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AUTO TRADER GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2018

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive market-place, announces full year results for the year ended 31 March 2018.

Financial highlights

- Revenue up 7%* to £330.1 million (2017: £311.4 million)
- Average Revenue Per Retailer forecourt[1] ('ARPR') per month up £149 to £1,695 (2017: £1,546), driven by growth in stock, price and product
- Operating profit up 10%* to £220.6 million (2017: £203.1 million) with Operating profit margin of 67% (2017: 65%)
- Profit before tax up 10%* to £210.8 million (2017: £193.4 million)
- Basic EPS up 15%* to 17.76p per share (2017: 15.64p)
- Cash generated from operations[2] up £13.2 million to £226.1 million (2017: £212.9 million)
- Net external debt[3] down to £338.7 million (2017: £355.0 million) with leverage[4] at 1.46x (2017: 1.65x)
- Returned £148.4 million to shareholders through £96.2 million of share buy-backs (2017: £102.1 million) plus dividends paid of £52.2 million (2017: £26.6 million)
- Proposed final dividend of 4.0 pence per share (2017: 3.5 pence per share) totalling 5.9 pence per share (2017: 5.2 pence per share)

Operational highlights

- Average physical car stock on site[5] up 1% to 453,000 cars (2017: 450,000), with growth in stock per forecourt compensating for a 1% decline in average retailer forecourts to 13,213 (2017: 13,296)
- Audience engagement remains strong with cross platform minutes[1,6] per month up 6% to 618 million (2017: 582 million). Full page advert views per month[1,7] were consistent at 246 million (2017: 247 million)
- Re-launched our retailer advertising packages in April 2017; penetration of our Advanced and Premium tiers has been encouraging with 12% of retailer cars on site now on one of these two levels[8]
- Added monthly payment prices to two thirds of car stock listed and launched search by monthly payment, making it easier for consumers to shop for their next car
- Launched our new InSearch and video products helping manufacturers to target new car buyers more effectively

Trevor Mather, Chief Executive Officer of Auto Trader Group plc, said:
"This has been a strong year of revenue and profit growth for Auto Trader, driven predominately by retailer and manufacturer adoption of the new products that we launched throughout the year.

"Our market leading position has been enhanced by consumers spending more time on our site interacting with the wide range of adverts, products and advice that we offer.

"We have taken a big step in our strategy of improving car buying in the UK by launching the Dealer Finance product which allows consumers to find their next car by monthly payment and allows retailers to advertise finance on their cars earlier in the buying journey.

"Auto Trader is uniquely placed to help current customers and other automotive players adapt to the evolving automotive environment in the UK, and despite the challenging conditions for our customers in the past 12 months we have clearly seen that those who engage more closely with our products and our data are able to gain market share and improve efficiency.

"The new financial year has started well, and the Board is confident of meeting its growth expectations for the year."

Outlook
In April, we successfully monetised our Dealer Finance product, with 69% of eligible car retailers opting to pay for this feature, and executed our annual pricing event which went well.

These events, combined with continued upsell onto higher level packages and further penetration of Managing products, will deliver higher levels of price and product ARPR growth in 2019. With fewer cars for sale in the market, we anticipate a small decline in stock, moderating ARPR growth to be below that of 2018.

We expect average retailer forecourts to decline at a similar rate to last year.

Manufacturer & Agency continues to gain market share due to our new InSearch product. We therefore expect growth to accelerate somewhat.

In the second half of the year, broader economic uncertainty impacted private listings and this is likely to continue.

We anticipate total operating costs for the year to increase at a rate of low to mid-single digit, resulting in a continued increase in Operating profit margin.

The new financial year has started well, and the Board is confident of meeting its growth expectations for the year.

Analyst presentation
A presentation for analysts will be held at the offices of Numis Securities at 9.30am, Thursday 7 June 2018. If you wish to attend, please contact Powerscourt on the details below. Alternatively, you can listen to the presentation via audio webcast at the following link: https://edge.media-server.com/m6/p/ynz9ijto

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 250 Index.

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

The marketplace also has the largest pool of vehicle sellers (listing around 450,000 cars each day). 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 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	2018	2017	Change
Income statement				
Trade	£m	281.2	262.1	8%*
Consumer services	£m	29.8	31.8	(5%)*
Manufacturer & Agency	£m	19.1	17.5	10%*
Revenue	**£m**	**330.1**	**311.4**	**7%***
Operating profit	£m	220.6	203.1	10%*
Operating profit margin	%	67%	65%	2% pt
Profit before tax	£m	210.8	193.4	10%*
Basic earnings per share	pence	17.76	15.64	15%*
Dividend per share	pence	5.9	5.2	15%*

Cash flow				
Cash generated from operations[2]	£m	226.1	212.9	£13.2m
Net external debt[3] at March	£m	338.7	355.0	
Leverage[4] at March	times	1.46x	1.65x	

Key performance indicators				
Average Revenue Per Retailer forecourt[1]	£ per month	1,695	1,546	£149
Physical car stock on site[1,5]	number	453,000	450,000	1%
Number of retailer forecourts[1]	number	13,213	13,296	(1%)
Cross platform minutes[1,6]	million per month	618	582	6%
Full page advert views[1,7]	million per month	246	247	(0%)
Full-time equivalent employees and contractors[1] (FTEs)	number	824	824	-

1. Average during the year.
2. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
3. Net external debt is gross external indebtedness, less cash.
4. 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).
5. Physical car stock advertised on autotrader.co.uk.
6. Cross platform minutes measured by comScore.
7. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.
8. Average stock volume for retailers on Advanced and Premium car packages in March 2018.

