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AUTO TRADER GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces half year results for the six months ended 30 September 2017.

Financial highlights

- Revenue up 7% to £165.0 million (H1 2017: £153.9 million)
- Operating profit up 9% to £109.6 million (H1 2017: £100.6 million)
- Profit before tax up 10% to £105.4 million (H1 2017: £95.5 million)
- Cash generated from operations[1] up 11% to £114.2 million (H1 2017: £103.2 million)
- Basic EPS up 14% to 8.72p per share (H1 2017: 7.65p)
- Net external debt[2] down to £347.2 million (March 2017: £355.0 million) with leverage[3] at 1.55x (March 2017: 1.65x)
- Returned £70.3 million to shareholders through £36.3 million of share buy-backs (H1 2017: £48.6 million) plus dividends paid of £34.0 million (H1 2017: £nil)
- Interim dividend of 1.9p per share (H1 2017: 1.7p per share)
- Operating cost[4] growth of 4%, of which 2% relates to Motor Trade Delivery ('MTD') acquired in April 2017, resulting in operating profit margin of 66% (H1 2017: 65%)

Operational highlights

- Average Revenue Per Retailer forecourt ('ARPR') per month[5] up £148 to £1,674 (H1 2017: £1,526), driven by growth in stock, price and product
- Physical car stock[6] on site up 3% to 451,000 cars (H1 2017: 439,000), with growth in stock per forecourt offset by a 1% decline in average retailer forecourts[5] to 13,213 (H1 2017: 13,374). The number of forecourts[7] was flat between March and September 2017
- Audience engagement remains strong with cross platform minutes[5,8] per month up 1% to 594 million (H1 2017: 587 million). Full page advert views per month[5,9] were down 2% to 245 million (H1 2017: 250 million)
- Re-launched our retailer advertising packages in April; early take-up of our new Advanced and Premium tiers has been encouraging with 8% of retailer stock now on one of these two tiers
- Continued to develop our new car proposition for manufacturers, retailers and consumers alike, including the launch of our new In-Search product helping manufacturers to target car buyers more effectively

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

"We have delivered good growth in the first half, as we continue to create a more efficient marketplace for car buyers, manufacturers and retailers. Our business has continued to perform strongly, underpinned by the successful launch of our retailer advertising packages in April. The new packages provide additional products for all customers and offer new opportunities for retailers looking to compete more effectively on the marketplace.

“The results highlight the resilience of our business considering the slowdown in new car transactions and a flat used car market. We will continue to benefit from the increased focus retailers are putting on the larger opportunity they see in used cars, where we are the clear market leader.

“We remain focused on improving the car buying and selling experience for consumers, who can now benefit from our free valuations and finance tools, thousands of dealer and car reviews, and will soon be able to search for their next car based on monthly finance payments.

“The Board is confident of delivering its growth expectations for the remainder of the year.”

Outlook

Our Trade business (representing over 80% of revenues) continues to perform well. We now expect ARPR improvement to be at or above £140pcm for the year, ahead of our £130pcm target, with product being the largest contributor to ARPR growth. This means that ARPR for the year will grow further to be at or above £1,686pcm. We expect retailer forecourt numbers to remain stable and stock to grow modestly.

In our smaller revenue lines, our Manufacturer & Agency business will continue to grow market share, however due to the current downturn in the advertising market, the revenue growth rate for the year as a whole is expected to be lower than the growth rate for H1. Consumer Services revenue is set to decline modestly for the year, in line with recent performance.

We expect total operating costs for the year to increase at a rate of mid-single digit, of which Motor Trade Delivery contributes approximately 2%, and that operating margins will be higher than last year.

Capital allocation policy is unchanged with c.1/3 of full year net income to be paid as dividends. The majority of surplus cash is expected to be used to buy back shares. Our leverage ratio should continue to fall as a result of the growth in operating profit and modest further debt repayments.

Analyst presentation

A presentation for analysts will be held at the offices of Bank of America Merrill Lynch at 9.30am, Thursday 9 November 2017. If you wish to attend, please contact Powerscourt on the details below. Alternatively, you can listen to the presentation via audio webcast at the following link: https://edge.media-server.com/m6/p/zxjnuzde

For media enquiries

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

About Auto Trader

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

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

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

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

Cautionary statement

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

Summary financial performance

	Units	H1 2018	H1 2017	Change
Income statement				
Trade	£m	139.4	128.6	8%
Consumer Services	£m	16.6	17.1	(3%)
Manufacturer & Agency	£m	9.0	8.2	10%
Revenue	**£m**	**165.0**	**153.9**	**7%**
Operating profit	£m	109.6	100.6	9%
Operating profit margin	%	66%	65%	1% pt
Profit before tax	£m	105.4	95.5	10%
Basic earnings per share	pence	8.72	7.65	14%

Cash flow				
Cash generated from operations[1]	£m	114.2	103.2	11%
Net external debt[2] at period end/March 2017	£m	347.2	355.0	
Leverage[3] at period end/March 2017	times	1.55x	1.65x	

Key performance indicators				
Average Revenue Per Retailer forecourt[5]	£ per month	1,674	1,526	£148
Physical stock on site[6]	number	451,000	439,000	3%
Number of retailer forecourts[5]	number	13,213	13,374	(1%)
Cross platform minutes[5,8]	million per month	594	587	1%
Full page advert views[5,9]	million per month	245	250	(2%)
Number of full-time equivalent employees and contractors[5] (FTEs)		818	830	(1%)

1. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
2. Net external debt is gross external indebtedness, less cash.
3. Leverage is Net external debt as a multiple of adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI and exceptional items).
4. Operating costs comprise administrative expenses as reported in the Condensed Consolidated interim income statement.
5. Average during the period.
6. Average physical car stock during the year, excluding virtual stock.
7. Number at the end of the period.
8. Cross platform minutes measured by comScore.
9. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.

***Change from 52-week to annual accounting period**

Due to the publishing heritage of the business, annual results were historically reported on a 52 week (i.e. 364 days) basis, and half year results reported on a 26 week (i.e 182 days) basis. The Board made the decision in 2017 to change the period end date to be 31 March every year. Therefore the results for the period to 30 September 2017 cover a 183 day period, compared to a 182 day period to 25 September 2017 in the previous year.

