2.4	22.1	–	–
	7.0	64.7	6.1	57.6

The Directors are not recommending a final dividend for the year ended 31 March 2020. The 2020 interim dividend paid on 24 January 2020 was £22.1m. The 2019 final dividend paid on 24 September 2019 was £42.6m.

14. Cash generated from operations

	2020 £m	2019 £m
Profit before taxation	251.5	242.2
Adjustments for:		
Depreciation	3.9	4.9
Amortisation	2.6	4.0
Share-based payments charge (excluding associated NI)	3.4	4.7
Share of profit from joint ventures	(3.2)	(0.9)
(Profit)/loss on sale of property, plant and equipment	(0.3)	0.1
Difference between pension charge and cash contributions	0.2	0.3
Finance costs	7.4	10.2
Profit on disposal of subsidiary	–	(8.7)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	1.0	(1.5)
Trade and other payables	(0.2)	2.2
Provisions	(0.8)	1.0
Cash generated from operations	265.5	258.5

15. Business combinations

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

KeeResources is 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 the Auto Trader core platform.

The total cash consideration paid of £26.8 million excludes acquisition costs of £0.2 million which were recognised within administrative expenses in the Consolidated income statement.

The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows:

	2020 £m
Cash paid for subsidiary	26.8
Less: cash acquired	(1.5)
Net cash outflow	25.3

From the period from acquisition to 31 March 2020, KeeResources contributed revenue of £2.4 million, and a loss of £0.2 million to the Group's results.

If the acquisition had occurred on 1 April 2019, Group revenue would have been an estimated £4.9 million and loss would have been an estimated £0.4 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2019.

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 period in which measurement adjustments could be made has now closed on this acquisition and the final goodwill calculation is summarised below:

	Fair value £m
Intangible assets recognised on acquisition:	
Customer relationships	1.5
Software	1.9
Database	8.5
Brand	0.7
Deferred tax liability arising on intangible assets	(2.1)
Intangible assets and related deferred tax	10.5
Property, plant and equipment	2.4
Deferred tax asset	0.1
Non-current assets	13.0
Current assets	
Trade and other receivables	0.8
Cash and cash equivalents	1.5
Current assets	2.3
Non-current liabilities	
Borrowings	0.7
Current liabilities	
Trade and other payables	0.4
Deferred Income	1.3
Current liabilities	1.7
Total net assets acquired	12.9
Goodwill on acquisition	13.9
Total assets acquired	26.8
Cash consideration	26.8

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

In addition to the goodwill recognised, the customer relationships, brand, software, and database obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The database asset represents highly granular and accurate vehicle data set which KeeResources maintains and sells to customers; the database was valued based on subscription revenue that customers pay to access the data. The software asset is the Fleetware software which is used by leasing companies and contract hire providers to manage every aspect of fleet operations; the software was valued based on the subscription revenue that customers pay to Kee to use the software.

On acquisition the net assets of KeeResources Limited included borrowings of £0.7m relating to a mortgage held over land and buildings. On 2 October 2019 the Group repaid the outstanding amount of £0.7m, together with accrued interest under the terms of the mortgage agreement.

16. Post balance sheet events

COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections across many countries. The conditions that existed at the balance sheet date were that, a disease was present in a number of countries globally. The novel coronavirus that had been present in China was spreading rapidly. On 11 March 2020 the World Health Organization declared the virus a global pandemic. On 16 March 2020 the UK Government introduced social distancing measures to safeguard the public alongside a number of fiscal measures that included government backed loans.

On 23 March 2020 the government instructed the British public that they must remain at home unless for very limited purposes ('lockdown'). These instructions resulted in retailers closing their forecourts to comply with the new rules with immediate effect. The restrictions came into force on 24 March 2020 and would last indefinitely, with the first review being no earlier than 13 April 2020.

Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

The social distancing measures were extended on 13 April 2020 and 7 May 2020. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. Management have assessed these extensions to the lockdown period as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

Equity placing

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £183.2m net of fees incurred.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

RCF extension

On 1 June 2020, 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 facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	IMPACT
<p>1. COVID-19</p>	<p>The COVID-19 pandemic has caused unprecedented levels of disruption to every aspect of the UK economy, the automotive market, our customers, our consumers, our suppliers, our employees and the way we operate our business. From 23 March 2020 members of the public were advised to stay at home except for limited circumstances, and our retailer customers were required to close their showrooms. This impacts on many of our existing principal risks as follows:</p> <ul style="list-style-type: none"> • Economy: The restrictions on many UK businesses will significantly impact the UK economy, with GDP expected to decline by between 7% and 13% in 2020. The number of both trade and private transactions is expected to dramatically reduce during the period of full lockdown. As the restrictions ease, there is a risk that social distancing measures and decreased consumer confidence could lead to a reduced number of transactions for the rest of the year. This could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer & Agency customers and private sellers. • Competition: Our retailer customers' ability to spend on marketing may be significantly reduced and therefore there is a risk that they move to alternative routes to market to save cost. Also, in order to preserve cash, our own marketing spend has been reduced and this has the potential to weaken our competitive position. • Employees: The physical health and safety of our employees is of paramount importance and therefore in line with government guidelines, our entire workforce is working remotely. Also, due to this significant reduction in activity, we furloughed just over 25% of our employees in early April 2020. This could result in an adverse impact on our collaborative culture and ways of working, and on our employees' mental health and wellbeing. There is a future risk when we return to office working to ensure that the health of our employees is protected. • Reliance on third parties: The economic situation increases the risk of failure for third-party suppliers, which could impact our ability to provide services to our customers, or adversely affect the consumer experience leading to a loss in audience. <p>The pandemic also raises the likelihood of other of our risks which were not previously reported within principal risks (due to their previously low probability) as follows:</p> <ul style="list-style-type: none"> • A crisis or major event prevents the business or its customers/suppliers from being able to operate: Whilst we had identified as a risk an event which caused a major disruption to our business, this was considered to have a low likelihood. The specific scenario of a pandemic, in which our customers would be forced to close, or where our employees would not be able to work from our premises for sustained periods of time, was previously considered to have a very low likelihood. • Risk of breaching financial covenants: Our revolving credit facility contains financial covenants for debt cover and interest cover. Due to our high levels of cash generation and strong financial position, the risk of breaching these covenants was previously very low and therefore not disclosed as a principal risk.

RISK	IMPACT
<p>2. Economy, market and business environment</p>	<p>There are a number of scenarios which could lead to a contraction in the number of new or used car transactions, including the COVID-19 pandemic (as described above); the ongoing trade negotiations with respect to the UK's departure from the EU; or regulatory change and environmental concerns from consumers leading to a shift in demand away from vehicle ownership.</p> <p>These could result in 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>3. Brand</p>	<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>
<p>4. Increased competition</p>	<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. Competitors could develop a superior consumer experience 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>
<p>5. Failure to innovate: disruptive technologies and changing consumer behaviours</p>	<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>
<p>6. IT systems and cyber security</p>	<p>As a digital business, we are reliant on our IT infrastructure to continue to operate. 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> <p>This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.</p>
<p>7. Employees</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>
<p>8. Reliance on third parties</p>	<p>We rely on third parties particularly with regard to supply of data about vehicles and their financing, so 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>