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

Due to the publishing heritage of the business, results have historically been reported on a 52-week (i.e. 364 days) basis with the accounting period ending on the closest Sunday to 31 March. The Board made the decision to change the period end date to be 31 March every year, starting in financial year 2017 to better align with our customers' needs, and to the products and services we offer.

As a consequence of this change, the 2017 financial year was four days longer than the current year. Year-on-year percentages for revenues, costs, profits, earnings per share and dividend per share have been adjusted to reflect like-for-like growth. No other percentages have been adjusted.

For example: Operating profit £220.6m divided by (£203.1m x 365 / 369) x 100 = 10%.

Summary of operating performance

Our purpose is to lead the future of the digital automotive marketplace and we continue to make progress against our strategy of improving car buying in the UK. We seek to continually evolve the automotive ecosystem so consumers, retailers and manufacturers realise greater efficiencies.

It has been another good year for the business despite the toughest market conditions we have seen since we became a public company. We achieved revenue growth of 7%, through our core Retailer and Manufacturer & Agency revenue streams, but this has been partially offset by weakness in Consumer services where broader economic uncertainty has affected our private listings business. With Operating profit growth of 10%, we saw continued improvement in Operating profit margin to 67%.

We have a market leading position as the UK's largest digital automotive marketplace. Our audience has grown as consumers spend more time on our platforms, viewing an average of 94 adverts every second of every day[1], and the vast majority of this audience remains unique to Auto Trader. Our audience is three times larger than that of our nearest competitor, with our share of cross platform visits for the year at 54%[2] on average, whilst total minutes spent increased by 6%[3]. Full page advert views were consistent year-on-year at 246 million per month (2017: 247 million).

We have increased the level of physical stock on site, with the average number of cars on our marketplace increasing 1% to 453,000 (2017: 450,000). The average number of retailer forecourts using our marketplace declined slightly in the year to 13,213 (2017: 13,296) following a 2% decline last year.

During the year we improved our offering to retailer customers, including the successful launch of our new advertising packages in April 2017, which enabled retailers to compete more effectively on our marketplace. We have also continued to leverage our data to evolve our consumer and retailer products, integrated Motor Trade Delivery ('MTD') and delivered our new Dealer Finance product in December 2017.

[1] Auto Trader internal data
[2] Monthly visits as measured by comScore
[3] Monthly minutes as measured by comScore

The UK car market

In the year to March 2018, both new and used car transactions declined, and industry forecasts suggest that both markets will continue to decline for the remainder of calendar year 2018.

New car sales have fallen from record highs seen in 2016, with the total number of new car registrations down by 11% to 2.4 million in the 12 months to March 2018, according to the Society of Motor Manufacturers and Traders ('SMMT'). Despite the decline, the overall UK car parc has continued to grow, increasing by 1% to 34.7 million cars[4], as the number of cars registered outweighs the number of cars that are scrapped each year. In the 12 months to March 2018, used car transactions were down 3% to 7.9 million.

Used car prices continue to increase. The Auto Trader Retail Price Index shows that the price of a used car in the UK has continued to grow; achieving an average of £12,171 over the 12-month period to March 2018, an increase of 5.4% when compared to the same period the previous year. This is on a like-for-like basis – stripping out the impact of changes in the mix of cars being sold.

[4] Society of Motor Manufacturers & Traders ('SMMT') as at 31 December 2017

Key developments

We have launched new products that make car buying more efficient, with the most prominent of these being the ability to search for a car by monthly payment. With over half of car buyers (52%) considering the price of their next car as a monthly figure rather than the full advertised price[5], we responded by launching the ability for consumers to search for their next car by monthly payment in December 2017. The change was not only designed to meet consumers' growing expectations of being able to search for everything they buy on monthly payments, but also to support retailers attract more buyers to their cars and increase their finance penetration by promoting their own finance offers much earlier on in the buying journey.

At the start of the year we relaunched our retailer advertising packages, so that our entry level starter package now includes products such as: 100 images, Live Chat, Dealer Reviews, and the Part-Exchange Guide. We also offer progressively higher package levels, giving retailers the opportunity to pay for greater prominence to stand out in search. Alongside these changes to our core packages we also re-platformed our core vehicle upload process to make it both easier and quicker for retailers to advertise stock on our marketplace.

We have continued our focus on growing penetration of our 'Managing' products: i-Control and Retail Check. Approximately 3,000 retailer forecourts (2017: 2,500) listing 39% of trade stock, are using at least one of these data analytics products, which we have improved by adding Price Indicator flags and evolving our valuation engine with machine learning to take into account vehicle specification - a first for the UK market.