As the period is only one trading day longer, there has been no adjustment to year-on-year percentages for revenues, costs and profits. However, due to the timing of cash flows in the last few days of each month, balance sheet and working capital movements year-on-year are affected by this change. In our full-year results we will be comparing 365 days in 2018 versus 369 days in 2017 and we will adjust our year-on-year percentage growth rates to reflect the lower number of days in this reporting year.

Operating review

We remain focused on delivering our strategy to be the UK and Ireland's leading digital automotive marketplace and to improve the processes of buying and selling vehicles for consumers, retailers and manufacturers alike.

Total revenue grew 7% to £165.0m (H1 2017: £153.9m) and with costs growing 4% to £55.4m (H1 2017: £53.3m), we have increased operating profit by 9% to £109.6m (H1 2017: £100.6m).

The UK car market

The overall size of the UK's car parc continues to grow, which is benefical for our stock-based business model.

Used car transaction volumes for January-June 2017 were relatively flat year-on-year[1], however our assessment of the most recent DVLA data suggests a small decline for the quarter to September 2017 (July-September).

The number of new cars registered year-to-date (January – October) was 2.2m, down 4.6% year-on-year[2]. Industry forecasts expect new car registrations will fall by around 5% (around 128,000 cars) in calendar year 2017[2] with a similar level of decline in 2018. Fewer new cars sold today will mean fewer part-exchanges today, as well as a reduced number of younger cars returning to the used car market in a one to three year time frame. However, any changes in new car sales have a limited impact on used car transactions, as the new car market represents only 25% of total car transactions.

In terms of used car prices our Retail Price Index[3] shows the average price for a used car (adjusted for changes in mix of age, model and fuel type) has risen by 4% in the period January-October 2017.

1 DVLA transaction data
2 Society of Manufacturers and Motor Traders (SMMT)
3 Auto Trader analysis based on all adverts provided by Trade customers

Trade customers

Our Trade revenue is earned from retailers and home traders advertising their vehicles and utilising Auto Trader's data analytics products. In April, we restructured our retailer advertising packages to include enhanced features for all customers as part of their subscription and added new premium tiers for those customers looking to increase their prominence. All packages now have Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat – tools which not only help retailers to compete effectively, but also provide the best experience for car buyers. We also launched two new package tiers – Advanced and Premium – which give customers the opportunity to pay more for greater prominence when consumers search for cars. We are pleased with the early adoption of these new tiers. Customers on Advanced and Premium packages account for 8% of our retailer car stock after just six months.

In addition to our advertising packages, we use our unrivalled data on market supply and demand to power our 'Managing' products, i-Control and Retail Check. These help retailers source the most desirable vehicles, price them correctly, optimise stock turn and hence improve profit. Approximately 2,700 retailer forecourts (H1 2017: 2,100) listing 36% of trade stock, are using at least one of our data analytics 'Managing' products.

The successful launch of the new packages has enabled us to deliver a balanced growth in revenue in the first half with good contributions from all three of our retailer revenue levers - stock, product and price – resulting in Average Revenue Per Retailer ('ARPR') growing by £148pcm to £1,674 (H1 2017: £1,526).

The most important driver for our business model is stock, and we have continued to increase the level of physical stock on site, with the average number of cars on the marketplace increasing 3% to 451,000 (H1 2017: 439,000). The number of retailer forecourts using our marketplace stabilised in the period following a 2% decline last year.

Our new product development has been focused on implementing our Dealer Finance proposition which enables retailers to promote their finance offers within each vehicle advert with a monthly cost displayed alongside the purchase price. This benefits retailers and consumers as 71% of car buyers want to start their finance process online[4]. Retailers are able to promote their own finance offers more effectively and buyers can see exactly what a car will cost on a monthly basis, enabling better comparison between different cars and finance offers. At the end of September we had approximately 4,500 retailers displaying their own finance offers during our free trial period. Soon car buyers will be able to search for vehicles on Auto Trader based on the monthly cost, making it even easier for them to find the right car for their budget. We will start charging retailers for this service in the next financial year.

4 Google Automotive Research

Consumer Services

Consumer Services comprises our private listings business, in which private sellers place an advert on the marketplace for a fee, and motoring services, from which we earn revenues introducing consumers to selected partners for insurance and finance products. Consumer Services revenues for the period were down 3% due in part to a strong H1 2017 comparable, and a promotion for a free basic advert option for private cars priced less than £1,000.

Manufacturer & Agency

This is revenue from manufacturers and their advertising agencies who advertise their brand or services on Auto Trader. 75% of consumers looking for their next car start the buying process uncertain between whether they will buy a new or used car and most will visit Auto Trader at some point in their car buying journey[5]. As a result Auto Trader is a very effective platform on which car manufacturers and agencies can gain data and insight as well as advertise their new car offers.

We have recently developed our In-Search product allowing manufacturers to advertise new cars directly within our main search, among used cars, providing a highly targeted way to influence in-market car buyers. This has contributed to a 10% growth year-on-year in revenue from manufacturers, achieved despite the backdrop of the declining UK advertising market. Advertising market conditions are likely to remain challenging in the near term, though we are confident we will continue to grow our market share.

5 Auto Trader Car Buyers Report, June 2017

Audience

We remain the UK's largest automotive marketplace for new and used cars with an audience that is three times larger than that of our nearest competitor. Our share of cross platform visits for the period was 54% on average, versus our main competitors, as measured by comScore. Though down from 58% in H1 2017, it is virtually unchanged since June 2016 when our share of visits dropped to 55% as a result of Gumtree changing the way comScore measures its audience. Total minutes spent on our platforms increased by 1% and full page advert views were down 2% to 245 million per month (H1 2017: 250 million).

Our Board

Sean Glithero stepped down as Chief Financial Officer on 21 September 2017 after 11 years with Auto Trader. Sean made a significant contribution to the success of Auto Trader's transformation from a print to digital business and was instrumental in taking our Company from private ownership to a listed UK plc. We would like to thank him for his tremendous contribution and wish him well in his next venture. Nathan Coe, Chief Operating Officer, took on the additional role of Chief Financial Officer.

Investor calendar

We will be hosting a Capital Markets Day in March 2018 at which we will give investors and analysts an opportunity to gain a deeper understanding of our business and products (further details on date and location to be confirmed). The Group's full year results for the year ending 31 March 2018 will be announced on 7 June 2018.

Financial review

Revenue

Revenue grew to £165.0m (H1 2017: £153.9m), up 7% on the previous year, underpinned by the successful launch of our new retailer selling packages on 1 April and growth in stock throughout the first half.

	H1 2018 £m	H1 2017 £m	Change
Retailer	132.7	122.5	8%
Home Trader	6.2	6.1	2%
Other	0.5	-	n/m
Trade	139.4	128.6	8%
Consumer Services	16.6	17.1	(3%)
Manufacturer & Agency	9.0	8.2	10%
Total	**165.0**	**153.9**	**7%**

Trade Revenue consists of Retailer, Home Trader and Other trade revenue streams. Retailer revenue grew 8% year-on-year to £132.7m (H1 2017: £122.5m), driven by ARPR growth of £148 per month (H1 2017: £179) with a good contribution from each of our three ARPR levers: stock, price, and product:

- **Stock:** Our marketplace had average physical car stock of 451,000 during the first half, which was 3% higher than last year (H1 2017: 439,000). Stock is a factor of the number of retailer forecourts and the average stock per forecourt. Retailer forecourts for the first half were marginally lower than the same period last year at 13,213 (H1 2017: 13,374), however stock per forecourt grew and as a result the stock lever contributed £48 (H1 2017: £59) to total ARPR growth, representing 32% of the growth (H1 2017: 33%).
- **Price:** In April we launched our new advertising package staircase, at the same time as our annual price increase for retail customers. This event at the start of our financial year was the driver of our price lever and contributed £55 of ARPR growth in H1 (H1 2017: £86), representing 38% of the growth (H1 2017: 48%). Changes in the timing of price review cycles resulted in a benefit of £18 in H1 2018 (and £32 in H1 2017) to the price lever, which is not expected to recur in future years now that all customers are on a consistent price review anniversary.
- **Product:** As indicated six months ago, the current financial year is seeing a particular focus on product launch and adoption amongst our retailer customers. Product contributed £45 to H1 ARPR growth (H1 2017: £34) representing 30% of total ARPR growth (H1 2017: 19%). The three main drivers have been: (1) the encouraging level of adoption of our new Advanced and Premium advertising, with 8% of retailer car stock moving in to one of these new higher-priced tiers by September; (2) the continued increase in penetration of our 'Managing' products (i-Control and Retail Check) with 20% of retailers (36% of trade stock) now taking one of these data analytics products, and (3) the inclusion of a number of products in the Starter level of our packages, including: Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat. Offsetting this growth has been a decline in our marketing products, some of which related to low margin products we discontinued in the previous year. With a continued growth in new product penetration expected in the second half, and last year's discontinuation of low margin products falling out of the year-on-year comparison, the product lever should be the largest contributor to ARPR growth for the full year.

Home Trader revenue was flat versus last year with higher yield offsetting lower volumes. **Other** revenue of £0.5m came from MTD in the first five months under our ownership.

Consumer Services revenue declined by 3% in the period to £16.6m (H1 2017: £17.1m), as a result of a 5% decline in our private listings business. Elsewhere within Consumer Services, motoring services revenues increased by 5%, driven mainly by good growth in our consumer finance product.

In **Manufacturer & Agency** we grew revenue by 10% to £9.0m, growing market share in a challenging UK advertising market in which digital advertising spend fell 6.4% between March and June[6]. As well as general concerns around consumer confidence driven by Brexit uncertainty, there are specific challenges for new car advertising including lower new car sales and disruption caused by a number of manufacturers changing their media agencies. We have continued to grow through development of our advertising products and leveraging the insight we are uniquely able to provide to manufacturers, based on our unrivalled market data.

6 AOP Digital Publishers Revenue Index, Q2 2017 Report

Costs

Having completed the strategic transformation of our cost base that saw us significantly reduce headcount and operating costs over several years, we have seen total administrative expenses growth of 4% (of which 1.7% related to MTD), in line with the guidance at the 2017 full year results. Excluding the impact of MTD's costs total administrative expenses grew by 2.3%.

Costs	H1 2018 £m	H1 2017 £m	Change
People costs (exc. Share-based payments)	25.3	24.1	5%
Share-based payments	1.8	2.1	(14%)
Marketing	8.8	7.4	19%
Other costs	15.9	15.8	1%
Depreciation & amortisation	3.6	4.3	(16%)
Exceptional items	-	(0.4)	n/m
Total administrative expenses	**55.4**	**53.3**	**4%**

Within people costs, headcount levels were slightly lower year-on-year (FTEs of 818 vs 830 in H1 2017) but costs grew overall from higher salaries as we continue to attract the best digital talent, particularly in technical and customer facing roles. A share-based payment charge of £1.8m (H1 2017: £2.1m) was recognised during the period; the year-on-year decrease in the charge was primarily due to a release of £0.7m in relation to lapsed awards of leavers, offset by further awards made in June 2017 under the Performance Share Plan and the Deferred Annual Bonus Plan.

Marketing spend in the period increased to £8.8m (H1 2017: £7.4m), corresponding to 5.3% of revenue and broadly in line with the spend as a percentage of revenue for the previous full year of 5.1%. This year's marketing spend will be slightly first-half weighted, in part due to a campaign to promote our free private advert offer for cars priced under £1,000.

Other costs were broadly flat year-on-year at £15.9m (H1 2017: £15.8m) reflecting our lean operating principles and the relatively fixed nature of our cost base. Depreciation and amortisation decreased by 16% to £3.6m (H1 2017: £4.3m) as past development costs became fully amortised in the year. Within this cost line is £0.4m of amortisation relating to the acquisition of MTD (see note 16 for further details).