With three out of every four visitors to Auto Trader considering purchasing a new car[6], we have developed new products that allow manufacturers and their agencies to reach and influence these buyers. In the last 12 months we launched InSearch, our native advertising performance product, which allows new cars to be promoted within search in a highly targeted way. More recently we have further developed this product to include a video format allowing us to capitalise on the fast growth in video advertising.

Both manufacturers and retailers can now use our Search API service to operate their websites, saving them the effort of building backend systems and allowing them to benefit from our taxonomy, valuations and product improvements. They can also benefit from a new Image app, which enables them to take 360-degree interior and exterior shots that meet manufacturer standards.

[5] Auto Trader Market Report (March 2018)
[6] Auto Trader Search data (2017)

Culture and people

As we strive to become the UK's most admired digital business, we are delighted that 90% of employees say they are proud to work at Auto Trader[7] and would recommend the Company to a friend[8]. We are committed to addressing the gender and wider diversity balance that is common in most technology and digital companies and have made good progress against our commitments in this area. Finally, this year we reassessed our business' core values, an integral part of our culture, and collectively decided to add a sixth value – community-minded – as a reflection of our commitments to support the Auto Trader community, as well as the wider communities in which we operate.

[7] Auto Trader employee engagement survey 2017
[8] Glassdoor, April 2018

Financial review

Revenue

In 2018, revenue grew 7% to £330.1m (2017: £311.4m) predominantly through Trade revenue, and more specifically Retailer revenue, as our core business continued to grow.

	2018 £m	2017 £m	Days adjusted change
Retailer	268.7	250.1	9%
Home Trader	11.4	12.0	(4%)
Other	1.1	-	n/m
Trade	281.2	262.1	8%
Consumer services	29.8	31.8	(5%)
Manufacturer & Agency	19.1	17.5	10%
Total	**330.1**	**311.4**	**7%**

Trade revenue, revenue from Retailer and Home Trader customers advertising their vehicles and utilising the Group's products, increased by 8% to £281.2m. Retailer revenue grew 9% to £268.7m (2017: £250.1m) as a result of growth in ARPR, where there was improvement of £149 to £1,695 per month (2017: £1,546). Average retailer forecourts declined by 1% in the year to 13,213 (2017: 13,296).

ARPR growth of £149 per month was generated through all three of our levers: price, stock and product.

- Price: Our price lever contributed £43 (2017: £86) and 29% (2017: 53%) of total ARPR growth. We restructured our retailer advertising packages to include enhanced features for all customers as part of their subscription. 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.
- Stock: Our stock lever contributed £20 (2017: £48) and 13% (2017: 30%) of total ARPR growth. The average number of cars advertised on autotrader.co.uk each month increased by 1% in 2018 to 453,000 (2017: 450,000) as the number of cars advertised per retailer forecourt increased. Used car transactions in the UK decreased by 3% in the 12 months to March 2018, however the UK car parc continues to grow as new car registrations exceed scrappage rates, creating a wealth of supply of used cars for potential buyers.
- Product: Our product lever contributed £86 (2017: £28) and 58% (2017: 17%) of total ARPR growth. The launch of Advanced and Premium advertising package levels contributed to this growth, with 12% of retailer car stock moving in to one of these new higher-priced tiers by the end of the year. The penetration of our 'Managing' products (i-Control and Retail Check) increased from 19% to 23% in the current year.

Home Trader declined 4% to £11.4m (2017: £12.0m). Other revenue comprises logistics revenue from Motor Trade Delivery, which contributed £1.1m since its acquisition in April 2017.

Consumer services, decreased 5% in the year to £29.8m (2017: £31.8m). Private revenue, from private sellers for vehicle advertisements on the Group's websites, decreased 11% to £21.6m (2017: £24.4m). Motoring services revenue, from third-party partners who provide services to consumers relating to their motoring needs, grew 12% to £8.2m (2017: £7.4m), with a large proportion of the growth coming through delivering greater response to our third-party partner for finance.

Manufacturer & Agency, revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites, grew 10% to £19.1m (2017: £17.5m). The automotive industry spends a huge amount on advertising every year and the addressable digital market continues to grow. In order to grow our market share, we have invested in people, with experience of working at some of the largest manufacturers; and content, by innovating new products such as InSearch. InSearch is our native performance product, which allows manufacturers to advertise new cars directly within our main search, providing a highly targeted way to influence in-market car buyers.

Costs

Costs continue to be well controlled with administrative expenses increasing by 2% to £109.5m (2017: £108.3m).

Costs	**2018 £m**	**2017 £m**	**Days adjusted change**
People costs (exc. Share-based payments)	51.1	49.5	4%
Share-based payments	3.7	4.5	(17%)
Marketing	16.3	16.0	3%
Other costs	31.3	30.7	3%
Depreciation & amortisation	7.1	8.0	(10%)
Exceptional items	-	(0.4)	n/m
Total administrative expenses	**109.5**	**108.3**	**2%**

People costs, which comprise staff costs (excluding share-based payments) and third-party contractor costs, increased 4% in the year to £51.1m (2017: £49.5m). Full-time equivalent employees ('FTEs') (including contractors) remained flat at an average of 824 (2017: 824).