Operating profit

Operating profit increased by 9% to £109.6m (H1 2017: £100.6m) with operating profit margin improving slightly to 66% (H1 2017: 65%). As explained in the full year results announcement in June 2017, the Group previously used a measure of underlying operating profit to highlight the impact of certain one-off and other items, including exceptional items, share-based payment charges and costs related to management incentive schemes linked to the previous private ownership of the Group. From this financial year the Group will no longer report underlying operating profit and instead will focus on the statutory measure of operating profit.

Profit before tax

Profit before tax increased to £105.4m (H1 2017: £95.5m), as a result in the growth in operating profit and a reduction in net finance costs to £4.2m (H1 2017: £5.1m), through a combination of paying the lowest level of interest margin for the full period and from lower gross debt levels.

Taxation

The Group tax charge of £20.7m represents an effective tax rate of 19.6% (H1 2017: 20.2%) which is in line with the average standard UK rate and a reflection of our taxation policy to act in a responsible and transparent manner in all tax matters.

Earnings per share

Basic earnings per share rose by 14% to 8.72 pence (H1 2017: 7.65 pence) based on a weighted average number of ordinary shares in issue of 971,801,424 (H1 2017: 996,369,752).

Cash flow and net external debt

Cash generated from operations increased to £114.2m (H1 2017: £103.2m) and was achieved as a result of increased operating profit combined with improvements in working capital, partly due to the change in the balance sheet date.

Capital expenditure includes continued spend on hardware and storage, property improvements, our billing system and one-off spend on a new telephony system.

Net external debt reduced to £347.2m (March 2017: £355.0m) following term loan repayments of £10.0m, lower than the £25.0m repaid in H1 2017 due to the acquisition of MTD. Leverage, defined as the ratio of net external debt to adjusted underlying EBITDA decreased to 1.55x (March 2017: 1.65x).

Acquisition

On 25 April 2017, the Group acquired MTD for a total cash consideration of £12.2m, less cash acquired with the business of £0.3m. The assets and liabilities acquired have been accounted for at fair value in accordance with IFRS 3, as described in note 16, with the remaining value of £8.5m being allocated to goodwill.

Contingent liability

HMRC has identified a potential VAT risk in respect of VAT applicable to our insurance intermediary revenue within Consumer Services, dating back from 2013 onwards. The Group is working collaboratively with HMRC to provide clarity surrounding the nature of the services provided. No provision has been recognised as the Group does not yet consider a settlement will be probable but has estimated the maximum one-off liability at £3.0m including interest and penalties.

Capital structure and dividends

The final dividend for the year ended 31 March 2017 of 3.5p per share was paid on 29 September 2017, a total of £34.0m (H1 2017: £nil, as the final dividend for the year ended 31 March 2016 totalling £9.9m was paid after the balance sheet date of 25 September 2016).

For H1 2018, the Board has declared an interim dividend of 1.9 pence per share in line with the Group's dividend policy to distribute approximately one third of total net income for the year. The interim dividend will be paid on 26 January 2018 to members on the register on 5 January 2018.

The capital allocation policy remains unchanged, as we continue to use the majority of surplus cash, after dividends, to buy back shares whilst gross indebtedness falls steadily through debt repayments. In the period, a total of 9.9m shares (H1 2017: 12.8m shares) were repurchased for a total consideration of £36.3m (H1 2017: £48.6m) before transaction costs of £0.2m (H1 2017: £0.3m). The level of share buy backs has reduced in the period as a result of a reduction in surplus cash due to the payment of the 2017 final dividend.

Going concern

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

Directors' Responsibilities

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU

- the interim management report includes a fair review of the information required by:

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

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

Trevor Mather	**Nathan Coe**
CEO	**COO and CFO**
9 November 2017	**9 November 2017**

Condensed Consolidated interim income statement

For the six months ended 30 September 2017

	Note	**6 months to September 2017 £m**	6 months to September 2016 £m	Year to March 2017 £m
Revenue	2	**165.0**	153.9	311.4
Administrative expenses		**(55.4)**	(53.3)	(108.3)
Operating profit	2	**109.6**	100.6	203.1
Finance costs	3	**(4.2)**	(5.1)	(9.7)
Profit before taxation		**105.4**	95.5	193.4
Taxation	4	**(20.7)**	(19.3)	(38.7)
Profit for the period attributable to equity holders of the parent		**84.7**	76.2	154.7
Earnings per share:				
Basic EPS (pence)	5	**8.72**	7.65	15.64
Diluted EPS (pence)	5	**8.69**	7.63	15.60

As outlined in the notes to the condensed interim financial statements, the current period is for the six months ended 30 September 2017 and the comparative period is for the 26 weeks ended 25 September 2016.

Condensed Consolidated interim statement of comprehensive income

For the six months ended 30 September 2017

	Note	**6 months to September 2017 £m**	6 months to September 2016 £m	Year to March 2017 £m
Profit for the period		**84.7**	76.2	154.7
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences		**0.2**	0.6	0.5
Total items that may be subsequently reclassified to profit or loss (net of tax)		**0.2**	0.6	0.5
Items that will not be reclassified to profit or loss:				
Actuarial loss recognised on pension assets	9	**–**	(1.3)	–
Total items that will not be reclassified to profit or loss (net of tax)		**–**	(1.3)	–
Other comprehensive income for the period, net of tax		**0.2**	(0.7)	0.5
Total comprehensive income for the period attributable to equity holders of the parent		**84.9**	75.5	155.2

As outlined in the notes to the condensed interim financial statements, the current period is for the six months ended 30 September 2017 and the comparative period is for the 26 weeks ended 25 September 2016.

Condensed Consolidated interim balance sheet

As at 30 September 2017

	Note	**September 2017 £m**	September 2016 £m	March 2017 £m
Assets				
Non-current assets				
Intangible assets	6	**331.5**	321.8	320.4
Property, plant and equipment		**7.1**	7.6	6.7
Deferred taxation assets		**5.0**	4.9	4.7
		343.6	334.3	331.8
Current assets				
Trade and other receivables	7	**52.8**	52.5	50.7
Cash and cash equivalents		**5.8**	18.5	8.0
		58.6	71.0	58.7
Total assets		**402.2**	405.3	390.5
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	14	**9.7**	9.9	9.8
Retained earnings		**1,031.6**	1,014.2	1,015.9
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)	(1,060.8)
Own shares held	15	**(16.9)**	(17.0)	(16.9)
Capital redemption reserve		**0.3**	0.1	0.2
Other reserves		**30.6**	30.5	30.4
Total equity		**(5.5)**	(23.1)	(21.4)
Liabilities				
Non-current liabilities				
Borrowings	11	**348.7**	371.5	357.8
Deferred taxation liabilities		**0.8**	0.3	0.2
Retirement benefit obligations	9	–	1.5	–
Provisions for other liabilities and charges		**1.1**	1.1	1.1
		350.6	374.4	359.1
Current liabilities				
Trade and other payables	8	**35.4**	33.8	33.3
Current income tax liabilities		**21.7**	19.9	19.2
Provisions for other liabilities and charges		–	0.3	0.3
		57.1	54.0	52.8
Total liabilities		**407.7**	428.4	411.9
Total equity and liabilities		**402.2**	405.3	390.5

Condensed Consolidated interim statement of changes in shareholders' equity

For the six months ended 30 September 2017

	Share capital £m	Share premium £m	Retained earnings £m	Own shares held £m	Capital reorg reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at March 2016	**10.0**	**–**	**970.9**	**(1.5)**	**(1,060.8)**	–	**29.9**	**(51.5)**
Profit for the period	–	–	74.9	–	–	–	–	74.9
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	0.6	0.6
Total comprehensive income net of tax	–	–	74.9	–	–	–	0.6	75.5
Transactions with owners:								
Share-based payments	–	–	1.9	–	–	–	–	1.9
Deferred tax on share-based payments	–	–	(0.1)	–	–	–	–	(0.1)
Repurchase of own shares for treasury	–	–	–	(15.5)	–	–	–	(15.5)
Cancellation of shares	(0.1)	–	(33.4)	–	–	0.1	–	(33.4)
Total transactions with owners, recognised directly in equity	(0.1)	–	(31.6)	(15.5)	–	0.1	–	(47.1)
Balance at September 2016	**9.9**	**–**	**1,014.2**	**(17.0)**	**(1,060.8)**	**0.1**	**30.5**	**(23.1)**
Profit for the period	–	–	79.8	–	–	–	–	79.8
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income, net of tax	–	–	79.8	–	–	–	(0.1)	79.7
Transactions with owners:								
Share-based payments	–	–	2.1	–	–	–	–	2.1
Deferred tax on share-based payments	–	–	0.2	–	–	–	–	0.2
Cancellation of shares	(0.1)	–	(53.7)	–	–	0.1	–	(53.7)
Dividends paid	–	–	(26.6)	–	–	–	–	(26.6)
Transfer of shares from ESOT	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity	(0.1)	–	(78.1)	0.1	–	0.1	–	78.0
Balance at March 2017	**9.8**	**–**	**1,015.9**	**(16.9)**	**(1,060.8)**	**0.2**	**30.4**	**(21.4)**
Profit for the period	–	–	84.7	–	–	–	–	84.7
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	0.2	0.2
Total comprehensive income, net of tax	–	–	84.7	–	–	–	0.2	84.9
Transactions with owners:								
Share-based payments (note 17)	–	–	1.6	–	–	–	–	1.6
Deferred tax on share-based payments	–	–	(0.1)	–	–	–	–	(0.1)
Cancellation of shares (note 14)	(0.1)	–	(36.5)	–	–	0.1	–	(36.5)
Dividends paid (note 10)	–	–	(34.0)	–	–	–	–	(34.0)
Total transactions with owners, recognised directly in equity	(0.1)	–	(69.0)	–	–	0.1	–	(69.0)
Balance at September 2017	**9.7**	**–**	**1,031.6**	**(16.9)**	**(1,060.8)**	**0.3**	**30.6**	**(5.5)**

Condensed Consolidated interim statement of cash flows

For the six months ended 30 September 2017

	Note	**6 months to September 2017 £m**	6 months to September 2016 £m	12 months to March 2017 £m
Cash flows from operating activities				
Cash generated from operations	13	**114.2**	103.2	212.9
Taxation paid		**(18.6)**	(14.6)	(34.8)
Net cash generated from operating activities		**95.6**	88.6	178.1
Cash flows from investing activities				
Purchases of intangible assets – financial systems		**(0.4)**	(0.4)	(0.7)
Purchases of intangible assets – other		–	(0.3)	(0.5)
Purchases of property, plant and equipment		**(1.8)**	(1.7)	(2.5)
Acquisition of subsidiary, net of cash acquired	16	**(11.9)**	–	–
Net cash used in investing activities		**(14.1)**	(2.4)	(3.7)
Cash flows from financing activities				
Dividends paid by to Company's shareholders	10	**(34.0)**	–	(26.6)
Repayment of Syndicated Term Loan	11	**(10.0)**	(25.0)	(40.0)
Payment of interest on borrowings		**(3.2)**	(4.2)	(7.6)
Purchase of own shares for cancellation	15	**(36.3)**	(33.2)	(86.7)
Purchase of own shares for treasury	15	–	(15.4)	(15.4)
Payment of fees on repurchase of own shares	15	**(0.2)**	(0.3)	(0.5)
Net cash used in financing activities		**(83.7)**	(78.1)	(176.8)
Net (decrease)/increase in cash and cash equivalents		**(2.2)**	8.1	(2.4)
Cash and cash equivalents at beginning of year		**8.0**	10.4	10.4
Cash and cash equivalents at end of period		**5.8**	18.5	8.0

As outlined in the notes to the condensed interim financial statements, the current period is for the six months ended 30 September 2017 and the comparative period is for the 26 weeks ended 25 September 2016.

Notes to the condensed interim financial statements

1 General information

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

These condensed consolidated interim financial statements have been prepared as at, and for the six months ended 30 September 2017. The comparative financial information presented has been prepared as at, and for the 26 week financial period ('six months') ended 25 September 2016.