A share-based payment charge of £3.7m (2017: £4.5m) was recognised during the year, including national insurance costs ('NI') on potential employee gains where applicable. The year-on-year decrease in the charge was primarily due to leavers under the Performance Share Plan, offset by further Performance Share Plan awards made in June 2017. We also launched a second Save As You Earn scheme in November 2017 which was available to all eligible employees.

Marketing spend was flat at £16.3m (2017: £16.0m), reflecting the release of our 'Next Car' campaign across TV and radio platforms. Other costs, which include property costs, data services and other overheads, increased in the year to £31.3m (2017: £30.7m). Depreciation and amortisation decreased by 10% to £7.1m (2017: £8.0m). Within this cost line is £1.0m of amortisation from intangibles recognised following the acquisition of MTD.

Operating profit

In the year, Operating profit grew 10% to £220.6m (2017: £203.1m). Operating profit margin increased 2 percentage points to 67% (2017: 65%).

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 taxation

Profit before taxation increased by 10% to £210.8m (2017: £193.4m). Finance costs remained stable year-on-year at £9.8m (2017: £9.7m). A year-on-year reduction in the average level of gross debt drawn, coupled with a margin benefit resulting from a reduction in the Group's leverage, resulted in a reduced interest cost on the Group's term loan. This was offset by an increase in the amount of debt issue costs that were amortised, with an acceleration of £1.1m of these costs recognised in the year following the decision to refinance the debt facility by June 2018.

Taxation

The Group tax charge of £39.5m (2017: £38.7m) represents an effective tax rate of 19% (2017: 20%) which is in line with the average standard UK rate.

Earnings per share

Basic earnings per share rose by 15% to 17.76 pence (2017: 15.64 pence) based on a weighted average number of ordinary shares in issue of 964,516,212 (2017: 989,278,991). Diluted earnings per share of 17.70 pence (2017: 15.60 pence) increased by 15%, based on 967,912,689 shares (2017: 991,812,212) which takes into account the dilutive impact of outstanding share awards.

Cash flow and net external debt

Cash generated from operations increased to £226.1m (2017: £212.9m) and was achieved as a result of strong Operating profit and a high level of cash conversion. Corporation tax payments totalled £39.4 m (2017: £34.8m). Cash generated from operating activities was £186.7m (2017: £178.1m).

Interest paid on financing arrangements was £6.7m (2017: £7.6m). Net external debt reduced to £338.7m (2017: £355.0m) following term loan repayments of £20.0m (2017: £40.0m). Leverage, defined as the ratio of net external debt to adjusted underlying EBITDA, decreased to 1.46x (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 11 to the financial statements, 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 continues to work collaboratively with HMRC to provide clarity surrounding the nature of the services provided. No provision has been recognised as the Group does not believe a settlement will be probable but has estimated the maximum one-off liability at £3.0m including interest and penalties.

Capital structure and dividends

During the year, a total of 26.8 million shares (2017: 26.3 million) were repurchased for a total consideration of £96.2m (2017: £102.1m) before transaction costs of £0.5m (2017: £0.5m). A further £52.2m (2017: £26.6m) was paid in dividends, giving a total of £148.4m (2017: £128.7m) in cash returned to shareholders.

The Directors are recommending a final dividend for the year of 4.0 pence per share, which together with the interim dividend makes a total dividend of 5.9 pence per share, amounting to £56.1m, in line with our policy of distributing approximately one third of net income. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 20 September 2018, the final dividend will be paid on 28 September 2018 to shareholders on the register of members at the close of business on 31 August 2018.

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

At the 2017 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 97,476,919 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2018 AGM and the Directors intend to seek a similar general authority from shareholders at the 2018 AGM. The 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 event

On 6 June 2018 the Group signed into a new Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The new RCF, which is unsecured has total commitments of £400m and a termination date of June 2023.

Interest on the new RCF is charged at LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage of Auto Trader Group plc. A commitment fee of 35% of the margin applicable to the new RCF is payable quarterly in arrears on the unutilised amounts of the new RCF. There is no requirement to settle all or part of the debt earlier than the termination date in June 2023.

Trevor Mather	**Nathan Coe**
Chief Executive Officer	**Chief Financial Officer & Chief Operating Officer**
7 June 2018	**7 June 2018**

Consolidated income statement

For the year ended 31 March 2018

	Note	**2018 £m**	2017 £m
Revenue	2	**330.1**	311.4
Administrative expenses		**(109.5)**	(108.3)
Operating profit	3	**220.6**	203.1
Finance costs		**(9.8)**	(9.7)
Profit before taxation		**210.8**	193.4
Taxation	4	**(39.5)**	(38.7)
Profit for the year attributable to equity holders of the parent		**171.3**	154.7
Basic earnings per share	5		
From profit for the year (pence per share)		**17.76**	15.64
Diluted earnings per share	5		
From profit for the year (pence per share)		**17.70**	15.60

As outlined in the basis of preparation, the current period is for the 365 days ended 31 March 2018 and the comparative period is for the 369 days ended 31 March 2017.