Due to the publishing heritage of the business, results have historically been reported on a 52 week basis. In 2017, the Board made the decision to change the period end date to be 31 March to better align with our customers' needs and to the products and services we offer. As a consequence of this change, the 2017 condensed consolidated interim financial statements are one day shorter than the current reporting period.

The condensed consolidated interim financial information presented as at, and for the six months ended, 30 September 2017 comprise the Company and its subsidiaries (together referred to as the Group). The consolidated financial statements of the Group as at, and for the year ended, 31 March 2017 are available on request from the Company's registered office and via the Company's website.

These condensed consolidated interim financial statements, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS - IC).

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the 'Act'). The statutory accounts for the year ended 31 March 2017 have been reported on by the Company's auditors and were delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Act.

Going concern

The Group has continued to generate significant cash from operating activities and had cash balances of £5.8 million as at 30 September 2017 (March 2017: £8.0 million). After making enquiries, the Board of Directors has a reasonable expectation the Group and the Company have adequate resources and banking facilities to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

Significant accounting policies

The accounting policies are consistent with the financial statements for the year ending 31 March 2017. The same accounting policies are anticipated to be applied for the year ending 31 March 2018.

Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss.

There are no new standards or amendments to standards that are mandatory for the first time in the financial year beginning 1 April 2017 that have an impact on the Group financial statements.

2 Segmental information

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

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

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

- Trade: revenue from retailer and home trader customers advertising their vehicles and utilising the Group's products;

- Consumer Services: revenue from private sellers for vehicle advertisements on the Group's websites. This category also includes revenue from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance; and

- Manufacturer & Agency (previously known as Display): revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites.

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

	September 2017 £m	September 2016 £m	March 2017 £m
Trade	**139.4**	128.6	262.1
Consumer Services	**16.6**	17.1	31.8
Manufacturer & Agency	**9.0**	8.2	17.5
Total revenue	**165.0**	153.9	311.4

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

	Note	**September 2017 £m**	September 2016 £m	March 2017 £m
Total segment operating profit		**109.6**	100.6	203.1
Finance costs - net	3	**(4.2)**	(5.1)	(9.7)
Profit before tax		**105.4**	95.5	193.4

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

3 Finance costs

	September 2017 £m	September 2016 £m	March 2017 £m
On bank loans and overdrafts	**3.2**	4.2	7.5
Amortised debt issue costs	**1.0**	0.9	2.2
Total finance costs	**4.2**	5.1	9.7

4 Taxation

	September 2017 £m	September 2016 £m	March 2017 £m
Total taxation charge	**20.7**	19.3	38.7

The taxation charge for the year is based on the standard rate of UK corporation tax for the period of 19% (March 2017: 20%). Management's best estimate of the effective tax rate for the six months to September 2017 after tax adjustments was 19.6% (September 2016: 20.2%; March 2017: 20.0%).

5 Earnings per share

	Weighted average number of ordinary shares	**Total earnings £m**	**Pence per share**
Six months ended September 2017			
Basic EPS	**971,801,424**	**84.7**	**8.72**
Diluted EPS	**975,062,081**	**84.7**	**8.69**
Six months ended September 2016			
Basic EPS	996,369,752	76.2	7.65
Diluted EPS	998,592,162	76.2	7.63
Year ended March 2017			
Basic EPS	989,278,991	154.7	15.64
Diluted EPS	991,812,212	154.7	15.60

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

	6 months ended September 2017 Number of shares
Issued ordinary shares at 31 March 2017	978,971,146
Less weighted effect of shares held by the ESOT	(943,811)
Less weighted effect of shares held in treasury	(4,201,948)
Less weighted effect of shares repurchased and cancelled	(2,023,963)
Weighted average number of shares for basic EPS	**971,801,424**
Dilutive impact of share options outstanding	3,260,657
Weighted average number of shares for diluted EPS	**975,062,081**

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

6 Intangible assets

	Goodwill £m	Software & website development costs £m	Financial systems £m	Other intangible assets £m	Total £m
Opening net book value at March 2016	312.8	1.7	7.4	1.5	323.4
Additions	–	0.3	0.4	–	0.7
Amortisation	–	(1.3)	(1.0)	(0.5)	(2.8)
Exchange differences	0.5	–	–	–	0.5
Closing net book value at September 2016	313.3	0.7	6.8	1.0	321.8
Opening net book value at March 2017	**313.3**	**0.8**	**5.8**	**0.5**	**320.4**
Acquired through a business combination	**8.5**	**0.4**	**–**	**3.8**	**12.7**
Additions	**–**	**0.2**	**0.2**	**–**	**0.4**
Amortisation	**–**	**(0.3)**	**(1.2)**	**(0.6)**	**(2.1)**
Exchange differences	**0.1**	**–**	**–**	**–**	**0.1**
Closing net book value at September 2017	**321.9**	**1.1**	**4.8**	**3.7**	**331.5**

As part of the acquisition made in the period, £4.2 million of intangibles met the requirements to be separately identifiable under IFRS 3. £8.5 million of goodwill was also recognised on this transaction. See note 16 for further details.

7 Trade and other receivables

	September 2017 £m	September 2016 £m	March 2017 £m
Trade receivables (net of provision)	**24.9**	23.1	21.3
Accrued income	**24.4**	26.0	26.1
Prepayments	**3.4**	3.3	3.2
Other receivables	**0.1**	0.1	0.1
Total	**52.8**	52.5	50.7

8 Trade and other payables

	September 2017 £m	September 2016 £m	March 2017 £m
Trade payables	**3.3**	4.1	6.1
Accruals	**17.0**	14.1	14.3
Other taxes and social security	**12.2**	12.9	10.0
Other payables	**0.9**	0.6	0.5
Deferred income	**1.5**	1.6	1.9
Accrued interest payable	**0.5**	0.5	0.5
Total	**35.4**	33.8	33.3

9 Retirement benefit obligations

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

In the period the pension contributions to the Group defined contribution scheme amounted to £0.9 million (September 2016: £0.9 million; March 2017: £1.9 million). At 30 September 2017, there were £0.1 million (September 2016: £0.5 million; March 2017: £0.3 million) of pension contributions outstanding relating to the Group's defined contribution scheme.

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

The most recent actuarial valuation of the defined benefit obligations was performed as at 30 September 2017 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	September 2017 £m	September 2016 £m	March 2017 £m
Present value of funded obligations	**20.7**	22.0	21.0
Fair value of plan assets	**(21.6)**	(20.5)	(21.4)
Effect of surplus cap	**0.9**	-	0.4
Net liability recognised in the balance sheet	**-**	1.5	-

The surplus of £0.9 million as at September 2017 and £0.4 million as at March 2017 were not recognised as assets as they were not deemed to be recoverable by the Group.

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

	September 2017 £m	September 2016 £m	March 2017 £m
Interest income on net defined benefit obligation	-	-	-
Administration expenses paid by the scheme	-	-	-
Net retirement benefit income before taxation	-	-	-

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

	September 2017 £m	September 2016 £m	March 2017 £m
Remeasurement gains/(losses) recognised in the year (before tax)	**0.5**	(1.5)	(0.5)
Deferred tax on loss recognised in year	**-**	0.2	-
Effect of surplus cap	**(0.5)**	-	0.5
Net retirement benefit loss after taxation	**-**	(1.3)	-

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

	September 2017 £m	September 2016 £m	March 2017 £m
At beginning of period	**-**	-	-
Expense recognised in the income statement	**-**	-	-
Contributions paid to scheme	**-**	-	-
Remeasurement (gains)/losses	**(0.5)**	1.5	0.5
Effect of surplus cap	**0.5**	-	(0.5)
Deficit at period end	**-**	1.5	-

10 Dividends

Dividends declared and paid in the period were as follows:

	September 2017		September 2016	
	Pence per share	**£m**	Pence per share	£m
2017 final dividend paid	**3.5**	**34.0**	-	-
Total	**3.5**	**34.0**	-	-

An interim dividend of 1.9p per share for the six months to September 2017 (September 2016: 1.7p) has been declared by the Directors', totaling £18.3 million (September 2016: £16.8 million) based on the number of shares eligible for the distribution as at 30 September 2017. The interim dividend is payable on 26 January 2018 to shareholders on the register at the close of business on 5 January 2018. No provision has been made for the interim dividend and there are no income tax consequences.

The 2017 final dividend paid on 29 September 2017 was £34.0 million, being a difference of £0.1 million compared to that reported in the 2017 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 8 June 2017 and the dividend record date of 1 September 2017.

11 Borrowings

Non-current	**September 2017 £m**	September 2016 £m	March 2017 £m
Syndicated Term Loan gross of unamortised debt issue cost	**353.0**	378.0	363.0
Unamortised debt issue costs	**(4.3)**	(6.5)	(5.2)
Total borrowings	**348.7**	371.5	357.8

The Syndicated Term Loan is repayable as follows:

	September 2017 £m	September 2016 £m	March 2017 £m
Within two to five years	**353.0**	378.0	363.0
Total	**353.0**	378.0	363.0

The carrying amounts of borrowings approximate their fair values.

Interest on the Syndicated Term Loan is charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. There is no requirement to settle all or part of the debt earlier than the termination date in March 2020.

12 Financial instruments

For the period ended 30 September 2017 the carrying amounts of financial assets and liabilities approximate their fair value. The fair value has been calculated as follows:

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, short-term deposits held on call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in 'current liabilities' on the balance sheet.

Trade payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

13 Cash generated from operations

	6 months to September 2017 £m	6 months to September 2016 £m	Year to March 2017 £m
Profit before taxation	**105.4**	95.5	193.4
Adjustments for:			
Depreciation	**1.5**	1.5	3.2
Amortisation	**2.1**	2.8	4.8
Share-based payments charge (excluding associated NI)	**1.6**	2.1	4.0
Finance costs	**4.2**	5.1	9.7
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Trade and other receivables	**(1.4)**	(1.0)	0.7
Trade and other payables	**0.8**	(2.6)	(2.3)
Provisions	**-**	(0.2)	(0.6)
Cash generated from operations	**114.2**	103.2	212.9

14 Share capital

	As at 30 September 2017		As at 25 September 2016		As at 31 March 2017	
	Number '000	**Amount £m**	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each						
At beginning of period	**978,971**	**9.8**	1,001,052	10.0	1,001,052	10.0
Purchase and cancellation of own shares	**(9,880)**	**(0.1)**	(8,566)	(0.1)	(22,081)	(0.2)
Total	**969,091**	**9.7**	992,486	9.9	978,971	9.8

In June 2016 the Company commenced a share buy-back programme. By resolutions passed at the 2016 AGM and the 2017 AGM, the Company was authorised to make market purchases of its ordinary shares, subject to minimum and maximum price restrictions and maximum limits of up to 10% of ordinary share capital. A total of 9,880,130 ordinary shares of £0.01 each were purchased in the period, all of which have been immediately cancelled. In September 2016, a total of 12,777,887 shares were purchased, of which 4,211,957 were purchased to be held in treasury with the remainder being cancelled (March 2017: 26,292,510 shares, of which 4,211,957 were purchased to be held in treasury, with the remainder being cancelled). The average price paid per share was 366.9p (September 2016: 380.2p; March 2017: 387.9p), with a total consideration paid, inclusive of all costs, of £36.5 million (September 2016: £48.9 million; March 2017: £102.6 million).

Included within shares in issue at 30 September 2017 are 943,322 (September 2016: 973,053; March 2017: 948,924) shares held by the ESOT and 4,197,194 (September 2016: 4,209,855; March 2017: 4,203,277) shares held in treasury, as detailed in note 15.