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	2018 £m	2017 £m
Profit for the year	**171.3**	154.7
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**0.2**	0.5
Other comprehensive income for the year, net of tax	**0.2**	0.5
Total comprehensive income for the year attributable to equity holders of the parent	**171.5**	155.2

Currency translation differences arise on the consolidation of the Group's subsidiaries that have a functional currency other than sterling.

As outlined in the basis of preparation, the current period is for the 365 days ended 31 March 2018 and the comparative period is for the 369 days ended 31 March 2017.

Consolidated balance sheet

At 31 March 2018

	Note	**2018 £m**	2017 £m
Assets			
Non-current assets			
Intangible assets		**329.8**	320.4
Property, plant and equipment		**6.0**	6.7
Deferred taxation assets		**5.1**	4.7
		340.9	331.8
Current assets			
Trade and other receivables		**55.5**	50.7
Cash and cash equivalents		**4.3**	8.0
		59.8	58.7
Total assets		**400.7**	390.5
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	7	**9.5**	9.8
Retained earnings		**1,041.7**	1,015.9
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Own shares held	8	**(16.9)**	(16.9)
Capital redemption reserve		**0.5**	0.2
Other reserves		**30.6**	30.4
Total equity		**4.6**	(21.4)
Liabilities			
Non-current liabilities			
Borrowings	6	**340.8**	357.8
Deferred taxation liabilities		**0.7**	0.2
Retirement benefit obligations		**–**	–
Provisions for other liabilities and charges		**1.1**	1.1
		342.6	359.1
Current liabilities			
Trade and other payables		**33.3**	33.3
Current income tax liabilities		**19.9**	19.2
Provisions for other liabilities and charges		**0.3**	0.3
		53.5	52.8
Total liabilities		**396.1**	411.9
Total equity and liabilities		**400.7**	390.5

The financial statements were approved by the Board of Directors and authorised for issue.

Nathan Coe
Chief Financial Officer & Chief Operating Officer

7 June 2018

Auto Trader Group plc

Registered number 09439967

Consolidated statement of changes in equity

For the year ended 31 March 2018

	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 March 2016		**10.0**	**970.9**	**(1.5)**	**(1,060.8)**	**–**	**29.9**	**(51.5)**
Profit for the year		–	154.7	–	–	–	–	154.7
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	154.7	–	–	–	0.5	155.2
Transactions with owners								
IFRS 2 – share-based payments		–	4.0	–	–	–	–	4.0
Deferred tax on share-based payments		–	0.1	–	–	–	–	0.1
Repurchase of own shares for treasury	8	–	–	(15.5)	–	–	–	(15.5)
Cancellation of shares	7	(0.2)	(87.1)	–	–	0.2	–	(87.1)
Dividends paid	9	–	(26.6)	–	–	–	–	(26.6)
Transfer of shares from ESOT	8	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(0.2)	(109.7)	(15.4)	–	0.2	–	(125.1)
Balance at March 2017		**9.8**	**1,015.9**	**(16.9)**	**(1,060.8)**	**0.2**	**30.4**	**(21.4)**
Profit for the year		–	171.3	–	–	–	–	171.3
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	0.2	0.2
Total comprehensive income, net of tax		–	171.3	–	–	–	0.2	171.5
Transactions with owners								
IFRS 2 – share-based payments		–	3.3	–	–	–	–	3.3
Deferred tax on share-based payments		–	0.1	–	–	–	–	0.1
Cancellation of shares	7	(0.3)	(96.7)	–	–	0.3	–	(96.7)
Dividends paid	9	–	(52.2)	–	–	–	–	(52.2)
Total transactions with owners, recognised directly in equity		(0.3)	(145.5)	–	–	0.3	–	(145.5)
Balance at March 2018		**9.5**	**1,041.7**	**(16.9)**	**(1,060.8)**	**0.5**	**30.6**	**4.6**

Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	**2018 £m**	2017 £m
Cash flows from operating activities			
Cash generated from operations	10	**226.1**	212.9
Tax paid		**(39.4)**	(34.8)
Net cash generated from operating activities		**186.7**	178.1
Cash flows from investing activities			
Purchases of intangible assets – financial systems		**(0.3)**	(0.7)
Purchases of intangible assets – other		**(0.3)**	(0.5)
Purchases of property, plant and equipment		**(2.3)**	(2.5)
Net cash outflow on acquisition of subsidiary	11	**(11.9)**	–
Net cash used in investing activities		**(14.8)**	(3.7)
Cash flows from financing activities			
Dividends paid to Company's shareholders	9	**(52.2)**	(26.6)
Repayment of Syndicated Term Loan	6	**(20.0)**	(40.0)
Payment of interest on borrowings		**(6.7)**	(7.6)
Purchase of own shares for cancellation		**(96.2)**	(86.7)
Purchase of own shares for treasury		**–**	(15.4)
Payment of fees on repurchase of own shares		**(0.5)**	(0.5)
Net cash used in financing activities		**(175.6)**	(176.8)
Net decrease in cash and cash equivalents		**(3.7)**	(2.4)
Cash and cash equivalents at beginning of year		**8.0**	10.4
Cash and cash equivalents at end of year		**4.3**	8.0

As outlined in the basis of preparation, the current period is for the 365 days ended 31 March 2018 and the comparative period is for the 369 days ended 31 March 2017.