15 Own shares held

Own shares held £m	**ESOT shares reserve £m**	**Treasury shares £m**	**Total £m**
Own shares held as at 28 March 2016	(1.5)	-	(1.5)
Repurchase of own shares for treasury	-	(15.5)	(15.5)
Transfer of shares from ESOT	0.1	-	0.1
Own shares held as at 25 September 2016	(1.4)	(15.5)	(16.9)
Own shares held as at 26 September 2016	(1.4)	(15.5)	(16.9)
Own shares held as at 31 March 2017	(1.4)	(15.5)	(16.9)
Own shares held as at 1 April 2017	(1.4)	(15.5)	(16.9)
Own shares held as at 30 September 2017	**(1.4)**	**(15.5)**	**(16.9)**

Own shares held - number	**ESOT shares reserve number of shares**	**Treasury shares number of shares**	**Total number of shares**
Own shares held as at 28 March 2016	1,021,224	-	1,021,224
Transfer of shares from ESOT	(48,171)	-	(48,171)
Shares purchased for treasury	-	4,211,957	4,211,957
Share-based incentives exercised in the period	-	(2,102)	(2,102)
Own shares held as at 25 September 2016	973,053	4,209,855	5,182,908
Own shares held as at 26 September 2016	973,053	4,209,855	5,182,908
Transfer of shares from ESOT	(24,129)	-	(24,129)
Share-based incentives exercised in the period	-	(6,578)	(6,578)
Own shares held as at 31 March 2017	948,924	4,203,277	5,152,201
Own shares held as at 1 April 2017	948,924	4,203,277	5,152,201
Share-based incentives exercised in the period	(5,602)	(6,083)	(11,685)
Own shares held as at 30 September 2017	**943,322**	**4,197,194**	**5,140,516**

16 Acquisition of a subsidiary

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

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

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

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

From the period from acquisition to 30 September 2017, MTD contributed revenue of £0.5 million, and a loss of £0.4 million, after an amortisation charge of £0.4 million, to the Group's results.

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

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

The provisional goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. This represents synergies expected to arise from combining with the existing business of Auto Trader Limited. None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

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

17 Share-based payments

The Group currently operates four share schemes: the Performance Share Plan; Deferred Annual Share Bonus Scheme; Share Incentive Plan and the Sharesave scheme. The total charge in the period relating to the four schemes was £1.8 million (September 2016: £2.1 million; March 2017: £4.5 million). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	September 2017 £m	September 2016 £m	March 2017 £m
Share Incentive Plan ('SIP')	**0.4**	0.4	0.8
Sharesave scheme ('SAYE')	**0.1**	0.1	0.3
Performance Share Plan ('PSP')	**0.9**	1.3	2.4
Deferred Annual Bonus Plan ('DABP')	**0.2**	0.3	0.5
Total share-based payment charge	**1.6**	2.1	4.0
NI and apprenticeship levy on applicable schemes	**0.2**	-	0.5
Total charge	**1.8**	2.1	4.5

Share Incentive Plan

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

UK SIP	**September 2017 Number**	September 2016 Number	March 2017 Number
Outstanding at beginning of period	**776,045**	913,917	913,917
Dividend shares award in the period	**-**	696	6,139
Forfeited in the period	**(35,795)**	(32,489)	(69,589)
Released in the period	**(4,255)**	(44,193)	(74,422)
Outstanding at period ending	**735,995**	837,931	776,045

Irish SIP	**September 2017 Number**	September 2016 Number	March 2017 Number
Outstanding at beginning of period	**44,431**	45,491	45,491
Forfeited in the period	**-**	(1,060)	(1,060)
Outstanding at period ending	**44,431**	44,431	44,431

Performance Share Plan

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

	September 2017 Number	September 2016 Number	March 2017 Number
Outstanding at beginning of period	**2,682,738**	1,641,267	1,641,267
Options granted in the period	**1,188,149**	1,186,365	1,186,365
Options forfeited in the period	**(412,395)**	(97,734)	(144,894)
Outstanding at period ending	**3,458,492**	2,729,898	2,682,738

Deferred Annual Bonus Plan

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

	September 2017 Number	September 2016 Number	March 2017 Number
Outstanding at beginning of period	**248,263**	-	-
Options granted in the period	**127,691**	248,263	248,263
Options forfeited in the period	**(73,380)**	-	-
Outstanding at period ending	**302,574**	248,263	248,263

Sharesave scheme

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

	September 2017 Number	September 2016 Number	March 2017 Number
Outstanding at beginning of period	**919,281**	1,060,225	1,060,225
Options exercised in the period	**(6,083)**	(2,102)	(8,680)
Options lapsed in the period	**(43,756)**	(53,083)	(132,264)
Outstanding at period ending	**869,442**	1,005,040	919,281

18 Related party transactions

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

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

19 Contingent liability

HMRC have identified a potential VAT risk in respect of the rate of VAT applicable to our insurance intermediary revenue within Consumer Services, dating back from 2013 onwards. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. A provision has not been recognised as the Group does not yet consider a settlement will be probable. The Group is providing further information to clarify the nature of the services supplied but has estimated the maximum one-off liability at £3.0m including interest and penalties.

20 Forward looking statements

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

21 Uncertainties, risks and threats

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the nature of the risks currently faced by the Group is as follows:

- Economy, market and business environment – Contraction of the UK car market, changes in regulation or fundamental changes to the way that cars are bought and sold could result in a reduction in new and used car transactions which could result in a reduction in the number of retailers or reduce retailers' desire to advertise their vehicles on the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising. The result of the EU Referendum has increased the level of uncertainty around customer and consumer spending power. Although there are no short-term indicators of a downturn, in the longer term the industry now expects new car registrations to plateau or decline from recent record highs and so this risk level has been slightly increased. In considering the potential implications of the Referendum result on the business the Directors considered the time lag between the registration of new cars and the entry of cars into the used car marketplace; the resilience of our business model; the strength of our value proposition, and the Group's ability to reduce costs.

- Increased competition – Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.

- Brand – Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.

- New or disruptive technologies and changing consumer behaviours – Failure to identify the need to, and to be able to innovate and develop new technologies or products, to execute product launches and improvements or to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.

- IT systems – Failure in one system as a result of malicious attack, our own failures or those of third-party suppliers could disrupt others and could impact the availability or performance of Group platforms and could cause reputational damage with consumers and/or customers.

- Employee retention – Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.

INDEPENDENT REVIEW REPORT TO AUTO TRADER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

Mick Davies
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
9 November 2017