Notes to the consolidated financial statements

1. Accounting policies

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 consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Except as described below, the principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those financial statements. These policies have been applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the year (365 days) ended 31 March 2018 and for the 369-day period ended 31 March 2017. Financial year ends have been referred to as 2017 and 2018 in the consolidated financial statements.

Due to the publishing heritage of the business, results have historically been reported on a 52-week basis, with the accounting period ending on the closest Sunday to 31 March. During the year ended 31 March 2017, the Board made the decision to change the period end date to be 31 March every year, to better align with our customers' needs and to the products and services we offer. As a consequence of this change, the 2017 financial year was four days longer than the current year.

The Group has adopted the following new and amended IFRSs in the consolidated financial statements with no significant impact on its consolidated results or financial position:

– Amendments to IAS 12, 'Income Taxes'

– Amendments to IAS 7, 'Statement of Cash Flows'

The following standards and interpretations were issued by the IASB but have not been adopted either because they were not endorsed by the EU as at 31 March 2018 or they are not yet mandatory:

– IFRS 9 'Financial Instruments 'and IFRS 15 'Revenue from Contracts with Customers'

The Group is required to adopt IFRS 9 and IFRS 15 from 1 April 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements and does not expect this to be material.

– IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group intends to early adopt IFRS 16 when IFRS 15 becomes mandatory, being 1 April 2018, using the fully retrospective approach.

The Group's lease commitments will be brought onto the consolidated statement of financial position, as a liability with a corresponding asset, both of which are immaterial in relation to the net assets of the Group.

Total costs incurred remain unchanged over the life of the lease but the timing of when those costs are recognised within the consolidated income statement will be impacted. Based on analysis of lease commitments held by the Group at 31 March 2018, and using estimated discount rates, the net impact on profit is expected to be immaterial to the Group. This does not impact the Group's cash flows.

– Amendment to IFRS 2 – Classification and Measurement of Share-Based payments transactions (not yet EU endorsed). This standard is not anticipated to have a significant impact on the financial statements.

– Annual improvements to IFRSs 2014 – 2016 (not yet EU endorsed).

– IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (not yet EU endorsed).

– IFRIC 23 Uncertainty over Income Tax Treatments (not yet EU endorsed).

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 31 March 2017 or 31 March 2018 but is derived from the 2018 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2018 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and has given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

Going concern
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.

2. Segmental information

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

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

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. Following the acquisition of Motor Trade Delivery ('MTD') in April 2017, this category also includes revenue from logistics firms who pay to access the MTD website;
– **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 and Agency:** revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites.

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

Revenue	**2018 £m**	2017 £m
Trade	**281.2**	262.1
Consumer services	**29.8**	31.8
Manufacturer and Agency	**19.1**	17.5
Total revenue	**330.1**	311.4

The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

Operating profit
As disclosed in the 2017 Annual Report and Financial Statements, from this financial year, the business now reports against the statutory measure of Operating profit as opposed to the non-GAAP measure of Underlying operating profit. A reconciliation of prior year comparatives has been shown for completeness.

	2018 £m	2017 £m
Operating profit	**220.6**	203.1
– Share-based payments and associated NI	**3.7**	4.5
– Exceptional items	**–**	(0.4)

	2018 £m	2017 £m
Underlying operating profit	**224.3**	207.2

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

	2018 £m	2017 £m
Total segment Operating profit	**220.6**	203.1
Finance costs – net	**(9.8)**	(9.7)
Profit before tax	**210.8**	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 consolidated financial statements.

The Group is domiciled in the UK and the following table details external sales by location of customers and non-current assets (excluding deferred tax) by geographic area:

	2018 £m	2017 £m
Revenue:		
UK	**324.9**	306.1
Ireland	**5.2**	5.3
Total revenue	**330.1**	311.4
Non-current assets:		
UK	**329.8**	321.0
Ireland	**6.0**	6.1
Total non-current assets (excluding deferred tax)	**335.8**	327.1

Due to the large number of customers the Group serves, there are no individual customers whose revenue is greater than 10% of the Group's total revenue in all periods presented in these financial statements.

3. Operating profit

Operating profit is stated after charging:

	2018 £m	2017 £m
Staff costs	**54.5**	53.6
Contractor costs	**0.4**	0.4
Depreciation of property, plant and equipment	**3.0**	3.2
Amortisation of intangible assets	**4.1**	4.8
Operating leases	**2.7**	2.7

Exceptional items:

	2018 £m	2017 £m
Restructuring of Group operations	**-**	(0.4)
Total exceptional items	**-**	(0.4)

Exceptional income for the year ended 31 March 2017 relates to the reversal of provisions previously made for restructuring costs that are no longer required.

4. Taxation

	2018 £m	2017 £m
Current taxation		
UK corporation taxation	**40.7**	39.3
Foreign taxation	**0.2**	0.2
Adjustments in respect of prior years	**(0.9)**	(0.4)
Total current taxation	**40.0**	39.1
Deferred taxation		
Origination and reversal of temporary differences	**(0.3)**	(0.3)
Adjustments in respect of prior years	**(0.2)**	(0.1)
Total deferred taxation	**(0.5)**	(0.4)
Total taxation charge	**39.5**	38.7

The taxation charge for the year is lower than (2017: the same as) the effective rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £m	2017 £m
Profit before taxation	**210.8**	193.4
Tax on profit on ordinary activities at the standard UK corporation tax rate of 19% (2017: 20%)	**40.1**	38.7
Expenses not deductible for taxation purposes	**0.6**	0.6
Adjustments in respect of foreign tax rates	**(0.1)**	(0.1)
Adjustments in respect of prior years	**(1.1)**	(0.5)
Total taxation charge	**39.5**	38.7

Taxation on items taken directly to equity was a credit of £0.1m (2017: £0.1m) relating to deferred 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% (2017: 20%). 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. 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 17% being used to measure all deferred tax balances as at 31 March 2018 (2017: 17%).

5. 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 2018			
Basic EPS	**964,516,212**	**171.3**	**17.76**
Diluted EPS	**967,912,689**	**171.3**	**17.70**
Year ended 31 March 2017			
Basic EPS	989,278,991	154.7	15.64
Diluted EPS	991,812,212	154.7	15.60

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:

Year ended 31 March 2018	Weighted average number of shares
Issued ordinary shares at 31 March 2017	**978,971,146**
Weighted effect of ordinary shares purchased for cancellation	**(9,314,068)**
Weighted effect of ordinary shares held in treasury	**(4,199,275)**
Weighted effect of shares held by the ESOT	**(941,591)**
Weighted average number of shares for basic EPS	**964,516,212**
Dilutive impact of share options outstanding	**3,396,477**
Weighted average number of shares for diluted EPS	**967,912,689**

For diluted earnings per share, the weighted average 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, 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.

6. Borrowings

Non-current	2018 £m	2017 £m
Syndicated Term Loan gross of unamortised debt issue costs	**343.0**	363.0
Unamortised debt issue costs	**(2.2)**	(5.2)
Total	**340.8**	357.8

The Syndicated Term Loan is repayable as follows:

	2018 £m	2017 £m
Within one to two years	**343.0**	-
Within two to five years	**-**	363.0
Total	**343.0**	363.0

The carrying amounts of borrowings approximate their fair values.

A reconciliation of changes in borrowings arising from financing activities is as follows:

	At 1 April 2017 £m	Cash movement £m	Non-cash movement £m	At 31 March 2018 £m
Total borrowings	**357.8**	**(20.0)**	**3.0**	**340.8**

During the year to 31 March 2018 the Group repaid £20.0m of the Syndicated Term Loan (2017: £40.0m).

Senior Facilities Agreement (including the Syndicated Term Loan)
On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement. The associated debt transaction costs were £9.4m. The first utilisation was made on 24 March 2015 when £550.0m was drawn.

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

Under the Senior Facilities Agreement, the lenders also made available to the Company and Auto Trader Holding Limited a £30.0m revolving credit facility (the 'RCF'). The RCF was undrawn at 31 March 2018 (2017: undrawn). Cash drawings under the RCF would incur interest at LIBOR, plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group (31 March 2017: 1.25% and 3.0%). A commitment fee of 35% of the margin applicable to the RCF from time to time was payable quarterly in arrears on the unutilised amounts of the RCF.

On 6 June 2018 the Group signed into a New Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The New RCF, which is unsecured has total commitments of £400m and a termination date of June 2023.

Interest on the New RCF is charged at LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage of Auto Trader Group plc. A commitment fee of 35% of the margin applicable to the New RCF is payable quarterly in arrears on the unutilised amounts of the New RCF. There is no requirement to settle all or part of the debt earlier than the termination date in June 2023.

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:

	2018 £m	2017 £m
One month or less	**343.0**	363.0
Total	**343.0**	363.0

7. Share capital

	2018		2017	
Share capital	**Number ’000**	**Amount £m**	Number ’000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**978,971**	**9.8**	1,001,052	10.0
Purchase and cancellation of own shares	**(26,810)**	**(0.3)**	(22,081)	(0.2)
Total	**952,161**	**9.5**	978,971	9.8

In the year ended 31 March 2017, the Company commenced a share buy-back programme. By resolutions passed at the 2017 AGM, the Company was authorised to make market purchases of up to 97,476,919 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 26,809,702 ordinary shares of £0.01 were purchased in the year (2017: 26,292,510). The average price paid per share was 358.5p (2017: 387.9p), with a total consideration paid (inclusive of all costs) of £96.7m (2017: £102.6m).

No shares were purchased to be held in treasury (2017: 4,211,957).

Included within shares in issue at 31 March 2018 are 932,761 (2017: 948,924) shares held by the ESOT and 4,194,989 (2017: 4,203,277) shares held in treasury, as detailed in note 8.

8. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2016	(1.5)	–	(1.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(15.5)	(15.5)
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 31 March 2018	**(1.4)**	**(15.5)**	**(16.9)**

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 2016	1,021,224	–	1,021,224
Transfer of shares from ESOT	(72,300)	–	(72,300)
Shares purchased for treasury	–	4,211,957	4,211,957
Share-based incentives exercised in the year	–	(8,680)	(8,680)
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
Transfer of shares from ESOT	(16,163)	–	(16,163)
Share-based incentives exercised in the year	–	(8,288)	(8,288)
Own shares held as at 31 March 2018	**932,761**	**4,194,989**	**5,127,750**

9. Dividends

Dividends declared and paid by the Company were as follows:

	2018		2017	
	Pence per share	**£m**	Pence per share	£m
2016 final dividend paid	**–**	**–**	1.0	9.9
2017 interim dividend paid	**–**	**–**	1.7	16.7
2017 final dividend paid	**3.5**	**34.0**	–	–
2018 interim dividend paid	**1.9**	**18.2**	–	–
	5.4	**52.2**	2.7	26.6

The proposed final dividend for the year ended 31 March 2018 of 4.0p per share, totalling £37.9m, is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2018 interim dividend paid on 26 January 2018 was £18.2m, being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 9 November 2017 and the dividend record date of 5 January 2018.

The 2017 final dividend paid on 29 September 2017 was £34.0m, being a difference of £0.1m 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 final dividend record date of 1 September 2017.

The Directors' policy with regards to future dividends is set out in the Financial review.

10. Cash generated from operations

	2018 £m	2017 £m
Profit before taxation	**210.8**	193.4
Adjustments for:		
Depreciation	**3.0**	3.2
Amortisation	**4.1**	4.8
Share-based payments charge (excluding associated NI)	**3.3**	4.0
Finance costs	**9.8**	9.7
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(3.5)**	0.7
Trade and other payables	**(1.5)**	(2.3)
Provisions	**0.1**	(0.6)
Cash generated from operations	**226.1**	212.9

11. 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 consolidated income statement.

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

	2018 £m
Cash paid for subsidiary	12.2
Less: Cash acquired	(0.3)
Net cash outflow	11.9

From the period from acquisition to 31 March 2018, MTD contributed revenue of £1.1 million, and a loss of £0.5 million (after an amortisation charge of £1.0 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 fair value of the net assets acquired at the date of acquisition:

	Fair value £m
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)
	3.5
Current assets	
Trade and other receivables	0.7
Cash and cash equivalents	0.3
	1.0
Current liabilities	(0.8)
Total net assets acquired	3.7
Goodwill on acquisition	8.5
	12.2
Cash consideration	**12.2**

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. This represents synergies expected to arise from combining with the existing business of Auto Trader Limited. 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, non-compete agreement and website obtained through the acquisition met the requirements to be separately identifiable under IFRS 3.

12. Contingent liabilities and guarantees

Guarantees

A number of the Group's entities provide guarantees under the Group's Senior Facilities Agreement. The amount borrowed under this agreement at 31 March 2018 was £343.0m (2017: £363.0m).

Contingent liabilities

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 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.

13. Post balance sheet event

On 6 June 2018 the Group signed into a new Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The New RCF, which is unsecured has total commitments of £400m and a termination date of June 2023.

Interest on the New RCF is charged at LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage of Auto Trader Group plc. A commitment fee of 35% of the margin applicable to the New RCF is payable quarterly in arrears on the unutilised amounts of the New RCF. There is no requirement to settle all or part of the debt earlier than the termination date in June 2023.

Principal risks and uncertainties

Principal risk	Impact
1. Economy, market and business environment	A contraction in the number of new or used car transactions could lead to a consolidation of retailers and a reduction of retailer's advertising spend. It could also lead to a reduction in manufacturers spend on digital display advertising. There are concerns about the implications surrounding the UK's departure from the EU as economic conditions, currency volatility and consumer confidence levels could all be adversely affected. If the prices of cars increase, consumer confidence levels decrease, and manufacturers' appetite to supply cars to the UK market reduces, this could have an adverse impact on our business.
2. Brand	Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK, with nearly 10 times more consumers claiming to trust Auto Trader over our nearest competitor. Failure to maintain and protect our brand, or any negative publicity that affects our reputation (for example, a data breach) could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.
3. Increased competition	There are a number of online competitors in the motor classified market, and alternative routes for consumers to sell cars, such as auctions or part-exchange. Competitors could develop superior consumer experiences or retailer products that we are unable to replicate or change focus to try to expand their range of stock and disrupt our market position. This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.
4. Failure to innovate: disruptive technologies and changing consumer behaviours	Failure to innovate and develop new products or technologies, to execute new product launches or to adapt to changing consumer behaviour towards car buying or ownership could have an adverse impact. For example, this could lead to an over-reliance on price to drive revenue growth in an unsustainable way, or could result in missed opportunities as we fail to be at the front of industry developments.
5. IT systems and Cyber Security	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. A significant data breach, whether as a result of our own failures or a malicious cyber-attack, would lead to a loss in confidence by our retailers, advertisers and consumers. This could result in loss of audience, loss of revenue, reputational damage and potential financial losses in the form of penalties.
6. Employees	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.